Legislative Choices for U.S. Corporate Tax Reform

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Legislative Choices for U.S. Corporate Tax Reform
Rural Insurance Markets

- Actors and insurance systems
- Mutual Insurance: Case Study Nigeria
- Simulation game (Kenya)
- Limits of information
- Discussion
Social Security Differentiated

**Industrialized Countries**

- 90% covered with social security systems
- State or marked-based insurance schemes
- Central government
- Religious groups (Muslim countries)
- The firm (China)

- Effective labour market
- Stable income
- Smaller families, less children

**Developing Countries**

- More than 50% are not covered against basic risks
- Reciprocity and economic solidarity at household or community level
- Kinship (patri- and matrilinear)
- Neighborhood, friends
- Community based organizations

- Main source of income: agriculture
- Lack of effective labor and financial markets
- Everyone contributes to support all (old, young)
Actors of Insurances

State
- Central & Local Government

Member-based Organizations
- NGOs
- Cooperatives
- Religious Groups

Portfolio of Security of an Individual

Market
- Profit-oriented Firms
- Private contractors

Private Households
- Family
- Kinship
- Neighborhood

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# Social Security Providing Organizations

## Instruments
- **State**: Social insurance, transfers, provident funds
- **Market**: Insurance policy or contract
- **MBO'S**: Mutual insurance, voluntary work, provision of local public goods (health education)
- **Private Households**: Self- & Mutual Insurance, gift exchange, family, remittances

## Mode of Operation
- **State**: Top-down
- **Market**: Individualistic
- **MBO'S**: Mainly bottom-up
- **Private Households**: Bottom-up

## Incentives
- **State**: Rule of law, regulations
- **Market**: Maximization of profit or utility
- **MBO'S**: Balanced reciprocity, self-interest, solidarity
- **Private Households**: Social norms and values, charity, self interest

## Sanctions
- **State**: Exclusion of people from programs, withdrawal of programs
- **Market**: Commercial pressure, screening process to select only “good” risks
- **MBO'S**: Social pressure, exclusion from organization
- **Private Households**: Social pressure, inherent family contract
Insurance Systems

- Formal
  - Microinsurance
  - Index-based insurance

- Semi-Formal
  - formal and informal insurance arrangements usually coexist

- Informal
  - Household based
  - self & mutual insurance

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Private-household based systems

The anchor and the backbone for people living in rural areas in developing countries

apply risk-diversifying strategies in order to cope with income variation and expenditure shocks

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