Preface

On and off, I have been analysing various aspects of the welfare state for almost forty years. It started with an invitation to participate in a government inquiry on remaining poverty in the Swedish welfare state. Who was poor, and why? My task was to find suitable measures of an individual's or family's income and wealth, and to collect relevant statistical data. Some of this work can still be traced in tables on the distribution of income presented by Statistics Sweden. I then returned to the university to teach public finance and social insurance, and to form a seminar group to discuss various aspects of the economics of human capital, in particular health economics. Particularly exciting for me in the 1970s was participating in the workshop run by Gary Becker while I was a visiting scholar at the University of Chicago. Back in Lund, I became engaged in a campaign to change the Swedish tax system. Inspired by Knut Wicksell and Erik Lindahl, we formed a group in Lund to argue in favour of the view that taxes should be seen in relation to the kind of expenditures they were supposed to finance. Instead of discussing whether taxes, in general, should be direct or indirect, progressive or flat, and so on, we tried to find out the best way to finance health care, public pensions, income security, and so on. Much of this book is based on the discussions we had at that time.

It is fair to say, I believe, that this is a book on social protection for the middle classes. It is not about social assistance and 'welfare' directed toward the poorest members of society, and it is not about the kind of protection needed by the wealthiest. Instead, it is a book about ways and means to secure a decent living standard for an average citizen in case of a lack of working ability and/or unemployment. Providing such protection is, in my view, a fundamental aspect of civilization. It is fascinating to see how this was done in ancient cultures, and how it is done around the world today. The rather desperate search for institutions for social protection after the collapse of communism in Eastern Europe is illustrative, and we are now witnessing how (truly) developing countries are trying to establish a society where people may feel economically safe.

The purpose of this book is to present an overview of the kind of advice economics can offer on the design of institutions for social protection. The reader I have in mind has passed the introductory courses in economics, and now seeks an orientation of main issues rather than a comprehensive

account of the research frontier on the welfare state and its alternatives. For those interested in the latter there are 'handbooks' and surveys intended for specialists in the field. My experience is that this kind of book, supplemented with a selection of (downloadable) papers of particular interest, fits well into a course at the intermediate level. However, I hope that there will be something of interest for the layman as well. To my knowledge there are presently no close substitutes for this book.

I am grateful to all, colleagues, students and administrative staff alike, who, over the years, have helped me formulate the views expressed in this book. In particular, I am indebted to Andreas Berg, Margareta Ekbladh and Eric Rehn for information and comments, to Jaya Reddy for improving my language, and to Anna Hedborg for asking me to present a survey of what economic research has to say about income security, thereby giving me the necessary push to get started with the manuscript for this book. I am also grateful to the Department of Economics at the National University of Singapore for inviting me to stay there last winter to work on the manuscript.

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