On social security financial crisis

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Abstract

We indicate that financial crisis in social security programs might be endogenous because social security affects fertility and human capital's decisions and thus, the aggregate growth rate of the economy. These effects lead to an endogenous erosion of the financial basis of the PAYG social security program so that, as a consequence, the PAYG system is not sustainable and it requires continuous increases in the social security tax rate.

Keywords

Pay-as-you-go social security, Demographic transition, Financial crisis.