Austerity vs. Solidarity: Intergenerational Conflict in the European Union

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Abstract

After the global economic collapse of 2008, many countries in the European Union struggled to salvage their economies by carving away key components of their broad-based social welfare programs. Many of these programs contributed to the creation of solidarity after World War II and following the reunification of Eastern Europe after the fall of the Berlin Wall in 1989. Severe austerity measures strained relations between generations, as pensioners and angry, unemployed youth clashed over entitlements. Consequently, the allocation of resources across generations became a relatively new focal point of debate for policymakers in the EU. Discussed here is how this debate has played out before and after 2008. Also covered is how three countries in particular (France, Germany, and Italy) have addressed this issue within the context of the United States' experience with intergenerational equity issues. Specific recommendations are offered for conducting the debate so that intergenerational wars can be avoided and solidarity can be preserved between age groups within an era of austerity.

Key words: Austerity, solidarity, intergenerational conflict, allocation of resources, EU.

Introduction

The European Union was not immune to the economic meltdown of 2008 that struck the United States. Between November 2009 and 2011 the economies of Greece, Spain, Italy, Portugal and Ireland either collapsed or were on the verge of doing so. Even the more stable economies such as Germany, France and the Netherlands were seriously weakened by the economic turmoil sweeping the globe. During one stretch in November of 2011, three governments changed power within three weeks, while Standard & Poor's downgraded nine euro-zone countries, stripped France and Austria of their AAA ratings, and classified the debts of Portugal and Cyprus as junk.

By the end of 2011 the European Central Bank (ECB) provided 489 billion Euros (about $640 billion USD) in loans to more than 500 European banks – but not without strings attached. EU governments were required to implement major corrective plans for their respective countries that included particularly severe cuts in social programs, often viewed as the glue of EU solidarity. The eligibility age for retirement was increased from 65 to 67 in several countries, pensions were cut, many public jobs were eliminated, and tuition at universities was either increased or initiated for the first time. Massive protests and demonstrations followed, as solidarity clashed with austerity (Vinocur and John, 2012).

By 2011 young people protesting in the streets had become more common throughout the world. There were uprising in Tunisa, the Arab Spring in Egypt, the Chilean student movement, the Spanish *Indignados*, the Quebec "Maple Spring," the Occupy movement in the U.S. and the Mexican student rebellion, among others. In October of 2011 a day of global protests was organized by such groups as *the indignados* ("the angry ones") in Spain and the Occupy Wall Street movement in the United States. Gatherings in Rome and Athens turned violent, with several protesters being killed and hundreds injured, but the demonstrations continued into the following year. On April 4, 2012 a retired pharmacist who was disgruntled over pension cuts, committed suicide near Greece's parliament building, making him an inspiring martyr for others in Europe, both young and old, who opposed austerity measures. By July of 2012 thousands of Spanish coal miners marched on Madrid in opposition to cuts in mining subsidies that would cost many of them their jobs (Rapidis, 2012).

But while retirees and near retirees demonstrated against pension cuts, young people, who viewed themselves as shouldering the burden of financing generous welfare states throughout Europe, demanded jobs. Whatever solidarity that once existed within the European social fabric was being torn apart by demands from both ends of the age spectrum. Fueling the rift was the ongoing demographic change that produced a continent that, in 1960, saw about three Europeans under the age of 14 for every pensioner. However, lower birth rates combined with longer lifespans have increased the median age in Europe from 31 in 1970 to 40 in 2012. Even more dramatic are the demographic projections into 2060 that show two pensioners for each youngster. Meanwhile, youth unemployment in the EU stands at 23 percent while in Greece and Spain it is estimated to be hovering around 50 percent, with little or no hope for change in the near future. How then can a younger generation support an older one? Will we witness open conflict between generations throughout Europe in the years ahead? Or, can it be avoided entirely (Bocking, 2012)?

The purpose of this paper is fourfold. First, to review the emergence of the intergenerational equity debate in the United States that still persists. How and why did it come about? Second, to explain how the concern over the allocation of resources across generations has surfaced in three European countries in particular: France, Italy, and Germany. Third, to explore the specific policies or strategies proposed by the governments in each of these three nations to address the intergenerational equity issue. And fourth, to discuss the feasibility of employing an analytical framework for analyzing the intergenerational equity debate across countries and for creating an atmosphere for productive discussions in the future.

These three countries were chosen for two reasons. One, they were in the news frequently for having extremely low fertility rates, growing aging populations, and for major street demonstrations that protested government cutbacks and/or proposed tax increases to cover pension programs. And two, these three countries have a history of spending the greatest percentage of Gross Domestic Product (GDP) on elderly persons in Europe and North America. The United States will serve as a reference point for the ensuing discussion since it has already wrestled with many of the questions currently confronting European policymakers.

The Debate in the United States

Thirty-four years ago, in "The Graying of the federal budget," Robert Hudson (1978) identified the tremendous growth pattern in the expenditure of funds on the aged (more than a quarter of the United States' annual budge) and sent forth a warning about the impending backlash that would afflict the aging movement. Interestingly, one of the first indicators of an emerging backlash came in relation to defense spending, not in the form of an intergenerational equity question. In 1982 an economist in the Office of Management and Budget noticed the same "graying of the budget" as reported by Hudson and switched the commonly used metaphor of "guns vs. butter" to "guns vs. canes" (Binstock, 1992).

Reference to the generational equity issue would emerge soon thereafter. In "The Aged as Scapegoat" (Binstock, 1983) and in *Age or Need* (Neugarten, 1982), two academically-based gerontologists echoed the alarm sounded by Hudson and, in doing so, identified the potential for intergenerational conflict. Later, others would introduce a new metaphor designed to simplify the problem: "kids vs. canes" (Minkler and Estes, 1984).

Although academics such as Hudson, Binstock, and Neugarten had issued warnings about a potential intergenerational conflict, the backlash had already begun in the private sector by the early 1970s. Following a Social Security tax hike and the adoption of COLAs (cost-of-living adjustments) in 1972, the business community launched a major campaign designed to destroy the public's image of Social Security as an insurance program. "Reconstructing Social security as an intergenerational tax rather than an insurance program became the goal for program opponents," stated Jill Quadagno, "and under the guise of generational equity a new attack was launched" (1990, p. 637). When the Federal Reserve Bank issued a special report on Social Security in 1972, the program was described in *Fortune* as a "huge Ponzi scheme" (*Fortune*, 1973, p.53). More significant, perhaps, the public debate was looming on the horizon.

In 1984, Richard Lamm, the former Democratic governor of Colorado, stated in a television interview that "older persons have a duty to die and get out of the way" (Slater, 1984, p. 1). In 1993 he made similar statements in the form of two provocative questions: "Is it not only fair, but desirable, to have a different level of care for a 10-year old than for someone who is 100?"

And, "Should not public policy recognize that some people have far more statistical years than others?" (Lamm, 1993, p. 26). The controversy surrounding Lamm's statements spawned a much broader question that demanded greater attention: In an era that is often depicted as one with limited resources, are the aged receiving a disproportional share of the common pie in comparison to other groups? Abbreviated, it became the intergenerational equity question, and soon numerous individuals and a variety of interest groups would participate in a very heated debate.

Daniel Callahan (1987), in *Setting Limits,* argued that limited resources should prompt policymakers to consider a health care rationing program based on age. Philip Longman (1987), in *Born to Pay: The New Politics of Aging in America,* concluded that an unfair burden was placed on the baby boom generation to support a growing aging population through Social Security and Medicare. Laurence Kotlikoff (1992), supported by Peter Peterson (1993), applied "generational accounting" in his analysis of the federal deficit. Created to measure lifetime tax rates (21.5 percent for those born in 1990 compared to 33.5 percent projected for those born in 1990), generational accounting in the United States means that the later people are born, the more they will work for everyone else and less for themselves.

From another perspective, Myles and Quadagno (1993), bolstered by Minkler and Robertson (1991), concluded that the intergenerational equity debate is merely a class war in disguise, designed to undermine the cross-class strengths of the old-age coalition and weaken the power of the elderly lobby. "The rhetoric of young versus old was promulgated by an elite group of policy makers, academicians, and business leaders with a stake in remaking public images of the elderly in ways that would support decreased social spending" (Minkler and Robertson, 1991, p. 19). Put another way by Binney and Estes (1988, p. 104), the intergenerational equity debate "permits abdication of the state from responsibility for human needs" and allows for "massive budgetary reallocations to defense and tax cuts for the wealthy." Meanwhile, in the popular press the onslaught continued. *Forbes* Published an article in 1988 entitled "Consuming Our Children" (Chakravarty and Weisman, 1988), *Fortune published "*The Tyranny of America's Old*"* (Smith, 1992), and Paul Magnusson (1995) contributed an article to *Business Week* entitled "Victims of the Golden Years: Are Kids Shortchanged as Seniors Reap Vast Federal Benefits?"

In the U.S. the intergenerational equity debate persists in political discourse today. After his election to a second term in 2004 George W. Bush promised to reform Social Security by privatizing it. He was not successful. Similarly, in both the 2008 and 2012 presidential campaigns both Social Security and Medicare were under attack, often framed as too burdensome for younger generations who will be saddled with a huge national debt. Annual budget battles continue to focus on cutting “entitlements,” which represent programs directed primarily at the elderly.

France

As a nation, France has been aging steadily for the last 50 years. A declining birthrate from 2.7 in 1950 to 1.7 in 2004, combined with an increase in life expectancy that will increase the average age today of 39 to 44 by 2030, has reshaped the nation's demographic profile, gradually converting it from the classic pyramid to that of a pillar. Or, to put it somewhat differently, the dependency ratio of older people - those aged 65 and over as a proportion of those aged 20-64 - is expected to increase from its current rate of 25% to 50% by 2050. In short, there will be more retired people out of the work force than there will be younger people of working age to support them. By the 1990s this scenario became particularly problematic for France's pension system, which is based on a "pay-as-you-go" (PAYG) model in which those currently working pay for the pensions of those in retirement.

But the problem confronting France and other European countries extends beyond that of demographics. There are also major structural characteristics associated with the French pension system that exacerbate the dependency ratio. In a 2009 Ageing Report released by the European Commission, concerns were raised about the international fiscal crisis spawning intergenerational conflict in EU countries (Mahony, 2009). More specifically, the report explored the relationship between demographics and the retirement decisions of older workers. Three major conclusions were reached. First, there is great disparity in the labor force participation rates of older workers across developed nations. Second, there is also much disparity across nations in incentives or disincentives for work at older ages. And third, perhaps most significantly, there is a strong correlation between retirement incentives offered by pensions systems and the actual retirement decisions of older workers.

With respect to France, it has had one of the earliest official retirement ages at 60 and an income replacement rate of 91 percent for retirees, equaled only by the Netherlands, also at 91 percent. Also significant, France maintained an 80% tax on workers who passed their sixtieth birthday. Not surprisingly, the employment rate for France's 55 to 64 year-olds is 36 percent, one of the lowest in the OECD that averages 48 percent. And clearly, the fact that at age 60 nearly 60 percent of France's workers leave the labor force cannot be explained by any means other than a pension policy that encourages and rewards such actions. Over time, and particularly during the 1990s, these two developments, a shifting demographic pyramid and a pension system that encouraged early retirement and burdened younger workers with higher taxes, changed both the content and tone of political debate in France.

Confronted with these realities in early 2003, Prime Minister Jean-Pierre Raffarin declared in an open letter to his fellow countrymen that "if we do nothing today, in 20 years our pensions will be reduced by a half. Our system no longer corresponds to the demographic reality" (British Broadcasting Corporation, 2003). Recognizing that the last attempt by a French government to reform the pension system in 1995 resulted in massive protests and a lost election two years later, France's center-right government moved forward with recommendations designed to force people to pay in more money over the years prior to collecting it in retirement. At the heart of the proposed reforms is a requirement that by 2008 public sector workers would begin paying contributions for 40 years instead of the 37.5 years they had been accustomed to previously. Such a measure was designed to bring them into line with the private sector, where the qualifying period was increased from 37.5 to 40 years previously. By extending the qualifying period the government attempted to address two problems simultaneously: more revenues would be collected longer and less money would be distributed to retirees earlier. More recent austerity measures built on these earlier reforms.

In 2011, then President Nicolas Sarkozy and his Council of Ministers elected to speed up the raising of the retirement age from 60 to 62 by 2017 instead of 2018. To address the private side of the equation Sarkozy levied taxes on France's largest corporations. For example, those companies with annual revenues exceeding about $345 million will be subjected to a tax increase of 5 percent for the fiscal years 2012 and 2013, or until France's public deficit drops below 3 percent of GDP. In September of 2012 the French government may have diverted attention from generational conflict to class conflict when Prime Minister Jean-Marc Ayrault introduced a new 75 percent tax rate for the nation's wealthy (RIA Novosti 2012).

It is interesting to note that France's experience has been fairly confined in comparison to the experience in the United States. In the US it was framed as old vs. young and the debate focused mostly on Social Security and Medicare, France has concentrated on the affordability of pensions and the sharing of the costs. France, unlike the United States, has many universal programs, including health care and child allowances, to name a few. Also, they have a long history of solidarity. So it appears this battle in France is, at least for now, a battle between the public and private sector. That is where the equity issue has been fought, not between age groups – at least until 2008. For it was after the global economic collapse and the enactment of severe austerity programs that the conflict between young and old has become more visible and is no longer considered immunized by a long history of solidarity.

Germany

As is the case in France and other OECD countries, Germany is aging and its future is gray. Today, every sixth German is 65 and older; by 2030, every fourth German will be over age 65. A steady increase in longevity, combined with a declining fertility rate, has produced a demographic profile that has spawned major political debates and economic challenges. For several decades Germany has failed to maintain its reproduction rate. On average, German women of childbearing age have 1.3 children, which is far below the 2.1 fertility rate that is required to maintain the German population at its current level. This continuing development has raised questions about the future viability of Germany's welfare system and focused greater attention on the allocation of resources across generations. Complicating matters further, and despite the nation's unification more than two decades ago, significant discrepancies exist between the old East and West Germany. For example, a 10 percent unemployment rate in the former West Germany is doubled at 20 percent in the former East Germany.

Based on current trends, the United Nations predicts that Germany's total population could fall by nearly 14 percent by 2050 (United Nations, 2001). Put another way, the German population would be one-fifth smaller in 2050 than it is today.

Among other things, such an outcome would have a massive impact on the economy, with the labor pool shrinking by 11 million or 27 percent, to just 30 million workers by 2040. If correct, the dependency ratio (those in the labor force supporting those who are not) will create a greater tax burden for workers and place more pressure on policymakers to reform a social welfare system that has been particularly generous to retirees. Compounding the problem was a history of early retirement in Germany (only French, Belgian, and Italian workers retire sooner), with a large majority leaving the work force prior to age 60. Consequently, by the time the global financial crisis hit in 2008 , a new script was being written for Germany and the curtain was about to open for act one (Oberndorfer and Steiner, 2006).

The major turning point came in March 2003, when Chancellor Gerhard Schroeder launched his "Agenda 2010" initiative which was designed to revamp Germany's health, pension, and welfare system, as well as restructure its rigid labor market laws. Major protests by pensioners, near pensioners, university students, labor unionists, and the unemployed were organized throughout the country. But despite one demonstration in Berlin that attracted more than 100,000 protestors, the Social Democratic Party (SPD)-Green Party coalition government sealed the fate of the German welfare state on December 19, 2003 when it adopted "Agenda 2010."

The reforms included three key components. First, to provide an incentive for people to keep working. Taxes will gradually shift from taxing contributions made to the pension funds to taxing payouts that people receive in retirement. However, only half the payouts will be taxed at first, rising slowly to full taxation by 2046. Second, new incentives and disincentives were included to influence workers' retirement decisions. Although Germans can still retire early at age 60, those who do so will lose 3.6 percent of their pension entitlement for each year they retire before age 65. But for those who keep working after 65 they will be rewarded an extra 5 percent on their pension for each year they delay taking it. And third, in what may be the most radical reform of all, a "sustainability factor" was introduced. That is, future entitlements will be lowered if the system lacks the funds to pay for them. Actuaries will evaluate the system's financial status annually and calculate the amount individual beneficiaries can receive each year.

Three other components of the reforms included an effort to generate more flexible jobs for elderly workers, a plan to address the problem of a declining population by adopting an Australian-style immigration policy in which potential immigrants are targeted and actively recruited, and a pilot scheme of creating all-day schools. Under the current system most children attend school half a day and/or are allowed a one-hour lunch break, which almost forces women to stay home and out of the labor force. This reform, combined with a major increase in the child allowance, are incremental steps that are designed to encourage more women to have children and to enter the labor force sooner after giving birth.

Similar to France and unlike the experience in the United States, Germany's "intergenerational war" appears to be on the horizon at this point (Grundlinger, 2012). However, there is indeed growing concern about the flattening demographic pyramid and there is a legitimate fear that young and old generations may clash in the future. But for now, what Germany needs to do is to venture into areas of social policy where it has had limited success in the past. For example, because of the Nazi legacy, family planning has not been embraced in Germany since the end of World War II. With respect to immigration, there too the success rate for integrating immigrants has been quite spotty to say the least. And finally, whereas many other countries have developed comprehensive family policies such as child-care and parental leave that enabled more women to enter the labor market, Germany has been a laggard. So, although Agenda 2010 may do its part to address Germany's current dilemma, other measures, such as those discussed immediately above, deserve more attention.

That said, in 2010 Chancellor Angela Merkel's coalition, fearing a backlash from pensioners outraged over pending austerity measures, enacted a "pension guarantee" that blocks cuts to benefits for the elderly even if wages for young workers drop. Meanwhile, there are concerns that the income disparity between young and old in Germany may increase, opening an intergenerational conflict that could shatter the prized solidarity that was created after World War II and fortified with reunification in 1989. Despite these fears, in June of 2012 the Merkel government announced cuts that totaled 80 billion Euros (Kirschbaum, 2012).

Italy

Like France and Germany, Italy is trying to reform its pension system, which consumes about 15 percent of the Gross Domestic Product (GDP) - one of the highest in Europe.

Also, as in France and Germany, pensions in Italy are financed through workers' wages. However, with a flattening demographic pyramid, produced by a collapsing fertility rate of 1.2 births, an increasing elderly population, and retirement laws that permit some workers to leave work in their forties, the system has become less and less affordable. On average, Italians are now living 30-40 years beyond retirement, resulting in the shrinkage of the workforce simultaneously with an increase in the number of needy pensioners. If current demographic projections hold, 42 percent of Italy's population will be 60 or older by 2050. And, equally significant, Italy's total population is projected to fall from 57 million to 52 million by 2050. Although reforms in the 1990s linked pensions to contributions rather than salaries, the policy adjustments proved insufficient. Today, nearly 14 percent of Italy's national income is spent on pensions and the situation continues to grow worse, as the culture of early retirement persists. For men who have been contributing for at least 35 years, they can retire between the ages of 57 and 65.

More recently, the Italian government has attempted to address its demographic challenge on two fronts: boost the fertility rate and reform the pension system. With respect to the former, in 2003 cash bonuses were given to women who chose to have a second child. A year later the bonus was expanded to include the birth of the first child as well. Despite these efforts, skeptics continue to argue that cash is not the solution because many women do not want to assume the burden of working while taking on the responsibility of an additional child. Also, there is greater access to contraception and abortion and divorce is more common than it was just two decades ago. What is needed, critics argue, is a comprehensive family policy that is more sensitive to the demands of dual-earner couples.

The second strategy employed by the Italian government to address the nation's aging population was to reform the pension system. Prime Minister Silvio Berlusconi argued that Italians have no choice anymore and must be required to work longer. Otherwise, funding for state pensions will evaporate by 2030. Specifically, Berlusconi proposed that the legal retirement age be raised to 65 for men and 60 for women. He also called for the work requirement for qualifying for a pension be raised from 35 years of work to 40 years and, to encourage employees to remain in the workforce longer, he offered a 30 percent bonus.

Similar to France and Germany, Italy's workers took to the streets to protest the proposed pension reforms, organizing two general strikes and threatening more. In October, 2003, the country's three largest labor unions orchestrated a national strike that resulted in planes idling on runways, trains not moving, schoolteachers playing hooky, and museum directors and thousands of others refusing to work - all united across generations in protest against the proposed reforms.

Undeterred, on July 28, 2004, Berlusconi won a vote of confidence in parliament for his reform plans with a convincing vote of 333 in favor, 148 opposed, and one abstention. The reforms took effect in 2008. The Prime Minister announced to the nation that not only would the reforms address Italy's pension crisis, but, combined with specific spending cuts, the plan would meet EU Stability Pact rules. Woven into the fabric of debate and often overlooked by outside observers was the fact that Italy was already in the midst of a sluggish economy that also fueled labor unrest and brought many protesters, mostly unemployed youth, into the streets (Campanella, 2010).

Following the economic collapse of 2008 the Italian government adopted even more severe austerity measures. In 2011 Mario Monti, as both Prime Minister and Economic Minister, announced a 30 billion euro (or $40.3 billion in USD) package that included raising taxes, increasing the pension age to 66 by 2018, ending inflation indexing on pensions, and providing a variety of incentives to encourage people to remain in the labor force until age 70. While some praised the latter initiative, it also flew in the face of young unemployed workers (at 36 percent for those under 25 in 2012) who see their future dreams deferred by older pensioners jamming the career pipeline. Equally discouraging, estimates are that 60,000 young people migrate out of Italy each year. Perhaps intergenerational conflict is sometimes disguised as a labor market policy that protects older workers at the expense of younger ones (Ehlers, 2012).

Conclusions

Discussed here were four countries confronted with major demographic challenges, all of which have had to wrestle to some degree with intergenerational conflict that has bubbled to the surface to one degree or another. However, the experience of each of the four countries differs.

In the United States, for example, where there is less of a history of national solidarity on social programs, as is the case among European nations, the intergenerational equity issue was raised more blatantly and often framed rather simplistically in terms of "kids vs. canes." Many European nations, on the other hand, only recently recognized the demographic facts staring them in the face. But to others in the U.S. the intergenerational equity debate is little more than a skillfully produced smoke screen designed to gradually chip away at government programs and ultimately destroy them. Social Security reform, once viewed as the "third rail of American politics," meaning political careers would end if it were touched, became fair game for reform and was listed at the very top of George W. Bush's list of objectives as he assumed his second term. Medicare reform was not far behind.

In reviewing the experiences of France, Germany, and Italy, it was learned that the conflicts in each of these countries differ somewhat from that of the United States. For example, in France, rather than seeing an intergenerational conflict, we found instead a conflict between public and private pensioners. On the other hand, in both Germany and Italy, there was not so much a case of intergenerational conflict as there was opposition to the cessation of early retirement and dissatisfaction among unemployed youth over sluggish economies. At times it is difficult to distinguish between the challenge of demographics and the malfunctioning of the economy that is both driving the reforms and explaining the reasons for them.

And lastly, it is clear that a major problem that must be addresses in three of the countries (France, Germany, and Italy) is an anemic fertility rate. Not surprising, in two of these countries (Germany and Italy) family policies are lagging in comparison to other European nations, thus offering few if any incentives for women who desire to have children and also work. France is much better in this regard, thanks to a fairly generous child allowance policy and a very comprehensive and accessible child care program. Still, births are low even in countries that can be classified as "family friendly." But again, a dominant tradition in Europe that is lacking in the United States is a deep sense of solidarity. That is, whatever universal programs exist in the U.S. they tend to be geared to the elderly in the form of Social Security and Medicare. Such programs also become lightning rods for the opposition or for those who see major discrepancies between funding for the young versus the old. In Europe, however, at least until recently, where there is national health insurance, universal child allowance programs, and generous child care and parental leave policies, there is less fertile ground for intergenerational conflict to be cultivated. That may be changing, however.

Creating a Framework for Debate and Analysis

The intergenerational equity question is steadily making its way onto political agendas throughout the world. Because of historical, political and cultural differences, and depending on where nations may be located on the continuum of economic development, the equity issue, if it emerges at all within a given nation, may take on a variety of forms. Therefore, it is difficult to design and apply a set formula to address it. However, in response to intergenerational conflict in the United States, Generations United (1992), an intergenerational organization formed to diffuse the divisiveness of the equity debate, has put forth seven guidelines and recommendations that other nations may find helpful. Each is presented and discussed below.

1. *Avoid misunderstandings about the implications of population aging.* An aging society can create much anxiety. This anxiety, sometimes referred to as "apocalyptic demographics," often revolves around the "dependency ratio," the number in the labor force compared to those under age 16 and those over 64. However, two points should be emphasized. One, this ratio is questionable because it fails to take into account the constantly changing labor force participation of women, the potential for the elderly to postpone retirement and work longer, and the possibility of economic growth. And two, this ratio also tends to ignore the fact that policymakers can make a difference. Adjustments in monetary and fiscal policies, a shift in education policy that can affect worker productivity and a different focus on research can all help shape a different future than that projected. Demography need not be destiny.
2. *Recognize the diversity of the elderly population.* The elderly population in any nation is heterogeneous. They are rich and poor, strong and weak, "young old" and "old old," conservative and liberal, and at times burdens and contributors. Failure to recognize the heterogeneity among the elderly may lead to how social problems are defined and, therefore, ultimately determine how they are addressed. Stereotyping, particularly that which furthers certain political ends, such as a reduction of social programs, should be challenged.

3. *Be prepared to correct any misunderstanding about relations between generations.* Although examples of conflict between age groups can be found on occasion, even in the United States, which is in its second decade of debating intergenerational equity, such conflict is more the exception than the rule. In short, while there will always be some tension between various groups in society, the bonds between generations remain strong. For in the end, people understand that successive birth cohorts and generations (particularly within families) are interdependent. If the young generation chooses to dismantle social programs for the old, it is also dismantling social programs for itself.
4. *Avoid using narrow and misleading definitions of fairness.* Although it may be desirable to achieve equity between generations, such an outcome would be fairly narrow in that it would not necessarily address other questions of social justice within a given society. For example, the idea that per capita public expenditures on children and the elderly ought to be equal sounds good, but it is probably not realistic. As Norm Daniels (1988) has argued, we all have different needs at different stages of our lives. Thus, to pit one age group against the other is not only unfair but it diverts attention away from other inequities that may exist. In the words of Robert Binstock (1985), the current preoccupation with equity between generations "blinds us to inequities within age groups and throughout our society."
5. *Do not rely on limited measures to draw broad conclusions.* According to Generations United (1992), those who attempt to measure the various flows of resources between generations to determine the fairness within and between particular cohorts have set an impossible task for themselves (see Kotlikoff, 1992). Since each generation receives transfers from those that precede it and also gives transfers to those that follow it, to reach accurate conclusions about equity between generations would require finding answers to some very difficult questions. For example, how should the economic and social investments made by previous generations be valued? Should part of what is spent on the elderly be counted as a return on their investments in younger generations? Should part of what is spent on children be considered an investment in the future productivity of that society? And, even if one forgets about the elderly, how should investments made in research, conservation, environmental protection and defense be allocated across age groups? Unless adequate answers can be provided for these questions, no major conclusions should be drawn about equity between generations.
6. *Avoid any misunderstanding about the common stake in social policies.* In the United States certain policy issues have been framed in terms of competition and conflict between generations. This way of framing the issue implies that public benefits directed toward the elderly represent only a one-way flow from young to old and that reciprocity between generations does not exist. Such an approach only fuels misunderstandings about the costs and benefits of programs directed towards the older population. An example of a policy in the U.S. that is intergenerational in structure is the Family and Medical Leave Act of 1993. Under the law, an employee may take time off from work to care for a sick child or a frail parent in need. For a nation to ignore the potential social and political benefits gained from carefully crafted intergenerational public policies is risky to say the least (Wisensale, 1988, 1991, 1993).
7. *Avoid participating in a zero sum game.* If the framework that pits young against old in a battle over scare resources is accepted, it is assumed then that there exists a "fixed pie" from which only one slice can be cut - for either the elderly or the young. Such a zero sum game assumes wrongly that the limited pie cannot be expanded by economic growth or that slices devoted to military spending cannot be reserved for social needs, whether they be for the young or the old. Today, limited resources are a fundamental reality of all societies. However, it is important to remember that both economic growth and various tradeoffs are still possible. "An approach to public policy that assumes that whatever resources are directed towards one age group diminishes the quality of life for another just does not square with reality" (Generations, 1992).

In 1999, the theme for the United Nations International Year of Older Persons was "Towards a Society for All Ages." Recognizing that the globe is graying rapidly, that this process is not confined to just the wealthier western industrialized societies, and that there is great potential for conflict between generations over limited resources, the United Nations adopted a plan of action designed to initiate and maintain a dialogue on this very important issue.

Meanwhile, the intergenerational equity question is gradually making its way onto the political agendas of nations throughout the world. Whether or not the discussion concerning this issue is always anchored in accurate information is, of course, another question. However, as nations attempt to shape their social welfare policies for the future, there are at least two fundamental questions that should be addressed.

First, is intergenerational equity morally justified? And second, is intergenerational equity something towards which any society should strive?

It can certainly be argued that intergenerational equity is always morally justified. The real question, however, is whether or not it can be achieved politically at a reasonable price. Obviously, as has been discussed here in some detail, the fair allocation of resources between and among various birth cohorts and age groups is not an easy task. Nevertheless, theoretical models do exist and should be explored further. For example, Norm Daniels (1983) has developed a framework from the work of philosopher John Rawls (1971) that could, in principle, justify age-based allocation or denial of resources according to an equitable distribution procedure over an entire lifespan.

With respect to the second question, intergenerational equity is definitely a goal towards which any society should strive. But equally important, the goal can also serve as a compass throughout the debate. To paraphrase Harry Moody (1982) in his discourse on ethics and long-term care, intergenerational equity should not be viewed as simply a code word for "smart politics" or "sound public policy" or become the latest buzzword of "politically-correct language." Instead, it should become a means to keep the debate going, to keep the dialogue responsible and, whenever possible, to guide us towards a better understanding of our societal principles and toward wiser decisions in our personal lives.

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