

Optimal Design of Social Security Programs

Magnus Dahlquist (Stockholm School of Economics and SIFR)

Ofer Setty (Tel Aviv University)

Roine Vestman (Stockholm University and SIFR)

Many developed countries debate whether and how their pension systems should be adjusted considering demographic and labor market changes. For some countries (e.g., the US), this is crucial given the predicted solvency problems in the coming decades.

In 2000, Sweden introduced a pension system as a self-contained entity with its own budget and with automatic adjustments of benefits to avoid deficits. It has been viewed as a model for other countries. The system has two pension accounts. The first is an individual notional account with a return that adjusts according to the average wage growth in the economy. The second is a defined contribution (DC) account with investments in assets with higher expected returns. The DC account has led to equity exposure among all Swedes. Individuals can choose investments from a menu of hundreds of mutual funds (also offered in the retail market). Individuals who do not make an active choice are automatically assigned to a default fund. This fund is a government-operated low-cost fund with global equity exposure.

Dahlquist et al. (2011) report that many Swedes are passive and that their choices exhibit strong inertia. This means that many individuals have their pension rights assigned to the default fund. This relates to a large body of literature that demonstrates the importance of default arrangements on saving behavior (see, for example, Madrian and Shea, 2001). Dahlquist et al. (2011) also find that active individuals, using dynamic fund selection, outperform individuals exhibiting inertia.

We document behavior using a detailed dataset that includes information on all savings (in regular assets as well as in their DC accounts) for a sample of about 300,000 Swedes. We find that individuals who are in the default fund have different characteristics than others. More specifically, they have on average a lower income, a lower net worth, and are less likely to participate in the stock market. Their equity share, conditional on participation, is lower as well. These differences highlight the importance of the default fund considering the potential financial vulnerability of those assigned to it.

Motivated by the findings on inertia and the characteristics of individuals in the default fund, the objective of our project is to analyze the optimal design of a pension system that has a DC component. We consider portfolio choice problems, taking into account the variation in saving and investment behavior across individuals.

We develop a life-cycle model encompassing a generic, fiscally robust, pension system. Markets are incomplete (since labor income is risky and uninsurable) so the model generates a cross section of heterogeneous individuals. We include a mandatory DC account that is

illiquid up until retirement. We also include participation costs to allow for observed limited stock market participation in liquid savings.

We consider two types of individuals, reflecting their investment choices both over their liquid assets (whether they participate and how) and over the mandatory fund (whether they are in the default fund or not). The first type, which we label active individuals, has a low participation cost for liquid savings and no cost for making an informed portfolio choice in the mandatory account. The second type, which we label passive individuals, has a high participation cost for liquid savings and effectively an infinite cost for making an informed decision on the portfolio of the mandatory account. The introduction of heterogeneity allows us to fit key moments, such as participation rates across types, in data.

In order to calibrate the model, we construct a rich Swedish micro dataset. The dataset contains detailed information on the portfolio holdings of liquid financial assets as well as on portfolio holdings in individual DC accounts. We are the first to match a micro dataset on liquid financial wealth (used in Calvet et al. 2007, 2009; and Vestman, 2012) with a data set on fund holdings in the DC system (used in Dahlquist et al., 2011). We are therefore able to calibrate the model to savings behavior in the pension system as well as savings behavior outside of the system. Moreover, we are able to use novel cross moments. For example, our preliminary empirical findings suggest that stock market participation in the liquid segment is a strong predictor of the activity in the DC account.

We will use the model to analyze the design of a default fund in the pension system. The design is optimal from the perspective of a consumption-based welfare function, where each individual's utility from a specific policy is taken into account. We can potentially also use the model for studying research questions beyond the design of the default fund. First, we can expand the analysis to the complete design of the system, allowing flexibility in the mix of both the notional account and the DC accounts in the system. Second, we can allow for a more flexible design of the system according to individual characteristics (for example, conditioning the policy's instruments on the age of the individual). Finally, we can study the average effects of the reform in Sweden from a normative perspective as well as the distribution of winners and losers in the economy.

References

- Calvet, Laurent E., John Y. Campbell, and Paolo Sodini, 2007. "Down or Out: Assessing the Welfare Costs of Household Investment Mistakes," *Journal of Political Economy* 115, 707-747.
- Calvet, Laurent E., John Y. Campbell, and Paolo Sodini, 2009. "Fight or Flight? Portfolio Rebalancing by Individual Investors," *Quarterly Journal of Economics* 124, 301-48.
- Dahlquist, Magnus, Jose Vicente Martinez, and Paul Söderlind, 2011. "Individual Investor Activity and Performance", Working Paper, Stockholm School of Economics.
- Madrian, Bridgette, and Dennis F. Shea, 2001. "The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior," *Quarterly Journal of Economics* 116, 1149-1187.
- Vestman, Roine, 2012. "Limited Stock Market Participation Among," Working Paper, Stockholm University.

Budget for “Optimal Design of Social Security Programs”

Magnus Dahlquist (Stockholm School of Economics and SIFR)

Ofer Setty (Tel Aviv University)

Roine Vestman (Stockholm University and SIFR)

The two main items in the budget are research assistants (\$8,000) and travel (\$8,000). The last item is for supplies, materials and services (\$2,000).

Budget

Research assistants	\$8,000
Travel	\$8,000
Miscellaneous	\$2,000
Total	\$18,000

Two research assistants (RAs) are required in the project. The first RA will be a graduate student from the Department of Economics at Stockholm University. The work will be empirical. The RA will assist in generating the moments that are required for tuning the models. This includes statistics on life-cycle income, wealth, and portfolio choices. This work requires experience with large datasets. This RA will also assist with the survey of applications of social security policies throughout the world. This will help establishing the current state of policies in industrialized countries and will enable us to learn from best practices and innovations in the world regarding those policies. The second RA will be a graduate student from the Department of Computer Science at Tel Aviv University. The need for this RA is linked to the nature of the solution of the project, which is exceptionally rich in both population's heterogeneity and the policy state space. Since our macro model does not have a closed form solution there is a need to search for the optimal solution within the policy state space numerically. This will be done by running the same model with different levels of the policy's instruments in parallel over multiple processors in the lab for parallel computing at the school of Computer Science. The RA will be responsible for setting up the various experiments and simulations, and documenting the result.

The project team is split between Stockholm (where Magnus Dahlquist specializes in finance and especially on portfolio choices, and where Roine Vestman specializes in macroeconomic models with portfolio choices and heterogeneity in portfolio choices) and between Tel Aviv (where Ofer Setty specializes in public finance in macroeconomic models and in parallel computing). The research money will support the travel for Assistant Professors Setty (PhD in 2010) and Vestman (PhD in 2010). Note that Professor Dahlquist is funded from his home institution and does not need to draw any sources from the project.

January 7, 2013

Magnus Dahlquist

Curriculum Vitae

Address

Stockholm School of Economics &
Institute for Financial Research (SIFR)
Drottninggatan 98
SE-111 60 Stockholm
Sweden

Phone: +46-8-736 9120

E-mail: magnus.dahlquist@hhs.se

magnus.dahlquist@sifr.org

Current positions

Peter Wallenberg Professor of Finance, Stockholm School of Economics, 2004–present.

Research Fellow, Institute for Financial Research (SIFR), 2008–present.

Research Fellow, Centre for Economic Policy Research (CEPR), 2005–present.

Research Fellow, Network for Studies on Pensions, Aging and Retirement (NETSPAR)
in the Netherlands, 2008–present.

Education

Fil kand (BA) in Economics at Stockholm University, 1992.

Fil dr (PhD) in Economics at the Institute for International Economic Studies (IIES),
Stockholm University, 1995.

Docent in Financial Economics at the Stockholm School of Economics, 2000.

Previous appointments

Centre for Economic Policy Research:

Research Affiliate, February 1996–December 2004.

Fuqua School of Business, Duke University:

Visiting Assistant Professor of Finance, January 1998–June 1999.

Visiting Associate Professor of Finance, September 2000–June 2002.

Adjunct Associate Professor of Finance, January 2003–May 2003.

Visiting Professor of Finance, April 2005–May 2005.

Visiting Professor of Finance, January 2007–May 2007.

Adjunct Professor of Finance, January 2009–May 2009.

London Business School:

Visiting Professor of Finance, July 2008–December 2008.

Visiting Professor of Finance, January 2010–March 2010.

Visiting Professor of Finance, January 2011–March 2011.

Visiting Professor of Finance, January 2012–March 2012.

Visiting Professor of Finance, January 2013–March 2013.

SIFR – Institute for Financial Research:

Visiting Professor, July 2002–September 2003.

Director, October 2003–June 2008.

Stockholm School of Economics:

Assistant Professor of Finance, April 1996–February 2000.

[On leave, January 1998–December 1998.]

Associate Professor of Finance, March 2000–August 2000.

Academic interests

Research

Asset pricing; international finance.

Teaching

Fixed income securities; international finance; investment management.

Research

Dissertation

“Essays on the Term Structure of Interest Rates and Monetary Policy.”

(Thesis adviser: Professor Lars E.O. Svensson).

Published papers

1. “The Information in Swedish Short-Maturity Forward Rates” (with Gunnar Jonsson), *European Economic Review* 39 (1995), 1115–1131.
2. “On Alternative Interest Rate Processes,” *Journal of Banking and Finance* 20 (1996), 1093–1119.
3. “Stochastic Dominance, Tax-Loss Selling, and Seasonalities in Sweden” (with Peter Sellin), *European Journal of Finance* 2 (1996), 1–19.
4. “Estimating the Term Structure of Interest Rates for Monetary Policy Analysis” (with Lars E.O. Svensson), *Scandinavian Journal of Economics* 98 (1996), 163–183.
5. “Emerging/Developed Market Portfolio Mixes” (with Stefano Cavaglia, Campbell Harvey, Fred Nieuwland, Peter Rathjens, and Jarrod Wilcox), *Emerging Markets Quarterly* 1 (1997), 47–61.
6. “Evaluating Portfolio Performance with Stochastic Discount Factors” (with Paul Söderlind), *Journal of Business* 72 (1999), 347–383.
[Reprinted in *New Research in Financial Markets*, edited by Bruno Biais and Marco Pagano, Oxford University Press, 2002.]
7. “Regime-Switching and Interest Rates in the European Monetary System” (with Stephen Gray), *Journal of International Economics* 50 (2000), 399–419.
8. “The Forward Premium Puzzle: Different Tales from Developed and Emerging Economies” (with Ravi Bansal), *Journal of International Economics* 51 (2000), 115–144.

[Winner of the Chicago Board of Trade award for the best paper on futures or options on futures at the Western Finance Association Meeting in 1999.]

9. “Performance and Characteristics of Swedish Mutual Funds” (with Stefan Engström and Paul Söderlind), *Journal of Financial and Quantitative Analysis* 35 (2000), 409–423.
10. “Direct Foreign Ownership, Institutional Investors, and Firm Characteristics” (with Göran Robertsson), *Journal of Financial Economics* 59 (2001), 413–440.
11. “Global Tactical Asset Allocation” (with Campbell R. Harvey), *Emerging Markets Quarterly* 5 (2001), 6–14.
12. “Corporate Governance and the Home Bias” (with Lee Pinkowitz, René M. Stulz, and Rohan Williamson), *Journal of Financial and Quantitative Analysis* 38 (2003), 87–110.

[Winner of the William F. Sharpe Award for Scholarship in Financial Research for the best article in *Journal of Financial and Quantitative Analysis* in 2003]
13. “A Note on Foreigners’ Trading and Price Effects across Firms” (with Göran Robertsson), *Journal of Banking and Finance* 28 (2004), 615–632.
14. “Pseudo Market Timing: A Re-Appraisal” (with Frank de Jong), *Journal of Financial and Quantitative Analysis* 43 (2008), 547–580.

Recent working papers

15. “Individual Investor Activity and Performance” (with Jose Vicente Martinez and Paul Söderlind), working paper (2011).
16. “Investor Inattention: A Hidden Cost of Choice?” (with Jose Vicente Martinez), working paper (2012), forthcoming in *European Financial Management*.
17. “International Bond Risk Premia” (with Henrik Hasseltoft), working paper (2012), forthcoming in *Journal of International Economics*.
18. “Empirical Evidence of Dividend Tax Clienteles” (with Göran Robertsson and Kristian Rydqvist), working paper (2012).

Old working papers

19. “An Evaluation of International Asset Pricing Models” (with Torbjörn Sällström), working paper (2002). Also published as CEPR Discussion Paper 3145.
20. “Dynamic Trading Strategies and Portfolio Choice” (with Ravi Bansal and Campbell R. Harvey), working paper (2005). Also published as NBER Working Paper 10820.
21. “Sample Selectivity and Expected Returns in Global Equity Markets” (with Ravi Bansal), working paper (2005). Also published as CEPR Discussion Paper 3034.

Book chapters

22. “Räntedynamik då växelkurspolitiken ej är trovärdig: Exemplet Frankrike” (in Swedish), *EFI's Årsbok 1997*.
23. “Measuring International Volatility Spillovers” (with Peter Hördahl and Peter Sellin), *BIS conference papers* (1999).

Invited seminars and presentations at meetings

BI – Norwegian School of Management, 1996; Financial Econometrics Workshop at Tilburg University, 1996; London Business School, 1997; IIES at Stockholm University, 1997; Lund University, 1997; CEPR Summer Symposium in Gerzensee, 1997; HEC School of Management in Paris, 1997; Erasmus University in Rotterdam, 1997; European Finance Association Meeting in Vienna, 1997; The David Eccles School of Business at University of Utah, 1998; Fuqua School of Business at Duke University, 1998; McDonough School of Business at Georgetown University, 1998; Conference on Globalization, Capital Market Crises and Economic Reform at Duke University, 1998; American Finance Association Meeting in NYC, 1999; Western Finance Association Meeting in Santa Monica (1999), CEPR Summer Symposium in Gerzensee, 1999; European Finance Association Meeting in Helsinki, 1999; Uppsala University, 1999; INSEAD in Paris, 1999; American Finance Association Meeting in Boston, 2000; Federal Reserve Board in Washington, 2001; IIES at Stockholm University, 2001; Western Finance Association Meeting in Arizona, 2001; Society for Economic Dynamics Meeting in Stockholm, 2001; Washington University at St Louis, 2001; University of North

Carolina at Chapel Hill, 2001; European Finance Association Meeting in Berlin, 2002; Uppsala University, 2002; Sveriges riksbank, 2002; University of Amsterdam, 2002; Lund University, 2003; Stockholm School of Economics, 2003; Swedish School of Economics and Business Administration in Helsinki, 2003; Copenhagen Business School, 2003; ASAP Workshop at London Business School, 2004; Lund University, 2004; Royal Institute of Technology, 2004; European Finance Association Meeting in Maastricht, 2004; University of St. Gallen, 2004; University of Maastricht, 2005; Royal Institute of Technology, 2005; Norwegian School of Economics and Business Administration in Bergen, 2006; Helsinki School of Economics, 2006; Fisher College of Business at Ohio State University, 2006; Lund University, 2007; University of Oxford, 2007; ASAP Workshop at London Business School, 2007; Fuqua School of Business at Duke University, 2007; Leeds School of Business at University of Colorado – Boulder, 2007; Erasmus University in Rotterdam, 2007; Copenhagen Business School, 2009; University of Aarhus, 2010; NETSPAR conference in Zurich, 2010; European Finance Association Meeting in Frankfurt, 2010; University of Zurich, 2010; University of St. Gallen, 2010; London Business School, 2011; University of Gothenburg, 2011; NETSPAR conference at Tilburg University, 2011; Goethe University Frankfurt, 2012; European Finance Association Meeting in Copenhagen, 2012; Luxembourg Asset Management Summit, 2012; and NBER Household Finance Meeting at Oxford University, 2012.

Seminar presentations by co-authors are not included.

Research awards

“The Forward Premium Puzzle: Different Tales from Developed and Emerging Economies” (with Ravi Bansal): Winner of the Chicago Board of Trade award for the best paper on futures or options on futures at the Western Finance Association Meeting in 1999.

“Corporate Governance and the Home Bias” (with Lee Pinkowitz, René M. Stulz, and Rohan Williamson): Winner of the William F. Sharpe Award for Scholarship in Financial Research for the best article in *Journal of Financial and Quantitative Analysis* in 2003.

Teaching

Courses taught

Fuqua School of Business, Duke University:

Investment Management (MBA), 1998–1999, 2005.

Global Financial Management (MBA and EMBA), 2000, 2002–2003, 2007, 2009.

Money and Capital Markets (MBA), 2001.

London Business School:

Equity Investment Management (Exec. Ed. and Master in Finance), 2008.

Investments (Master in Finance), 2010–2013.

Stockholm School of Economics:

International Financial Markets (MSc), 1996.

Investments (MSc), 1997–1998.

Debt Instruments and Markets (MSc), 2000.

Investment Management (MSc), 2010–2012.

Investment Strategies (MSc), 2013.

Empirical Asset Pricing (PhD), 1997, 1999, 2005–2007.

Topics in Empirical Asset Pricing (PhD), 2000, 2007, 2008.

Investment Management (Exec. Ed.), 1997, 1999, 2002–2003, 2009.

Fixed Income Securities (Exec. Ed.), 1997, 1999, 2001–2004, 2006, 2011–2013.

Advanced Investment Management (Exec. Ed.), 2000, 2002, 2011–2012.

Investment Seminars (Exec. Ed.), 2006–2007, 2009.

Investments in Senior Private Banking Program (Exec. Ed.), 2008–2012.

Treasury Risk Management (Exec. Ed.), 2008–2009.

University of North Carolina at Chapel Hill:

International Business (EMBA), 2001.

PhD committees

Anders Andersson (chair), 2004; Otto Elmgart, PhL, 2009; Stefan Engström, 2001; Pascal Gisclon, 2011; Gustaf Hagerud, 1997; Henrik Hasseltoft (chair), 2009; Anna Lindahl, PhL, 2012; Göran Robertsson (chair), 2000; Patrik Säfvenblad, 1997; Torbjörn Sällström, PhL, 1999; Håkan Thorsell, 2008.

Current candidates:

Patrick Augustin (co-chair).

Rafael Barros de Rezende (chair).

Alberto Crosta (chair).

PhD external examiner

Peter Hördahl, Lund University, 1996; Marko Maukonens, Swedish School of Economics and Business Administration in Helsinki, 2004; Natalia Poiatti, London Business School, 2013; Thomas Sandvall, Swedish School of Economics and Business Administration in Helsinki, 2001; Oleg Shibanov, London Business School, 2011.

PhD grading committees

Krister Ahlersten, 2007; Fredrik Armerin, 2004; Rudolfs Bems, 2005; Andriy Bodnaruk, 2005; Alesandra Bonfigliani, 2005; Max Elgar, 2007; Johan Parmler, 2005; Fredrik Wilander, 2006; Carl Wilkens, 2005; Martin Ågren, 2006.

Teaching awards

“Honorable mention award for Outstanding Professor” in Duke MBA – Global Executive Class of 2003.

“Graduate teacher of the year” at the Stockholm School of Economics within the Stockholm Doctoral Course Program in 2006.

Business experience, service, and other activities

Short-term consultant:

Panagora Asset Management, 1995–1996.

Foundation for Strategic Research (“Stiftelsen för Strategisk Forskning”), 1996–1998, 2009.

Galleon Asset Management Advisors, 1999–2000.

Seventh Swedish Pension Fund (AP7), 2006.

Scientific/academic advisor:

Institute for Financial Research (SIFR), 2001–2002.

Premium Pension Authority (“Premiepensionsmyndigheten,” PPM), 2005–2007.

Swedish Central Bank (“Riksbanken”), 2005–2008.

Inquire Europe, 2007–2013.

National Debt Office (“Riksgäldskontoret”), 2012–2013.

Member of investment committee/advisory board:

Government’s Financial Markets Board (“Finansmarknadsrådet”), 2006–2007.

Polar Music Prize, 2008–2013.

Pension Fund of the Swedish Church (“Kyrkans Pensionskassa”), 2011–2013.

Nobel Foundation, 2011–2013.

Member of board:

Informed Portfolio Management AB, 2000–2006, 2009–2013.

Catella Capital AB 2009–2010.

Stockholm School of Economics, 2010–2013.

Referee, member of program committee, and organizer:

Ad-hoc referee for various journals, including *American Economic Review*, *Financial Review*, *International Economic Review*, *Journal of Banking and Finance*, *Journal of Econometrics*, *Journal of Empirical Finance*, *Journal of Finance*, *Journal of Financial Econometrics*, *Journal of Financial Economics*, *Journal of Financial and Quantitative Analysis*, *Journal of Financial Research*, *Journal of International Economics*, *Journal of International Money and Finance*, *Journal of Monetary Economics*, *Multinational Finance Journal*, *Quarterly Review of Economics and Finance*, *Review of Economic Studies*, and *Review of Financial Studies*.

Referee for position at Lund University, 2004.

Referee for position at BI – Norwegian School of Management in Oslo, 2006.

Program committee for the European Financial Association meeting, 1996–1998, 2001, 2003–2004, 2011–2012.

Program committee for the Western Finance Association meeting, 2007–2013.

Organizer of the CEPR Summer Symposium in Financial Markets, 2005–2006.

Participant in Doctoral Consortium at the Financial Management meeting, 2006.

Session chair at the American Finance Association meeting, 2009.

Tracking chair at the European Finance Association meeting, 2011.

Miscellaneous

Place and date of birth: Lund, Sweden; May 6, 1968.

Three children: Felicia (born 1990), Filip (1993), and Marcus (1998).

Citizenship: Swedish.

References

Professor Campbell R. Harvey, Fuqua School of Business, Duke University, Durham, NC 27708; phone 1 (919) 660-7768; e-mail cam.harvey@duke.edu .

Professor Lars E.O. Svensson, Institute for International Economic Studies, Stockholm University, SE-106 91 Stockholm, Sweden; e-mail lars.svensson@iies.su.se .

Further references can be supplied on request.

OFER SETTY

The Eitan Berglas School of Economics
Tel Aviv University
P.O.B. 39040
Ramat Aviv, Tel Aviv, 69978
ISRAEL

October 2012
Phone: +972-3-640-5828
Fax: +972-3-640-9908
ofer.setty@gmail.com
<http://www.tau.ac.il/~ofers/>

Academic Position

2010 - present Lecturer (tenure track), The Eitan Berglas School of Economics,
Tel Aviv University

Education

2004 - 2010 Ph.D. in Economics, New York University.
Thesis committee and references: Professor Gianluca Violante (Chair),
Professor Gian Luca Clementi, and Professor Lars Ljungqvist.
Thesis Title: “*Essays on Unemployment Policies*”

2002 - 2004 M.A. in Economics, Tel Aviv University, *Cum Laude*

1998 - 2000 M.Sc. in Industrial Engineering, Tel Aviv University, *Cum Laude*
Thesis Title:
“*An Inventory Routing Problem with Dynamic Deterministic Demand*”

1994 - 1998 B.Sc. in Industrial Engineering, Tel Aviv University, *Cum Laude*

Fields of Interest

Macroeconomics, Public finance

Working Papers

“Search and Work in Optimal Welfare Programs” with Nicola Pavoni and Gianluca Violante
“Unemployment Accounts”
“Optimal Unemployment Insurance with Monitoring”

Work in progress

“Who Cares about Unemployment Insurance?” with Avihai Lifschitz and Yaniv Yedid-Levi
“Optimal Design of Social Security Programs” with Magnus Dahlquist and Roine Vestman

Teaching Experience

2011-2012	Macroeconomics I, Tel Aviv University
2009 - 2010	Intermediate Macroeconomics, NYU, TA
2007 (spring)	Macroeconomics II (PhD), NYU, TA (for Gianluca Violante)
2005 - 2008	Principles of Economics, NYU, TA
2003 (fall)	Principles of Economics (Faculty of Engineering), Tel Aviv University, Lecturer

Awards and Fellowships

2011-2014	Israeli Science Foundation, \$90,000, grant No. 418/11.
2010-2014	Marie Curie International Reintegration Grant, European Commission, "Design and Evaluation of Social Insurance Policies", €100,000, EC Ref. No. 276770.
2011 - 2012	The Pinhas Sapir Center for Development, Tel Aviv University, Research Grant
2010	W.E. Upjohn Institute - best Ph.D. dissertation on employment-related issues. Honorable mention.
2010 - 2011	The Pinhas Sapir Center for Development, Tel Aviv University, Research Grant
2004 - 2008	McCracken Fellowship, New York University

Professional Activities

Seminars

2012	University of Haifa, Stockholm University
2011	European University Institute, Cornell, University of Virginia, Wharton
2010	Georgetown University, Ohio State University, Penn State University, Richmond FED, Autonoma, Queen Mary University of London,
2009	Tel Aviv University, Hebrew University, Ben Gurion University, University of Haifa, Bar Ilan University
2008	New York University

Conference presentations

2012	The 5 th Economic Day, Ensai, Rennes Economic Workshop at IDC, Interdisciplinary center, Herzliya
2011	Society for Economics Dynamics (Ghent)
2010	Nordic Macro Symposium, Helsinki
2009	Society for Economics Dynamics (Istanbul)

Refereeing

Quarterly Journal of Economics, The Economic Journal, Journal of Public Economics, International Economic Review, Review of Economic Dynamics, Journal of Human Capital, Macroeconomic Dynamics, Economic Inquiry

Roine Vestman

Department of Economics
Stockholm University
SE-106 91 Stockholm
SWEDEN
Office: +46 (0)8 16 3045
Fax: +46 (0)8 08 15 9482
<http://www.ne.su.se/english/>

Cell: +46 (0)70 959 5588
<http://homepages.nyu.edu/~rv452>
roine.vestman@ne.su.se
Citizenship: Swedish
Date of Birth: 12 July, 1978
Married, two children born in 2008 and 2010

ACADEMIC APPOINTMENTS

- Aug. 2012 - Assistant Professor, Department of Economics, Stockholm University
- Aug. 2012 - Visiting Researcher, Institute for Financial Research (SIFR), Stockholm
- Aug. 2010 - Post-doctoral researcher, Institute for Financial Research (SIFR), Stockholm
Aug. 2012

EDUCATION

- May 2010 Ph.D. in Economics, New York University, USA:
Advisors: Thomas J. Sargent and Stijn Van Nieuwerburgh
- Aug. 2008 Introduction to High-Performance Computing, The Royal Institute of
Technology, Stockholm: Fortran optimization, OpenMP and MPI
- Aug. 2003 - One year of Ph.D. course work in Economics, Stockholm School of Economics
June 2004
- 2003 M.Sc. in Business and Economics (Finance), Stockholm School of Economics

PUBLISHED PAPERS

“The Labor Market Returns to Cognitive and Non-Cognitive Ability: Evidence from the Swedish Enlistment”, *American Economic Journal: Applied Economics*, 3(1), 101-128, 2011 (with Erik Lindqvist)

WORKING PAPERS

“Limited Stock Market Participation Among Renters and Home Owners”

BOOK CHAPTERS

“Judging the Quality of Survey Data by Comparison with “Truth” as Measured By Administrative Records: Evidence from Sweden”, chapter in the NBER Book “Improving the Measurement of Consumer Expenditures”, edited by Christopher Carroll, Thomas Crossley and John Sabelhaus. NBER Book Series Studies in Income and Wealth, University of Chicago Press.

WORK IN PROGRESS

"The Effect of Cognitive and Noncognitive Skills on Investment Behavior" (with Erik Lindqvist)

"The Performance and Performance Persistence of Swedish Equity Mutuals" (with Harry Flam)

"Optimal Design of Social Security Programs" (with Magnus Dahlquist and Ofer Setty)

"Genetic Variation and Investment Behavior" (with Anders Anderson and Anna Dreber Almenberg)

"Home Ownership and Consumption" (with Ulf von Lilienfeld-Toal, Paolo Sodini and Stijn Van Nieuwerburgh)

"Fund Managers' Performance and Compensation" (with Ron Kaniel and Stijn Van Nieuwerburgh)

TEACHING EXPERIENCE

Spring 2013 Intermediate Macroeconomics (Undergraduate)

Fall 2012 Matlab instructor, Methodology Seminar (Master)

Spring 2009 Teaching Assistant to Professor Per Krusell, IIES, *Macroeconomics 2*:
A first-year Ph.D. course covering Recursive Methods and Economic Growth

Spring 2007 Teaching Assistant to Professor Ricardo Lagos, NYU, *Macroeconomic Theory II*:
A first-year Ph.D. course covering Asset Pricing and Optimal Taxation

PROFESSIONAL ACTIVITIES

Seminars and conferences

2012 10th International Paris Finance Meeting
Tel Aviv University
Stockholm University, Dept. of Economics
SIFR/SSE Brown Bag
Gothenburg University
Lund University
Aalto University, Dept. of Finance (Helsinki, Finland)
University of North Carolina, Keenan-Flagler Business School
Copenhagen Business School, Dept. of Finance
Uppsala University
Stockholm University
Aarhus University, Denmark
Stockholm School of Economics Dept. of Finance

2011 Judging the Quality of Survey Data by Comparison with "Truth" as Measured By
Administrative Records: Evidence from Sweden: Conference on Improving the
Measurement of Consumer Expenditures, NBER-CRIW, Washington DC,
December 2-3, 2011

2008-2011 SSE/SIFR Finance Workshop

Greater Stockholm Macro Group
 2nd Swedish National Conference for Economists
 Riksbanken
 2010 EFA Annual Meeting (Frankfurt)
 SIFR
 3rd Nordic Summer Symposium in Macroeconomics
 IIES Student Macro Seminar
 NYU Student Macro Seminar
 2nd Nordic Summer Symposium in Macroeconomics
 4th NHH-UiO Workshop on Economic Dynamics (Oslo)

Service for Riksbanken (Sweden's central bank)

2011-2012 Member of the reference group for the Riksbank report on the development of a new micro database on Swedish households' assets and liabilities

Seminar organization

2011-2012 SIFR/SSE Finance Workshop

Discussions

- 2012 An Anatomy of Fundamental Indexing, by Lieven De Moor et al., 10th International Paris Finance Meeting
- 2012 Optimal Life Cycle Portfolio Choice with Housing Market Cycles, by Marcel Fischer and Michael Stamos, Young Scholar Nordic Finance Workshop
- 2012 A Model of Mortgage Default, by John Y. Campbell and Joao F. Cocco, SIFR Conference on Real Estate and Mortgage Finance
- 2011 IQ and Mutual Fund Choice, by Mark Grinblatt et al., 2011 EFA Annual Meeting
- 2010 Do Better Educated Investors Make Smarter Investment Decisions? by Petra Halling, 2010 EFA Annual Meeting, Frankfurt
- 2007 Sectoral Choice with Human Capital and Accumulation of Pension Benefit by Erik O. Sorensen, 1st Nordic Summer Symposium in Macroeconomics, Sweden

Referee for: Journal of Banking and Finance, Journal of Monetary Economics

SELECTED WORK EXPERIENCE

- Fall 2006 Research Assistant to Professor Sydney Ludvigson, NYU:
Assisted in proofreading and econometric tasks
- Summer 2006 Internship, Research Department, Riksbank (Sweden's central bank)
- Fall 2002 Internship, United Nations Secretariat, New York
- Fall 2001 Internship, Accenture, Stockholm
- 1998 Military service in Sweden, military policeman, corporal's rank

LONGER ACADEMIC VISITS

Sept 2009 - Visiting Ph.D. student, Institute for Financial Research (SIFR), Stockholm
July 2010

April 2008 - Visiting Ph.D. student, Institute for International Economic Studies,
Aug. 2009 Stockholm University

HONORS, GRANTS AND SCHOLARSHIPS

2012 The Royal Swedish Academy of Sciences

2012 The Swedish Research Council (with Ulf von Lilienfeld-Toal and Paolo Sodini)

2011 The Swedish Research Council (with Johan Almenberg)

2010 Jan Wallanders och Tom Hedelius stiftelse (with Anders Anderson and Anna Dreber Almenberg)

2010 Bankforskningsinstitutet

2009 Bankforskningsinstitutet

2009 Sixten Gemzéus stiftelse

2008 National Science Foundation Doctoral Dissertation Improvement Grant
Grant no. SES 0820105, sponsor: Stijn Van Nieuwerburgh

2007 The Royal Swedish Academy of Sciences

2004 Jan Wallanders och Tom Hedelius stiftelse, Sweden

2003 The Fulbright Commission, Sweden (declined)

2003 Citibank's Prize for an outstanding M.Sc. thesis in Finance at SSE

REFERENCES

Professor Thomas J. Sargent
Dept. of Economics, NYU
19 West Fourth St., 6th Floor
New York, NY 10012
USA
+1-212-998-3548
thomas.sargent@nyu.edu

Professor Stijn Van Nieuwerburgh
Dept. of Finance, NYU Stern
44 West Fourth St., 9-120
New York, NY 10012
USA
+1-212-998-0673
svnieuwe@stern.nyu.edu

Professor Per Krusell
Institute for International Economic Studies
Stockholm University
+46-8-16-3073
per.krusell@iies.su.se