

Ladies and gentlemen!

Dear guests!

This has been an extraordinary evening for me. It is truly not an everyday event to be the subject of a flattering laudatio, to be the first recipient of a distinguished research prize and to be addressed by (at least) three presidents in a row, among them the president of the Republic. So without further ado I want to express my gratitude to all people that have contributed to this magnificent evening.

- First, I want to thank you, Alexia, for your very nice words about myself and also for your lucid summary of the work. I know, 130 pages, this is not a small feat, but you really managed to carve out the important messages.
- Next I want to thank the selection committee at the Academy of Sciences and the international jury to have chosen my work as the winning contribution.
- Third, I want to thank my colleagues at the Austrian National banks for providing such a stimulating research environment. I also want to thank my family – my parents and Annemarie are here today – and my friends inside and outside the academic universe. All of them have accompanied and supported the slow growing of my work in many ways.
- And finally, I want to thank of course the Hannes-Androsch-Foundation and Dr. Androsch himself for donating this prize and for bestowing me with the great honour to be the first recipient of this award.

This prize is really outstanding – outstanding not only in its size but also in its form. As we have heard before the prize was not awarded for an already existing piece of work or for a contribution on a general topic. The prize rather posed a specific question and gave us contestants about one year to think about the problem and to come up with a satisfying answer. Although this set-up looks rather unusual these days, it has a long tradition. In the 18<sup>th</sup> and 19<sup>th</sup> century it was quite common for Academies of Science or for other scholarly societies to pose prize questions on various topics in order to broaden knowledge and to support the progress of enlightenment. Some important works by Rousseau, Kant and Schopenhauer have been written as responses to such prize questions. I want to single out here one essay competition that has been one of the most successful of this time. This prize question was urged by Frederick II of Prussia on the Prussian Academy of Science in 1778

and the topic was: “Is it useful to deceive the people?” Well, I am not mentioning this specific question in order to draw some quick parallel between this topic and some aspects of pension systems and pension policy today. I am only referring to this specific prize question, because there is an interesting story behind it. In fact, the Prussian Academy had originally proposed a different question (something about the metaphysics of Leibniz). This question, however, was dismissed by Frederick II, since – as he expressed it in his own words – a prize competition should be “highly interesting and highly useful” (“très intéressantes et très utiles“). And this brings me back to the topic of the competition for the Hannes-Androsch-Prize and to my contribution. I think that it would also find the approval of Frederick II – it stands the “Fritz Test”, so to say – of being at the same time interesting and useful.

So why is it useful? Well, I think the usefulness and relevance of the topic of pension policy is almost self-evident. Everybody is affected by the construction of this system, first as a contributor, later as a beneficiary and in-between as a citizen who has to express his opinion on the construction of the pension system, by vote or by voice. This is one of the rare topics in economics that almost everybody finds interesting and where almost everybody has an opinion. In fact, these opinions are sometimes so strong that one gets the impression that the pension system is more than just a package of rules and regulation. It rather seems to be one of these systems that – like language, law, cultural norms and morals – create and capture the identity of a society. Like them it is transmitted from one generation to the next and although it is certainly easier reformed than the language system, every change causes equally emotional reactions.

The topic of the prize questions is, however, not only useful and relevant but also interesting and exciting. I have to admit that for me it is a perfect topic to think about as a researcher. The main reason for this is that it combines in an excellent way general principles and specific applications.

I have started to get interested in this field almost 10 years ago when the last major pension reform was discussed in Austria. And I soon entered a strange world with an exotic vocabulary: “Durchrechnungszeitraum”, “Bemessungsgrundlage”, “Deckelung”, “Aufwertungs-,” “Anpassungs-” und „Steigerungsfaktoren“ etc. When later on, I also turned my view to the PAYG systems of other countries I added some new and different words and concepts to my vocabulary (notional defined contribution, notional interest rate, earnings

points, sustainability factor etc.), But once I worked through all of these very specific details and ornaments I realized that the structure of PAYG systems, their inner logic is fairly simple and straightforward. The different PAYG systems are in a way just different dialects of one big language family that share, so to say, identical rules of grammar. And these basic rules and mechanisms can be studied within the framework of stylized and intuitive models.

There are basically just three levers which have to be determined to construct a workable PAYG system. So it is almost as easy as assembling a piece of IKEA furniture. You have to set the contribution rate, the pension level and the retirement age. What do people have to pay while working? What do they get when they are retired? And when should they enter the retirement period? Once these three parameters are set the dynamics of the system are determined. But then on second thought it is of course not all that easy – probably also in this respect similar to the piece of IKEA furniture. One has to think about details and exceptions, about complications of the implementations etc. But the crucial aspect is that these extensions can be added to the simple, stripped-down model after the logic of this model has been understood.

This sequence of conducting research is certainly an “ideal type”: getting inspired by a concrete, real-world problem; understanding the nature of the problem by translating and analyzing it within the framework of a more abstract model; and finally using the result and insights to answer the pressing policy questions. I am well aware that often it is not possible to follow this “ideal-type-sequence” in its pure form. There exists, e.g., necessary and important social science research that is more exclusively situated in the realm of the abstract. But my experience has been that for an economist it is most satisfying if a research project is able to cover all three corners of this triangle: from the specific to the general and back to the specific.

Dear guests, in closing I want to thank you for listening to my short remarks and for celebrating this evening with me. I also want to thank again all the people who have made this prize and today’s event possible. Going back to the Prussian prize question and to the judgement by Frederick II, I hope that some of my findings will turn out to be useful – as useful as working on them has been interesting and exciting for me.

Thank you.