

Preamble

This work presents a theoretical study on some aspects of the connection between immigration and social security. The work consists of two parts: The two chapters of Part 1 study an open economy environment, while the third chapter in Part 2 studies a closed economy.

Chapter 1 (in Part I), entitled 'Immigration Control and Intergenerational Conflict' (CERGE-EI Working Paper 453), concentrates on the intergenerational conflict that selective immigration causes in a host economy. The chapter shows that the policy-setting generation prefers a selective migration policy (i.e. allowing only high-skilled migrants) though, under rather permissive assumptions, the successive generations and the overall economy suffer welfare losses from the policy. The reverse also holds as the results are driven by the skill-fertility trade-off: Thus a nonselective policy, that is welfare depriving for the initial generation, guarantees higher welfare for the subsequent cohorts.

Chapter 2 (in Part I), entitled 'Can Social Security Survive a Non-Selective Immigration?', continues on the theme of Chapter 1 and shows that the policy-setting initial population may prefer to abandon the existing unfunded social security system in order to redistribute the gains of nonselective migration from the future cohorts towards themselves. In essence, the chapter provides a new answer to an old policy question. However, as opposed to the customary reasoning of wealth redistribution towards migrants, this chapter derives the result in an environment where intra-generational redistribution is impossible and only inter-generational redistribution is allowed.

Chapter 3 (in Part II), entitled 'The Migration Challenge for PAYG' (forthcoming in the Journal of Population Economics), shows that increased migration, usually proposed as a tool for keeping social security solvent in an ageing economy, may actually decrease the pension benefits in the post-migration economy. The result is mostly due to the capital dilution that lower-skilled migrants cause. However, the results significantly depend on the 'Bismarckian Factor' - the measure of

actuarial fairness of the social security system: Should there be no intra-generational redistribution, as in the previous chapter, the post-migration pensions will increase.