

The looming clash of the

A demographic 'perfect storm': A new intergenerational war is looming in the West. For once, youth could be on the losing side. Western countries need new social policies that address the consequences of demographic and technological change - but the baby boom generation that brought about the social revolution of the 60's and 70's could suffer under such policies, and has the numbers to prevent them from being adopted.

Four issues are coming together to create a "perfect storm": birth rates below replacement level, longer life spans, holes in private pension funds and massive government fiscal deficits. The aging generation has been promised much more than can be delivered without dramatically damaging the prospects of future generations. This will be a political battle, a new form of class warfare over scarce resources. Victory for the old guard would hasten the decline of the West.

International demographers attending a meeting in Berlin of the International Statistical Institute warned last Friday that the world was failing to face up to the economic, geopolitical and environmental problems expected to surface because of a rapidly aging, growing population this century.

"While the 20th century was the century of population growth, we can already say from a demographic perspective that the 21st century will go into the history books as the

century of aging," said Wolfgang Lutz, of the International Institute for Applied Systems Analysis in Austria.

Demographic decline is especially apparent in Europe. In most countries fertility is far below replacement levels. Even if fertility recovered quickly to levels that stabilised the population, the new baby bulge would not bolster the work force until almost all the post-1945 baby boom generation was well into retirement. Neither the state nor the private sector is in a position to meet the promises made to the aging generation. Tax and deficit levels are already high and would have to rise by huge amounts to fund pension promises. Tough political decisions will have to be taken to change expectations.

The simplest way of meeting the immediate demographic challenge would be to raise the retirement age to reflect actual life spans. That will happen eventually, but a rapid increase

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from 65 to 70 is needed now, regardless of previous promises of retirement at 65 or less on generous pensions - often of two-thirds of a worker's final salary. A more modest increment in retirement age, taking effect in 2010, say, would be too little, too late. As it is,

retirement age and/or a radical reduction in promised pension levels would be extremely unpopular among the huge number of workers currently approaching retirement. Yet such measures are essential to avoid crippling taxes on the declining percentage of people

Another private sector problem is the need for companies to spend large amounts shoring up pension funds rather than investing in new products or projects. That will slow economic growth, adding to the woes caused by static or declining work forces. Capital can replace labour in many circumstances. But if the capital is not available because resources are going into retiree consumption, the result must be economic decline. An even more difficult issue is how much a society should spend on keeping octogenarians healthy for a few additional months, or the victims of severe strokes and Alzheimer's disease alive for years without hope of meaningful recovery.

many fit people in their 60's enjoy comfortable lives of leisure. Their numbers have been swelled by generous early retirement packages given on grounds of "getting rid of the dead wood" or "reducing unemployment."

A steeper increase in the

in work - which would be a further deterrent to having child. Ideally the state should be reducing tax burdens on young families and taxing pensions for the able-bodied. Whether the long-spoiled baby boomers are willing to concede that such measures are necessary is

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another matter. They have the votes to defeat any government that would introduce them.

The overall situation is even worse than the upcoming deficit in state pension systems suggests. In the private sector, the shift from pension schemes defined by benefits to schemes defined by contributions has come too late. In the United

States there is an increasing likelihood of huge shortfalls in private pension plans insured by the federal Pension Benefit Guaranty Corporation. Forthcoming retirees see these defined benefits as a right. But should later generations bear the burden of yet more government debt to fund these shortfalls? An equivalent situation exists in Britain.

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An even more difficult issue is how much a society should spend on keeping octogenarians alive for a few additional months, or the victims of severe strokes and Alzheimer's disease alive for years without hope of meaningful recovery. Already a very high proportion of health spending goes on the last two years of a person's life and on care for the very old.

Even in the United States, the public sector is funding 60 per cent of long-term care. Who will fund long-term care when the baby boomers are in their 80's?

Society will have to reappraise its attitude to death. That is at least in part a political decision. Those approaching retirement are unlikely to welcome any change that takes them off life support earlier.

Opinion polls suggest that young people are increasingly detached from the current political process. Their commitment to democratic processes could be further undermined if they decide that the power of the ballot works against them. As it is, politicians in the West are increasingly chasing the votes of the old.

It cannot be long before those under 40 see the need to organise politically to fight for their own interests, and those of future generations.

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