



Australia's big tax project

Restoring the intergenerational bargain

Thomas Walker, CEO of Think Forward

The intergenerational bargain is fraying

The relationship between older, younger, and future Australians and our tax and spending priorities is based on an implicit generational bargain. Working-age taxpayers support older and younger Australians and can expect the next generation to support them in the same way, and economic and social development will enable each successive generation to enjoy rising living standards. At the very least, we should not leave the next generation worse off.

In practice, this means that governments make choices that do not consistently favour one age group over another. They consider the rights and opportunities of young and future generations and share the costs and benefits of taxation fairly across time.

However, this generational bargain is under severe pressure. The Commonwealth Budget is projected to be in deficit for the next forty years, and declining homeownership rates, the rising costs of tertiary education, low rates of entrepreneurship, climate change and intergenerational wealth inequality are all downstream impacts stemming from our inequitable tax and transfer system.

Although many of these issues have been evident for years (the first intergenerational report was drafted by Peter Costello in 2001), little action has been taken. This is leading to growing frustration toward the political class and democracy, and though often over-egged by the media, growing resentment towards for the Baby Boomers. Younger Australians feel that their voices and values are not being included in the crucial economic and tax debates that are shaping their futures.

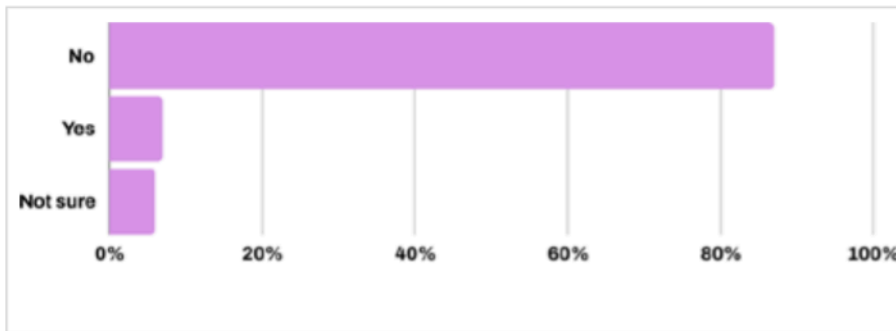


Figure 1: Is the government doing enough to support young people in achieving their goals?

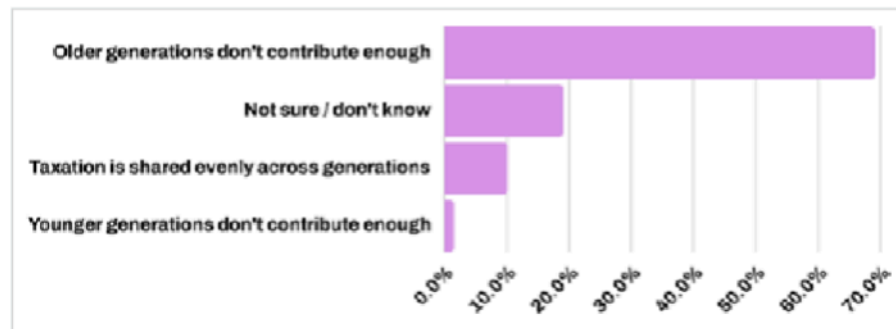


Figure 2: How intergenerationally fair is the tax system?

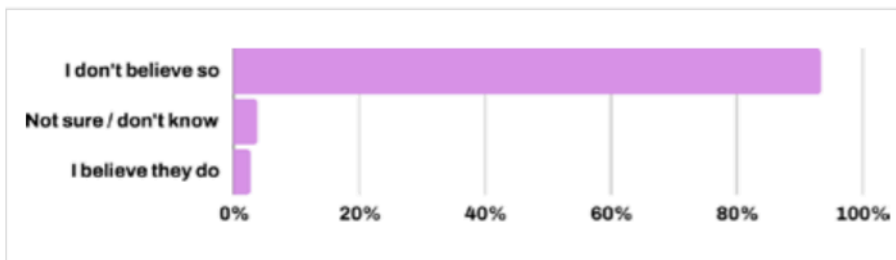


Figure 3: Do you think australia's political leaders think longterm and have a good plan for the next 20-50 years?

What do younger people think?

To bring younger generations into these critical policy debates, Think Forward surveyed 1,000 Gen Zs (born between 1996 and 2010) and Millennials (born 1981 to 1995). What we found challenges the status quo. Younger Australians are calling for a radical rethink of our tax and economic systems to restore the intergenerational bargain.

Do younger generations feel supported by their government?

We started our survey with a question to gauge how well government is doing in supporting younger generations to achieve their goals. Overwhelmingly, our survey responders (87%) said they did not think the government was doing enough.

Young people talked about how hard it is to live a good, economically secure life. The kind of life older generations seem to have.

"It has become more and more difficult to live on what would have been a decent wage 20 years ago. I'm back living with parents now". Full-time worker, 30-34 years old, Victoria.

"The ability for a young person to get anywhere close to the experience of our parents and grandparents is near impossible". Full-time worker, 25-29 years old, Queensland.

"I am in a well earning job with a partner in the same boat and we both feel the financial stress. We feel hopeless about our financial security." Full-time worker, 30-34 years old, NSW.

The cost of education is a prominent issue. Young people identified how HECS-HELP debts take a significant portion of their incomes when they are trying to buy a home, have a family or start a business. Current students discussed the cost of living and the need to reduce their study load or drop out as they can't afford rent or food without working more hours.

Many others identified the housing crisis as an impediment to economic security. Unaffordable rents mean that young people lack security and can't save, and combined with the price of buying, homeownership has become a pipe dream. Others mentioned challenges with finding stable and well-paying employment or their difficulties in achieving the economic security required to start a family.

"As a young person, both finding job security and being able to afford a house are incredibly difficult ... I'm scared." Student, 20-24 years old, NSW.

"I'm 36 years old and have \$80k of student debt. I will never be able to have children because I can barely afford to look after myself. The window for me is rapidly closing... for me to buy a house, clear my debt, and have children." Student and worker, 35-39 years old, NSW.

Are the costs and benefits of the tax system shared evenly across generations?

An intergenerationally fair tax system aims to share the costs and benefits of taxation fairly across generations and time. However, only ten per cent of respondents believe that the costs and benefits of taxation are shared evenly. Sixty-nine per cent believe that older generations don't contribute enough.

Many respondents expressed a feeling of injustice:

"Australian tax settings are rigged against the young and are destroying them, and really the entire country. Changes are needed." Full-time worker, 20-24 years old, NSW.

"The tax system was built primarily to benefit those in it at the time, which has been sustained as the generation grew older. Now younger generations are struggling." Full-time worker, 25-30 years old, regional Victoria.

"All I see are tax cuts to the rich and a system that only cares about making boomers richer. We are literally paying for their debts and we are drowning." 30-34-year-old from Western Australia.

Do young people have confidence in their political leaders?

Finally, we asked "Do you think Australia's political leaders think long-term and have a good plan for the next 20-50 years?". The response was overwhelming to the negative. Only 2.7 per cent believed that their political leaders are thinking for the long term.

Younger generations gave three primary reasons as to why:

1. **Politicians are trying their best, but outside forces make long-term thinking difficult:** Many pointed out that politicians have a challenging job due to Australia's short electoral terms and the poor state of media and online debates.
2. **Politicians are just in it for themselves:** Others were less forgiving, arguing that politicians are self-interested and focus on keeping their jobs, creating a situation where politics has narrowed to politicking and point-scoring rather than long-term policymaking.
3. **Politicians act for donors and lobbyists:** Politicians are influenced by donors and corporate interests, meaning they lack integrity and don't prioritise the community's long-term future.

Our survey tells the story of younger generations struggling to get ahead. Troublingly, they have little confidence that their political leaders can develop long-term, bold, and well-designed policy responses to the difficult structural problems we face. A lack of long-term planning and policy action leaves younger generations in a precarious position with an uncertain future, buffeted by overlapping crises and declining economic outcomes.

What do we do?

Good policy - restoring the intergenerational bargain

The story of Think Forward is that we founded our organisation to work with Australia's political leaders to make the required tax reforms that would restore the intergenerational bargain. We believe in the power of pre-distribution and a more equal distribution of economic power across time, including access to land and housing, access to capital and a political voice. We are not looking for handouts but rather an even playing field.

We still advocate for these things but have come to realise that advocating for beneficial policy change, even if supported by evidence, won't bring about change. At the heart of these challenges lies power. Power between corporations and people, landlords and renters, employers and employees, or polluters and future generations.

As one federal politician said to me, I agree with what you are saying, but feel no political pressure to act.

The pressure instead comes from the other direction, from those wanting to maintain the status quo and their privileged position.

The power and knowledge gap

As our survey revealed, younger generations can recognise that the system is rigged against them, but struggle to articulate an alternative vision. Our tax and economic systems feel set in stone, handed down by policy experts and lobbyists in far-away office towers and TV studios.

A recent study¹ found that males, older Australians and those with higher incomes have high average economic literacy scores, while those aged 18–24 years, unemployed persons and those without a degree had the lowest scores. Economics has become the domain of experts and older Australians rather than commonly practised.

Economics knowledge grows over time as people buy assets and build wealth, but there has also been a sharp decline in economics education. According to the RBA, enrolments in year 12 economics have fallen 70 per cent in Australia in the last 30 years, with the decline sharpest among girls and students from lower socio-economic backgrounds.²

In addition, the education resources pitched at young people are about individual financial success (budgeting, investing, cryptocurrencies), not collective wellbeing. We've been taught to focus on our narrow interests, not how to participate in a society. Tax-paying is demonised and avoidance is encouraged.

At a societal level, the inaccessibility of economics and the drop in economic literacy means a smaller and more select group of people are making decisions that impact how societies are designed. The political power and economic literacy advantage experienced by older, wealthier Australians, we believe, maintains the status quo and prevents reform, even as all the evidence points to intergenerational bargain slipping away.

A change in focus - pulling back the curtains and reimagining the future

We've decided to ignore politicians for a while. Ultimately, the political system has become a protector of the speculator and rent seeker. We know now that change has to come from the grassroots. This starts with younger generations understanding how the economic system disadvantages them.

A challenge we have set for ourselves is to make tax and economics engaging for younger generations and involve them in economic and tax debates. We want to give younger generations the skills to advocate for and design a fairer and better future. With Gen Z and Millennials making up nearly 45% of voters at the next election and beyond, that is a significant voting block we can empower for change, telling an alternative story.

In all this, there is an opportunity for Georgist thinking. Geogism helps us understand the deep-seated structural inequalities in our tax system and offers an alternative vision for how those systems can be organised. Prosper's recent work too provides inspiration, particularly the idea of a 'tax shift' from taxes harming workers and industry to taxes on unearned income and monopolies. At the heart of this shift is intergenerational equity, which gives younger generations access to capital and land that supports work and entrepreneurship rather than the privileged position of landholders who just happened to be born earlier.

The task ahead of us is monumental, and we are tiny. But we have already launched Tik Tok Tax, our tax education program, and Think Forward Treasury, an online platform for economic debate and consensus building. By working together and drawing back the curtain on the real structural causes of the issues we face, rather than playing whack-a-mole with the downstream impacts, we can see a vision for the future and a path forward.

Young people are full of energy and ideas. We just need to share power, resources, and opportunities with them so they can reach their potential and build Australia's future. •

1 McCowage, M., (2023). Economic Literacy in Australia: A First Look. Published by the Reserve Bank, Bulletin – September 2023 Australian Economy. Retrieved from <https://www.rba.gov.au/publications/bulletin/2023/sep/economic-literacy-in-australia-a-first-look.html>

2 Livermore, T., & Major, M. (2020). Why Study (or Not Study) Economics? A Survey of High School Students. Canberra: Reserve Bank of Australia. Retrieved from <https://www.rba.gov.au/publications/bulletin/2020/jun/pdf/why-study-or-not-study-economics-a-survey-of-high-school-students.pdf>