

For EDF seminar, 4 October 2015:

## Exploring Intergenerational Equity by John Macnicol

Definition: the view that each generation should receive a 'fair' allocation of public resources, compared with those that went before and those that will follow. But what exactly is 'fairness'? On the face of it, IGE debate has arisen because of the very evident plight of young people – housing jobs, student fees, etc. But are older people to blame? Have 'the baby boomers' created this situation? Is there more behind this call for a redistribution from old to young?

3 lifecourse perspectives possible in analysing IGE:

1. Cohort effect.
2. Cross-sectional perspective.
3. One particular, selfish 'welfare generation' has monopolised public resources.

Two positive points:

1. Raises the disturbing, dystopian prospect of an end to the idea of progress via rising living standards. Will each successive generation be relatively poorer?
2. Generational analysis potentially very useful, e.g. extended family, anthropological studies of tribal societies. How far do we possess generational self-identity?
3. IGE is desperately relevant re climate change: what kind of world will we leave for our children? But no convincing historical examples from the history of the welfare state.

Interesting that this the *second* recent iteration of this debate. Previous in late 1980s/early90s, especially in Reaganite USA (well-funded campaign with the ultimate aim of privatising Social Security). Then, baby boomers were the *victims*, pre-boomers the *villains*. Opportunistic?

Has been revived in last ten years. Why? Long-term and short-term reasons:

- (a) Short-term – pensioners more protected than other groups in the recession. But pensioners face difficulties too, e.g. decline in relative value of state pension since 1980, low savings rates, UK state pension one of the worst in the developed world. Since the late 1990s, a clear need to improve the basic state pension. What appears to be over-generosity is a long-overdue addressing of this issue.
- (b) Longer-term – ageing population (but LE gains much exaggerated); collapse of many final salary schemes; recession, burden of debt on future generations; long-run labour-supply strategy has led to a reinterpreting of the demographic and fiscal evidence; a longstanding neoliberal cause, e.g. Thatcher wanted to raise state pension ages to 70 in 1989. Therefore, not caused by recent events (e.g. a sudden, dramatic and unexpected demographic crisis).

IGE has been used to justify restructuring of the welfare state & cuts.

If spa raised to 69 tomorrow, 1.5m to 3.5 jobs needed. Exactly where will they come from?

Some problems:

- agency – how was it done? fair to blame one monolithic 'generation'?
- concept of a generation: 25 yrs? experiential or demographic unity?
- intragenerational divisions?
- equity or equality?
- relative or absolute living standards?
- how to identify the 'over-resourced' & 'under-resourced' and effect a redistribution (only possible from the wealthiest 10% of pensioner households: therefore, a political non-starter?)
- would involve, on average, a redistribution from women to men (former predominate in old age).
- corrective justice: agency needs to be proved/penalty on thrift/compensatory action too late.

All in all, IGE raises some interesting issues – but strip away the euphemisms re justice, equity, fairness, etc. and in the final analysis 'fairness' = equal misery for all.