

Report on Rigorous Thesis

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Title of the thesis:	The Political Sustainability of Pension System

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

The ambition of the thesis has been to combine limited self-control as a motive for public pension systems (see, e.g., Kaplow 2010) with rigorous modeling of political constraints that shape pension systems. Such a setup may help to address topical issues such as the lack of political engagement of young generations facing a largely redistributive systems, and the overwhelming dominance of public pensions even in the absence of demographic dividends.

This thesis has, in the end, accomplished two goals: (i) First, it incorporated myopia into citizen preferences in a three-generation OLG model and delivered the optimal policy with accordingly modified objectives. (ii) Second, it solved for political preferences over the pension systems and political equilibria in the presence of myopia. The latter involved two alternative types of models, majority voting (esp. Ch. 4.4) and common agency lobbying (Ch. 6). As extra work, the thesis presents a relatively technically non-trivial introduction into recent models in the field (Ch. 2-3, plus Ch. 4.1-4.3). Chapter 4 and particularly Chapter 5 give original propositions which have not been, to my knowledge, written in the literature in this form. Also parametrization of the problem is of interest.

My comment is to how citizens political preferences evolve over time. Two aspects matter: (i) A citizen's "type" (relative contributor/recipient position in the population) changes over time, (ii) but also his or her the treatment of time changes (discount factor produced by interaction of finiteness of life and myopia). It would be nice to separate these two effects. Also, the feasible set of policies is derived from the economy responses, and these reflect the myopic preferences. The question is whether a citizen's indirect preferences over policies must necessarily exhibit knowledge of time-inconsistency, or whether the citizen's political preferences may be optimal even if the feasibility sets are taken as exogenous. This is important for empirical tests of voting for public pensions; if knowledge is deemed necessary, then a survey of motives for voting could help to (in)validate this theory.

The analysis of political sustainability of public pensions is technically challenging even without myopia. The thesis has managed even with myopic citizen. The author has also successfully improved the weak points that I suggested to address. Thus, I recommend to grade the thesis with 1.

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	20
<i>Methods</i> (max. 30 points)	28
<i>Contribution</i> (max. 30 points)	25
<i>Manuscript Form</i> (max. 20 points)	20
TOTAL POINTS (max. 100 points)	93
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Martin Gregor

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Referee Signature