

Schmidt renowned economist in #xFiapAsofondosCongress

## **KLAUS SCHMIDT-HEBBEL warns of the hazards threatening economic growth and the performance of the pension systems**

Cartagena, April 12, 2018. One of the most renowned American economists, Klaus Schmidt-Hebbel, gave his opinion regarding the main hazards facing the global economy and their possible impacts on the pension systems. He said that the most immediate hazards were:

Growing geopolitical tensions, on which he commented "*When semi-democracies become dictatorships, they become a hazard to themselves, their neighbors and the world economy.*" He added that one of their effects is greater economic and financial volatility.

The second risk factor is the concern regarding populist governments, corruption, and the persistence of poverty in the region. "*We live in a stagnant and unstable neighborhood, with extremely deficient economic performance, partly explained by the situation in Venezuela. The decade after the crash in commodity prices will be a lost decade,*" said the expert.

A third factor, which he assured would have a greater impact and constitute a greater threat, is population aging: more senior citizens at retirement age, and consequently, more years in which pensions must be financed.

All these hazards will have adverse macroeconomic effects that will impact on the pension systems. In this regard, he explained that "*Every day that goes by without a pension reform not only implies greater economic costs, but also higher political costs for making changes in the future.*"

At the end of his speech, Schmidt-Hebbel recommended reforming the pension systems for addressing the growing demands for pensions and making systems more robust for addressing these hazards. To this end, he insisted on the need to make the pension systems fairer and more efficient. He stressed that: "*The PAYGO systems are particularly inequitable and inefficient, burdening workers and not capital with the cost of pensions, resulting in lower net wages for the workers who have to pay these contributions.*"



Calle 72 NO. 8 - 24 Ofc. 901  
Bogotá D.C Colombia



[www.asofondos.org.co](http://www.asofondos.org.co)



Pbx 571 348 44 24  
Fax 571 212 11 42