



Voting in the aftermath of a pension reform: the role of economic-financial literacy

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Objective and Data

***“We all know what to do,
but we don’t know how to get re-elected
once we have done it”***

Jean-Claude Juncker

This paper tries to test the Juncker’s proposition, focusing on the electoral cost of (major) pension system reforms

The analysis relies on a dataset including information on parliamentary elections held between 1990 and 2010 in 21 OECD countries

Results

The paper finds no evidence of a clear relationship between economic reforms and (executive/party) re-elections *per se*

However, when they take into account economic-financial literacy (EFL) of population, major economic reforms seem to determine a significant “political toll”

Results remain robust even considering:

- Macroeconomic conditions (e.g. growth, inflation)
- Demographic factors (age)
- Main aspects of political system and electoral rules
- Information on political juncture

Comment 1 – Reference population

❖ **Voting population \neq Total population**

- *Age of majority* – 18 years old with some exception (e.g. Austria, Scotland, Canada, Japan)
- *Abstention* – A relevant part of population declines to vote in all analyzed countries

❖ Indicators of EFL and age refer to the total population. Which implications on their reliability and results from the dissimilarity between voting population and total one?

❖ Is there any dataset reporting demographic characteristics of voting population by country?

Comment 2 – Re-election definition

- ❖ Two definitions of re-elections
 - Re-elected if the incumbent head of government is still leading the government after elections
 - Re-elected if the newly appointed head of government belongs to the same party as her predecessor
- ❖ Using the first definition, some ‘no re-election’ case may be due to factors (e.g. death, internal friction, personal choices) unrelated to pension reforms
- ❖ Why not using the second one since in robustness checks, when changing the definition, results hold?

Comment 3: Further aspects to consider

❖ Other possible control variables

- No. of years the same party has been in office
- Reformist attitude of the executive (reformist government tends to make more reforms which may affect population sympathy as well)
- Relevance of the private pension system (the more developed the private pension system, the lower the population involvement in pension reform)

Thank you