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Assaf Razin: International economist for a global age

Gene M. Grossman, Elhanan Helpman / 25 Jul 2026

During a distinguished career that spanned more than five decades, Assaf Razin, who passed away in July 2026, established himself as one of the leading international economists of his generation. This column describes how, across a range of topics including international trade, international finance, fiscal policy, taxation, migration, the welfare state, and financial crises, he combined theoretical innovation with an abiding concern for policy and for the ways in which globalisation expands national opportunities while constraining national choices.

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Assaf Razin passed away in July 2026 at the age of 85. During a distinguished career that spanned more than five decades and frequently took him to universities, policy institutions, and conferences across the globe, he established himself as one of the leading international economists of his generation. Razin's research ranged widely across trade, capital mobility, taxation, migration, and fiscal policy. Yet these diverse contributions were unified by a persistent interest in how globalisation influenced and constrained the policy choices of national governments.

Assaf was born and raised in Kibbutz Shamir, one of Israel's northernmost communities. During his youth, Shamir was organised as a fully cooperative community in which jobs and housing were assigned collectively and private property was virtually nonexistent. Children lived in communal children's houses rather than with their parents, and the educational system was not designed to prepare them for university

studies. The kibbutz placed little emphasis on higher education, and only a small number of its members were granted permission to pursue a college degree.

During his compulsory military service in the Israeli army, Assaf was seriously wounded by friendly fire and spent more than a year in the hospital. After recovering, he resolved to pursue higher education. He enrolled first in the Hebrew University's Faculty of Agriculture in Rehovot and later earned a PhD in Economics from the University of Chicago. His years in Chicago profoundly shaped his intellectual outlook. The emphasis there on the functioning of competitive markets stood in sharp contrast to the collectivist ideology of the kibbutz in which he had been raised. Throughout his academic career, he remained a strong advocate of markets and globalisation while never losing sight of distributional conflict, social insurance, and the valuable role of the welfare state.

After completing his doctorate, Assaf held his first academic position at the University of Minnesota and then returned to Tel Aviv University, which remained his principal academic home for most of his career. He chaired its Department of Economics, served as dean of the Faculty of Social Sciences, and later as vice rector. In 2000, he was appointed Friedman Professor of International Economics at Cornell University. For the next fifteen years, including after his formal retirement from Tel Aviv University, he divided his academic life between Ithaca and Tel Aviv.

Alongside his academic work, Assaf was an active adviser to governments and international institutions. In Israel, he headed the Economic Planning Authority and served as the government's chief economic adviser. His warning that the expansionary policies of the late 1970s were placing Israel on a path toward an inflation crisis was politically unwelcome and cost him his position, but subsequent events vindicated his concern. He later advised the IMF and several central banks, and served as president of the Israel Economic Association.

Assaf's research career began with his doctoral dissertation at the University of Chicago, which already displayed the originality and breadth that would characterise his subsequent work. It addressed one of economics' central questions – economic growth – by examining both the role of human capital in productivity growth and the interaction between economic and population growth. The papers that emerged from the dissertation made two important contributions.

In “Optimum Investment in Human Capital,” published in 1972, Assaf analysed how externalities in human-capital accumulation can shape the evolution of productivity over time. The mechanism anticipated ideas that became central to the new growth theory some fifteen years later, particularly in the work of Robert Lucas.

His 1975 paper with Uri Ben-Zion, “An Intergenerational Model of Population Growth,” provided the first formal analysis of the interdependence between endogenous population growth and economic growth. Its framework and insights were later extended by Gary Becker, Robert Barro, and others, helping to establish a major literature on the joint determination of demographic and economic dynamics.

Assaf then turned to the interaction between international trade and capital flows, a theme that would recur frequently in his subsequent work. His first exploration of the links between goods markets and asset markets was undertaken in collaboration with Elhanan Helpman. In a series of papers and in a 1978 book, *A Theory of International Trade Under Uncertainty*, they extended Diamond's 1967 general-equilibrium model of a stock market as an imperfect risk-sharing mechanism under technological uncertainty to the open economy. The Helpman–Razin framework, which remains central to theories of trade under uncertainty nearly five decades later, provided a foundation for analysing how international trade in securities affects patterns of specialisation, trade in goods, and the allocation of consumption across countries and over time. They showed that access to international securities allows countries to share risk and thereby to specialise more strongly according to comparative advantage. At the same time, greater specialisation can leave countries more exposed to disruptions in international markets. The work thus introduced, at an early stage, a theme that ran through Razin's career: globalisation raises efficiency by expanding opportunities for specialisation and risk sharing, but also creates new channels of interdependence and vulnerability.

Some of Assaf's most influential work addressed the determinants of the current account and helped establish the intertemporal approach to balance-of-payments analysis. To understand his contribution, one must begin with the fact that, until the late 1970s, economists generally analysed the balance of payments within a static framework. This approach did not adequately incorporate the intertemporal budget constraints governing borrowing and lending over time and therefore offered only a limited account of the sustainability of external deficits and the long-run effects of policies designed to correct them.

In the early 1980s, this static framework gave way to a dynamic one through the work of a group of young economists that included Maurice Obstfeld, Jeffrey Sachs, Lars Svensson, and Assaf. The intertemporal approach viewed the current account as the outcome of forward-looking decisions by households and firms about consumption, saving, investment, and borrowing and lending over time. Understanding external imbalances therefore required dynamic models that explicitly incorporated expectations and intertemporal optimisation.

A seminal contribution to this literature was the 1983 article by Assaf and Lars Svensson, “The Terms of Trade and the Current Account: The Harberger–Laursen–Metzler Effect.” The paper showed how changes in the terms of trade affect consumption, saving, and the current account through intertemporal optimisation, thereby providing a new interpretation of a classic question in international macroeconomics. Assaf developed this approach further in a series of influential studies and, with Jacob Frenkel, provided a comprehensive treatment in their 1987 book, *Fiscal Policies and the World Economy: An Intertemporal Approach*. The book integrated fiscal policy into a dynamic open-economy framework and examined the effects of taxation and government expenditure on the current account, international trade, and capital flows. It became a landmark contribution to international macroeconomics.

Following the publication of his book with Jacob Frenkel, Assaf continued to investigate how national tax systems could function when tax bases were internationally mobile. Much of this research was synthesised in *International Taxation in an Integrated World* (1991), coauthored with Frenkel and Efraim Sadka. The book developed a unified framework for analysing taxation in open economies, with particular

emphasis on capital mobility, tax competition, and the coordination of national tax policies. It clarified how governments seeking to attract mobile capital may reduce its tax burden and shift taxation toward less-mobile factors such as labor. Individually rational national policies can therefore produce an inefficient equilibrium and erode the revenues needed to finance public goods and social insurance. Razin and his coauthors also showed that the case for tax harmonisation depends on the available policy instruments and the degree of international coordination. Questions that were once specialised concerns of international public finance now lie at the center of debates over minimum corporate taxation, profit shifting, and the fiscal sovereignty of nation states.

In related work, Assaf examined the relative merits of source-based and residence-based income taxation in an integrated world. This work had a direct policy application in Israel, where the 2003 tax reform replaced a predominantly source-based system with a residence-based one. Assaf served on the public committee that advised the government on the design of this reform.

In later decades, Assaf returned to themes already present in his early work on population, now situating them in the political economy of globalisation. Much of this research examined how the international mobility of capital and labour constrains governments' choices over redistribution. It was conducted largely with Efraim Sadka and, in some projects, with Benjarong Suwankiri and other coauthors. The central question was how aging, migration, and mobile tax bases affect the size and political sustainability of the welfare state.

The analysis treated migration and redistribution as jointly determined political choices. Immigrants differ by age and skill, and therefore in their tax contributions and expected claims on benefits. Native voters differ in income, age, and exposure to labor-market competition. A generous welfare state may attract different types of migrants depending on whether migration is free or controlled, while immigration itself alters future political coalitions and, with them, future tax-and-transfer policies. The fiscal consequences of immigration therefore cannot be assessed through a static accounting exercise alone. They depend on selection, demographics, labor-market adjustment, and political feedback.

The Decline of the Welfare State: Demography and Globalization, coauthored with Sadka, and *Migration and the Welfare State: Political-Economy Policy Formation*, coauthored with Sadka and Suwankiri, synthesised this research. Long before migration and the backlash against globalisation became dominant political issues, Assaf was analyzing the economic forces that made them so contentious.

In a profile published on the occasion of Assaf's 80th birthday, Prakash Loungani aptly described him as "The Guru of Globalisation." The phrase captures the central concern of a remarkably broad body of work on the causes and consequences of globalisation. Following the global financial crisis of 2008, Assaf published *Understanding Global Crises: An Emerging Paradigm* (2014), which examined the common mechanisms underlying major financial crises and the roles of banking fragility, credit-market imperfections, and international capital flows. The book extended his longstanding interest in international interdependence to the fragilities created by globally integrated credit and capital markets. He also viewed Israel's economic development as inseparable from its integration into the world economy, a theme he explored in *Israel and the World Economy: The Power of Globalization* (2018).

Taken together, Assaf's work ranged across international trade, international finance, fiscal policy, taxation, migration, the welfare state, and financial crises. Across these fields, he combined theoretical innovation with an abiding concern for policy and for the ways in which globalisation expands national opportunities while constraining national choices.

Personally, Assaf was first and foremost a kind person. He treated everyone with respect and brought a deep and broad intellectual curiosity to every conversation. Whether the subject was economics, Israeli or American politics, or the latest movie or concert, he was always interested and interesting. He was unrivalled as both a dinner companion and a coauthor. We will sorely miss him.

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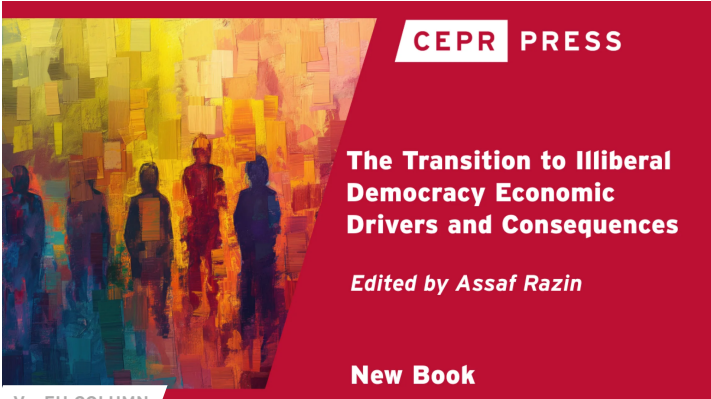


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