

**“Privatizing U. S. Social Security: Some Possible Effects
on Inter-generational Equity and the Economy”**

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Discussion Questions**

1. According to Kotlikoff, will privatization enhance or undermine generational equity of the social security system?
 - a. What does Kotlikoff mean by “generational equity”?
 - b. How does Kotlikoff use Table 2 and Figure 2 to support his conclusion?
 - c. Why, according to Kotlikoff, are the effects of privatization progressive? What does he mean by “progressive”?
 - d. According to Kotlikoff, who are the losers and who are the winners from a privatization of social security? Why do the winners win? Why do the losers lose?
 - e. How does Kotlikoff use the concept of a Pareto improvement to answer the question of generational equity?

2. Why, according to Kotlikoff, will privatizing social security increase economic efficiency?
 - a. What are the economic reasons that privatizing social security increases efficiency?
 - b. How does Kotlikoff use Table 1 and Figure 1 to argue that the efficiency gains are substantial?
 - c. How does Kotlikoff compute the data reported in Table 1 and Figure 1?

3. How does Kotlikoff use the A-K model to study the impact of privatizing social security?
 - a. What does Kotlikoff mean when he says: “In the A-K model, privatization requires simply eliminating the Social Security payroll tax”?
 - b. How, in the model, do agents respond to the privatization of social security?
 - c. Why does Kotlikoff assume that social security benefits paid during the transition period to complete privatization are financed by a proportional consumption tax? What does he mean by a “consumption tax”?

4. Are you convinced by Kotlikoff’s analysis? Why or why not?