

From the 1930s to the 1960s public policy was dominated by the interests of young adults and families. From the 1970s it has increasingly favoured the interests of the middle aged and elderly population.



DAVID THOMSON

examines how the 'restructured' economies of the past 25 years are

shaping the environments of the young as we approach the 21st century.

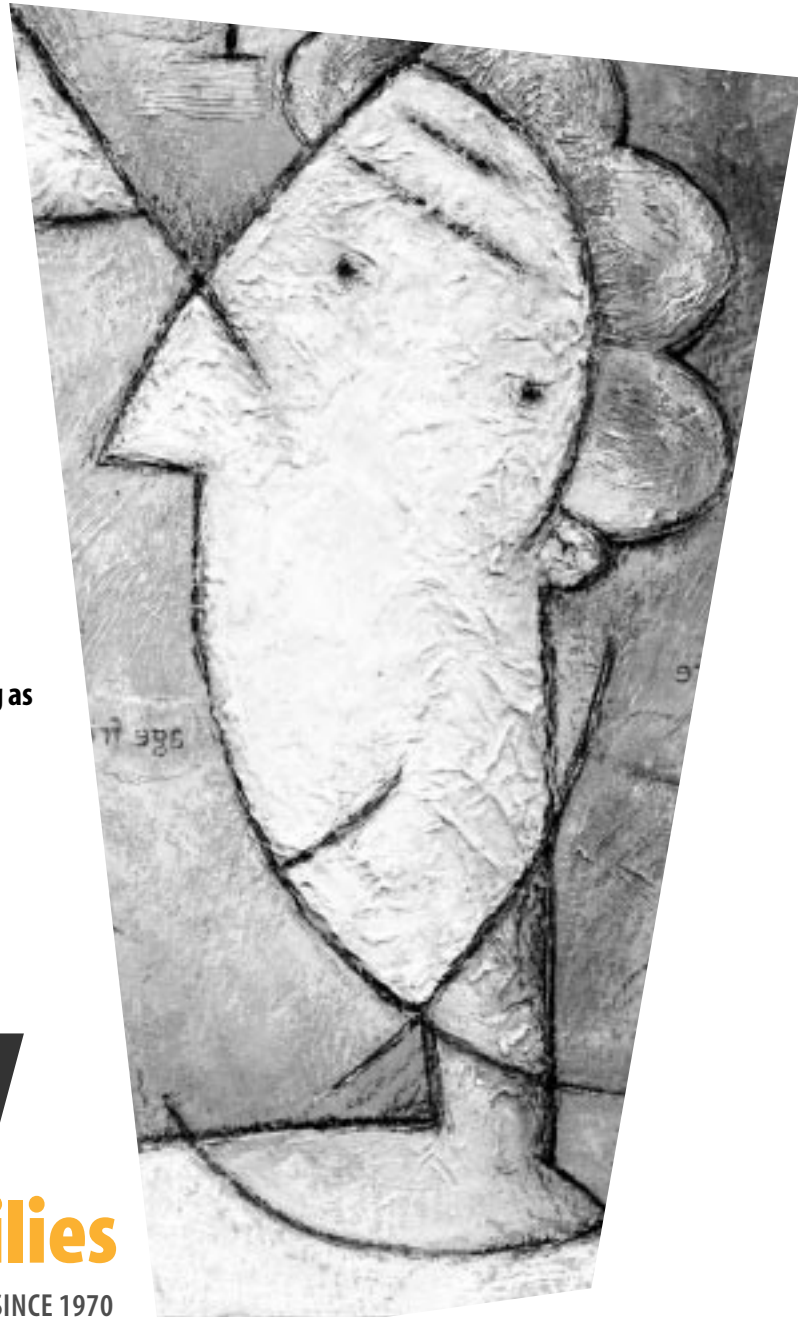
How history is failing our families

PUBLIC POLICY AND THE FALL IN FAMILY FORTUNES SINCE 1970

When family scholars gather in the 1990s, we soon find ourselves talking over some recurring issues. Often we do not intend this – we give our conferences varied titles and mixed programs, and urge each other to think widely and positively about the nature of 'family'. And still we circle back to standard themes – the pace, scale and troubling direction of many changes in family life through the last quarter century, especially in the earlier phases of marriage forming, child bearing and the raising of children. More specifically, we find ourselves worrying about the mounting pressures on young families, and the many signs of breakdown under stress.

The demographers among us, for example, note that young adults are financially dependent

upon and continue living with parents for much longer now. When they do form couples, they increasingly live in informal unions, with marriage being delayed for many years or shunned altogether. Children are few, come early and outside marriage to a good number, but increasingly late or never for most. Many unions prove unstable, separations and divorces and regroupings frequent, and one-parent families fast approach the norm. The more economically-inclined point to the rising incidence of young family poverty, youth homelessness, the insecurity of work and incomes, the slide in male earnings and the rise in female ones, the decline in home ownership, or mounting dependence upon government benefits. Health specialists highlight rising youth suicide and drug use, the neglect of children's eyes and teeth, or the re-emergence of



infectious diseases once thought beaten or at least contained. Criminologists note growing violent and other serious crimes, by and upon young males in particular but also involving young females.

Are there links to all this? I want to draw attention to some powerful historical trends running through the last half century, which do suggest possible important connections. This will not be a familiar historical tale. Nor will it perhaps be welcome, for it challenges us to think afresh about what we want, expect and demand of our social and economic policies as we enter the 21st century.

These patterns run across Europe, North America and Australasia, more and less strongly, and I will use evidence from New Zealand (Australia's close neighbour in many senses) to illustrate when Australian examples are not readily available to an outsider. The focus will be on that crucial portion of life when young adults are forming or not forming families, and are choosing or not choosing to raise children, and so, by these decisions, are shaping our societies for many decades to come. The focus is on economics, or the changing material fortunes of young adults and families, for it is in these, I suggest, that the key connections lie. And the focus is upon public policy, or the actions of government which shape the environments of the young.

Redistribution of advantage from the young to the old

Many economic trends through the last few decades are now well recognised – the growing gap between rich and poor, rising returns on capital and falling ones on labour, the redistribution of income shares from males towards females (and the limits of this), or the persisting poor circumstances of too many ethnic minorities.

But another, less noticed shift has been the stalling and falling incomes of young adults and families, alongside the rising resources of the middle aged and elderly. That is, the economic pain of the last 20 or so years of 'restructuring' of economies and governments has fallen largely to the younger half of the population, the gains to the older half, all pop-analyses of Boomers or Gen X to the contrary. And changes in the 1990s – more tax credits for young families, tighter means tests for age pensions – have slowed the long-term shift only slightly.

Global forces beyond the control of governments are partly responsible for this shift – new information technologies, for instance, affect the ease with which jobs migrate, and so employment security falls. But to a larger extent, this redistribution of advantage from younger to older persons has flowed from government and voter choice. The swing against the young has not been especially conscious, deliberate or malicious – more a matter of ill thought out consequences of extras that older citizens wanted for themselves even as overall economic growth slowed. Yet the results have been massive, spread right across the young (it is not just a sad subset who have been disadvantaged) and go well beyond what our conventional measures of income might suggest.

And the effects are, of course, cumulative. Those who gained most from the youth-favouring-and-elder-penalising policies which dominated from the 1930s to the 1960s were those who were raising families then – that is, those born in the 1920s and 1930s most especially. Those gaining most from the later youth-penalising-and-elder-benefiting policies increasingly in place since the

1970s are the middle aged and elderly – that is, those born in the 1920s and 1930s in particular.

The rules of lifetime give and take – of citizenship in the modern welfare state – have been rewritten, to the mounting advantage of some cohorts, and the growing disadvantage of successors. (A cohort here means all the people born in a particular period.) The consequences are just beginning to manifest themselves, and will go on doing so for decades to come.

These are not comfortable conclusions. They are not what we are used to hearing, about the Depression Children or pampered postwar babies. They touch deep emotions about the respect, dignity and dues of the old. They cut across familiar myths about the poverty of later life, and so the unspoken underpinnings of pensions, savings and more. They throw doubt upon well-entrenched notions of progress, or the simple faith that to be born later is to be born richer and luckier – and again, a great deal of our thinking about taxes, public services for the old and the like is rooted in this faith. They raise potential questions of fault and guilt, of who may have taken or given what through life, and of why we let it go wrong. They hint of generation conflict, of 'age wars' and 'elder bashing', of ugly squabbles between old and young. And the rapid ageing of the electorate (which, unlike population ageing more generally, is only now beginning) will add to the prickly mix.

The temptation to deny and ignore is therefore strong, and to go on talking about the problems of young families in isolation from wider societal shifts. I understand that – as an historian who has been writing on these matters for a decade I may appreciate them intellectually, but as a citizen and family member I remain torn by it all. In raising them now I push no particular political agenda, but a research one. I want to insist that we cannot ignore such historical forces if we are to understand the new circumstances of families at century's end. Age group and cohort must be central to all our social analyses from here on.

What, then, is the evidence that from the 1930s to the 1960s public policy was dominated by the interests of the young, and from the 1970s increasingly by those of persons past about age 50? In the rest of this paper I want to do two things: give examples of the types of changes occurring, and indicate the possible scale of their impact.¹

Taxation

Income taxes provide many clear instances of this historical shift. Until the 1960s few income taxes were exacted from young adults, especially those with children, and the middle aged and the wealthier elderly paid the bulk of all direct taxes (the 'middle aged' here being defined loosely as those aged about 45–64 years). But in the last 25 years this 'tax haven' for the young has been stripped away, at the same time as important taxes on later life have been cut or ended altogether. The consequences, though never the stated intentions, were anything but age- or cohort-neutral.

An obvious example is tax exemptions for dependent children and non-earning spouses. Substantial universal tax allowances for young families were widespread in the immediate postwar decades, but these were everywhere cut or abandoned in the 1970s and 1980s. Australia was no exception. In 1950 a single person on average weekly

male earnings (AWE) paid 7 per cent of gross earnings in income tax, and given the marriage, parenting and employment patterns of the time, this was in effect the tax rate for many of the middle aged but few younger adults. Most of those paid much less, or none at all – tax demand in 1950 for a single-income-two-adult-two-child family on AWE was just 2 per cent, and for a four-child family 0 per cent. The middle aged paid several times as much tax, on the same earnings, as did a young family.

But through the 1980s and early 1990s the comparable figures were 22 per cent for single persons, and 18 per cent for both two- and four-child families on middling income – a three-fold rise in tax take if middle aged, but ten-fold and more if a young family. (Targeted family tax relief has brought lowered tax burdens for poorer families in recent years, but not a return to earlier tax levels even for them). At the same time, special income tax rates and exemptions for the age pensioners (or for lower income persons, the bulk of whom are elderly) have been retained, and these Australian patterns have been common internationally. The experience of multiplying tax demands, in short, has not been general, but particular to certain ages and cohorts.

Many other tax changes have worked to similar ends. High marginal tax rates have been cut – New Zealand's drop from 66 per cent to 33 per cent at the maximum was pretty standard. This meant little to younger adults of course, but more spending power for many older ones. In 1991, for example, just six in 1,000 New Zealanders aged 15–24 years earned \$40,000 or more, but 130–150 in 1,000 in their forties or fifties.



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Or again, until the 1960s, in Australia as in many countries, 'unearned income' from investments paid a higher, penal rate of tax than did wages or salaries. This was then abandoned, with little gain to younger adults but immediate benefit to older ones, since almost all investment income flows to persons in the later half of life. The curtailing of inheritance or estate duties, long a bane to the middle aged and elderly and once a significant source of government income, occurred at about the same time and worked to the same age and cohort ends.

Then there has been the wide collapse of direct taxes from the self-employed and companies. In New Zealand in 1961, income tax paid by the self-employed was equivalent to half (49 per cent) of the total income tax paid by wage and salary earners; by the early 1990s just 15 per cent. But self-employment is primarily a feature of later working life: just 27 in 1,000 persons aged 20–24 years in 1961 were self-employed, but 130 in 1,000 in their forties or fifties (and well past 200 per 1,000 of men of that age). Since the proportions who were self-employed did not fall over time – they actually rose – this shrinking in taxes paid by the self-employed, whatever its reasons, meant a net income boost for the middle

aged for the most part, and a greater share of the tax burden left falling to younger adults. Company taxes, too, have slipped in parallel, and companies are also owned overwhelmingly by persons in later rather than earlier life, either directly or via shareholding.

The age- and cohort-incidence of indirect taxes are less easy to trace. But in at least one very visible area – the imposition in the last two decades of 'part-charges' for government services once free to users – the wider bias against the young is again apparent. Everywhere governments have found it easier to charge for things used primarily or exclusively by younger citizens than by older ones. Fees for education, especially higher education, have grown, as have charges for non-pensioner public rental housing. But health charges have been introduced carefully, with part or total exemptions for age pensioners. Age is seldom mentioned in any of this, and human rights legislation would often now not permit that. But the effects are age and cohort ones nevertheless, and they have been heavily in a single direction.

Public spending

In public spending, too, the youth-to-age switch is marked. Consider, for instance, the universal cash benefits once paid, as of right, to older and younger citizens. One simple example in Australia is maternity benefit, introduced in 1912 and extended to every woman in 1947. At \$30 for a first birth (more for later) it was equivalent to about two weeks of AWE in the late 1940s, or seven weeks of age pension. But the benefit was never raised, and was abolished in 1978: no general payment to the aged was allowed to languish thus, especially in the 1970s.

Another illustration is family benefit. In Australia in 1950 it stood at 50 cents a week for a first child, and \$1 for second and additional children. That \$1 per child brought to its home the equivalent of 23 per cent of an age pension, and the combined benefit-plus-tax-relief 'worth' of a second child was around 28 per cent of an age pension. By the early 1990s that 28 per cent had fallen to just 6 per cent, and although there are now means-tested tax credits for low-income families there has been no return to earlier relativities. Part of this loss resulted from the failure to raise child allowances or preserve family tax relief, but more from deliberate choice in the same years to lift age pension. Through the 1950s and 1960s age pension in Australia was equivalent to 24–25 per cent of after-tax income for a single person on AWE; following the Whitlam boom in the 1970s it rose past 30 per cent. And in this Australia probably represented an international minimum in the youth-to-age shift – elsewhere age pensions rose more and family benefits disappeared faster.

Of equal and striking importance has been the refocusing of governments' wider social spending, again with its clear age and cohort biases. One example is the demise of public housing. At mid-century the building and renting of low-cost public housing to young families, or assistance to new home buyers, absorbed substantial fractions of public spending in most developed societies. This is harder to trace in Australia than elsewhere, in large part because of the complexities of the Commonwealth/state housing agreements. But in New Zealand, with a similar emphasis on private home ownership and limited public

renting, government expenditure on housing claimed about 3 per cent of GDP through the 1950s and 1960s – as much as all spending on age pensions. This had small profit and serious cost for the older half of the population, who then paid most taxes, received very little of the housing assistance because they already owned their homes, and were forced to lend their savings to banks at fixed low interest rates for on-lending to government and young borrowers.

From the 1970s the public commitment to housing the young collapsed everywhere, while a new one to pensioner housing was arising. Australia, like New Zealand, steadily cut back its free grants and low-interest loans to young buyers. Each also sped the sale of existing public housing, slowed construction of new rentals, and raised rents on the remaining public tenants. They did so, moreover, while the numbers of young home seekers mushroomed as the large postwar baby cohorts reached young adulthood in the 1970s and 1980s. The fraction of national income going to public housing dropped below 1 per cent in New Zealand, and this shrinkage was modest by international standards: in the United Kingdom public spending on housing had peaked at 5 per cent of GDP a year in the 1970s, but was below 1 per cent in the 1990s. Nowhere were the age or cohort implications of it all discussed, yet they were marked and fitted the wider pattern.

A parallel example involves public works, or the building of roads, hydro generators, irrigation schemes and so on. Like housing, these were once a major public activity and central purpose of government in this part of the world, which provided incomes and job security for younger persons at the expense of higher taxes, reduced services and forced loans from older ones. And like housing, governments got out of public works during the last 25 years.

The immediate counter-argument will be, of course, that while many expenditures on younger citizens have been shrinking, others have been climbing. Most obvious of these is the controversial 'new' spending on single-parent, unemployment and sickness benefits, much of which goes to persons in their twenties and thirties. Large fractions of national income are involved – surely this runs against a youth-to-age swing in public priorities?

It does not, for the whole subject needs to be put into historical perspective.

First, this 'new' spending on the young is not new, so much as a redirection of former spending on housing, family benefit and the like. A simple illustration for New Zealand is as follows. Through the 1960s total public social spending on those under age 40 amounted to about 10 per cent of GDP a year (counting public spending on education, housing, health, and family and other 'youth' cash benefits). By 1991 the fraction of the population aged under 40 was little changed – 66 per cent in 1961, 63 per cent in 1991 – and the fraction of national income spent on public services for them, calculated as before, was also little changed at 10 or 11 per cent. In other words, the 'new' spending on the unemployed or single-parent families was really redirected 'old' spending on young persons.

Second, the companion story for the elderly was very different, for here 'new' money was found. By a parallel calculation, those over age 60 in the 1960s had received

about 4 per cent of GDP each year in the form of age and war pensions, or health services. By the late 1980s or early 1990s the proportions of the population over age 60 had grown quietly, from 12 to 15 per cent. But public spending on this group now absorbed 10–11 per cent of GDP, or more than twice the earlier fraction.

Third, we need to remember the new conditions surrounding public spending on the young. Doubled public expenditure on the aged came in addition to all other increases in their private or non-government incomes – it was not a substitute for the disappearance of private income, as public spending became for the young in this period. In the 1950s and 1960s most of the public spending on younger persons was 'universal' – it was shared widely, enjoyed as of right, and came without means tests or other restrictions on private income.



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But by the 1990s very little other than public education was left in this universal category. The rest was available only to those who could demonstrate that they were unusually poor or bereft of other resources. In other words, the nature of public spending on younger citizens was changed fundamentally, but not increased.

And fourth, there is the issue of taxes. Very few countries publish any statistics of tax payment by age, but the earlier discussion here suggests that the net 'gain/loss' per year for various age groups will have shifted substantially. Some published Australian studies give glimpses of this. For 1984 and again for 1988–89 the Australian Bureau of Statistics prepared studies of net gain/loss for households grouped by age (ABS 1987, 1992). These showed that for all households where the 'head' was aged under 25 years the net gain/loss through government taxes, benefits and services was a loss of \$26 a week per household in 1984, but \$68 in current dollars just five years later. For those aged 25–34 the shift over five years was even less favourable – a loss of \$42 a week each in 1984, but \$107 in 1988–89. At the other end of the age scale change was in the opposite direction – past age 65 the average weekly net gain went from \$131 to \$199. This was change across a very few years, and it hints at just how fast overall public resources may have been draining away from younger households in the last couple of decades.

Wider economic policy and management

Beyond taxes and spending lie an array of other ways in which governments used once to make resources flow to younger persons, and held down the incomes and freedoms of older citizens to make this happen, but now do not. Australia and New Zealand ran highly managed economies for much of the 20th century, as many have noted. In doing so they formed unusually strong 'wage-earner welfare states' as Castles (1985) has put it, in which government gave first priority to the security and rewards of employment. And again, though these priorities were

seldom discussed in age terms, the implications were pretty clear: the 'Australian Settlement' (Kelly 1992) meant that governments emphasised young adults and their children, at the expense of older persons. That has been overturned in the last 25 years.

Examples of this are numerous. One is the former commitment to full employment as the centrepiece of government monetary policy, and the replacement of that in Australasia and elsewhere from the 1970s with an emphasis on controlling inflation and raising real returns on investments: the age-group consequences are pretty obvious. Another was regulation of the whole financial sector. Both Australia and New Zealand controlled banking heavily at all levels until the 1970s, with the express purpose of benefiting (young) borrowers with cheap loans, and restricting (older) lenders with small returns. This, too, has been abandoned, as financial sectors everywhere have been deregulated: the immediate losers have been young, the winners older, whatever the longer-term benefits promised.

Then there was the close control of imports via tariffs and licensing, so that jobs and earnings were sheltered and enhanced. This held few attractions for older citizens of course, who would not benefit from a job but would face higher prices and limited choice as a consequence. The winding down or ending of import controls in the last 25 years once more fits the historical pattern of displacing the concerns of younger citizens, and focusing on those of older ones.

'Reform of the workplace' adds to the shift. A myriad of protections for employees and their unions, including minimum wages agreements and penal rates for various types of work, enlarged the shares of income that went to workers (younger persons) and depressed those to investors (older persons). That, too, was part of the core 'Australasian Way' as it existed through the first three-quarters of this century, and which has been repudiated in the last quarter.

A final illustration must suffice. It concerns investment and debt, about which all existing statistics are disappointing. In the postwar decades governments invested heavily in long-term 'capital' goods – public buildings, communication networks, transport, electricity generation, housing, hospitals and more. Nor did they run up debts as they did so: the costs were borne primarily by middle aged and elderly taxpayers and lenders. In the last 20 years all this too has been changed. Gross capital formation, a measure of overall long-term investing (rather than immediate consuming), has remained static in most countries. But that apparent stability misses a good deal. Little capital investing is now done by the public sector, or goes into infrastructure. Much capital investing, too, is now financed by raising debt rather than by drawing on taxes or savings (that is, going without something today) as used to happen. Public debt has everywhere grown as a result – and public debt is, of course, a way of today's consumers shifting costs onto voiceless future citizens, and so another move with decided age and cohort effects.

There is, too, the question of 'net' rather than merely 'gross' capital formation, although the last is all that we measure currently. In the last 25 years governments have cut back sharply on the maintenance of existing infrastructure (hospitals, schools, bridges, water pipes) as well as on new capital works. This suggests that when depreciation is also taken into account, net or real

capital formation may well have been falling steeply, to form a 'hidden debt' the costs of which will also fall to the later-born. It is an area little explored by economists or others, but it must interest anyone concerned with the prospects of different age groups and cohorts.

A new poor?

What measures of the impact of it all do we have, other than anecdotes or behavioural changes which look like they could be adaptations by younger citizens to declining circumstances?

The evidence is suggestive but patchy, and family scholars face enormous challenges in finding better tools for gauging incomes – and in prodding economists, government statisticians and others to serve us better. Far too few of the existing data series or analyses have historical depth – they begin only in the 1960s or 1970s, even later, and so quite miss the key historical swings. Detail is seldom given by age, even today, while we remain captivated by other divisions of society such as 'rich' or 'poor', the socially meaningless 'income quintile', or precise calibration of 'poverty'. Taxes are still too often ignored altogether – most US studies, for instance, are of pre-tax income only. A variety of incomes and expenditures, the value of home production or of non-wage work, the impact of assets or free time on spending decisions, or access to free public services for different groups are routinely ignored.

Even so, existing standard sources and tests provide some early signs of the deeper historical trends and their effects. Reports from many countries in the 1980s and 1990s have remarked – often in passing, and without drawing connections – that incomes of younger adults have been stalling or falling, those of older persons rising.

In Sweden, to take but a single illustration, a comprehensive official survey of the years 1975–85 found evidence of a poor record for the young on many counts (Vogel et al. 1988). The government's own income statistics reinforce the point (Statistics Sweden annual). By 1991, for instance, the average total gross income of persons aged 16–19 years, once adjusted for inflation, were just 66 per cent of what it had been in the later 1970s. There was, too, a remarkable age-progression to the record – a slight fall in gross income over the same span for those in their twenties, no change in the thirties, a 12 per cent gain in the fifties, 30 per cent in the later sixties, and 60 per cent for all past age 70. In the later 1970s average gross income for men aged 70 or more was 73 per cent of the average for those aged 20–24, by 1991 122 per cent. All these changes would be more accentuated, too, if we could take into account the income tax shifts, or changing access to free or subsidised public services.

Similar examples abound from the United States (for example, Levy 1987), and in Australia Bradbury et al. (1990) for instance noted that young adults and families did comparatively poorly during the 1980s. A wider-ranging study of Australian incomes by Travers and Richardson (1993), which explored a number of definitions of income, again found evidence that older citizens were doing better than conventional measures (or political rhetoric) might suggest, and younger ones more poorly.

More detailed and longer-running data is available in a few places, and indicates a striking loss of actual spending powers among the young, not just a loss of

position relative to older citizens. In the United States, for example, younger adults as a whole had less real spending power by the 1990s than had their predecessors in the 1960s and 1970s, even while real spending powers for the middle aged and elderly had surged ahead. And closer to Australia, New Zealand's comprehensive census and household survey data – among the best in the world for our interests in age and cohort – points strikingly to real decline over time (Thomson 1998). By the early 1990s, New Zealand households with 'heads' aged under 30 had on average just 75 per cent of the real gross income, or around 80 per cent of the real expenditure, of similar households in the early 1970s.²

These conventional incomes and expenditures studies, moreover, suffer many limitations that are still not recognised by scholars in the field. One worry is that static surveys, such as censuses or annual household counts, capture only a residual income or expenditure effect.

Consider a simple illustration. Suppose that I have an income of \$100 a week, and this is then cut by my employer to \$50. In all likelihood I would respond to this 'underlying' income trend against me. I might seek overtime, take a second job, push my wife into part-time work, perhaps not have children, or put off buying a house, and so I might return my income to \$100 through my 'behavioural' response. Conventional incomes measures, recording only total income at this moment and that, would report 'no change', but this is clearly only a residual effect when a great deal of both underlying and behavioural change had in fact taken place.

This pattern is, I suggest, close to what has happened for young adults historically. Since the 1960s their behaviours have undergone enormous shifts, as all are aware. The major changes – greater and better-rewarded employment for women, more incomes from government benefits for those not in paid employment, fewer dependent children with whom incomes must be shared – should have boosted average incomes of young adults, had other things been equal. But they were not: the underlying income trends were powerfully downwards, and the net or residual result of both these and the behavioural changes was still the stalled or declining real income found in conventional studies. (In the same way, the rapid movement of older persons out of paid employment should, other things being equal, have driven their incomes downwards, but the underlying income shifts in their favour were more than strong enough to counter these behavioural ones.)

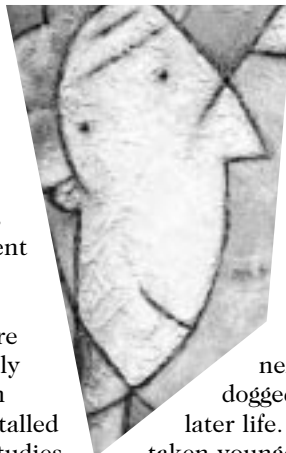
New Zealand census data offers a unique opportunity to study these underlying and behavioural effects separately, because at every census since 1926 all have been asked to report their gross incomes and the results have been published by age (Thomson 1998). The results of this modelling exercise give compelling evidence of an underlying swing towards, then against, the young, especially young men and families.

For instance, the man who had the middling or median income for all men aged 20–24 years and in full-time employment in 1971 had three times the real net purchasing power of his equivalent in the 1930s. But through the last three decades real income has been declining, such that their equivalent by 1996 had just 75 per cent of the 1971 level of spending power; the 1996 man was back to an early 1950s spending power. For

those younger than 20, of below-average earnings, or not in full-time work, the rise in underlying income between the 1930s and the 1960s was greater still, and the fall since sharper too. The pattern was similar for those in their later twenties or their thirties, or with dependent families, although milder in the retreat since the 1960s.

The striking contrast is with a number of other groups, most notably the elderly, women generally, and those without employment and so dependent on government support, all of whom enjoyed advancing underlying income through the 1970s and 1980s. For instance, all age pensioners were guaranteed a basic pension which by the early 1990s had a real after-tax purchasing power that was at least a third above the equivalent in the 1960s (it has slipped somewhat during the 1990s), and benefits for non-elderly state dependants rose in a matching if less marked fashion. The study, in short, points to radically different paths in underlying income for different age groups, but which are quite missed in our conventional statistics of residual income.

Current incomes tools miss much else as well, for example by ignoring 'future prospects'. We can illustrate the issue as follows. A weekly income of \$100 carries one worth and freedom of choice, if it comes with the firm expectation of being paid again every future week, with good prospects of being increased soon, if surrounded by free public services for oneself or one's children, or with the firm promise of an assured state pension later



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in life. But the same \$100 carries less value, if it arrives amid considerable uncertainty about income next week or next year, not buoyed by free services, or dogged by doubt about retirement income in later life. Again, such a change has broadly overtaken younger citizens in recent decades – 'future prospects' do much to determine the true worth of income, and we must find ways to test and weigh them.

One simple illustrative experiment on this involves a count of net gain and loss through taxes, benefits and government services, year by year across the lives of typical persons. In one such experiment I trace the Earlys, a 'typical' New Zealand couple born in 1930, who have standard behaviour and income for their cohort through each stage of life, then contrast their lifetime tallies of gain and loss with those of the Lates, a 'typical' couple born just 25 years later.

The Earlys will together earn the equivalent of about 45 years of average male pay. Their personal income taxes on this, after exemptions, will total to about nine years of average pay, and their indirect or consumption taxes to perhaps seven years of average pay, at a maximal estimate. But their total lifetime benefits will be two or more times as great at a minimum – at least 13 years of average pay by way of direct cash payments, and about 20 years by way of public services. The Lates, in contrast, are heading for a net return just one third as favourable

– taxes equivalent of 30–35 years of average pay, and benefits at 20 years by a generous estimate. A parallel study by Alan Tapper (unpublished) on Australia suggests a comparable if less extreme contrast between the cohorts.

One further concern with current ways of measuring income trends involves inflation adjustment. In calculating the official price indexes, all price movements are



Young adults and children have suffered a major erosion of economic position through the last 25 years.

averaged together, then assumed to hold equally for all households. But this, of course, is very unlikely to be true, for different household types purchase different things, and so in all likelihood face separate and distinct rates of inflation. This is particularly relevant to young families, which do not buy 'goods in general' but spend heavily on a few things (children, housing) on which older households (the majority in the averages) spend little or nothing at all. And there are good reasons for thinking that prices have risen more sharply for younger than older households – consider, for instance, the impact of new education or health charges.

Another illustration comes from a study of first home buying in New Zealand, in which I calculate the costs for identical young families who sought to buy identical first homes at various times since 1960.

In 1961 a single-income-two-child family on average wages for men aged about 30 would have to put 14 per cent of its after-tax-after-family-benefit income into mortgage payments, on a new basic bungalow in the first year of owning, after making use of all the government grants, low-interest loans and the like to which it was entitled. But an identical family buying the same house in the 1980s or 1990s would pay at least three times as much, or 50 and more per cent of total income, so great had been the combined effects of income, tax, benefit, price, loan, interest and other changes. The climb in costs was even steeper for those on below-average income, and interestingly, this underlying increase was little different for higher-income young families as well – the trend affected the whole cohort unexpectedly evenly.

But none of this enters current inflation or income measures. These tell instead that there has been little or no change at all over the last 30 years in what New Zealanders as a whole pay for housing. Existing tools simply miss much of what is going on below a surface level, especially for the young.

Comment

In Australia and New Zealand, as elsewhere, young adults and children have suffered a major erosion of economic position through the last 25 years, to a depth that is still only beginning to reveal itself, and many of their recent behaviours should be seen as adaptive responses to this. There has been some easing of the downward trend in the 1990s, but it is no evidence that the longer down-swing is being reversed.

That in turn raises a host of wider questions, about the rights and responsibilities of older and younger citizens, of earlier and later born, or about the possibilities of justice and equity as populations and voters now age rapidly – in short, about the very nature and purpose of the 20th century welfare state and whatever may succeed it.

Those are weighty matters, but I am less interested in them for now than in our building a sound research base from which to tackle them. How are age and cohort groups faring in Australia – better or worse than elsewhere? How can we assess the 'true' current and cumulative resources of persons of one age and another, born into one decade or some other? And how firmly might those differing economic fortunes be forming a link between the various behaviours evident in one cohort and another? Those are some of the things I'd like to hear about when family scholars next gather to consider 'the state of the family'.

Notes

- 1 This argument and evidence has been developed more fully in Thomson (1991), and Thomson (1996). Further Australian evidence appears in Thomson and Tapper (1993). Unless indicated otherwise, all examples and sources used here are given in those works.
- 2 The calculation is of average resources per adult-equivalent, averaged over several years, and adjusted for inflation according to the official Consumer Price Index. The exercise is explained more fully in Thomson (1998).

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Professor David Thomson is Head of the History Program, School of History, Philosophy and Politics, Massey University, New Zealand, and Research Associate of the Cambridge Group for the History of Population and Social Structure, University of Cambridge, United Kingdom. This paper is based on his Keynote Address to the Australian Institute of Family Studies Conference, November 1998.