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Redistributive effects of the US pension system among individuals with different life expectancy*

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Abstract

We investigate the differential impact that pension systems have on the labor supply and the accumulation of physical and human capital for individuals that differ by their learning ability and levels of life expectancy. Using a general equilibrium model populated by overlapping generations, in which all population groups interact through the pension system, the labor market, and the capital market, we show that the increasing gap in life expectancy by socioeconomic status makes the US pension system progressively more regressive and explains the increasing per capita income gap across ability groups.

Keywords: Human capital, Longevity, Inequality, Life cycle, Social Security

JEL codes: E24, J10, J18, H55

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