Think Forward

Submission:

Inquiry into the Taxation System

18th October, 2024

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Executive Summary

Think Forward would like to thank the Economics References Committee for the opportunity to provide a submission to this Inquiry.

Think Forward is a non-partisan, not-for-profit organisation run by younger Australians passionate about economic equity. We founded Think Forward in response to the growing awareness that younger Australians face a growing economic burden that our leaders are not adequately acting on. Current tax and economic policies mean young people are disproportionately impacted by economic pressures, including insecure work, high education costs, increasing housing and rental prices and inheriting the cost of the climate crisis, an aging population and pandemic debt.

This Submission highlights the following:

The social and economic impact of taxing people who earn less than the cost of living

Addressing item A of the Terms of Reference

Our society relies on an implicit intergenerational bargain to function. This is where working-age taxpayers support younger generations in setting up their lives and older Australians in retirement. It also means that sustainable economic and social policies enable each generation to have the same opportunity to live a good life. At the very least, we should not leave Australia in a worse position than when we inherited it.

However, this bargain is under pressure. We have seen decades of policy inertia resulting in short-termism triumph over long-term planning and shared prosperity. This is particularly relevant to the tax and transfer system. Every Intergenerational Report since 2002, which was the first handed down by Peter Costello, the Henry Tax Review in 2010, and countless academic and media reports attest to the growing tax burden on younger generations.

A driver is our ageing population. Over the next forty years, the number of people aged 65 and over will double, and those aged 85 and over will more than triple (Commonwealth of Australia, 2023). That people are living longer, healthier lives is worth celebrating. However, there is a fiscal challenge in that even with migration, there are increasingly fewer working-age taxpayers relative to the number of older Australians who require publicly funded care and support services.

Population ageing is not the only driver of Australia's poor fiscal position. The 2023 Intergenerational Report (Commonwealth of Australia, 2023) outlines how slower economic growth and long-term spending increases across health, aged care, the National Disability Insurance Scheme (NDIS), defence and interest on government debt will see annual budget deficits each year for the next forty years to 2062–63. The poor Budget position will force future governments to either raise taxes on today's young people or cut spending on critical services and investments.

These issues are already present, with Australia's poor fiscal position given as a reason why we can't invest in critical infrastructure, our social safety net and public services. Our research, including a survey of 1,000 Gen Z and Millenial Australians, has found that younger people do not feel supported by their government and believe the costs and benefits of the tax system are not shared evenly across generations.

Many survey responders talked about how hard it is for younger people to live a good, economically secure life, and they reported that it feels like older generations have pulled the prosperity ladder up behind them.

To ease the tax burden on younger generations, we recommend:

Recommendation 1: Restore the intergenerational bargain at the heart of our tax and transfer system

We call on the next parliament to undertake the structural tax reform process that will give younger generations the chance they need and set Australia up for the future. The Intergenerational Report and Henry Tax Review have already captured much of the evidence and solutions. We just need our political leaders to work together, make the case to the community and legislate the required changes.

We can no longer afford to wait if we have any chance at a future with shared prosperity. The changes required are about tax policy, but they also run deeper. It's also about values and the type of society we want to live in and leave behind.

Recommendation 2: Tax incomes earned from wealth at the same effective rates as incomes earned from work

In Australia, how we tax income earned from wealth compared to income from work is often very different. Incomes earned from wealth (capital gains, dividends, and rents) are often party to tax concessions, meaning that wealthy older Australians often pay less tax on the same income as younger workers without assets (see our infographic for more).

To address this, tax reform is needed, aiming for a situation where people who earn income from holding wealth pay the same tax rate as if that same income was earned from wages.

Over time, this rebalancing of the tax system will increase workers' take-home pay, as there will be less pressure on the Federal Budget as more revenue is sourced from wealth holders, and hard work and effort will be rewarded over speculation and accumulation (see recommendations 4-8 for more specific proposals).

Recommendation 3: Undertake student loan debt forgiveness

Student contributions to their university education have risen 1000% for a standard three-year law, economics, or humanities undergraduate degree since the 1990s (when student contributions were first introduced). These rising degree costs and mandatory repayments mean that graduates lose up to 10 per cent of their income, or 6.5 per cent for a graduate earning the average full-time income, often well into their 30s or even 40s. This is right when they try to set up their lives by buying a home, starting a business or having a family. These repayments are effectively a tax on the incomes and efforts of younger generations.

The Government should provide a loan forgiveness program. Forgiveness could be in whole or by matching dollar-for-dollar past and future repayments to not disadvantage graduates who have already paid back some of their loans. By removing the burden of student debt, graduates can keep more of their incomes, which goes a long way to addressing the cost of living challenges they face.

Funding and reform of the tertiary education sector should also be pursued to reduce student contribution amounts so that large debts don't accrue in the first place.

Recommendation 4: Broaden land tax

Unlike wages and business profits, income from land is unearned, in that no effort is needed to create its value. From an intergenerational perspective, younger and future generations are at a distinct disadvantage as they are born into cities where the value of the land has been captured and privatised by earlier generations who just happened to be born first.

To restore the intergenerational bargain, state governments (with transition support from the Federal Government) must tax land more broadly and at higher rates. This would disincentivise intergenerationally corrupt practices such as land banking and speculation and ensure that the spoils of land ownership are spread more evenly, whether through the tax collected or via more land becoming available. Broadening land tax would move us closer to an ethical tax system in which economic reward is proportionate to effort and allow us to reduce income tax rates.

The abolition of numerous tax loopholes that favour special interest groups, in particular foreign interests

Addressing item E of the Terms of Reference

The tax system is a major driver in the declining economic outcomes being experienced by younger generations. That's because our tax and transfer system rewards the wrong things and our political leaders continue to make deliberate decisions that favour the interests of the older, wealthier generations rather than investing in the future. Our tax system:

- Rewards wealth accumulation over hard work and entrepreneurship
- Loads young people up with debt, instead of providing an affordable education
- Prioritises housing for profit, not for people
- Allows large corporations to tax minimise while local small businesses are disadvantaged
- Subsidises the big polluters rather than protecting our planetary home

Regarding tax concessions or loopholes, we are a world leader, with Australia foregoing 36 per cent of its tax revenue through concessions, well above the OECD average of 26 per cent (Global Tax Expenditure Database, 2023). The tax concessions impact younger generations, who need to pay higher taxes, compete with property speculators to buy a home or miss out on government investments in their future. To rebalance the tax system and give younger generations a chance, we must remove many of the tax concessions that reward wealth over work. Young workers should not bear the brunt of the tax burden, while wealthy investors get showered in tax breaks.

Recommendation 5: Restrict negative gearing to investment incomes only

Deducting investment losses against gains, so tax is only paid on the profit, is sound taxation policy. In Australia, though, we have a special clause for property investing. This is where investment losses can be offset against personal incomes from work, rather than against the income from that investment. We are one of the only nations in the world to allow this. The benefits of this unique arrangement overwhelmingly flow to wealthy older Australians. Young workers pay rent to their landlord while often paying more tax. The combination of tax concessions and rents represents a significant money transfer from young to old.

Negative gearing must be restricted to offsetting investment incomes only (not wages). This would help rebalance taxation on wealth and work and save taxpayers billions of dollars.

Recommendation 6: Halve the capital gains tax discount

A Capital Gains Tax (CGT) taxes the monetary gain from owning assets (a capital gain). If you own assets like property, shares, or crypto, any increase in their value above inflation will be taxed when the asset is sold. The CGT discount overwhelmingly benefits older, wealthier Australians. By taxing working income more than asset income, our tax system incentivises the passive hoarding of wealth over work in the community.

The CGT discount must be halved. This would restore equity between wealth holders (typically older) and workers, while accounting for inflation's impact on returns. This has other benefits, including reducing the demand for homes as speculative assets and saving the budget billions.

Recommendation 7: Remove the tax-free status of superannuation earnings for those over sixty

In retirement, people aged over 60 can draw down on their superannuation without paying tax on the sums they withdraw.

On one hand, these concessions encourage savings and reduce pressure on the Budget from pensions. It is also clear that for wealthier Australians, these concessions enable the accumulation of wealth well above what is required, worsening inequality. Another issue is that four in five retirees pay no tax at all in retirement, increasing the tax burden on younger generations. Yes, older Australians have worked hard but don’t stop using public services and infrastructure during retirement.

There is no moral argument that retirees shouldn’t pay taxes. Introducing a small tax on retirement superannuation earnings would help address the intergenerational inequity in our tax system.

Recommendation 8: Eliminate the refundable component of franking credits

A refundable credit occurs when the value of the franking credits is higher than the tax you pay. The personal tax bill is not only reduced to zero, but actually becomes negative. The Government then refunds the difference. It's such a strange policy, that we are the only country in the world with this system. Again, the vast majority of the benefits flow to older, wealthier Australians. Only 2% go to people under 35, though they make up 35% of taxpayers (Think Forward calculation using ATO data).

It makes sense that older Australians receive more credits - they've had longer to build wealth. But when combined with other tax breaks and tax-free super withdrawals, younger generations are subsidising the retirements of wealthy older Australians at unprecedented levels.

The refuable component of franking credits needs to be removed. It is unfair for investors to receive tax refunds from the ATO and hold appreciating assets while workers pay increasing amounts of income tax.

Whether capital gains tax concessions for passive investment cause a misallocation of capital into the non-productive economy which has to be offset by higher taxes on active income which drives down productivity and the velocity of money

Addressing item H of the Terms of Reference

The combined effects of taxes (the monies the government raises) and transfers (what the money is spent on) inform the choices people and businesses make about working, saving, investing, and consuming.

The imbalance in how tax incomes from wealth compared to wealth, we believe, is a driver of Australia's low rates of entrepreneurship. In a two-fold process:

1. Providing generous tax concessions on unearned incomes (rents, dividends, capital gains) makes investing in unproductive assets (like property) more lucrative than investing in or starting a business.
2. The price of assets with community needs, such as housing and land, is pushed upwards. This means a more significant share of a person's or business' income goes on mortgage or rent payments, reducing the amount of money available for entrepreneurship, or consumption.

Australia's tax system funnels money towards unproductive assets. It sucks money out of the economy as the price of land and property increases, and Australians don't have the financial resources for entrepreneurship. We have a national economic development strategy based on rent-seeking, not hard work.

To address this, we need to reduce taxation on work and shift the burden more onto unproductive assets (as per recommendations 1-8). In addition, we should introduce a public inheritance system and improve how economic policymaking is done to prioritise long-term prosperity.

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Recommendation 9: Introduce a public inheritance system

Younger generations also need access to capital, which are lump sums of money that can be invested in assets and entrepreneurship. To restore access to capital, we propose a public inheritance scheme. Australia should introduce a public inheritance system where every young person gets a grant of $100,000, perhaps on their 21st birthday, to invest in the things they need to create a good life for themselves. It would give all young people the freedom to experiment, play, learn or invest without the financial stress currently holding back the ambitions of many young people. It would also provide widespread access to opportunity rather than life outcomes becoming increasingly determined by parental gifts and inheritances.

The grant would be financed from a combination of wealth and inheritance taxes. In Australia, we have calculated that such a scheme could be funded through a 10-15 per cent tax on inheritances and gifts. Australia currently does not have any such tax, and even at 15 per cent, the rate would still be much lower than in comparable countries like Belgium (80%), Japan (55%), Germany (50%), France (45%), UK (40%), and the United States (40%).

Recommendation 10: A Future Generations Act and Commissioner

Our survey results show a disconnect between the direction younger Australians want policymakers to take and what is happening, and political leaders have been identified as unable to act for the long term. To address this, we propose legislated rights and wellbeing for young and future generations and that economic policymaking should much better reflect the values and needs of younger generations.

The most famous example of this working in practice comes from Wales. In 2015, the Welsh Government passed the Wellbeing of Future Generations (Wales) Act. The Act requires public bodies in Wales, including the Welsh Government, local authorities, health boards, and others, to work towards achieving seven wellbeing goals. The goals were set via a national conversation process with the Welsh community. The Act also establishes the role of the Future Generations Commissioner for Wales, whose primary function is to act as a guardian for the interests of future generations.

A similar Act for Australia can help overcome the issues that lead to short-termism and a lack of reform in our tax and transfer system.

Recommendation 11: Increase economic literacy

Economic literacy in Australia has declined, and economics has become the domain of expert jargon, which combines to exclude younger generations from economic and tax debates. Economics and civics education needs to be promoted in schools, and the Treasury and the economics profession need to do much more to make economic and tax issues accessible to younger generations and involve them meaningfully in economic and tax policymaking.

This is core to the work we are doing at Think Forward. We have launched initiatives such as Tik Tok Tax, our education program, and Think Forward Treasury, an online platform for economic debate. We call on other economic leaders to do similar.

Conclusion

There are many reasons for young people in Australia to be happy. We live in a comparatively safe and prosperous nation. Nevertheless, it is also clear that many of the tax and policy settings are intergenerationally unjust and contribute to worsening economic and life outcomes for Australia's younger generations, and that is before we even add the looming crisis of climate change on top. The intergenerational bargain, once the bedrock of societal progress, is crumbling as young Australians face an uphill battle for economic security and to live on a healthy planet.

As the problems mount, band-aid solutions are no longer an option for younger generations. Younger Australians need their political and business leaders to be courageous and centre long-term prosperity on a livable planet. We need to address the structural biases in our tax and systems that reward speculation, accumulation and environmental damage over work and stewardship.

Access to the things that lead to economic thriving needs to be improved, including education, livable incomes, capital, land and housing and a political voice. Younger generations are brimming with passion and ideas. If we reform our tax system, invest in them to allow for security and confidence, they will build a better society for all. Economic power and opportunity must be shared to restore the intergenerational bargain, and it needs to start with the tax system.

Introduction

Australia's younger younger generations can see that their futures are increasingly uncertain. They notice it in their daily lives, from record student loan debts, the housing crisis, a decade-long decline in real wages, growing wealth inequality and the impacts of climate change. The unprecedented affluence of millions of older Australians starkly contrasts with younger generations struggling to afford the basics, let alone get ahead.

An implicit generational bargain underpins the relationship between older, younger and future Australians and our tax and spending priorities. This idea of a generational contract has its origins in the conceptual history of the social contract (Zechner & Sihto, 2024), which argues that individuals have consented, either explicitly or tacitly, to surrender some of their freedoms and submit to the authority (the government) in exchange for protection of their remaining rights and maintenance of social order. In the context of tax and transfer systems, the concept of a social contract addresses how resources are pooled and redistributed. The aim is a just distribution of resources between generations by addressing the needs and risks individuals may face across different stages of the life course (Birnbaum et al., 2017).

The intergenerational bargain in our tax and transfer system comprises two fundamental ideas:

1. Working-age taxpayers support older and younger Australians (who are not working for an income) and can expect the generation after them to support them similarly.
2. That economic and social development will enable each successive generation to enjoy rising living standards.

In practice, the intergenerational bargain means that governments make choices that do not consistently benefit one age cohort over another, that consider young and future generations and do not exploit resources or accrue unsustainable debts. However, this generational bargain is under pressure, and there is a growing awareness that young Australians face an economic burden unique to previous generations. The Commonwealth Budget is forecast to be in deficit each year for the next forty years to 2062–63 driven by factors including an aging population (Australian Treasury, and studies (like Wood & Griffiths, 2019) have shown that Australia's younger generations are at risk of having worse economic outcomes than the generations before. Indicators like declining homeownership rates, the rising cost of tertiary education, growing workforce insecurity or intergenerational wealth inequality all point to the erosion of the intergenerational bargain and the inequity at the heart of our tax and transfer system.

This situation would be challenging enough, but adding climate change on top will cause the intergenerational bargain to be blown to pieces. Climate change is a clear example of how the actions of present generations have left unjust costs on young and future generations and how our tax and transfer system rewards short-termism over long-term sustainability.

Thankfully, there is a growing chorus of economists, academics, business leaders, think tanks and advocacy organisations spotlighting these issues and calling for reform. For example, Former Treasury Chief Ken Henry has dubbed the situation an *intergenerational tragedy* where the tax burden is falling principally on young workers who are the same people who "h*ave been* *priced out of the housing market... and who are going to have to adapt to the interrelated impacts of climate change and biodiversity loss*" (Henry, 2024), while Productivity Commission Chief Danielle Wood has previously said that the tax burden on the young is "*not defensible, nor sustainable" (*Wood, 2023). Still, there is little action from the government, business leaders, and the community.

Younger Australians feel that their voices and values are not being included in the crucial economic and tax debates that will shape their futures. To bring younger perspectives to economic and tax policy, Think Forward surveyed almost 1,000 people between August and September 2023. The survey explored what younger generations – Gen Z (born between 1996 and 2010) and Millennials (born 1981 to 1995) – think of Australia's current tax settings, how they impact their lives and what reforms they would like to see. We also asked how confident they are in their political leaders' ability to plan and act for the long term.

We found that younger Australians do not feel supported by their government and believe the costs and benefits of the tax system are not shared evenly across generations. Many survey responders talked about how hard it is for younger people to live a good, economically secure life. Troublingly, younger people also had very low confidence in their political leaders' ability to think long-term and develop solutions to the big problems we face.

This paper presents the multidimensional drivers of economic insecurity facing young people and how short-sighted policymaking holds them back from achieving their goals. Using intergenerational frameworks, we argue that significant reforms need to be undertaken by the government with cross-generational public support to recover the generational bargain at the heart of our economic and tax systems.

The intergenerational bargain is fraying

Young people want to live a quality life and confidently move through the same life stages as earlier generations. However, they face many barriers made worse by government policy decisions over recent decades. Most of the core life steps that lead to economic security, a situation where everyone has enough to live comfortably, safely, and happily (The Wellbeing Economy Alliance, 2024), are becoming much more challenging.

We define these common economic life steps as getting a good quality, affordable education, a secure livelihood, buying a home, contributing to society via the tax and transfer system, and ultimately building financial wealth for retirement, all while living on a healthy planet.

A good quality, affordable education

From an education perspective, the intergenerational bargain means that working-age people support young Australians in getting an education, creating a skilled workforce and an intellectually active citizenry. However, instead of providing relative support to prior generations, the cost burden of tertiary education has been rising.

In the 1970s, the Whitlam Labor government abolished university fees to make tertiary education accessible to working and middle-class Australians. In 1989, the Hawke Labor government began gradually re-introducing fees for university study and set up the Higher Education Contributions Scheme (HECS). This scheme saw students cover a portion of the cost of their degree at a flat rate of $1800 (equivalent to around $4300 in today's dollar terms).

Subsequent governments significantly increased the amount of student contributions, notably in 1997 when the Howard Liberal Government introduced a new tiered system with higher contribution rates for courses that led to higher wages like science, law, and medicine. In 2005, the Howard Government allowed universities to increase HECS fees by another 30 per cent. In 2021, the Morrison Liberal Government introduced the Job-ready Graduates policy, which discounted student charges for courses that met government workforce objectives and doubled fees for courses deemed less' job ready' like the Arts and Humanities.

In 2024, a standard three-year law, economics, or humanities undergraduate degree costs students over $45,000 (Australian Government, 2024), a 1000 per cent increase on the 1990s. The cheapest current degrees, including education and nursing, have still increased in cost by over 300 per cent.

A notable function of Australia's higher education system is that many students can access the HECS Higher Education Loan Program (HECS-HELP), where the government will loan students money to cover their student contribution amount. This loan is income contingent, meaning the student only makes repayments when they meet certain income thresholds. The loan amount is indexed to the consumer price index, so the real value of the loan is maintained.

Proponents of Australia’s HECS-HELP system argue that it is an effective way for students to repay the cost of their education (Chapman & Dearden, 2022), especially compared to the system in the United States. However, if the base cost of a degree is too high, no matter the repayment method, it will become a significant financial burden. In Australia, with rising degree costs and mandatory repayments, graduates can lose up to 10 per cent of their income, or 6.5 per cent for a graduate earning the average full-time income (author's calculations using ABS data (Australian Bureau of Statistics, 2023)) for a considerable amount of time.

According to the Futurity Investment Group's University Debt Report, 68 per cent of people who attended university have HECS-HELP debt into their thirties, while 51 per cent of respondents are still paying their debt back in their forties (Futurity Investment Group, 2023). These debts act like a significant tax on income at the time of life younger people are trying to set their lives up by buying a home, starting a business, or having a family.

We argue that the cost burden of education has moved from older taxpayers, who received their education for free or at a much lower cost, and businesses, who benefit from a skilled workforce, to younger generations, challenging the generational bargain.

A secure livelihood

Even with the increased cost burden of university education, more and more young Australians are getting tertiary qualifications, with the rate expected to continue rising as the Government targets lifting the tertiary attainment rate of the working-age population from 60 per cent to 80 per cent by 2050 (Australian Government, 2024). Even though younger Australians are more educated than previous generations, this has often not led to the high-quality, secure, meaningful jobs a university degree once promised.

Job quality is inferior to that of earlier generations in terms of job security and hours of work, and many young people will never find a meaningful place in the labour market that matches their skills and ambitions (Wood & Griffiths, 2019). Throw in burdensome requirements from employers for extensive previous experience for entry-level jobs, which create demand for unpaid internships, now undertaken by over half of young people in Australia (Commonwealth Department of Employment, 2016), and it is no wonder young people talk of ‘quite quitting’ or ‘lazy girl jobs’ as a form of protest against the breaking down of the intergenerational bargain that education will lead to economic security.

Even for young people who find a job, the Productivity Commission has found that workers aged 20-34 experienced no growth in real wages between 2008 and 2018, while workers aged 15-24 experienced a significant decline in secure full-time work (Productivity Commission, 2020). Since then, the COVID-19 pandemic and the cost-of-living crisis have sent real wages tumbling further, and real wages in 2024 are back at the same level they were in 2011 (Jericho, 2024).

Buying a home

The ‘Australian Dream’ of homeownership is deeply ingrained in Australia’s culture and society. It is a belief that owning a house, typically with a backyard, represents a significant achievement and a symbol of success and stability. As such, Australian governments of all political persuasions have long attached a great deal of significance to the goal of homeownership.

However, the Australian housing market no longer provides affordable housing for younger generations, which is reflected in declining homeownership rates. The homeownership rate of 30–34-year-olds was 64 per cent in 1971, decreasing 14 percentage points to 50 per cent in 2021 (Australian Institute of Health and Welfare, 2023). For Australians aged 25–29, the decline has been from 50 per cent in 1971, to 36 per cent in 2021.

The main driver of this, we argue, is that since the 1980s and 1990s, the government has been using the housing system to achieve two goals, which, over time, have become opposing. Firstly, government policies and tax settings encourage property speculation as a tool for wealth creation, seen as central to being economically secure in retirement. Secondly, the goal is to have high homeownership rates and the security that it offers. However, investors need ever-increasing home prices and rents to make investing profitable, which is incompatible with high homeownership rates. This process of supercharging housing as a wealth-building vehicle has eroded the vision of the Australian Dream.

While homeownership rates have declined, the protections and rights given to renters are also lacking. Renters face high costs, a lack of options, poor conditions, and a lack of security. A landlord’s overarching objective is to make money, not provide quality community service, and renters struggle to hold them accountable.

The intergenerational injustice of the situation is a double whammy of declining homeownership, and when a young person is renting, their rent payments are funding the investment choices of wealthy, older Australians. Landlord wealth has grown enormously from young renters caught in the rental market, unable to compete and become homeowners themselves. Australia's housing market has transitioned from a wealth-spreading to a wealth-concentrating institution.

Tax burdens

Australia has an aging population driven by increased longevity and low fertility rates. Over the next forty years, the number of people aged 65 and over will double, and those aged 85 and over will more than triple (Commonwealth of Australia, 2023). The fiscal challenge is that there will be far fewer working-age taxpayers relative to the number of older Australians with a high demand for publicly funded care and support services.

It's worth celebrating that Australians are living longer lives, and there is an element of demographic bad luck for younger generations. However, the intergenerational inequity in our tax system has worsened this situation. Deliberate policy decisions made by successive governments have introduced or continued to support tax concessions that either:

- Directly support older Australians, like tax-free superannuation incomes for those over the age of 60, special tax offsets and the higher Medicare levy threshold for seniors; or
- Support the already wealthy, who are typically older, like the 50% capital gains tax discount, the family home exemption from capital gains, cash refunds for franking credits, and the ability of property investors to negatively gear investment losses against their personal incomes.

Many older Australians have worked hard and saved, but they have also received a mighty leg-up from the government. We are a world leader in this regard, with Australia foregoing 36 per cent of its tax revenue through concessions, well above the OECD average of 26 per cent (Global Tax Expenditure Database, 2023). The tax concessions impact younger generations, who need to pay higher taxes, compete with property speculators to buy a home or miss out on government investments in their future.

Population ageing is not the only driver of Australia's poor fiscal position. The 2023 Intergenerational Report (Commonwealth of Australia, 2023) outlines how slower economic growth and long-term spending increases across health, aged care, the National Disability Insurance Scheme (NDIS), defence and interest on government debt will see annual budget deficits each year for the next forty years to 2062–63. The poor Budget position will force future governments to either raise taxes on today's young people or cut spending on services and investments.

Treasurer Peter Costello first introduced the Intergenerational Report in 2002 to provide a comprehensive assessment of the long-term implications of population ageing. But given the Budget's ongoing unsustainability, it's clear that government decision-makers have been unable to overcome short-term political motives to protect the tax concessions of older generations to maintain their votes, passing the costs instead on to young and future generations.

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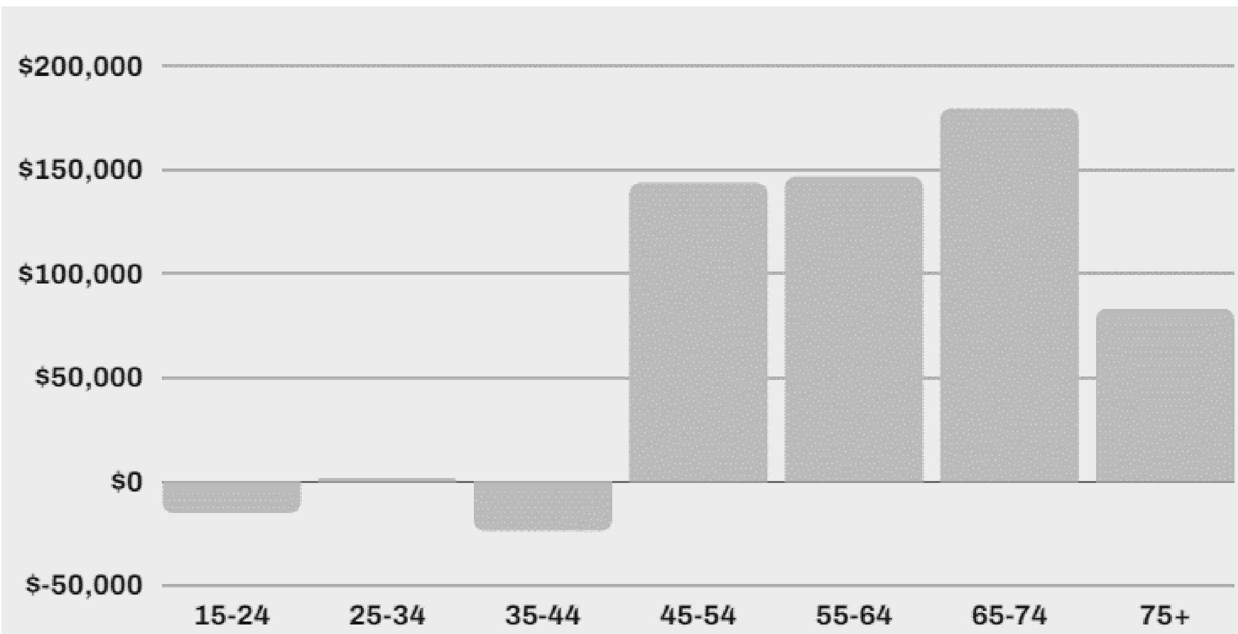
Building wealth for retirement

In our society, there is a pretty standard life course involving education, finding a secure, well-paid career, buying a home, having a family, building wealth and then retiring. The problem facing many younger Australians is that if the early life stages have become more challenging or unachievable, building wealth and retiring at a reasonable age becomes much harder.

Demonstrating this situation is that the net worth of 15 to 44-year-olds (Gen Z and Millennials) has gone backwards (Figure *1*). Taking account of inflation, 15-24-year-olds have seen their household wealth fall by almost $15,000, from $49,300 to $34,600. The wealth of 25-34-year-olds has barely shifted, and 35-44- year-olds (older millennials) have gone backwards as well, falling by $23,300, from $424,300 to 401,000, a decline of 5 per cent. They are poorer than younger people were at the same age, a decade ago.

FIGURE 1: CHANGE IN REAL HOUSEHOLD WEALTH BETWEEN 2010 AND 2020



Source: Think Forward calculations using ABS's Survey of Income and Housing data from 2009-10 to 2019–20

At the same time, the wealth of 45-74 year-olds has increased by around twenty per cent – 45-54 year-olds have seen their wealth increase by $143,000 to $800,000; 55-64 year-olds by $146,000 to $1 million; and 65-74 year-olds by $179,000 to $926,700.

The Actuaries Institute has found that the wealth of households headed by those aged 65 and over has increased faster than younger households. They note that with the housing boom and the surge in government payments to older citizens, there is a concerning discrepancy in wealth and wellbeing for today's young generation compared to their parents at a similar age (Actuaries Institute, 2020).

Given wage stagnation, the cost of housing, and the centrality of home ownership in Australia's retirement system, many young people may never build up wealth to retire comfortably. The lack of economic security is also likely contributing to various downstream impacts, including a mental health crisis, declining domestic university enrollments, declining birthrates and low rates of entrepreneurship.

An argument we often hear is that we need not worry because millennials and Gen Zs will receive an inheritance or cash gifts. This is particularly prominent in the case of parents helping their children buy their first home, colloquially known as 'the bank of mum and dad'. In the 1980s, only around 15 per cent of first-home buyers received such support from their parents. Today, according to the Australian Housing Monitor, that's leapt to 40 per cent today (Centre for Equitable Housing, 2024). However, this is a poor solution, as young Australians without familial support will be increasingly disadvantaged. Having to rely on family gifts and inheritances to study, buy a home or feel economically secure, rather than being able to achieve these things through work and effort, is a terrible outcome for a so-called egalitarian society like Australia.

Living on a healthy planet

Though the proceeding intergenerational issues are problematic, nothing speaks to the lack of intergenerational equity and the breaking of the intergenerational bargain like the lack of action to prevent climate change. The consequences of climate change, such as rising sea levels, more frequent and severe weather events, and loss of biodiversity unfold over long periods. The actions (or inactions) we take today will affect young and future generations far more than current older generations.

From an economic perspective, the costs of addressing climate change, whether through mitigation or adaptation, will increase over time. The Treasury, in the 2023 Intergenerational Report, has started to estimate the impacts, with estimates of reduced economic output from now till 2063 of between $135 billion and $423 billion in today's dollars from the effects of higher temperatures on labour productivity alone (Commonwealth of Australia, 2023). Other estimates forecast that every one degree of warming reduces global economic activity, measured by GDP, by 12 per cent (Bilal & Känzig, 2024). These estimates don't include the outcome for people from loss of life, injury, displacement and stress.

The delays in action over recent decades mean young and future generations will face significantly higher costs, economic instability, and more severe impacts, leading to a greater burden on them to manage and rectify the problems caused by previous generations. Yet our government continues to invest in fossil fuels, with subsidies worth $14.5 billion in 2023/24, an increase of 31 per cent from 2022/23 (Campbell, 2024). Tax and spending choices reveal government priorities, and the recent choices made by Australian governments make it very clear they are prioritising the short-term economic interests of industry over the long-term interests of younger generations to have a healthy planetary home.

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Economic and tax debates often exclude young people

Younger Australians are significantly underrepresented in economic and tax policy discussions, which has given successive governments cover to make short-term decisions. A few factors contribute, including demographics, a lack of political representation, and declining economic literacy.

In demographics, the over-representation of one demographic cohort is characterised as a “bubble” in the population numbers. The Baby Boomers have been a demographic bubble and a constant fixture in our politics for thirty years. Its members have held power and collected wealth as they altered economic systems to accommodate their interests.

The Baby Boomer generation has also had a firm grip on election results, making up around 40 per cent of voters through the 1980s and 1990s (authors calculation using ABS data) when many of the aged-based tax breaks and concessions for wealth holders were introduced or strengthened. More recently, in every election since 2001, older generations have voted for the conservative Liberal and National parties at much higher rates than Millennials, with the most significant gaps (around 25 basis points) occurring in 2019 and 2022 (Giuliano, 2023).

There are also age-based differences in voting patterns beyond elections, like Australia’s 2024 Voice Referendum. If only voters aged 18-34 had voted, the Referendum would have passed, with 58.6 per cent of 18- to 24-year-olds and 49.4 per cent of 25- to 34-year-olds voting Yes, respectively – meanwhile, for those aged above 55, less than 1 in 3 voted Yes (Biddle, Gray, McAllister, & Qvortrup, 2023).

Similar patterns have also been a factor overseas in events like Brexit, where 73 per cent of 18-24-year-olds and 62 per cent of 25-34-year-olds voted to remain versus 40 per cent of people over 65 (Finlay, et al., 2019). These referendum results are intergenerationally unjust in that younger generations are prevented from creating the nation in their image, even though they will live with the consequences of the decision for the longest.

More directly, younger Australians are underrepresented in the Federal Parliament. In Australia’s current parliament, only six elected representatives across the Senate and House of Representatives are 35 or younger, representing a 2.5 per cent share (authors’ calculations using the Parliamentary Handbook (Parliamentary Library, 2024)). This share is much lower than the general population, where under 35s comprise around 44 per cent of the population (authors’ calculations using census data (Australian Bureau of Statistics, 2021).

This phenomenon, where an age discrepancy between the voting-age population and the members of parliaments and other political bodies, is a feature of many democracies, a phenomenon labelled as gerontocracy (Stockemer & Sundström, 2023).

Another driver is that economic thinking has become the domain of experts and older Australians rather than commonly practised. A recent study (McCowage, 2023) 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 knowledge likely 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 (Livermore & Major, 2020). In addition, the education resources pitched at young people on social media are about individual financial success (budgeting, investing, cryptocurrencies), not collective well-being through economics. Then, the access citizens have to economics discussion is usually via economists on television and print media, who are typically older and from banks, management consultancies, and think tanks. They often use jargon-heavy language and abstract terms, which people find difficult to engage with.

At a societal level, the inaccessibility of economics and the drop in economic literacy for younger generations 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, has led them to be successful in maintaining the status quo and preventing reforms to the tax system over recent decades, which has eroded the generational bargain.

Methodology

To bring younger perspectives to economic and tax policy, we launched a project to survey almost 1,000 people between August and September 2023. The survey explored what younger generations – Gen Z (born between 1996 and 2010) and Millennials (born 1981 to 1995) – think of Australia's current tax settings, how they impact their lives and what reforms they would like to see. We also asked how confident they are in their political leaders' ability to plan and act for the long term.

Data collection

We collected qualitative and quantitative data through an online survey of 952 Australians. The survey was promoted via Instagram advertisements targeting people under 40 and included a paid partnership with Instagram commentator Jack Toohey that over 75,000 people have seen (Toohey & Walker, 2023).

The survey was conducted in TypeForm, using multiple-choice and short-answer questions. Where appropriate, we presented multiple-choice options in a randomised order. Key questions covered in this article are:

- Is the government doing enough to support young people in achieving their goals?
- How can the government better support young people?
- How intergenerationally fair do you think the tax system is?
- Do you think Australia's political leaders think long-term and have a good plan for the next 20-50 years?

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Participation characteristics

The most common age of our survey responders was 30–34-year-olds (25%), followed by 25-29-year-olds (22%) and 35-39-year-olds (21%). 20-24-year-olds equated to another 13 per cent. These four age groups comprise over 80 per cent of our survey respondents and broadly align with the Millennial and Gen Z generations – the target of our survey.

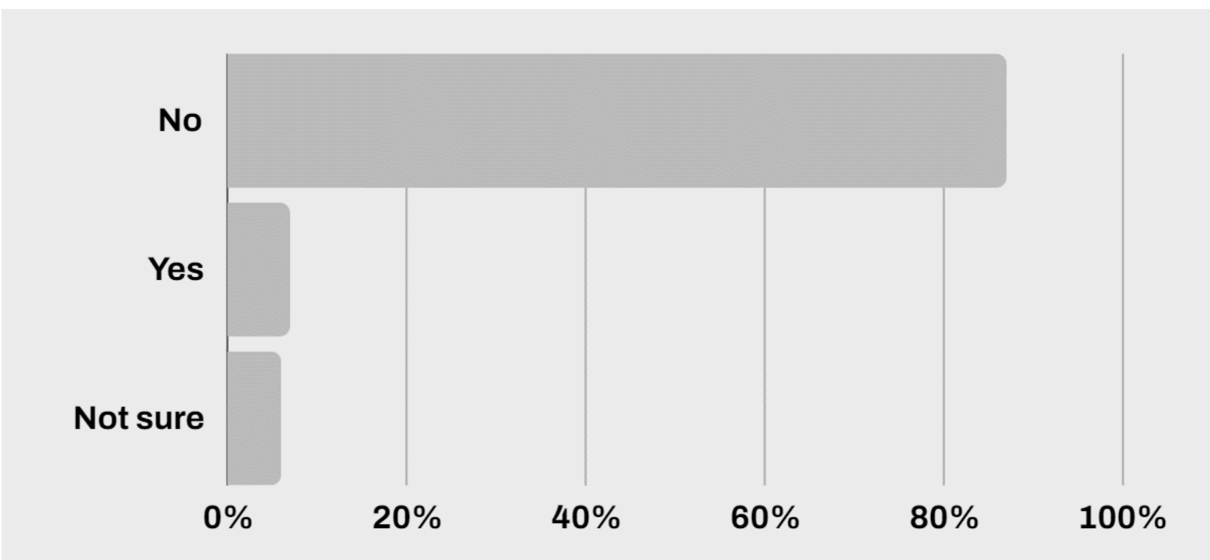
There was a good distribution from each state and territory. There was a slight overrepresentation from Victoria and the ACT, and underrepresentation from NSW, the NT and Queensland. Regarding the split between metropolitan and regional Australia, our survey slightly overrepresented people living in cities and metropolitan regions.

Results

Do younger generations feel supported by their government?

We started our survey with a question to gauge an overall feeling. A feeling on how well government supports younger generations in achieving their goals – like getting an education, finding a great job, buying a home, or starting a family. Overwhelmingly, our survey responders (87%) said they did not think the government was doing enough.

FIGURE 2: IS THE GOVERNMENT DOING ENOUGH TO SUPPORT YOUNG PEOPLE IN ACHIEVING THEIR GOALS?



Many responders talked about how hard it is for younger people 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 another 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. The prevalence of unpaid student placements also poses a challenge:

“I’m a healthcare student - I will have to do three years of full-time placement, with no pay and having to support myself through it.” Student and worker, 20-24 years old, NSW.

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.

Other respondents 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, when asked, 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.

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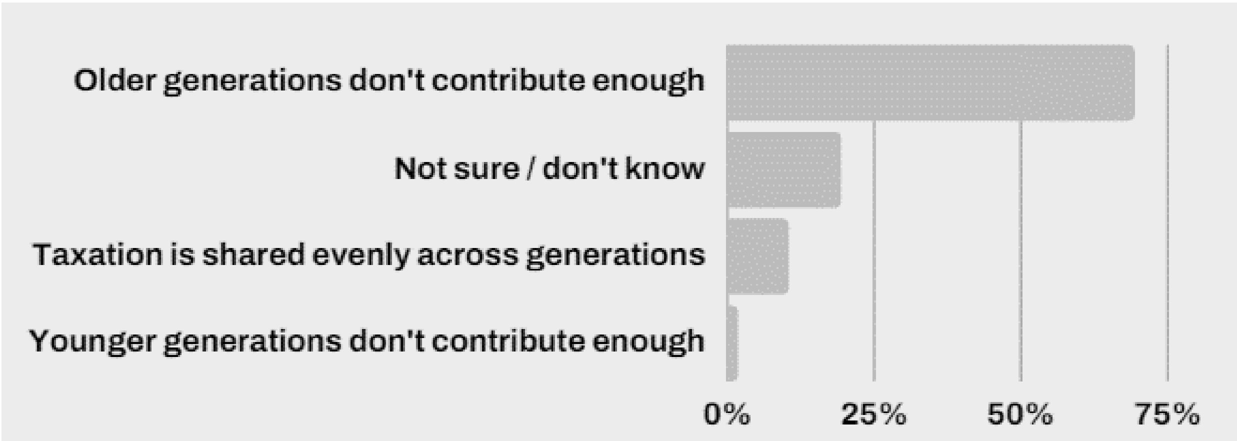
FIGURE 3: HOW INTERGENERATIONALLY FAIR IS THE TAX SYSTEM?



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.

How can the government better support young people?

Responding to this question, younger people identified over 100 policy responses the government should take to support them better. Common themes addressed the increasing cost burden of a university degree, the housing crisis and the inequalities in the tax system.

For education, young people frequently asked for the reinstatement of free, or at least much cheaper, tertiary education, increased income support for students struggling with the cost of living, and the forgiveness of existing HECS debts so young people can get on with their lives by keeping more of their incomes.

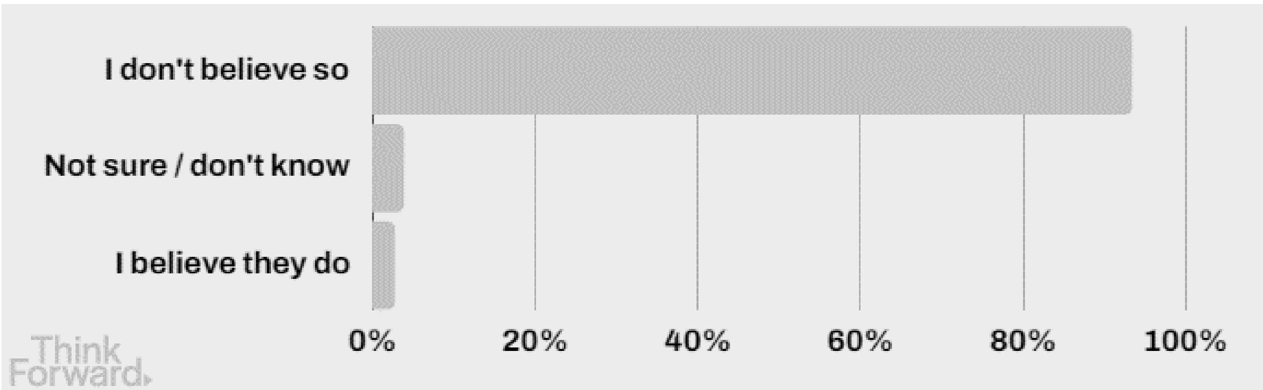
Young people suggested that the government remove property investor tax breaks to address the housing crisis and directly invest in public and affordable housing instead. This shift would see housing treated as a human right, not an asset class for investors.

Regarding the tax system, young people called for increased taxation on wealth and corporations to address growing wealth inequality and generate more money to invest in public services and infrastructure for the future.

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.

FIGURE 4: DO YOU THINK AUSTRALIA'S POLITICAL LEADERS THINK LONGTERM AND HAVE A GOOD PLAN FOR THE NEXT 20-50 YEARS?



Symptoms of this malaise in long-term thinking, identified by the survey responders, were led by the slow and halting progress on reducing Australia's carbon emissions and acting on climate change. Other areas where a lack of long-term vision and planning is evident include the housing crisis, widespread environmental degradation and species loss, the growing cost but declining quality of the tertiary education sector and growing intergenerational wealth inequality.

After responding to the question, we asked respondents to explain why they don't think political leaders are doing a good job planning for the future. Three main reasons were given.

Reason 1: Politicians are trying their best, but outside forces make it difficult

The first theme emerging from the responses centred around the idea that the political system as currently organised presents significant barriers to long-term thinking and planning. According to younger people, short election cycles encourage policymaking that prioritises short-term impact (like quarterly GDP growth or employment rates) to demonstrate success to voters.

"I think a lot of governments feel they have to show results... meaning they can't always develop long-term plans. It's hard to convince people that their plans will be good long term because good plans take time to take root and show results." Student and worker, 25-30 years old, Melbourne.

Voters themselves are likely to reward short-term wins (e.g., a tax cut!) over longer-term reforms (e.g., structural tax reform to improve the budget position), and there is a disincentive for Ministers to introduce long-term plans as they might not be in the job when the plan comes to fruition.

Another obstacle identified is the poor state of media and online debates. It can be challenging for parliamentarians to prosecute a long-term plan when media outlets prioritise sensational political stories rather than focusing on in-depth analysis of complex policy issues.

"We're rarely out of an election cycle, and the conversation is always more about who is winning or losing than what they can do for voters in the long term." Part-time worker, 25-29 years old, Melbourne.

More broadly, politicians operate in an entire economic system that rewards short-termism. Companies report quarterly, the stock market rises and falls daily, and GDP figures remain our leading indicator of progress. Our economic system pressures politicians, directly or subconsciously, to align with the same way of thinking. The media landscape was also said to contribute as politicians feel pressure to respond to short-term media narratives and public opinion.

Reason 2: Politicians are just in it for themselves

Others were less forgiving. Many argued that parliamentarians deliberately prioritise their self-interest, like staying in power or keeping their high-paid jobs, rather than taking any risks and pursuing bold policy reforms that would improve things in the long term.

"Australia's politicians are deeply afflicted by short-termism. They think too frequently about the implications their policies and political decisions have for the next election cycle, rather than the next 25-50 years." Student and casual worker, 20-24 years old, Melbourne.

"Governments don't have the political will to make important changes like adjusting negative gearing..., because they fear a voter backlash." Student and casual worker, 35-39 years old, Adelaide.

"Politicians are self-interested, earn good money and most are property investors. This is a clear conflict of interest when determining public policy related to fair taxation and housing." Full-time worker, 30-34-year-old, ACT.

Short-termism also reflects how politics has become dominated by negative, adversarial politics and pork barreling over any attempt at structural reforms and collaboration for the common good.

Reason 3: Politicians act for donors, not the long-term interests of the community

The third reason identified in the survey for poor long-term policymaking was that politicians favour industry donors and corporate interests over the community's long-term future. A common example given was the ongoing support for new gas and coal mines, even though it jeopardises the future of younger generations. Younger people also notice the cosy relationship between corporate lobbyists and the political class.

"The government cares more about bringing in billions for massive corporations and do not give a damn about our future... How the hell are we meant to get ahead when our government is made

up of millionaires and Boomers? Where is the representation from our generations?
30-34-year-old, not working or studying, Perth.

A lack of representation for younger generations is part of this problem. Young people are disconnected from shaping the tax and economic agenda, so there is little political pressure on policymakers to make the major economic reforms we need to build our desired future.

Discussion

The lived experience of many younger people tells the story of younger generations struggling to get ahead. Younger Australians keenly feel the debt burden from student loans, delays in getting a secure, well-paid job, or challenges buying a home. These issues dent the wealth-generating abilities of younger generations throughout their lives. Younger generations can also see the intergenerational injustices at the heart of our taxation system between those with wealth and those starting out and relying on incomes from their labour alone. This lived experience supports the statistical analysis of the health of the intergenerational bargain at the start of this paper, which is being threatened by unfair tax and economic settings, a lack of action on climate change and the exclusion of younger generations from setting the economic agenda.

The lack of a vision and a plan from our political leaders, as identified by our survey respondents, is particularly worrying as it suggests that repairing the intergenerational bargain is still not a political priority. Much needs to change if we are to have a period of bold economic reform, which is needed to set Australia up for the coming decades and alleviate the economic pressures younger generations face. Critically, we need to rebuild the culture around the idea that we have a shared responsibility for each other via the social contract and intergenerational equity.

Actions required

Australia’s younger generations face significant economic, social, and environmental challenges, notably the disadvantage of our inequitable economic systems overlaid with the impact of climate change. As the crises mount, how we respond is critical. To restore the intergenerational bargain, older generations need to share the resources necessary for economic security. These are:

- Affordable tertiary education
- A livable income
- Capital
- Land and housing
- A political voice

The actions below primarily and deliberately focus on pre-distribution rather than relying on redistributive mechanisms. Predistribution focuses on reforms that encourage a more equal distribution of economic power and rewards even before the government collects taxes or pays out benefits (Hacker, 2011). Young people are full of energy and ideas; we just need to give them the power, resources, and opportunities to reach their potential and build Australia’s future, one that is prosperous while addressing the climate challenge, which will benefit us all.

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Access to affordable tertiary education

Australia has done well in increasing overall access to tertiary education, with the number of tertiary-educated Australians rising over recent decades. The issue, as outlined in this paper, is that the cost of tertiary education, even if paid for via HECS-HELP, is becoming prohibitive. For the intergenerational bargain to be strong, working-age people need to support younger Australians in getting an education, contributing to Australia's economic wellbeing by developing a skilled workforce.

Fully publicly funded tertiary education (university and TAFE)

An undergraduate degree should be publicly funded and therefore, free for domestic students. Tertiary education is now the regular route to the workforce and a prerequisite even for entry-level jobs. This means the wage premium earned by university graduates, often used to justify fees, is being diluted. If Australia is to build the workforce a 21st-century knowledge economy, we need to prioritise education and post-education innovation and entrepreneurship, not put barriers in the way.

Student debt forgiveness

Many survey respondents called for HECS-HELP debts to be forgiven or reduced so younger people can keep more of their incomes and get on with their lives. A loan forgiveness program could be provided in whole or by matching dollar-for-dollar past and future repayments to not disadvantage graduates who have already paid back some of their loans. By removing the burden of student debt, which is foisted upon people at a very young age, graduates can keep more of their incomes, which would go a long way to addressing the cost of living challenges they face.

The role of businesses as educators

The business community also needs to reengage with educating their staff and creating a culture of learning on the job. This commitment includes voluntarily ending unpaid internships and unrealistic experience requirements for entry-level jobs. Businesses receive enormous benefits from Australia's skilled workforce, and they should do more to contribute to its creation rather than placing the responsibility and cost on the taxpayer and individual.

Access to a livable income

A livable income provides the foundation for financial stability, independence, and the ability to plan for the future. However, many young people face significant financial challenges with declining real wages, growing income tax burdens, and increasing wealth inequality. To address this, we propose three reforms: tax reform to reduce the burden on workers, the introduction of a livable wage for all and a shift to cooperative models of business ownership.

Reduce the tax burden on working

The combined effects of taxes (the monies the government raises) and transfers (what the money is spent on) inform the choices people and businesses make about working, saving, investing, and consuming while also raising revenue to invest in public goods and services. Australia's tax system has a critical role to play in the well-being of Australia's society both now and in the future.

In Australia, the way in which we tax income earned from wealth compared to income from work is often very different. Incomes earned from wealth (capital gains, dividends, and rents) are often party to tax concessions, meaning that wealthy older Australians often pay less tax on the same income as younger workers without assets. Tax reform is needed. People who earn income from holding wealth should pay the same tax rate as if that same income was earned from wages.

More specifically, we propose:

- Restricting negative gearing to investment incomes only
- Removing the capital gains tax discount
- Remove the tax free status of superannuation earnings for those over 60
- Eliminate the refundable component of franking credits

Over time, These measures will increase workers' take-home pay, as there will be less pressure on the Federal Budget as more revenue is sourced from wealth holders, and hard work and effort will be rewarded over speculation and accumulation.

A universal basic income

In Australia, we have a long tradition of paying workers a minimum wage that is one of the highest in the world. However, with the rising cost of living and the fact that Australians have to work full-time for the minimum wage to be anywhere close to livable, it's clear that we need more than just a legislated minimum wage. This need is reflected in our survey results, with students saying that the cost of living is severely impacting their ability to study.

A Universal Basic Income (UBI) would see everyone, regardless of employment status or income level, receive a regular, unconditional sum of money from the government. For younger generations, a UBI would provide a stable economic foundation, allowing them to focus on education and entrepreneurship without the immediate pressure of working a full-time job or relying on family support. A UBI also extends a livable income to people with disabilities and marginalised groups who live below the poverty line if they rely on Job Seeker or disability payments alone. A UBI can help bridge the gap between the low-paying jobs students and recent graduates have and the rising cost of living, ensuring that all young people have the income they need to thrive.

Businesses to shift to cooperative ownership models

The principle that wealth is broadly held is at the heart of the intergenerational bargain. Businesses can assist by shifting to models that share business ownership with younger generations. In a cooperative, workers collectively own and manage the business, giving them a direct stake in its success and a voice in key decisions. This model promotes fairer distribution of profits, as earnings are shared among members rather than shareholders and owners, who are typically older and wealthier. For younger workers, this means greater financial security and the opportunity to build their own wealth over time. Additionally, cooperatives often prioritise the wellbeing of their members, the environment and the community. By embracing cooperative ownership, we can give younger generations more control over their economic futures and reduce intergenerational inequality.

Access to capital

Access to a livable wage is a pre-requisite for economic security, but younger generations also need access to capital, which are lump sums of money that can be invested in assets and entrepreneurship at an individual level, or invested in infrastructure at a societal level. To restore access to capital, we propose a public inheritance scheme and a loss and damages fund to pay for climate change adaptation.

Public inheritance system

Growing family-based wealth concentration will be a significant driver of inequality in the coming decades, with the value of inherited assets and gifts expected to quadruple over the next 25 years to 2050 (Productivity Commission, 2021). A young person's ability to get a good education, afford to attend university, buy a home, or start a business increasingly depends on who their parents are.

We propose that Australia should introduce a public inheritance system where every young person gets a grant of $100,000, perhaps on their 21st birthday, to invest in the things they need to create a good life for themselves. It would give all young people the freedom to experiment, play, learn or invest without the financial stress currently holding back the ambitions of many young people. The idea is based on the foundation that Australia's wealth is collectively created, and therefore, a portion should be shared with future generations. Individuals can accrue wealth, but each generation should get a fresh start, not a head start, based on family wealth.

The idea of a universal capital grant is featured in Thomas Piketty's book *Capital and Ideology*. Piketty (2020) proposes a capital grant for all adults at age 25, set at around 120,000 Euros, or 60 per cent of the average wealth of an adult, in wealthier nations such as the USA, France, and Japan. The grant would be financed from a combination of wealth and inheritance taxes. In Australia, we have calculated that such a scheme could be funded through a 10-15 per cent tax on inheritances and gifts. Australia currently does not have any such tax, and even at 15 per cent, the rate would still be much lower than in comparable countries like Belgium (80%), Japan (55%), Germany (50%), France (45%), UK (40%), and the United States (40%).

Climate loss and damages fund

Another issue that needs to be addressed is who pays for the damages caused by climate change. At present, these costs are unaccounted for and being left to young and future generations. To respond to this, the government should establish a loss and damages fund by redirecting fossil fuel subsidies and charging a tax on the capital value of fossil fuel companies operating in Australia. The money raised would be paid out over time to help communities adapt and respond to climate change impacts and ensure we are not leaving future generations without the financial capital needed to respond.

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Access to land and housing

To restore the intergenerational bargain, there needs to be a recentering of renting and homeownership outcomes that are best for Australia's economic, environmental, and social interests, not financial returns for investors. We need to start seeing rising real house prices and rents as a long-term problem rather than a feature of the system. We also need to challenge the rights of landholders. Just because they happened to be born earlier, this should not give them and their family monopolistic rights over that land for the rest of time.

To overcome the privileged position of those that come before, alternative models of land and property ownership need to be introduced by the government, like a public housing provider, or developed by the community and landholders, such as community land trusts.

A public housing provider

In our survey with younger generations, there was a consistent call for direct public investment in high-quality, well-located homes built and owned by the government or community housing providers. With sufficient supply, these homes could be rented to disadvantaged groups and rented or sold to first-home buyers at a discount. This is a distinct ask from the current approach taken by the government, where tax breaks and money are given to private developers to provide 'affordable' housing through the market, which continues to erode the intergenerational bargain as it rewards speculation and does not actually guarantee more affordable housing. The government should fund the public housing provider by diverting funds from failed policies like negative gearing and reinvesting the proceeds from sales and rentals back into the program.

Support community land trusts

To complement public housing, the government and the community can support the establishment of housing cooperatives and community land trusts (CLTs). Instead of land being owned by private interests, the land component of a residential property is owned by a community-based, not-for-profit legal entity and the actual building is owned (or leased long-term) by an individual household. As CLTs remove land costs from the cost of housing, they can make housing more affordable.

These structures have the power to decouple housing costs from market value. They offer a much-needed alternative to the broken buy/rent duopoly by delivering an affordable, equitable and sustainable model that prioritises people and the planet. There is an opportunity here for existing landholders to move land into community ownership as an act of service for young and future generations who can't afford land in the private market. Governments can contribute to this by moving land into community ownership, as opposed to selling it to private interests, as is currently common.

Broaden land tax

Unlike wages and business profits, income from land is unearned, in that no effort is needed to create its value. The landowner receives income by owning a resource in limited supply, land in desirable locations. The increased value of the land (excluding any buildings or improvements) comes about from the effort of the broader community creating economic activity and increasing liveability in the surrounding area. From an intergenerational perspective, younger and future generations are at a distinct disadvantage as they are born into cities where the value of the land has been captured and privatised by earlier generations who just happened to be born first.

To restore the intergenerational bargain, the government must tax land more broadly and at higher rates. This would disincentivise intergenerationally corrupt practices such as land banking and speculation, and ensure that the spoils of land ownership are spread more evenly, whether through the tax collected or via more land becoming available. Broadening land tax would move us closer to an ethical tax system in which economic reward is proportionate to effort, not whether you were born earlier, and restrict one channel by which wealth inequality grows within and between the generations.

Access to political voice

Our survey results show a disconnect between the direction younger Australians want policymakers to take and what is happening, and political leaders have been identified as unable to act for the long term. To address this, we propose legislated rights and wellbeing for young and future generations and that economic policymaking should much better reflect the values and needs of younger generations.

A Future Generations Act and Commissioner

The most famous example of this working in practice comes from Wales. In 2015, the Welsh Government passed the Wellbeing of Future Generations (Wales) Act. The Act requires public bodies in Wales, including the Welsh Government, local authorities, health boards, and others, to work towards achieving seven wellbeing goals. The goals were set via a national conversation process with the Welsh community. The Act also establishes the role of the Future Generations Commissioner for Wales, whose primary function is to act as a guardian for the interests of future generations.

The Act has fundamentally changed how Wales measures success. The Act is assisting with the transition from a resource (coal) based economy and has effectively put a freeze on all new roads by prioritising holistic approaches, like public transport and walkable communities. There have been trials of a Universal Basic Income for care-leavers, lowering the voting age to sixteen, a new focus on social enterprises, and a new school curriculum that aims to create ethical, informed citizens. These are examples that clearly show that Wales is already beginning to be governed differently because of the Act (Davidson, 2023).

Similar outcomes would also be highly beneficial to Australia’s future and can help overcome the issues that lead to short-termism.

Increase economic literacy

As outlined, economic literacy in Australia has declined, and economics has become the domain of expert jargon, which combines to exclude younger generations from economic and tax debates. Economics and civics education needs to be promoted in schools, and the Treasury and the economics profession need to do much more to make economic and tax issues accessible to younger generations and involve them meaningfully in economic and tax policymaking. This is core to the work we are doing at Think Forward. We have launched initiatives such as Tik Tok Tax, our education program, and Think Forward Treasury, an online platform for economic debate. We call on other economic leaders to do similar.

Conclusion

There are many reasons for young people in Australia to be happy. We live in a comparatively safe and prosperous nation. Nevertheless, it is also clear that many of the tax and policy settings are intergenerationally unjust and contribute to worsening economic and life outcomes for Australia's younger generations, and that is before we even add the looming crisis of climate change on top. The intergenerational bargain, once the bedrock of societal progress, is crumbling as young Australians face an uphill battle for economic security and to live on a healthy planet.

As the problems mount, band-aid solutions are no longer an option for younger generations. Younger Australians need their political and business leaders to be courageous and centre long-term prosperity on a livable planet. We need to address the structural biases in our tax and systems that reward speculation, accumulation and environmental damage over work and stewardship.

Access to the things that lead to economic thriving needs to be improved, including education, livable incomes, capital, land and housing and a political voice. Younger generations are brimming with passion and ideas. If we invest in them to allow for security and confidence, they will build a better society for all. Economic power and opportunity must be shared to restore the intergenerational bargain.

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