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The Intergenerational Welfare State

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Demography is a realm of private decisions with public effects. In both high- and low-fertility regimes, families make decisions that significantly influence the well-being of others. Excessively rapid population growth can threaten economic and ecological viability. Population decline can threaten cultural continuity and fiscal sustainability. As Paul Demeny has warned us, there is no invisible hand in the family that serves to align private and public interests (Demeny 1986). Yet as he has also pointed out, the visible hands of the state do not necessarily provide a remedy. By socializing the benefits of childrearing more than the costs, the modern welfare state has encouraged fertility decline below replacement levels, lowering the prospects for future intergenerational transfers and perhaps undermining the welfare state itself (Demeny 1987).

When Demeny expressed concern about the effects of unwittingly antinatalist policies in the mid-1980s, most other demographers remained focused on the opposite problem of rapid population growth. Gradually, however, issues of below-replacement fertility began to garner more attention. Demeny's proposal that we should "privatize" at least some of the economic benefits of childrearing has been taken up by a number of economists and policy experts, including Romesh Ponnuru (2012), Shirley Burggraf (1997), and Phillip Longman (2004). The serious economic slowdown that began in the United States and Europe in 2007 has fueled concerns about ballooning public debt, along with implementation of some strict austerity programs. These current events increase the likelihood that social spending on age-based transfers may be reduced.

In this context it seems appropriate to consider both what we know and what we need to know about intergenerational transfers and the welfare state, with a view toward improving equity, efficiency, and sustainability. In this essay, we focus on the US experience, considering three questions that we deem crucial: 1) Why did a welfare state that includes significant intergenerational transfers emerge? 2) How do public and private intergenerational

transfers interact? 3) What would happen if public intergenerational transfers were "privatized"?

While we cannot pretend to provide complete answers to these questions here, we offer a brief critical assessment of recent research to address them. We begin with a brief discussion of how intergenerational transfers should be defined and measured, emphasizing a number of methodological problems. We conclude with an emphasis on the need for more systematic interdisciplinary research and an outline of several priorities for reform.

Defining and measuring intergenerational transfers

The term "intergenerational transfers," now widely deployed in both demography and economics, conveys a clear, common-sense meaning: resources transferred from one generation or age group to another. Generally, the literature refers to two countervailing sets of transfers: those made by adults, primarily parents, to children; and those made by grown children, or working-age adults, to the older generation. One factor that contributes to confusion and disagreement in discussions of intergenerational transfers is lack of clarity about the term "generation" and therefore the meaning of "intergenerational." A "generation" is well-defined in the context of kinship and genealogical studies, where it relates to someone's location in a lineage. In their textbook of demography, Preston, Heuveline, and Guillot's very limited use of the term "generation" is confined to this meaning: they develop measures of population growth that "compare the size of successive generations" (2001, p. 113). Ronald Lee's entry on "Intergenerational Transfers" in the *Encyclopedia of Population* acknowledges the difficulty of passing from a focus on the individual (or family) to the population, noting that "generation is a loosely-defined concept, and it can simply mean a different age group..." (2003, p. 542).

Populations contain family members, and those individuals can be associated with well-defined locations in their respective lines of descent, but populations themselves do not have "generations." Populations can, however, be sorted into well-defined birth cohorts, that is, people born in a specified year or range of years. Laurence Kotlikoff, a leading developer of the idea of generational accounting, defines generational accounts as "the sum of the present value of the future net taxes ... that members of a birth cohort can expect to pay over their remaining lifetime" (2003, p. 457).

Thus, addressing the issue of intergenerational transfers and the intergenerational welfare state simultaneously invokes the well-defined flows of private resources between generations within families and the less-well-defined flows between aggregate age groups in a population at a point in time. Moreover, whereas a person's location in a lineage or in a birth cohort is fixed throughout his or her lifetime (and beyond), that person will, at dif-

ferent points in the life cycle, occupy different age groups and therefore play different roles—provider at some times, and recipient at others— with respect to societal "intergenerational transfers."

The theoretical literature on intergenerational transfers often focuses on stylized models with only two age groups, or overlapping generations (Samuelson 1958). John Caldwell (1976) argues persuasively that the changing direction of intergenerational income flows helps account for fertility decline. Ronald Lee, in collaboration with several coauthors, has provided extensive theoretical and empirical analysis of intergenerational transfers (Mason et al. 2006; Lee and Edwards 2002).

Nonetheless, to define and measure transfers is more difficult than it might seem. If there are expectations of "payback," a transfer to the younger generation may be conceptualized as an implicit loan. Under these conditions, the value of the loan must either be discounted with an appropriate rate of interest or treated as an investment that yields a future rate of return. Either calculation has huge implications for the relative value of transfers over time and helps explain why Gary Becker and Kevin Murphy (1988) challenge the notion that the elderly in the United States fare better than the young. A related issue concerns the value of insurance, which may be greater than the sum of net transfers. That is, individuals and families may be willing to pay a premium to reduce risk resulting from random shocks.

Empirical analysis of differences in consumption between the young and old is often based on the value of physical consumption (e.g., caloric intake), ignoring the value of services provided such as the value of caregiving time (Kaplan 1994). Most estimates of expenditures on children in the United States, including official estimates regularly released by the US Department of Agriculture, omit any consideration of the value of parental time (Folbre 2008). Estimates of government spending on children and the elderly typically focus on transfers that are conditional on age (such as the Earned Income Tax Credit or Social Security), excluding transfers that have the effect of benefiting families with children or the elderly without such conditionality (such as Unemployment Insurance) (ibid.).

Intra-family transfers coexist with, and complicate the impact of, extra-family transfers: an elderly person who receives Social Security may, as a result, provide a more generous bequest to his or her children. Moreover, researchers who focus on intra-family transfers often distinguish among three "currencies" or forms that those transfers take: money, time (in the provision of services), and (residential) space (Soldo and Hill 1993). The latter two "currencies" involve resources that have value, but may not—in the family context—be accompanied by explicit monetary flows. In contrast, societal transfers can only be accomplished through the collection and disbursement of monetary flows. This contrast between the means for effecting intergenerational transfers at the family level and the societal level complicates the

task of determining whether, and to what extent, public transfers "crowd out" private transfers.

Much of the literature on intergenerational accounting in the US considers only relative tax rates, ignoring educational expenditures and other public benefits (Kotlikoff and Burns 2004). Estimates by Bommier et al. (2010) that take educational expenditures into account arrive at very different conclusions. While these estimates are far more comprehensive than most, they ignore the value of investments in public infrastructure, knowledge, and technology that will benefit future generations (not to mention the value of "ecological capital" that may undergo significant deterioration with climate change). Similarly, a recent effort to estimate the fiscal externalities of parenthood relies on strict assumptions concerning the net present discounted value of future taxpayers, which is difficult to predict accurately (Wolf et al. 2011).

Efforts to build a stronger methodological consensus around measurement of intergenerational transfers could pay off not only in empirical research, but also in theoretical discussions of "efficient" intergenerational transfers and in philosophical discussions of what constitutes "equitable" or fair transfers. They also bear directly on the questions addressed below.

Why welfare states emerged

Libertarians critical of the expanded role of government tend to emphasize the self-aggrandizing actions of political elites eager to expand public spending for its own sake, perhaps to curry favor with the electorate. At the other end of the political spectrum, some argue that welfare states are designed to protect human rights and promote egalitarian outcomes. Yet it seems likely that welfare provisions also offer some efficiency gains. Much of the early literature on this topic focused on the need to correct for market failures. Responses to family failures may also have come into play (Folbre 2008). The great significance of spending on education and pensions in modern welfare states suggests that intergenerational transfers played a central role. Like families, welfare states help spread the costs and risks of caring for dependents, including the young, the old, the sick, and the disabled. Unlike families, they offer the advantage of pooling risk for large numbers of people, which improves their insurance function. Unlike private insurance, they do not suffer from the risks of adverse selection.

Yet the differing motives for, and accounting periods relevant to, private intrafamily transfers and collective intergenerational transfers suggest a problem akin to "market failure." In particular, attempts to calculate a cohort's "generational accounting" balance lead naturally to a consideration of taxes paid and benefits received throughout a cohort's lifetime, but not beyond it. Thus taxes paid during a cohort's adult years (transfers to the younger generation) are somehow to be balanced by a "payback" in the form of benefits re-

ceived late in life (transfers from the younger generation). This approach rests on an assumption that a cohort does not care about those alive after the cohort becomes extinct. However, a family member may care about the welfare of his or her offspring, and of subsequent descendants, well after the family member's death. Thus it is likely that a dollar spent on one's own descendants is worth more than a dollar spent on the population age groups that include one's own descendants. It is also likely that people without descendants wish to transfer fewer resources to younger generations than do those with descendants. For both reasons, aggregate societal transfers from the adult to the younger "generations" are likely to be too low. And a growing prevalence of childlessness in the population (Wolf 2004) could contribute to a weakening of support for key components of the intergenerational welfare state.

A specific rationale for the role of the state in making intergenerational transfers has been articulated by Becker and Murphy (1988). They argue that public investments in education reduce the impact of parental income constraints, improving the overall level of human capital. Such investments are repaid through pay-as-you-go pension systems, which give the older generation a strong claim on the earnings of the working-age population. Although Becker in particular has never been a strong advocate of public spending, he insists that this public contract leads to more efficient outcomes than purely private contracting could achieve.

Another explanation, consistent with Caldwell's reasoning and research on bargaining power within the family, suggests that the development of capitalist economies with high levels of labor mobility tends to reduce adult children's willingness to provide for their parents and to weaken paternal commitments to children (Folbre 1994; Caldwell 1976). In other words, private contracts become more difficult to enforce, and the increased risk of declines in private transfers leaves the elderly and mothers vulnerable to what might be termed a default on traditional family commitments. Those individuals and families lacking inheritable wealth might find themselves in a particularly weak position.

The development of markets in labor and capital also reduces the dependence of parents on children as a source of labor and care. Adults can hire young men and women, paying them an hourly wage rather than a share of family income. They can purchase annuities or other financial instruments that guarantee them income over the lifecycle, probably with more efficiency and less risk than relying on children. In most patriarchal systems, sons provide more direct and long-lasting support to parents than do daughters, who come under the authority of their husbands' families. As a result, the weakening of patriarchal control is associated with a decline in preference for sons.

Yet the weakening of patriarchal control has some negative consequences for women. While wage employment offers them greater independence from parents and more bargaining power within marriage, it also renders

them vulnerable to paternal default—the increased likelihood that fathers will fail to provide for their children, either by abandoning mothers who conceive outside marriage or deserting or divorcing wives. In the US, many states developed Mothers' Pensions programs alongside Old Age Pensions in the first two decades of the twentieth century (Folbre 1994). Economists Lena Edlund and Rohini Pande (2002) argue that the decline in marriage helps explain why women in the US have become politically more liberal and presumably more supportive of intergenerational transfers.

Another factor in the emergence of the intergenerational welfare state is the impact of military conflict, which typically requires efforts to enhance national solidarity. As Theda Skocpol (1995) shows, public support extended to Union Army veterans of the American Civil War and their families presaged the development of later welfare state programs. Similarly, the G.I. Bill implemented during and after World War II represented a major expansion of public support for US higher education (Mettler 2005). The demographic and economic devastation that World War II wrought in Europe helps explain many of the social programs subsequently instituted there both to support childrearing and to increase income security in old age.

These varying explanations are not inconsistent with one another. Nor do any of them foreclose the possibility that state policies have had unplanned and largely unintended effects that will require major adaptation and reform. Yet, more focused historical research informed by a better theoretical analysis of intergenerational transfers might yield valuable insights into their relative sequence and impact. It would also help answer the next question.

How do private and public transfers interact?

Private and public transfers to children and the elderly are obviously, to some extent, substitutes for each other. Some kind of substitution effect is implicit in the notion, outlined above, that public transfers emerged as a response to increased variability of private transfers, not as some exogenous shock imposed by the state on families. Indeed, there is every reason to believe that the causal linkages between these types of transfers are reciprocal: each can influence the other. Even if public transfers emerged because they were more reliable and efficient than private transfers, it is entirely possible that they had the unanticipated effect of reducing private transfers. But it is by no means clear that this has happened.

Standard neoclassical economic theory suggests that public transfers should crowd out private transfers in the family. That is, if a family has allocated resources according to a joint utility function, and an exogenous change (such as a school lunch program) increases the resources going to one family member who is attending school, and all else remains equal, the family should respond by reducing its own allocation of resources to that member (e.g.,

by not providing breakfast). Yet there is no empirical evidence that public spending on education reduces the amount of income that parents spend on schooling. Studies of parental expenditure usually assume that most spending on children represents a relatively constant share of parental income (Folbre 2008). In an even more extreme (and in our view entirely implausible) version of the family crowding-out argument, Robert Barro (1974) argued that parents respond to an increase in government spending by recognizing that their children will have to pay higher taxes when they grow up, and therefore they set aside more savings to compensate them.

A growing body of interdisciplinary research suggests that family resources are not so fungible. Families tend to set aside a certain amount of money or time for their members in ways influenced by social norms rather than by joint utility functions (Zelizer 1997). Families may be motivated by "warm glow" altruism, in which they derive pleasure from being the source of assistance, rather than mere concern for the well-being of the person receiving assistance (Andreoni 1990). Transfers of money may be less important than commitments to provide emotional support and direct assistance in times of need. Indeed, family members may be better able to meet those commitments if public transfers help them meet their basic living expenses.

Bargaining-power models suggest that increases in the resources available to family members improve their fall-back position, giving them more influence over family decisions (Bernheim, Shleifer, and Summers 1985). From this perspective, increases in the relative income of the elderly in the US provided through Social Security should have increased their bargaining power, which in turn should have increased their ability to obtain care and insurance services from their children. Here, the distinction between the different "currencies" of intergenerational transfers comes into play. While Social Security and Medicare help meet the income and acute health care needs of the elderly, they do not finance long-term care either in the home or in nursing home facilities. Medicaid provides funding for such needs only for those who have effectively spent down their assets. Public intergenerational transfers may reduce private intergenerational transfers of money, while they increase transfers of time, attention, and solicitude.

Social scientists seldom have the opportunity to observe the effect of a simple exogenous change, all else equal. Increases in public transfers to both children and the elderly in the US have taken place over a long historical period characterized, until recently, by increased demand for skilled labor and steady economic growth. We note that the expansion of public higher education in the 1950s and 1960s did not contribute to any decline in private college enrollments, or in parental contributions to college expenses. The opposite effect was, however, visible: states with large, privately funded universities proved less likely than others to expand their public university enrollments (Goldin and Katz 1998).

Critics of Social Security sometimes point to the decline in the propensity of the elderly to live with their adult children as a sign of crowding out, as though the working-age population has become less willing to provide housing for their parents (Ponnuru 2012). In the fifty years before the Social Security Act was passed, most elderly widows lived with their adult children. After 1935, the percentage living alone steadily increased (McGarry and Schoeni 1998). But this change largely reflects their increased income, which gave them the option of living independently.

In short, the older generation was not crowded out. It chose to move out. Karen Holden's (1988) research suggests that poverty rates among older women living alone fell more slowly from 1950 to 1980 than they would have in the absence of a growing tendency to live alone: in other words, Social Security enabled older women to achieve residential independence at some cost to their apparent material well-being. Also, while working-age adults probably reduced the value of in-kind transfers, such as housing, to their parents, we have no direct evidence that adult children became less willing to help these widows when and if they experienced need (referred to above as the "insurance" function). Indeed, many researchers have refuted the "myth of abandonment" of older people by their family members (Shanas 1979; Brody 1985.) While some types of transfers (housing and other in-kind transfers) may have been reduced, others have taken their place, including informal insurance and care services.

Findings from Australia, Germany, the Netherlands, and the United Kingdom indicate that childless older adults are over-represented in residential care homes or institutions (Dykstra 2009). Evidence from the United States suggests that elderly women without surviving children are more likely than others to become dependent on Medicaid-financed nursing home care (Wolf 1999). Several US studies show that individuals with living children—potential future caregivers—are less likely to buy private long-term-care insurance than those without children (controlling for other economic factors) (Kumar et al. 1995; Cramer and Jensen 2006; Johnson et al. 2007).

Insurance itself—whether provided publicly or privately—represents a substitute for intra-family transfers. Thus, if Social Security, Medicare, and Medicaid have had the effect of crowding out transfers from the working-age to the retired population, it seems logical that private pension programs, private health insurance, and private long-term-care insurance have had similar effects. Such forms of private insurance have expanded enormously in the last three decades. We do not know of any empirical efforts to distinguish the impacts of public intergenerational transfers from these confounding factors.

Too often, the "crowding-out" hypothesis is framed in simplistic terms of public versus private transfers. In reality, individuals face many different options for obtaining health and income security in old age: reliance on public transfers, reliance on private family transfers, reliance on private savings or

pension programs, and reliance on private insurance. All these options are likely to exercise reciprocal effects on each other, and most individuals probably prefer a portfolio of these options to reliance on any single one. Still, it seems likely that the elderly are less dependent on family transfers than they have been in the past. It also seems likely that declining economic incentives to raise children have helped motivate fertility decline. But would modification or elimination of public transfers to the elderly reverse this trend?

Privatizing intergenerational transfers

The overall aging of the population increases the fiscal pressure of commitments to provide for the income security and health of the elderly. Possible general responses to the problem include increasing taxes, increasing savings, reducing benefits, increasing retirement age, improving the efficiency of health care provision, and possibly relying more heavily on selective immigration policies. In the long run, however, it seems desirable to bring the intergenerational transfer system into better balance either by providing more public support to parents and children or providing less to non-parents and the elderly. But how best to accomplish this goal?

Many policy suggestions are aimed at greater support for parents during their childrearing years, including higher tax subsidies, paid family leaves, high-quality early-childhood education, and reduced penalties for part-time work (Gornick and Meyers 2003; Gornick et al. 2009). A recent report from the OECD (2011) suggests that policies like these, implemented in several European countries, have had positive effects on both fertility and child outcomes. Related proposals in the US would reduce the economic effect of time parents take out of paid employment, either by using Social Security funds to help finance paid parental leave or by allowing "caregiving credits" that would increase later retirement payments (Center for American Progress 2012; Herd 2006; Jankowski 2011).

Unlike the policies above, efforts to link income security in old age to the specific number of children raised or to the "success" of childrearing efforts represent a form of privatization because—even if they are implemented through the state—they represent a kind of "pay for performance" logic resembling that in the labor market. Indeed, the main impetus behind such proposals lies in the direct incentive to parents to raise more—and more economically successful—children. Proposals run the gamut from minimalist approaches (just eliminate public pensions) to reallocation of existing Social Security or public pension receipts (as in Demeny's earlier suggestion) and to more detailed proposals designed to offer incentives for marriage or children's successful graduation from high school.

Consider first the minimalist approach implicit in Romesh Ponnuru's (2012) suggestion to eliminate all public entitlements. If public pensions

and other forms of support for the elderly, such as Medicare, were simply eliminated, their adult children might assume more responsibility for these expenses. But how much more? As the earlier discussion of child default suggests, parents today have less economic and cultural leverage than they once had. Capitalist development itself has undermined the moral and material basis of parental authority.

It seems likely that some adults would be unable or unwilling to help needy parents. This enforcement problem could be addressed by legislation providing legal redress to needy parents.

Many "filial responsibility" laws remain on the books in the US, and international models include China and Singapore (Ikels 1993; Moskowitz 2002). Most of these laws were adopted with the goal of minimizing public expenditures, with some early advocates in the US promising to reduce total welfare costs by as much as 30 percent (Walters 1999). Actual experiences in the US during the 1950s, however, suggest that the administrative costs were extremely high, along with potential for litigation (Lee 1995). More recently, the US experience with enforcing intra-family transfers at the other end of the spectrum—through enforcement of the child support responsibilities of noncustodial parents—has not been encouraging. Despite new legislation and intensified efforts on the state level, the proportion of eligible children who receive child support payments has changed little since the late 1970s (Case, Lin, and McLanahan 2000; US Government Accountability Office 2011).

This pattern helps explain why most discussions of privatizing intergenerational transfers in the US rely on redirecting some portion of revenues raised through Social Security taxes to strengthen the link between childrearing and income security in old age. In his original proposal, Demeny suggested "allocating a specified fraction of social security contributions made by individual labor force participants directly to their parents, during parents' lifetimes" (1987, p. 132). He did not elaborate on what share of social security payments would be privatized in this way, or to what extent the parental premium might represent an addition to payments based on their own earnings.

This basic approach was elaborated by Shirley Burggraf, who called for "parental dividends" of around 15 percent of the income of adult children and their spouses (1997, p. 70), about the same as total Social Security taxes (paid by both employer and employee), to be considered a substantial replacement for the existing system (p. 88). The demographic specifics of the proposal are not indicated. For instance, it is not clear whether working adults would pay the same percentage whether they have two surviving parents or not, or whether they are married or not. Further, it is not clear how the parental dividend would be allocated between unmarried or divorced parents who made disparate contributions to childrearing, or how parents would fare if their children predeceased them or were unemployed for long periods of time.

Any reasonable calculation of the expected value of the dividends parents might hope to receive would need to be based on more specific demographic and economic assumptions.

Similar concerns arise from consideration of Phillip Longman's (2004) rather different approach. Longman proposes to reduce payroll taxes for married parents (one child would reduce them by one-third, two children by two-thirds, and three children would eliminate them altogether). Further, married parents whose children successfully complete high school would receive higher Social Security benefits than others. Unmarried parents would apparently receive no consideration under this scheme, and the fate of divorced parents is unclear. It seems obvious that the effective Social Security tax on non-parents would need to be much higher than it is currently in order to finance such a system. Longman's emphasis on the desirability of incentives for meeting educational objectives evokes James Coleman's (1988) earlier proposal (unrelated to Social Security) that parents be socially rewarded for any positive differential between their children's expected academic performance (based on family and individual-specific factors) and their actual performance.

The mechanism for specifying such a reward might best be specified in a science fiction novel. It is not clear how the polity would decide how to measure parenting performance, and how to net out the many random and uncontrollable factors that enter into the production function for human capabilities. Economic theory suggests that rewards given for measurable performance will reduce effort devoted to immeasurable performance (Kreps 1997). Further, parents might not welcome efforts to remunerate them on the basis of assessments of their children's quality. Indeed, many might argue that linking parental income to their children's earnings reintroduces incentives that had many negative as well as positive effects, leading to lower regard for children's own feelings, proclivities, and expressed priorities.

The limitations of privatized transfers to the elderly highlight some of the underappreciated advantages of a public intergenerational transfer system, which serves not just one but three powerful insurance functions. First, it insures parents against demographic misfortune: the possibility that their children may suffer disability or death. Second, it insures against economic misfortune: the possibility that children may not become reliably employed individuals able to contribute to their parent's well-being in old age. Third, it insures parents against what might be termed parenting misfortune: the possibility that their children grow up not just unsuccessful but also unhappy and ungrateful to those who raised them, and therefore unwilling to help them. A system of old-age income support that relied exclusively on "individual accounts" would seriously reduce insurance against adverse outcomes resulting from both individual heterogeneity and bad luck. Financial crises such as the recent Great Recession cause even skilled, forward-looking investors

to experience large losses, which society can potentially overcome thorough collective insurance.

Yet consideration of privatized transfers also highlights inequities in public intergenerational transfers and helps explain growing political resistance to them. As we mentioned at the outset, the aging of the population has created a fiscal imbalance that most countries find politically difficult to redress. Increased economic and racial/ethnic heterogeneity makes individuals less willing to pool risk. Finally, demographic diversity calls into question the existing public transfer system. Men are less involved in the private support of children than they once were; perhaps as a result, they now seem increasingly resistant to providing public support for them. With childlessness on the increase, in particular, among educated women, the costs of parenthood are also unequally distributed among women. How, then, could the intergenerational welfare state be reformed?

Toward equitable and sustainable intergenerational transfers

The United States has always had, at best, a partial welfare state compared to its counterparts in northwestern Europe. In general, it has provided more generous and consistent support for the elderly than for children. Educational expenditures per child vary enormously across school districts, often reflecting the local distribution of wealth rather than principles of equal opportunity. Parents in the US generally receive lower levels of public support than their counterparts in northwestern Europe, and this support takes a particularly complex, uneven form (Folbre 2008). As a country with a rich legacy of immigration and the capacity to draw on a global reserve of both skilled and unskilled workers, the US has perhaps been able to postpone considerations of intergenerational equity and sustainability. However, the potential for postponement is limited.

The conceptual problems outlined in this essay are wide-ranging ones. Our political discourse lacks a clear and consistent definition of intergenerational equity, making informed debate difficult. Our social scientific infrastructure offers no clear measures of public and private transfers, and our public accounting system makes it difficult, if not impossible, to track them. The important role of immigration in the US economy creates additional complications, because it weakens the traditional connection between private and public transfers based on residence or citizenship. A concerted interdisciplinary research program to provide a better understanding of intergenerational transfers in the US remains a high priority.

A second, related priority would be to determine how extensive intergenerational transfers should be within welfare state policies, relative to both family transfers and public intragenerational transfers. As we emphasized

above, movement toward increased private provision for old-age health and economic security through either voluntary or forced savings and investment reduces public incentives to invest in the younger generation and would likely also discourage fertility. This is not a reason to dismiss such measures out of hand. Issues of social equity and fairness could, in theory, be addressed by intragenerational transfers, and one might argue that steep declines in fertility throughout the world offer significant environmental benefits, if only social institutions could flexibly adjust.

The question cannot be reduced to either/or. Carving out a smaller but more specific role for intergenerational transfers within the welfare state might allow them to play a continuing role in a larger social portfolio of risk reduction and pooled investment strategies. For instance, the CLASS Act, originally passed as part of the 2010 Affordable Care Act, would have allowed individuals to contribute to an insurance pool for care in old age, and funds provided would have enabled them to hire family members to help provide home and community-based care (Wolf and Folbre 2012).

Presuming that intergenerational transfers will continue to play an important role, a third priority would be to bring the private costs and benefits of parenthood into better alignment. Although most parents undertake childrearing responsibilities for intrinsic reasons, the extrinsic costs have a profound impact on the economic well-being of mothers in particular. Private resources devoted to the production, nurturance, socialization, and education of the next generation yield important social benefits; at the same time, cultural permission to opt out of childrearing responsibilities, either by remaining childless or by becoming a non-custodial, non-contributing parent, is increasing. As aforementioned, increased public support for parenting could take the form of increased tax subsidies, care credits for Social Security, other policies that would reduce the net taxes paid by parents or increase the net benefits they receive, and work/family policies that make it easier to balance the responsibilities of paid and unpaid work. This approach would improve both fairness and efficiency without sacrificing the benefits of social insurance.

Finally, attention to the joint role of the family and the state in intergenerational transfers highlights the importance of designing public policies that reward and reinforce familial commitments, reducing the threat of "crowding out." For instance, public support for caregiving for adults with disabilities and the frail elderly could be extended to payments for family members, as it has in many countries that have promoted home and community-based care, and as promised by the CLASS act alluded to above. The steep marginal implicit tax rate on low-income couples who marry, pool their income, and quickly lose eligibility for benefits could be reduced. Child support policies for low-income families could ensure that non-custodial parent contributions benefit their children, rather simply reimbursing state expenditures. The

home mortgage interest deduction, a policy that encourages family members to live separately, might be reduced or eliminated.

This list of priorities is by no means exhaustive, and it may not be realistic. Nonetheless, it reminds us of the crucial links between economic demography and public policy that Paul Demeny first brought to our attention several decades ago. In retrospect, intergenerational transfers played a far more important role in the emergence of the US welfare state than has been commonly recognized. Ironically, failure to accurately understand and govern these transfers could play an important role in the decline of the welfare state in the United States.

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