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Department of Economics
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Graduate Studies

Princeton University *2017-present*

PhD Candidate in Economics

Dissertation: *“The Unequal Protection of Social Security in the Presence of Informality:
Theory and Evidence from Chile”*

Expected Completion Date: June 2024

REFERENCES

Professor Owen Zidar
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Prior Education

Pontificia Universidad Católica de Chile *2010-2016*

B.A. in Economics
M.A. in Economics

Fields

PRIMARY Public Finance

SECONDARY Finance, Industrial Organization

Job Market Paper

“The Unequal Protection of Social Security in the Presence of Informality: Theory and Evidence from Chile.” 2023.

In the presence of high employment informality, public pension systems are dysfunctional: they provide little average retirement protection, and the protection is unequally given; concentrated on high-income households. In this paper, I study theoretically and empirically how high informality influences the optimal design of public pensions on its two core attributes: the pension contribution rate and the relationship between lifetime formal earnings and benefits. I start with a novel framework that gauges the welfare effects of reforms to these attributes, which are characterized by the trade-off between social insurance and efficiency. Employing Chilean administrative data merged with a panel survey and two quasi-experimental variations on the pension system design, I empirically estimate this trade-off. On the one hand, I find that increasing the benefits of workers with low lifetime earnings –by flattening the earnings-benefit link– improves the social insurance provided by the system because these workers are the most vulnerable and the least protected; reducing their consumption upon retirement thrice as much as that of high earners. On the other hand, I find that flattening the earnings-benefit link generates significant efficiency costs by distorting workers’ formal earnings and their private savings for retirement. However, the trade-off weighs in favor of more progressive benefits. Thus, the earnings-benefits link of pension systems under larger informality should be weaker.

Working Papers

1. “Population Aging and the Rising Cost of Long-Term Care.” with Mateus Dias. 2023.

We use data on the price of nursing home private rooms to estimate the effects of aging on long-term care (LTC) prices. We exploit regional variation in the dynamics of elderly population growth rates generated by the demographic composition in the distant past. We estimate a cross-region elasticity of LTC prices to the number of people aged 75 and more of 0.6. We argue that this cross-sectional estimate is robust to the presence of heterogeneous treatment effects and is a lower bound for the national estimate; thus, population aging explains at least 38% of the last decade’s real increase in LTC price, and it will increase prices in 18% during the next decade. We study the mechanism behind our results and find evidence that regulation and the organization of industry, not the inelastic supply of nurses, is driving the increase in LTC prices.

2. “The Missing Response to Taxes”. 2022.

Using a natural experiment generated by the Chilean pension system, I estimate the formal earnings response to payroll taxes. The variation affected high and low-income workers in the same magnitude. I found that vulnerable workers -low-income, less attached to the formal sector- exhibit a large elasticity, while high-income workers show no response. In addition, middle-aged workers are the ones who respond more. This pattern of the elasticity of taxable income has significant consequences for the design of social security.

Work in Progress

1. “The 40-quarter Credit Rule of Old-Age Social Security: An Enhancer of the Racial and Gender gaps” with Ole Agersnap.
2. “The Destabilizing Effect of Migration on Population Aging”
3. “Age-dependent Taxes and Optimal Liquidity Across the Life Cycle in the Presence of Self-Controls Problems.” with Sebastian Guarda.
4. “Pension Funds, Economic Growth, and Limits in Foreign Investment” with Carlos Burga.
5. “Shrinking Pension Funds and Asset Devaluation Risk: Evidence from Ageing Population in South Korea” with Jiwon Lee and Don Noh.

Teaching

Princeton Industrial Organization (Kate Ho), Financial History (Harold James), Introduction to Macroeconomics (Alan Blinder).

PUC Chile Introduction to Microeconomics (Main Instructor), Econometrics (TA), Industrial Organization (TA), Macroeconomics (TA), Contract Theory (TA), Time Series Analysis (TA), Political Economy (TA), Monetary Theory (TA).

Honors, Scholarships, Fellowships, and Grants

- 2021-2022 Graduate Student Fellow, Griswold Center, Princeton University
- 2018 Research Grant, Program in Latin American Studies, Princeton University
- 2017 *Competitive Funds*, CGCUC, Chile
- 2015 *Academic Excellence Award*, M.A. in Economics, PUC Chile
- 2015 *Award for outstanding Thesis*, Asociacion de Bancos (ABIF), Chile
- 2015 *Fellowship for Ridge Summer School in Economics*, Ridge Institute, Uruguay.
- 2014 *Academic Excellence Award*, B.A. in Economics, PUC Chile
- 2012 *Academic Excellence Fellowship for Exchange Program*, Santander Bank, Chile.

Personal

Married, two children (born in 2020 and 2022).

Chilean citizen.

US Working permit (waiting for Green Card).

Languages

Spanish (native), English

Last updated: October 27, 2023