

The Evolution of Social Security System: Pension System vs. Unemployment Insurance*

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Abstract

This paper shows how the social security system evolves as attribution of voters changes. In our setting, policy determination is based on majority voting and the government has two kinds of social security policy; pension and the unemployment insurance. That is, when the workers constitute the majority of voters, pension system is supported and when the unemployed is the majority, the unemployment insurance is adopted. Under this setting, we show how the contents of the social security system evolves depending on the dynamics of capital accumulation and the unemployment rate, and show the possibility that the social security system completely evaporates in certain instances.

Keywords: Social Security, Pension System vs. Unemployment Insurance, Majority Voting.

JEL Classification: H55, E61, H53.

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