

# ST.GALLEN SYMPOSIUM

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## THOUGHT PROVOKING IDEAS OF THE GLOBAL ESSAY COMPETITION 2022

### Returning to the essence to resolve intergenerational conflicts

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#### Introduction

Since the first German Prime Minister Bismarck introduced the concept of social insurance system in the 1870s, it has made continuous progress, development and prosperity in the following hundred years. However, with the slowdown of the global economy, the aging of the population, and the impact of the global epidemic in the past two years, the intergenerational progress has slowed down or stagnated significantly. And intergenerational conflicts have gradually emerged, which is for the older generation, young people who work today are no longer able to provide enough output for this system to hold the pensions of retirees. At the same time, for the younger generation, especially millennials, intergenerational progress has slowed significantly, i.e., their current stagnant living standards are in stark contrast to the rapid progress in the living standards of baby boomers.

What are the main problems we face?

- a. Housing for young people

Even though today's young people are more educated, more tech-savvy, and living in a freer and more open environment, it's hard to say that their lives have gotten better. The rate of home ownership among young people in the poorest two-fifths has more than halved since 1989 (from 24% to 11%). Likewise, young singles are increasingly being squeezed out of home ownership: young couples are three times as likely to have single adults from 1989 to almost five times as likely in 2019. The rate of homeownership among young people is decreasing year by year worldwide. In 2021, the homeownership rate for millennials (ages 25-34) in the U.S. is only 37%, 8% lower than that of baby boomers at the same age.

#### b. Pending for the elderly

Pay-as-you-go pension schemes in Europe are based on intergenerational commitments: Today's workers fund their parents' pensions while expecting their descendants to, in turn, fund their own. The system is fragile: it will only thrive if each generation of workers expects to be at least as rich as the generation of pensioners it pays. But that's no longer the case, and the temptation to stop contributing to a broken financial scheme is growing. If enough people start questioning the system, it could collapse. The era when Bismarck proposed the social insurance system was in the early stage of the Industrial Revolution. A large nascent workforce of workers is constantly injecting new blood into the system. At that time, in Germany as an example, an average of 10 workers financed the pension of 1 retiree. By 2000, however, only four workers were funding one pensioner. To make matters worse, it is estimated that in 2040, the ratio will fall further to 4 to 1. Specific strategies for achieving realistic intergenerational contracts.

#### a. Reform estate tax: Providing young people a civic heritage

First proposed by the Intergenerational Committee established by The Resolution Foundation, its content is to provide all young people in the UK with a civic inheritance of £10,000 per person to replace the original inheritance tax. Funding for this civic estate is limited to addressing young people's most pressing issues, such as housing. It is worth mentioning that the proportion of inheritance tax in the total tax revenue of various countries is extremely low (for example, it accounts for less than 1% in the United Kingdom), so it has little effect on government revenue. But for every individual today, the role of this money is very obvious. British surveys show that the policy reform will double the personal wealth of more than 65% of the 20-year-old population. Taxes are never set in stone, but like pop songs, they are a necessary feature of life. A sweeping overhaul along the lines proposed today may not get everyone many points, but it should at least mark a big step up from the current ones.

#### b. Extend retirement age: Build more wealth for pending system

Many countries have already started, for example in Denmark, an increase in life expectancy will automatically increase the retirement age. This will alleviate the shortage of labor, and the effect is also obvious. A later retirement age is practically inevitable. Due to the improvement in the quality of life, the life expectancy of the world's population has increased from 46.8 years (men) and 62.6 years (women) in 1900 to 79.0 years (men) in 2011. 82.8 years (female). The life expectancy of the population has almost doubled.

#### c. Opening the International Labour Market: Expanding Immigration

Immigrant flows to countries whose populations are declining not only help avoid depopulation, but also help improve the age structure of those countries. Immigrants are often younger than natives in the receiving country. Relative to natives, a larger proportion of immigrants are of working age. As a result, newcomers increase the size of the workforce, offsetting the natural decline in developed countries, where populations are ageing faster than younger people are entering. Likewise, a greater proportion of working-age immigration may reduce the age-dependency ratio (number of people over 65 divided by those between 15 and 64), which is growing rapidly in advanced economies. In the United States, the ratio rose from 0.126 in 1950 to 0.223 in 2018. In Japan, the ratio rose from 0.09 in 1960 to 0.46 in 2018.

#### Returning to the family: Mutual assistance of two generations

The discussion of intergenerational equity should "start at home". The first implication of the slogan "Starts at home" is to break through the strict distinction between the private and public spheres of liberal justice theory. Liberals believe that the theory of justice is only related to the public life of the country, but issues such as pensions, which are closely related to people's life, old age, sickness and death, just

reveal the narrowness of this vision, because in these problem areas we must make a difference between the private sphere and the public sphere. Only a comprehensive thinking can realize the substantive requirements of justice. A mechanism that can be called "responsibility ethic" is derived from this traditional intergenerational relationship. Not only the offspring have the obligation of filial piety and support to the father, but also when the elderly need help, out of a sense of responsibility to reduce the offspring's burden as much as possible, they will also reduce the standard of living, reduce the demand and other ways to reduce the family's burden. The purpose of pension burden. This two-way communication can help alleviate the pressure of intergenerational injustice within the national welfare system. Relevant sociological studies have shown that the existence of family pensions makes it possible to communicate and reconcile conflicts of interest between different generations at the micro level, that is, the family can serve as a buffer zone and a pressure relief valve for the welfare system. On the contrary, if we unilaterally rely on the national welfare system and blindly weaken the autonomy and self-governance structure of the family, we may fall into huge institutional risks in the future.

### ***Conclusion***

To solve the current intergenerational conflicts, we must re-understand intergenerational fairness from today's standpoint. The old intergenerational contract has become invalid in the new era, just like those outdated tax policies and retirement ages. Building on this, we look at addressing specific, overarching issues for both generations, mediated through taxation, policy, and markets. Just like the intergenerational contract proposed by Prime Minister Bismarck 150 years ago, the new intergenerational contract will also serve people in the contemporary world and promote equity and progress in society as a whole.

In a word, realizing intergenerational equity in the field of old-age care is a long-term systematic project, which requires us to fully consider the dialectical factors of intergenerational solidarity and conflict in the top-level design of the old-age security system. The state should be the safety net and support system for family responsibilities, while the family should act as the pressure reducing valve and regulating mechanism of the state welfare system.

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