

## Preface

The modern welfare state redistributes income from the working young to the retired old and from the rich to the poor. Aging—a common contemporary phenomenon in the industrial countries—has far-reaching implications for the survival of the welfare state. Similarly, though to a lesser degree, low-skill migration attracted to the welfare state may put additional strains on it. Finally, globalization—another widespread recent phenomenon—generates international tax competition, and the consequent erosion in the tax base, especially on capital income, is another blow to the public finance of the welfare state.

This book provides an integrated political-economy framework for analyzing the welfare state. The unified framework addresses a set of important and interrelated topics—how aging, migration, and globalization affect the size and sources of financing of the modern welfare state. The book demonstrates how demography and globalization are teaming up to downscale the size of the welfare state and change its various tax pillars.

In writing this book, we greatly benefitted from previous collaborations with Phillip Swagel, including “Tax Burden and Migration: A Political-Economy Theory and Evidence,” *Journal of Public Economics* 85(2) (August 2002): 167–190; “The Aging Population and the Size of the Welfare State,” *Journal of Political Economy* 110(4) (August 2002): 900–918; “The Wage Gap and Social Security: Theory

and Evidence," *American Economic Review: Papers and Proceedings* 92(2) (May 2002): 390–395; and "Capital Income Taxation: Aging and the Mixed Attitude of the Old," *The Review of World Economics*, 140 (3), (September 2004).

We also draw on our previous works, "Interactions between International Migration and the Welfare State," in Slobodan Djajic, ed., *International Migration: Trends, Policy and Economic Impact* (New York: Routledge, 2001), and "The Stability and Growth Pact as an Impediment to Privatizing Social Security," Working Paper 9278, National Bureau of Economic Research, Cambridge, MA (October 2002).

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