



*Should we subsidize longevity?*

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**ALL ARE WELCOME**

**Abstract**

This paper studies the design of the optimal non linear taxation in an economy where longevity varies across agents, and depends on three factors: longevity genes, health investment and farsightedness. Provided earnings, farsightedness and genes are correlated, governmental intervention can be justified on two grounds: correction for a lack of farsightedness and redistribution across both earnings and genetic dimensions. Whether longevity-enhancing spending should be subsidized or taxed is shown to depend on the combined effects of myopia, self-selection and free-riding on the annuity returns. Our policy conclusions depend also on how productivity and genes are correlated, on the complementarity of genes and efforts in the survival function, and on how the government weights the welfare of heterogeneous agents. All in all, it might be desirable to tax longevity-enhancing spending.

**Biographical sketch**

Since receiving his B.A and M.A degrees in economics from the University of Louvain and then his PhD from Yale, Pierre Pestieau has had over thirty years of experience teaching and conducting research in public economics and population economics first at Cornell and then at the University of Liege. Since 2008 he is Emeritus Professor at the University of Liege. He is also member of CORE, Louvain-la-Neuve, associate member of PSE, Paris, CEPR Fellow and CESifo Fellow. He is currently coeditor of the Journal of Public Economics and associate editor of *Economica*, *Finanzarchiv*, *Public Economic Theory*, *Public Finance* and *CESifo Economic Studies*. Professor Pestieau's major interests are pension economics, social insurance, inheritance taxation, redistributive policies and tax competition. His articles have been published in such leading journals as *Econometrica*, the *Journal of Economic Theory*, *Economica*, the *Journal of Public Economics*, the *Journal of Population Economics* and the *Scandinavian Journal of Economics*. His most recent book with Robert Fenge "Social Security and Retirement" has been published by the MIT Press. He has also published at Oxford University Press "The Welfare State in the European Union". Prior books were devoted to the performance of public enterprises, inheritance and the underground economy. Professor Pestieau has held visiting positions at the University of Cornell, London School of Economics, the University of Toulouse, Montreal, Marseille, Paris (1 and 10), Le Mans and Louvain. He has been a consultant to various national and international agencies, including the IMF, the World Bank, the OECD and the European Commission.