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The effects of pension funds' development on the financial markets in Italy, Germany and France

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Abstract

Among the most distinctive features of the current wave of pension reforms in Continental Europe is the aim of stimulating the takeoff of funded private pension funds, which should allow in the future to supplement shrinking public pensions, while stimulating, at the same time, saving and the financial markets.

The paper quantifies the size of the resources that could be conveyed by pension funds in Italy, Germany and France till 2050. Although the simulation builds on a very favorable scenario for pension funds, their weight is likely to remain marginal for still many years, their annual asset accumulation generally not exceeding 1-1.5 points of GDP. Moreover, the size of the financial flows allocated on the domestic markets will be much lower than this and, in particular, the investments on the national stock exchanges will probably be negligible if compared to market capitalization.

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