

GEN debate: Today's policy settings unfairly favour the baby boomer generation

- Date:** Friday 10 July 2015
Start: 3pm to 4.30pm, followed by refreshments
Finish: 5.30pm
Venue: Decima Glenn, Level 3,
Owen G Glenn Building





Government Economics Network intergenerational debate

20 minutes for the motion

20 minutes against the motion

5 minutes each reply

5 minutes for the chair

Questions and comments from floor

Vote

Just what are we talking about here?

Generalisations

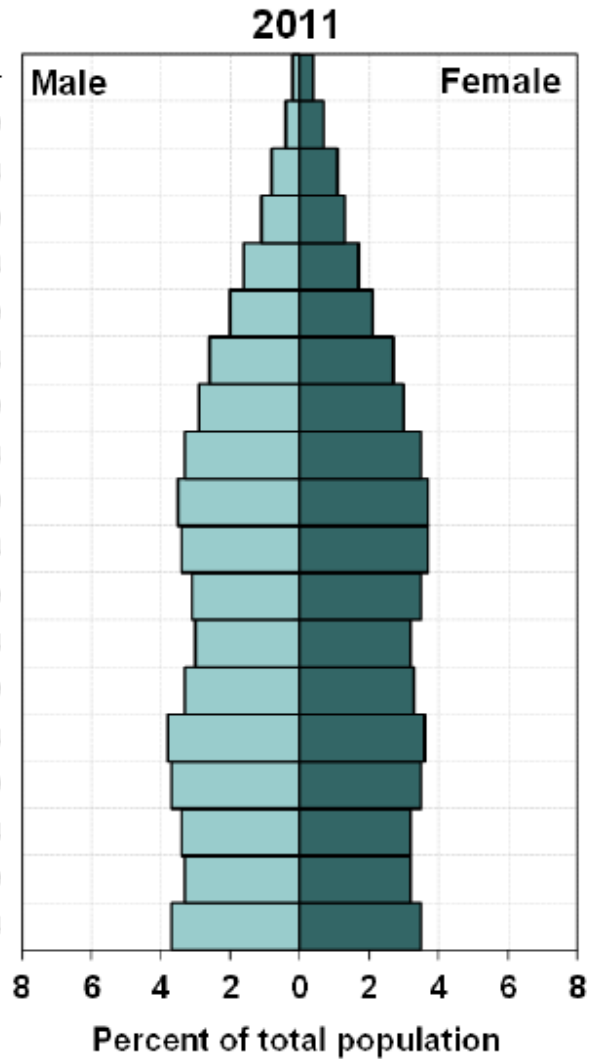
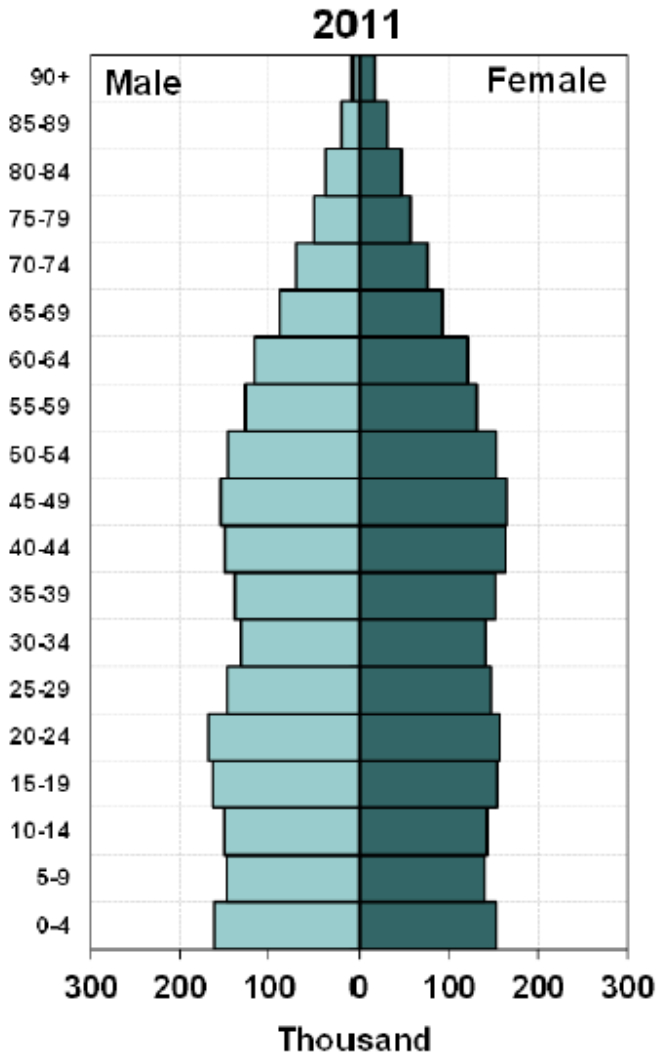
- **Baby boomers** born 1945-1965 age 50-70
 - **X generation** born 1966-1986 age 31-49
 - **Y generation** age under 30
- the Millennials ? age 20-30
- Digital natives under 20



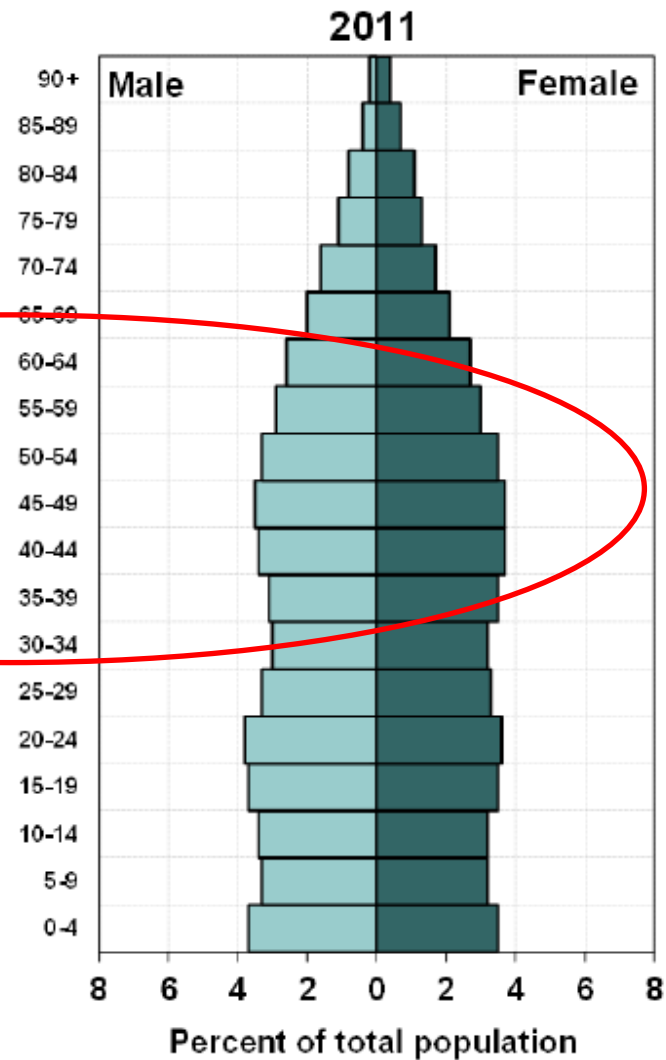
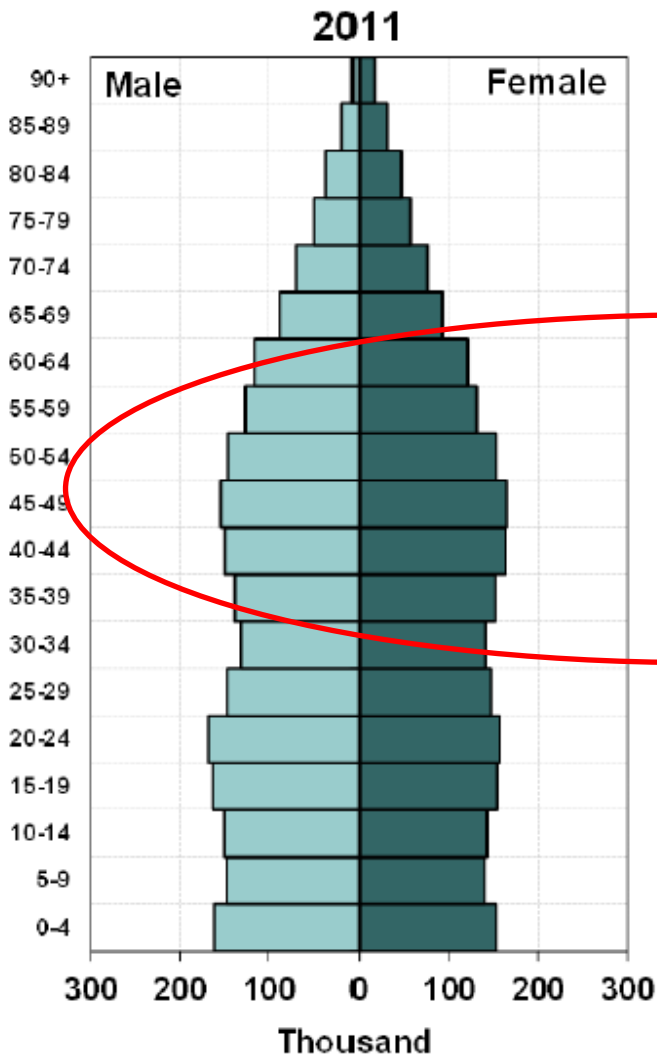
Ms Becky Prebble for the motion

“Today’s policy settings unfairly favour the baby boomer generation”

Age structure of NZ population

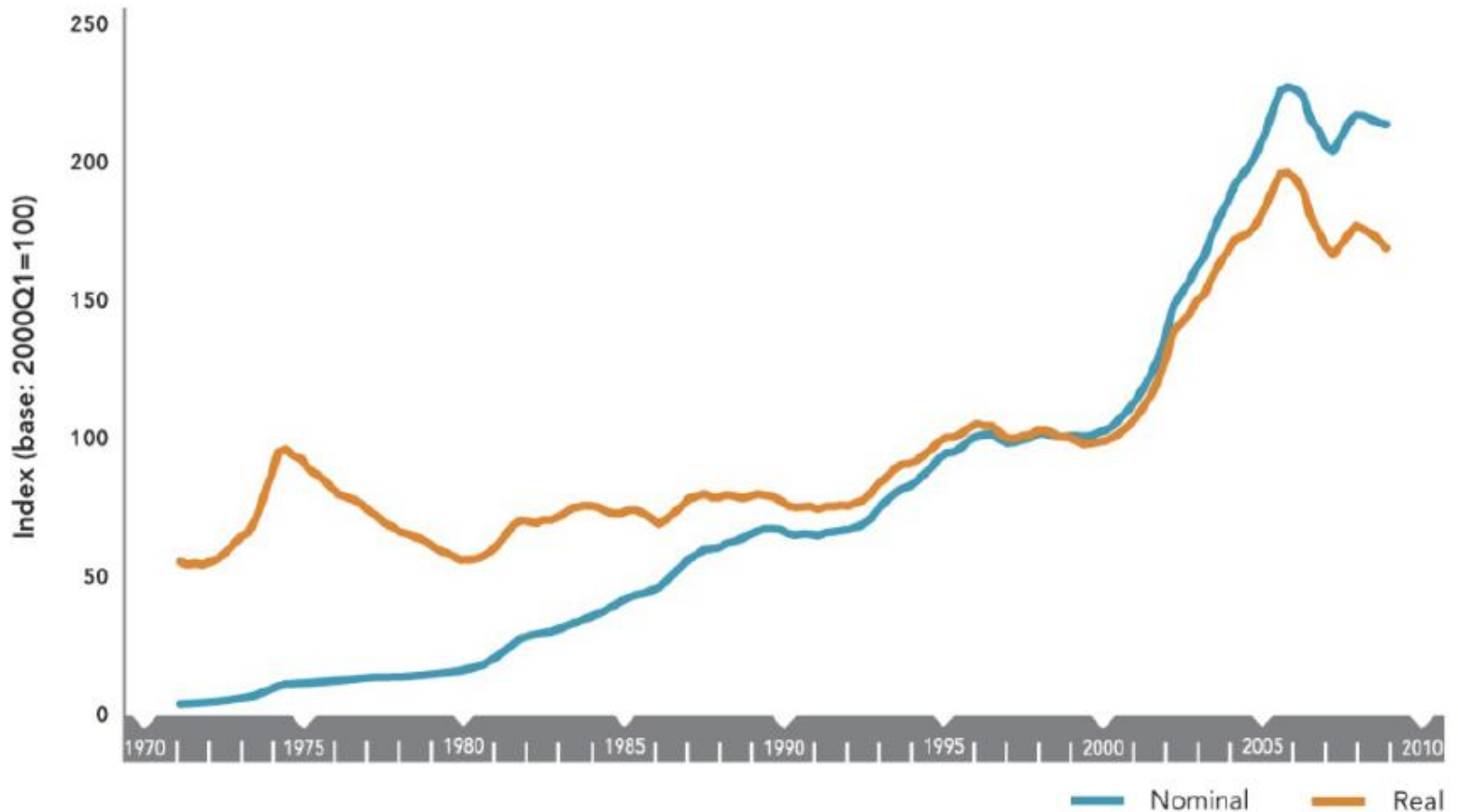


Age structure of NZ population



House prices over 40 years

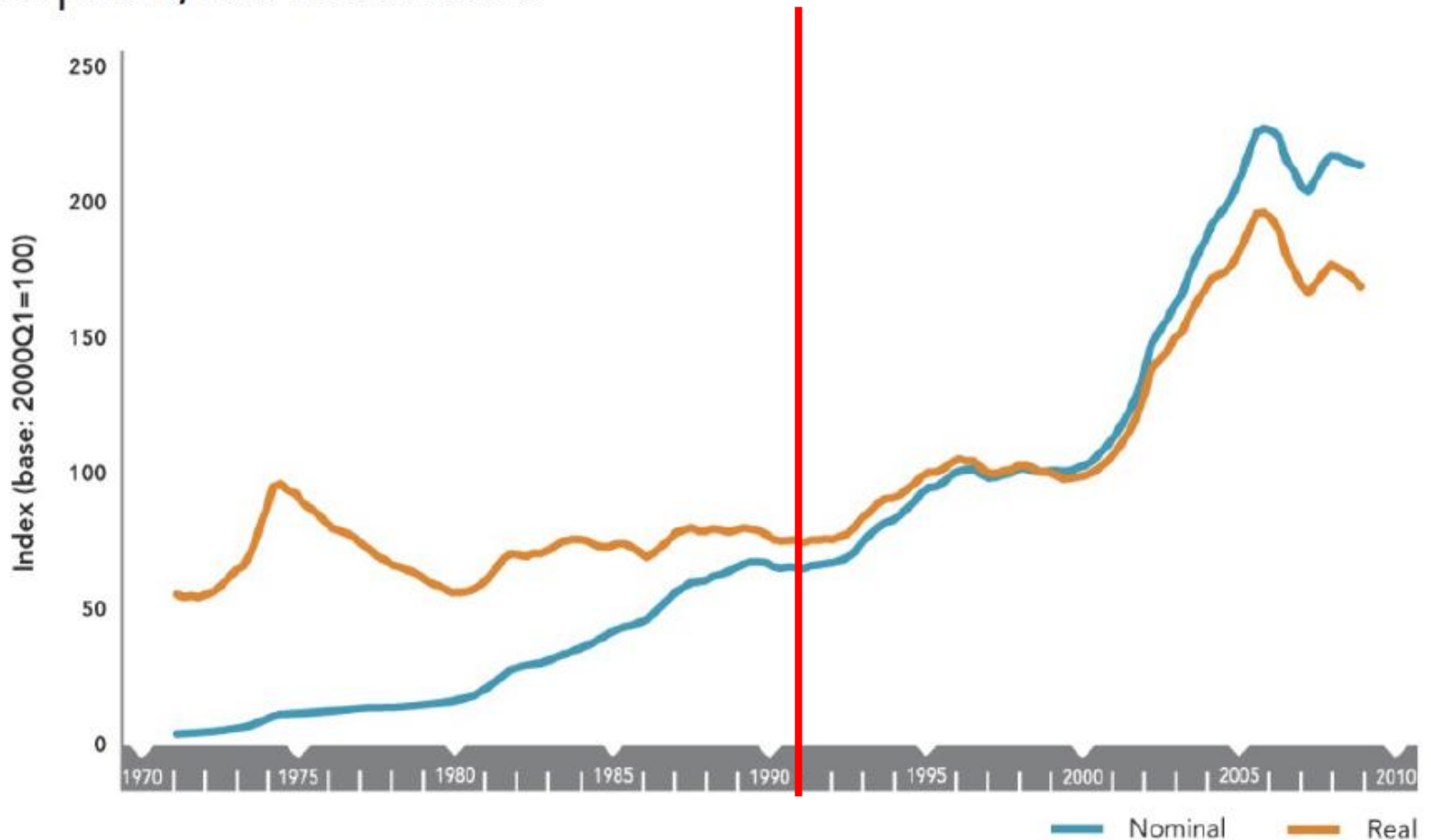
House prices, real and nominal



Source: Productivity Commission

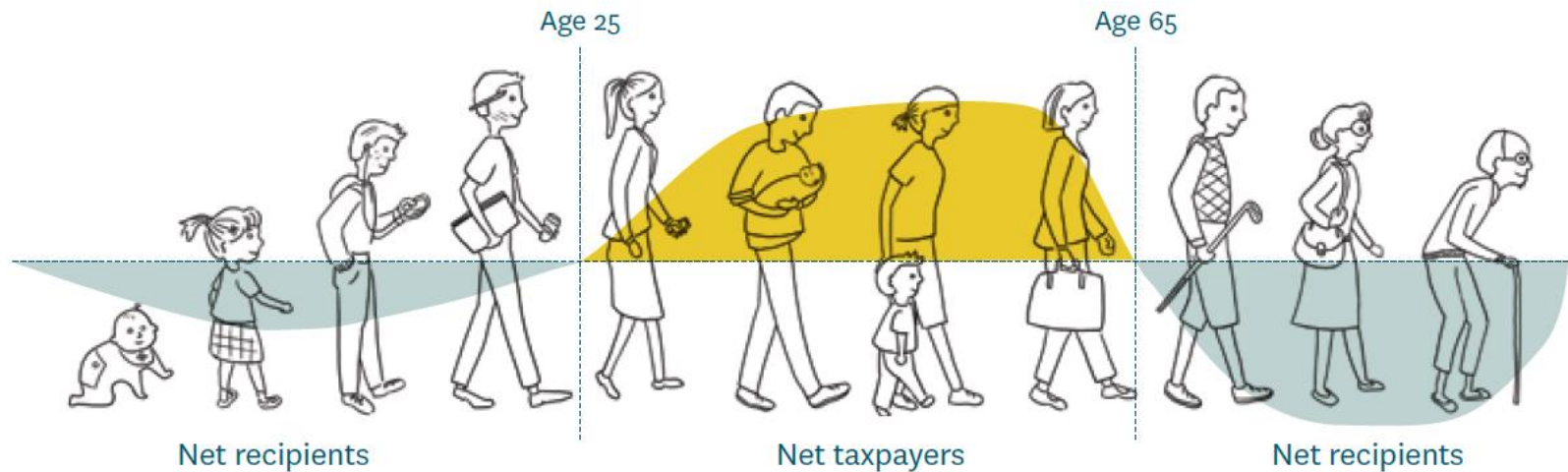
House prices over 40 years

House prices, real and nominal

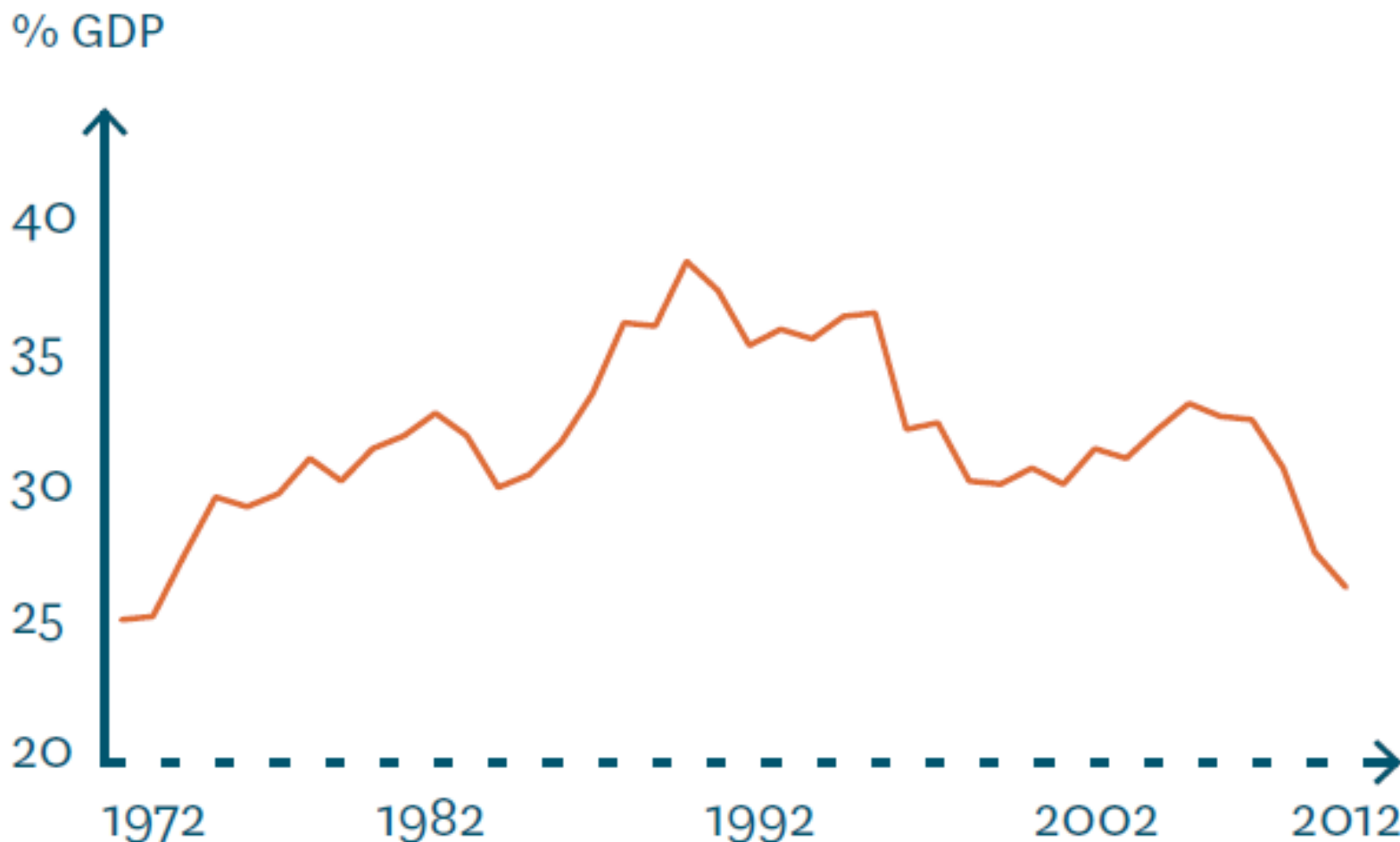


Source: Productivity Commission

A pay-as-you-go NZ Super system

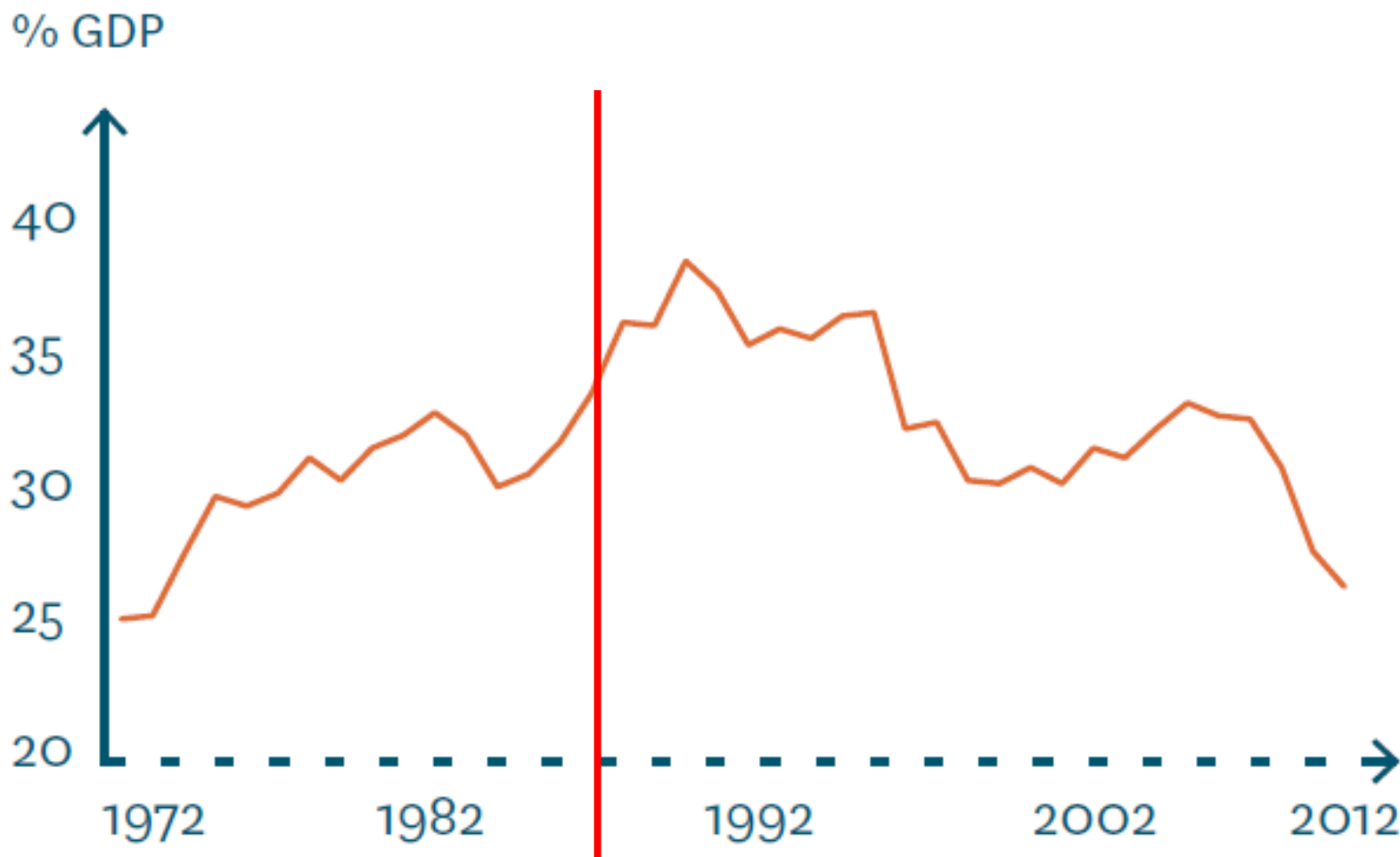


Ratio of tax to GDP over 40 years



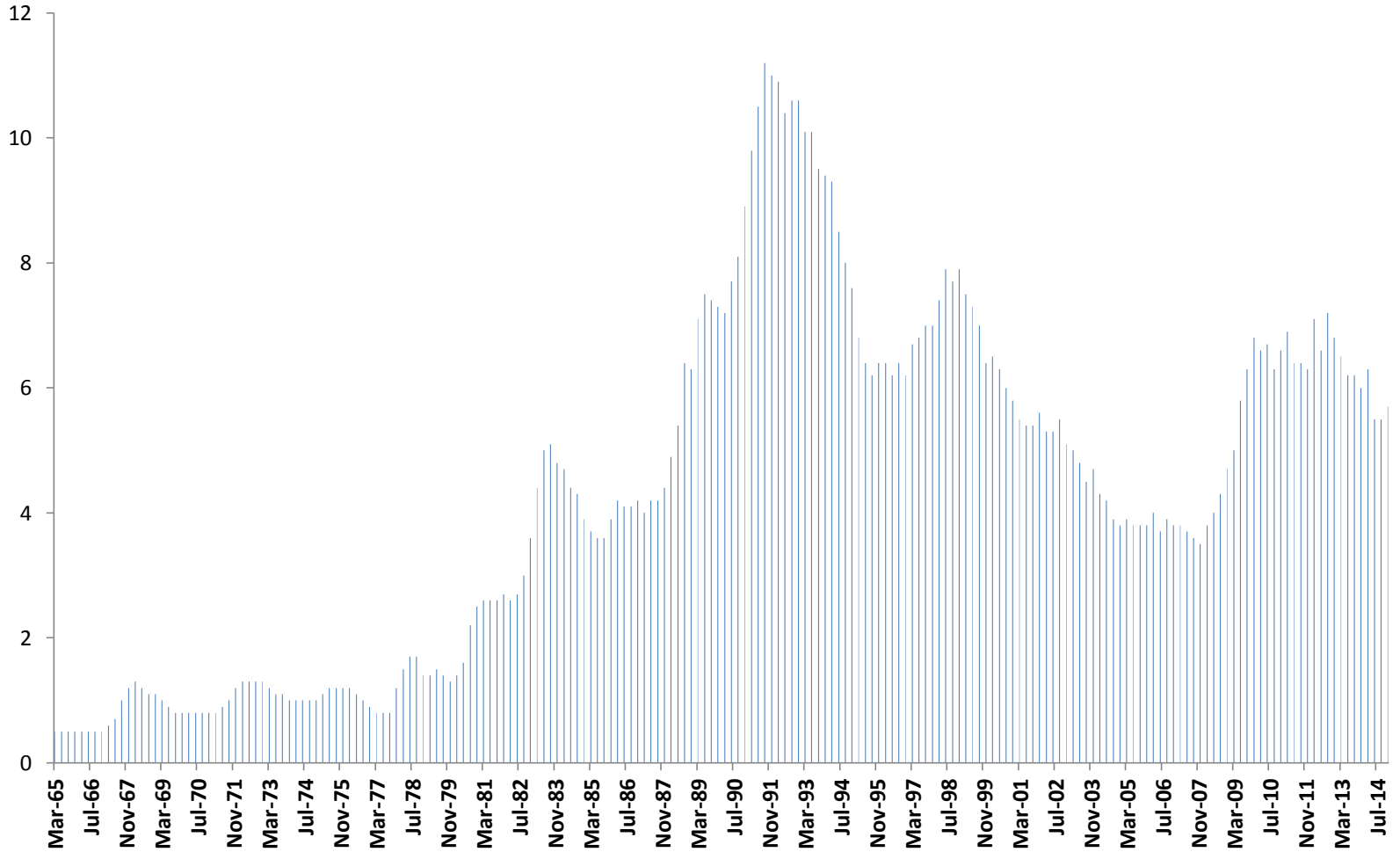
Source: The Treasury

Ratio of tax to GDP over 40 years

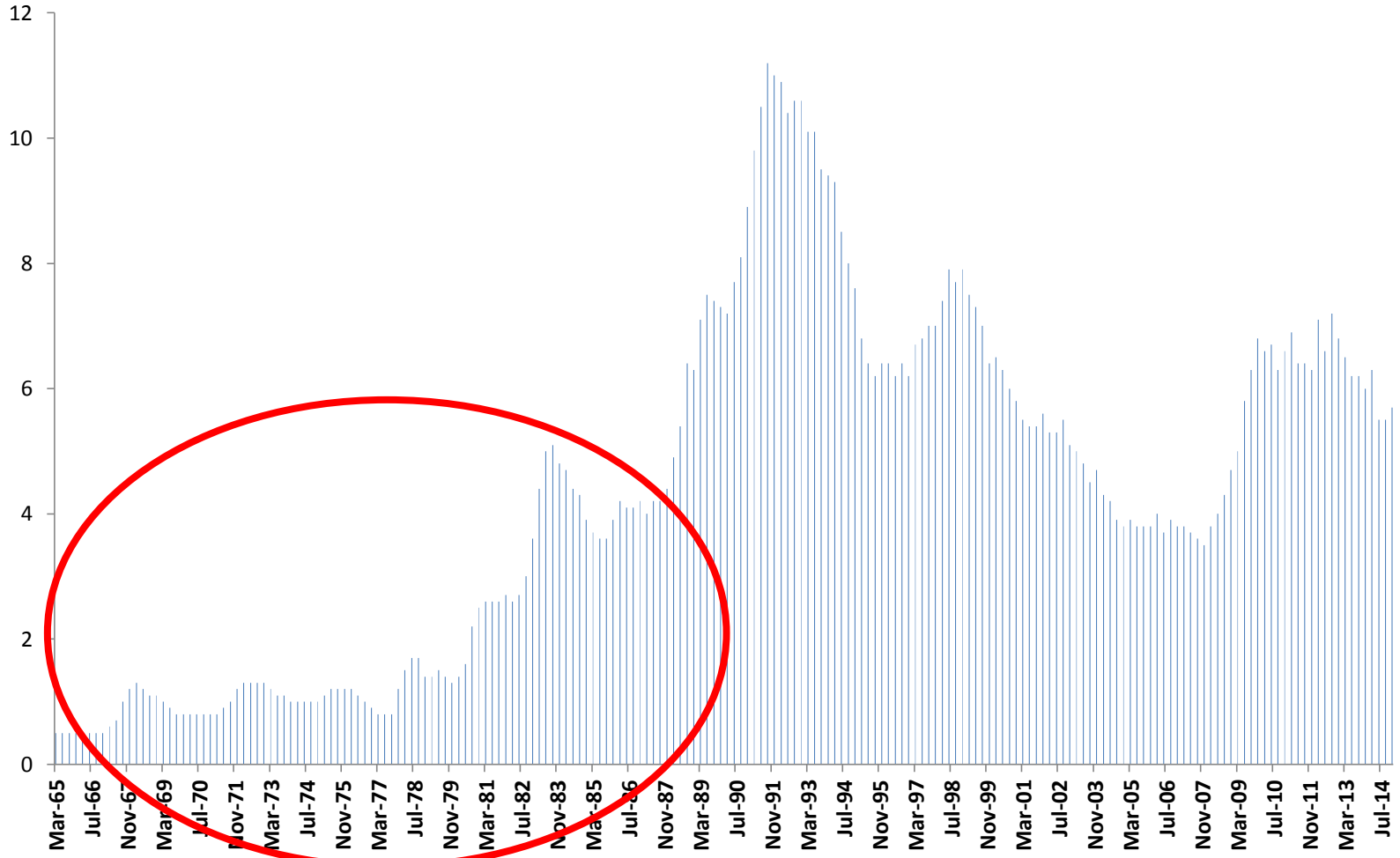


Source: The Treasury

Unemployment rate - % of labour force



Unemployment rate - % of labour force



Sample tertiary qualifications

- Bachelor of Sport and Recreation
- Bachelor of International Hospitality Management
- Bachelor of Culinary Arts
- Certificate in Commercial Floristry
- Certificate in Construction Skills
- National Certificate in Health, Disability, and Aged Support



Dr Simon Chapple against the motion

“Today’s policy settings unfairly favour the baby boomer generation”

Context: Fiscal smash 'n grab by Baby Boomers

- Selfish Baby boomers will not pay sufficient life-time taxes to fully fund their generous pensions and rising health spending
- The Millennial generation is smaller in size and will not generate sufficient funding for these future commitments
- Taxing Millennials to cover the funding gap is unfair, since it raids their well-being to maintain that of Baby boomers
- According to Gareth Morgan this is “a tsunami” and “financial genocide” against the young (NZ Herald)

“Déjà vu all over again!” Recently revived memes of inter-generational conflict

David Thomson, *Selfish Generations*, 1991:

“Baby Boomers, you’re being ripped off by the 1920-1945 generation”

David Willets, *The Pinch*, 2010:

“Millennials, you’re being ripped off by Baby Boomers”

Andrew Dean, *Ruth, Roger and Me*, 2015

“Millennials, you’re being ripped off by Baby Boomers, who are neoliberal ideologues”

Inter-generational foundation, <http://www.if.org.uk/>.

John MccNicol, [The Reappearance of an Intergenerational Equity Debate in the UK \(PDF\)](#)



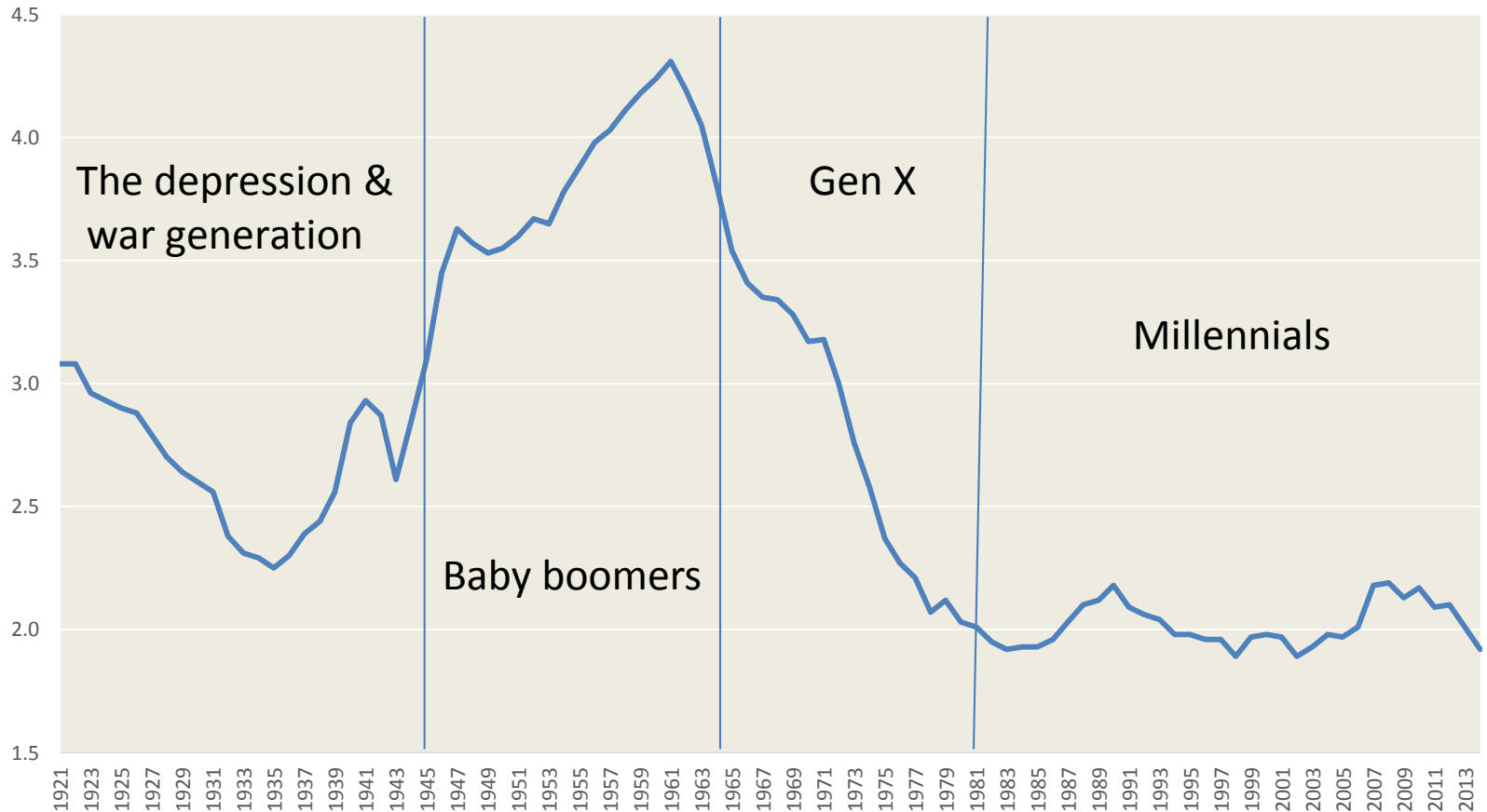
Three truths on inequality and generations

1. Most social inequality occurs *within* rather than *between* generations – @95%>
2. Much *average* social inequality between generations is to the *advantage* of younger generations
3. However, there can also be *average* social inequality to the *disadvantage* of younger generations

Generations are crude fictions

- Apart from birth dates, what commonality defines a generation?
- Generations are much more continuous than discrete binaries
- Variation in environmental exposures within generations may be greater than between generations

Generations by total fertility rate, 1921-2014



And it is not all about generational conflict....

- Generations are not simply linked by fiscal rules and inter-generational fiscal conflict
- Unpaid work by parents, in-family transfers, gifts and bequests between generations all matter
- The passing on of broader social and physical environments are also generational links

Rawls's “veil of ignorance”: To be Boomer or Millennial?

If one didn't know where one would end up within the generation, which generation would one chose?

- Male or female
- Maori or non-Maori
- Gay or straight
- Rich or poor family
- Large or small family
- Smart or dumb
- Charming or rebarbative
- Physically or mentally healthy or ill

Caveat

- Boomers are aged 50-70
- Millennials are aged 20-30
- So both have much of their lives to lead
- Uncompleted lives make it harder to make an informed decision

Health capital: Clear Millennial win

- Baby Boomers faced a 1: 40 chance of dying at birth compared to 1: 130 for Millennials
- Millennials are 2 cm taller on average
- Millennials have 10 years higher life expectancy (cohort born 1950 versus that born 2000)

Human capital: Clear Millennial win

- Higher, better quality parental time investments
- Smaller teacher-pupil ratios at primary and secondary school
- Stay at school longer
- About 10% of Boomers went to university with free tuition and student allowances (effectively, allowances allowed rent free living), no student loan scheme to cover living costs
- Up to 30% of Millennials go to university, no longer get free tuition and allowances, but do get student loans to cover living costs.
- So 10% of Millennials can complain that they have lost something that only 10% of Boomers had, but even then they have gained interest free student loans (43 cents in every dollar subsidy)
- The other 20% of Millennials *get to go to university* when 20% of Boomers did not get that chance
- But is it just credentials? No, NZ university returns similar to OECD average

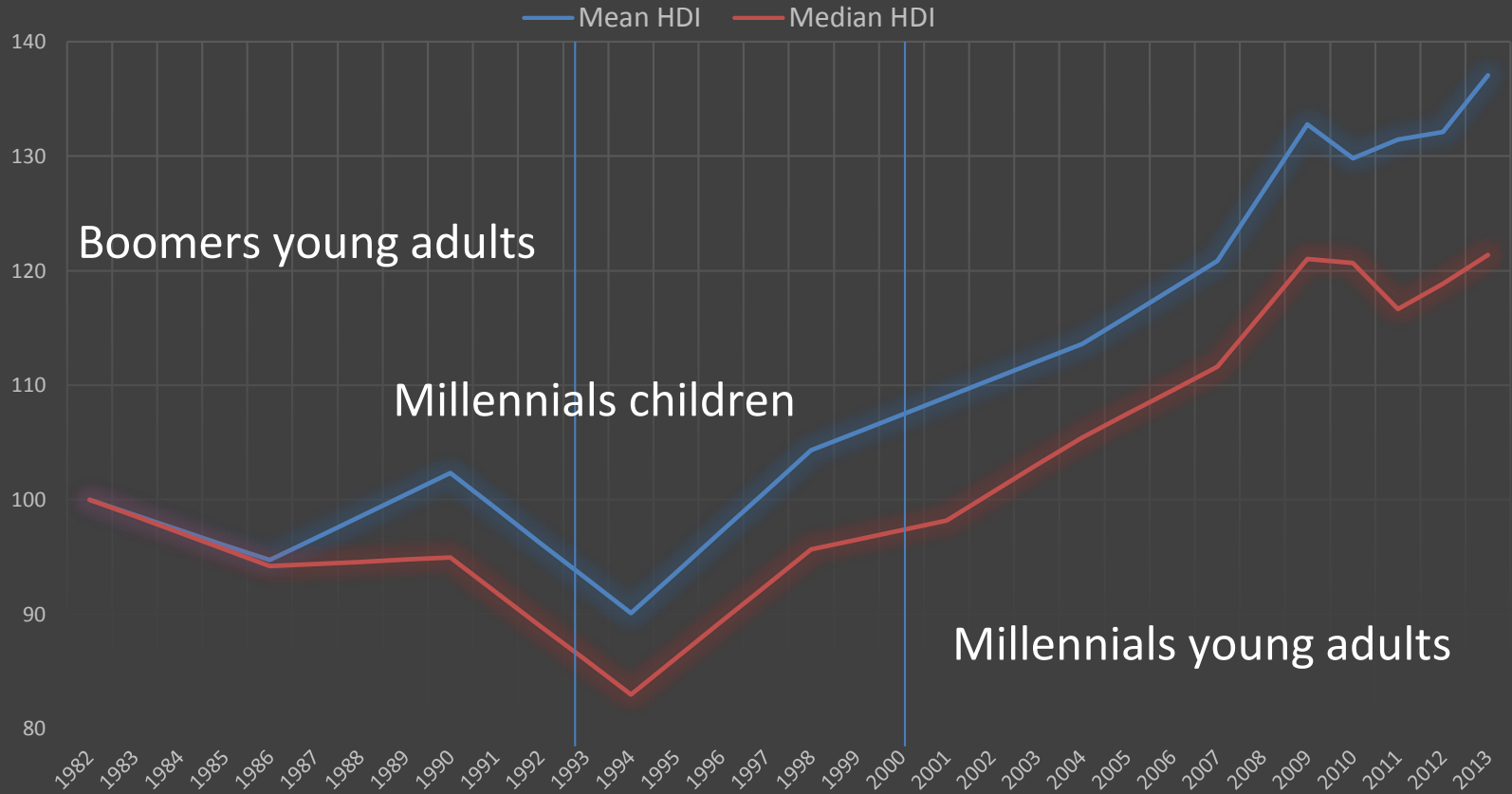
Financial capital: Probable Millennial win

- We don't have wealth data to compare generations at same age
- Millennials are less likely to own a house than Baby Boomers at the same age
- But Millennials lack the mortgage debt of Boomers at the same age
- Millennials more likely to have personal debt in the form of student loans, but average student loans are small
- Interest rate on financial debt (zero on student loans) much lower for Millennials than Baby Boomers
- Millennials will inherit more since there are fewer millennial kids to share the Boomer pie (housing issue is one of dynastic success, not generational conflict)

Incomes: Clear Millennial win

- Due to productivity growth
- What about “financial genocide” of Millennials paying for NZ Super?
- Average tax rate rise to fund Super of 2% by 2040
Productivity growth at 1% per year (Treasury 1.5%)
- If your net income in 2015 is \$1000 per week
- To tax-fund the rise in Super, in 2040 your net income will be \$1260 rather than \$1280
- Scarcely dramatic: Average Millennial incomes will remain 25-30% above Boomer levels, even after paying for Super

Mean and median real incomes (households): 1982=100



Human rights: Clear Millennial win

- Greater economic and social acceptance of
 - Women
 - Non-majority ethnic groups, including Maori
 - Difference in sexuality
 - Physical disabilities
 - Mental health problems
- Lower levels of legalised physical violence from schools and parents

Under Rawlsian ignorance....

- I'd chose being Millennial
- 10 more years of life is a biggie (as is 2 cm of height)
- As is also the much higher chance of getting to university
- And having a much higher income
- And inheriting more
- And greater rights, especially if I was randomly born into a discriminated against or minority group
- A future rise in my average Millennial tax rate of is a minor issue of a particular well-being input
- Consequently, I do not believe that current policy settings unfairly favour Boomers

Personal views, contd

- To fund reductions in child poverty – a life cycle not a generational issue – I favour raising the age of pension eligibility to 67 and indexing it to life expectancy
- The non-taxation of certain forms of capital income should be addressed – but this is an issue of efficiency and of fairness between owners and non-owners of real estate, not between Boomers & Millennials
- Global warming is a more serious negative collective legacy for future generations (not just Millennials) by past generations (including Boomers and Millennials, amongst others) than generational fiscal smash 'n grab



Right of reply

Chair Summary

**Comments and questions from the
floor**



Vote

The Motion

“Today’s policy settings unfairly favour the baby boomer generation