

# Pay-As-You-Go Pension Policies in an Overlapping Generations Model with Endogenous Fertility and Retirement

Kazuki Tatsumi\*

Hiroyuki Hashimoto\*\*

Shin Kimura\*\*\*

## Abstract

This paper analyze the effect of tax increases and longevity on economic growth and fertility under the three period overlapping generations OLG model, which is almost the same as Cipriani and Fioroni (2019). One differences are settings for households decision making. Cipriani and Fioroni (2019) studied under setting that households do not consider government budget constraints, but we study under setting that households consider government budget constraints. We analyze both the case of retirement is determined exogenously and endogenously. In the case of exogenous retirement, since households can accurately understand their lifetime income, they save less than if they do not consider government budget constraints. The amount that households reduce from saving is spent on consumption and the number of children, and their change depends on the child rearing costs. In the case of endogenous retirement, if households do not consider government budget constraints, an increase in pension benefits would promote capital accumulation, but in a model in which households consider government budget constraints, does not necessarily promote capital accumulation.

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\* Graduate School of Economics, University of Hyogo, 8-2-1 Gakuen-Nishimachi, Nishi-ku, Kobe 651-2197, Japan

\*\* Graduate School of Business (MBA), University of Hyogo

\*\*\* School of Social Information Science, University of Hyogo