When voluntary saving is positive, funded social security is neutral if receipts are linked to contributions, and most likely depresses growth if receipts are independent of contributions. *Journal of Public Economics*, October 1995, 58(2): 185–213. (Reprinted with permission of North-Holland Publishing Company.)

Government Insurance Programs and Financial Risk Management

Deposit Insurance and Bank Interest Rate Risk: Pricing and Regulatory Implications, by Jin-Chuan, Arthur F. Moreau, and C. W. Sealey (McGill University)

The linkage between the interest rate risk exposure of banks and the liabilities of a deposit insuring agency is not well understood. In this paper, a model is developed to evaluate the interest rate risk exposure of both deposit taking institutions and deposit insuring agents when bank equity has limited liability and interest rates are stochastic. Based on a sample of U.S. banks, empirical results are presented for the interest rate risk exposure of banks and its impact on the liabilities of the FDIC. *Journal of Banking & Finance*, September 1995, 19(6): 959–1134. (Reprinted with permission of the *Journal of Banking & Finance*.)

Forbearance, Deposit Insurance Pricing, and Incentive Compatible Bank Regulation, by S. Nagarajan and C. W. Sealey (McGill University)

This paper examines the incentive compatible role of regulatory forbearance policy in the context of optimal bank regulation under moral hazard. We show that, when a bank's asset portfolio returns have market risk, the regulator can influence the bank's choice of ex ante risk by delaying the closure decision of an insolvent bank. The optimal closure policy involves coordinating the closure decision with market-wide performance. Such a policy may significantly alleviate the bank's ex ante risk-shifting problem. Furthermore, even fixed-rate deposit insurance can be optimal when combined with a sound forbearance policy and a minimum capital standard. *Journal of Banking & Finance*, September 1995, 19(6): 1109–1130. (Reprinted with the permission of the *Journal of Banking & Finance*.)

Pensions and Retirement

Lifetime Income Redistribution by the Old-Age State Pension in The Netherlands, by Jan H. M. Nelissen (Tilburg University, The Netherlands)

This paper looks at how the Dutch General Old-Age Pensions Act impacts the distribution of equivalent lifetime income, using a dynamic cross-sectional microsimulation model. Considering both vertical and horizontal redistributional effects, the paper shows that lifetime redistribution is considerably smaller than the redistribution measured on the basis of a period approach. The horizontal lifetime redistribution is more important than the vertical one, but this effect is rather limited, in particular due to the increasing premium percentages in combination with