

There is more intergenerational co-operation than battles

I have long disagreed with my old friend David Willetts and those who think the baby boomer generation have done too well at the expense of the generations that follow. I am not pessimistic like them about the upcoming generations, who may well go on to harness new ideas and new technologies to make themselves considerably more comfortable and richer than the baby boomers. Meanwhile, let me explore some of the errors of the present belief that the older generation are having it too good.

There is nothing new about most of the wealth of a country residing in the hands of people over 40 rather than under 40 years old. By definition babies come into the world with no wealth of their own, and no capacity to earn until they have grown up. We do not agree with child labour, so we support our children from our income instead.

In contrast many of the older generations have spent years struggling with a mortgage until they reach the day when they own a home outright. Given usually rising house prices they get gradually richer even with a mortgage. Most save for their retirements, so over their lifetimes their savings in financial assets build up to secure them that pension at 65 or beyond. 20-40 year olds have not normally managed to save much for their retirement, and are still struggling with home buying. So did the baby boomers in their younger days when house prices were a lot cheaper but mortgages were a lot dearer. Current affordability as judged by mortgage payments as a proportion of income are not overextended in the way the house price to income ratio is.

In practice the baby boomer generation is sharing their wealth and income with the younger generations in conventional ways. The Bank of Mum and Dad is flourishing where parents have a surplus. It is paying educational fees and providing deposits for homes. The Bank of Grandma and Granddad is also often working overtime for similar purposes. Many of the younger generation will stand to inherit decent sums, though we hope they will have to wait a good long time for that.

The more active retired who have some wealth are keen to spend on exotic holidays, meals out, leisure breaks, sporting and cultural events and much else which creates income for those setting up businesses to service these markets, and creates jobs for many younger people. The frail and disabled better off spend much of their money on care homes, which again generate work and income for many people. The better off tend to be generous with charities.

The present imbalance in wealth between older and younger people is nothing new. It is inevitable given the way we work, earn and save. The money is recirculated, as it would be unhelpful if the elderly just sat on their wealth and did nothing with it. Many of them make conscious decisions to move it on by buying things and by giving it away to those who have more need of

it. To those who do not, they leave it in a bank or savings scheme, so their money gets reused anyway by younger people who borrow it for their own purposes. I do not think there is a great intergenerational war. Most people see the elderly have money which they need to spend, and the younger people have energy to work, to earn that money. In their turn they will expect the same in their old age.