Funded Pension Scheme and Time Preference in an Endowment Economy

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Abstract

This paper incorporates the three-period overlapping generations model with a funded pension scheme and quasi-hyperbolic discounting in an endowment economy, it and discusses the behavior of each generation under the general equilibrium condition. For saving instruments, there is a substitution relation between the funded pension scheme and investments. The equilibrium gross return rate on asset holdings decreases with a higher pension contribution rate and stronger present bias. The funded pension scheme deteriorates consumer welfare.

Keywords: Overlapping Generations Model, General Equilibrium, Funded Pension Scheme, Quasi-Hyperbolic Discounting

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