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Clash of generations the greatest economic struggle of our time

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“The history of all hitherto existing society is the history of class struggles,” Marx and Engels declared in their *Communist Manifesto*. A century and a half later, with communism seemingly buried under the rubble of the Soviet Union, Samuel Huntington predicted a clash of civilisations.

But what if the great struggle of our time turns out to be between the generations? Writing in 2001, in a book called *The Cash Nexus*, I warned of a coming conflict of economic interests between the young and the old. The only question in my mind was when this conflict would surface politically. Well, now it has.

Just consider the generation gap on the question of Brexit. According to data published last week by YouGov, voters aged 18 to 24 are strongly in favour of Britain remaining in the EU, by 78 per cent to 22 per cent. At the other extreme, voters aged 65 and older are Brexiteers by 68 per cent to 32 per cent. The main cause of sleepless nights in Downing Street these days is the knowledge that older voters are significantly likelier to turn out on June 23 than younger ones.

Or look at the contest we have seen between Hillary Clinton and Bernie Sanders for the Democratic US presidential nomination. The under-30s prefer Sanders by a 71-29 margin. A quarter of Sanders’s total votes so far have come from young voters, compared with just 10 per cent of Clinton’s. This time eight years ago, Barack Obama — then aged 46 — seemed to be a veritable piper to young voters. But 74-year-old Sanders has outdone him.

Meanwhile, it seems likely the Democrat lead over the Republicans will increase in November, when the general election finally arrives. In 2012, 62 per cent of voters aged 18 to 29 voted Democrat, compared with 42 per cent of the over-65s. There was a similar pattern at the last British election. Labour led the Tories only among voters aged 18 to 34.

The political generation gap is not confined to the English-speaking world. All over the Arab world, the revolutions of 2010-11 revealed the extent of youthful frustration with senescent dictators. In southern Europe, too, the economic crisis had a polarising effect, perhaps most evident when young Greeks flocked to Syriza and voted no in the 2015 referendum on austerity. And in Latin America, the backlash against corrupt and incompetent governments (notably in Brazil and Venezuela) is also youth-led.

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Sometimes, generation gaps arise when things change fast. In Russia, pensioners nostalgic for soviet stability are a key source of President Vladimir Putin's support. In China, there is not so much a gap as a chasm between those who lived through the Cultural Revolution and those born after 1980 (the balinghou).

Commonly, however, the clash of generations happens when the young feel obstructed by the old.

Of course, that kind of generational conflict is as old as the hills: just read Ivan Turgenev's *Fathers and Sons* (1862) if you don't feel like hearing the Who's *My Generation* for the umpteenth time. Yet Marx was right in arguing class mattered more than age. For more than a century that was true. From 1848 to 1968, youthful frustration was relatively easy to channel to the side of the proletariat.

That is essentially what Sanders has been about. In the words of his pollster, Ben Tulchin, millennials support Sanders "because their generation is so f..ked, for lack of a better word, unless they see dramatic change. What's their experience been with capitalism?

"They have had two recessions — one really bad one. They have a mountain of student-loan debt. They've got high healthcare costs and their job prospects are mediocre at best. So that's capitalism for you."

There's just one small problem with this argument. It's not really capitalism that has f..ked the young. It's socialism.

Communism mostly failed, but social democracy — Marxism lite — was very successful in the 20th century.

It entrenched the position of trade unions. It created jobs for the boys (and later the girls, too) in the public sector. It established generous pensions and other benefits for older workers, above all subsidised or free healthcare. And when tax revenues did not cover the costs, social democrats borrowed, claiming (seldom truthfully) that they were engaged in Keynesian demand management.

As we all know, the ultimate consequence of these policies was the great inflation of the 1970s. What to do? For the generation known as the baby boomers — those people born between 1946 and 1964 — the best protection against inflation was to buy property. The next best protection was to abandon social democracy, which was what many of them did in the 80s. However, their new-found conservatism was always qualified. In theory, they favoured reform of the welfare state. In practice, they shrank from real reform. There were cuts, to be sure; deficits and debts were reduced. But healthcare? Public sector pensions? By the beginning of the new century, it was painfully obvious the job had been left half-finished.

Half-reformed welfare states plus lengthening lifespans proved to be a toxic combination for the fiscal systems of most developed countries. By the late 90s, my friend Laurence Kotlikoff had spotted that the true liabilities of the US federal government vastly exceeded stated government debt.

Kotlikoff first drew my attention to the system of generational accounting, which makes explicit the gap between the government's future outgoings and its future revenues — and therefore the difference between this generation's fiscal burden and that of future generations. To close today's fiscal gap, he estimates, would require every federal tax immediately to be increased by 53 per cent or every federal expenditure to be cut by 34 per cent.

Kotlikoff's point is, of course, that no such thing will happen — which means that (in his words) “we put future generations on the hook”. Young and yet-to-be born Americans will pay much higher taxes than their parents and grandparents or receive much less in terms of social security and Medicare, or some combination of the two. And something very similar can be said of most developed countries today.

They have broken what Edmund Burke called the “contract ... between those who are living, those who are dead, and those who are to be born”.

Forget Sanders's superannuated socialism; young Americans should be looking for candidates who will reform the bloated entitlement system and reduce the power of public sector unions.

Far from leaning leftwards, those millennials saddled with student debt and unable to find affordable homes should be asking themselves: who runs universities? Who limits new house-building? Clue: not conservatives.

Young Britons are right to oppose Brexit because they, not pensioners, are the ones who will pick up the tab if Britain votes to leave. But why do the millennials not also lend their support to the kind of domestic policies that would create jobs and build homes?

The term “false consciousness” was first used by Engels in 1893, long after the publication of *The Communist Manifesto*. It applies rather well to the state of mind of many young people today.

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