

The Policy Pitch - *Generation less? Exploring the economic challenge for young Australians* - Melbourne 12 April 2016

We've come to expect that each generation will be better off than their parents. But the world is changing. Over the last decade, older households captured most of the growth in Australia's wealth. Jobs have become less secure. And government spending on older people increased but their tax contributions decreased, leaving a growing tab for future taxpayers. It's time to decide what kind of future we want for this country, writes Jennifer Rayner in her forthcoming book, *Generation Less: How Australia is Cheating the Young*. Will young Australians enjoy the same opportunities to build stable, secure lives that their parents and grandparents had? Can we do right by the elderly without making second-class citizens of the young? As Grattan Institute's *Wealth of Generations* report showed, there are policy changes that could make a difference.

In this Policy Pitch event at State Library Victoria, Jennifer Rayner, Professor Rod Maddock from Victoria University and Grattan Fellow Danielle Wood explore the emerging political and economic concerns around intergenerational inequality and what we should do about it.

Speakers: Danielle Wood, Australian Perspectives Fellow, Grattan Institute
Jennifer Rayner, Author, *Generation Less: How Australia is Cheating the Young*
Professor Rodney Maddock, Economist at Victoria University

SARAH SLADE: Good evening, my name is Sarah Slade and I'm the Head of Storage & Digital Collection Services here at the State Library of Victoria. It gives me great pleasure to welcome you all to *The Policy Pitch* and tonight's topic, as you're aware, is *Generation Less? Exploring the economic challenge for young Australians*. This seminar is held on the traditional lands of the Kulin nation and I wish to acknowledge them as the traditional owners. I'd like to give a warm welcome to tonight's speakers, Danielle Wood, Jennifer Rayner and Professor Rodney Maddock, Grattan Institute members and staff, and Friends of the Library.

The Policy Pitch presented by Grattan Institute and the State Library of Victoria is a series in which experts and thinkers tackle some of the most important problems facing Australians. This partnership contributes to one of the Library's major aims, which is to be a catalyst for ideas, discussion and debate. The series includes the brightest minds in the fields of public policy and brings to the Library highly engaged and well-informed audiences, so you should all feel very proud. It creates a space for in-depth discussion and reflection on important policy issues. This is one of a broad range of programs offered by the State Library and our partners, and if you'd like to know more I'd encourage you to pick up our autumn "What's on?" brochure or have a look at our website to keep abreast of our free community programs.

Tonight we will explore the emerging political and economic concerns around intergenerational inequality and what we should do about it. It's clearly a topic of great interest and it's very satisfying to see so many here this evening. Danielle, Jennifer and Rodney, I'm looking forward to hearing your observations and solutions and I'm pleased now to introduce Danielle Wood, who will introduce the panellists and lead the discussion. Danielle is the Australian Perspectives Fellow at Grattan Institute and she's also worked at the ACCC, NERA Economic Consulting and the Productivity Commission. Please join me in welcoming Danielle.

DANIELLE WOOD: Thank you very much for that Sarah and thank you to the State Library for again having us here tonight in this great venue. I'm thrilled to see so many people here for what I hope will be a very thought-provoking discussion. By my calculations we have three generations on the stage -

RODNEY MADDOCK: Four.

DANIELLE WOOD: Four if we count humans to be, so hopefully we can get the broadest possible range of perspectives on this very challenging issue of intergenerational inequality.

Our representative of Generation Y on the far left is Jennifer Rayner. I think if anyone was able to single-handedly dispel the myth of a lazy and entitled generation it would be Jennifer. Jennifer has a PhD from ANU. She's had a career as a political adviser, as an international youth ambassador and a consultant, as well as the not insubstantial job of raising a toddler all before her 30th birthday. Jennifer has added to her already great accomplishments with the release of her first book *Generation Less: How Australia is cheating its young*.

I have been recommending this book to anyone who will listen, particularly some of my less politically engaged friends, because Jennifer has a real gift of delving into some pretty meaty policy topics - youth unemployment, housing policy, mental health issues - in a way that's really informative and engaging. She brings a lot of herself to the book, you certainly feel like you know Jennifer at the end of it. The other thing I really like about the book is she does a great job of diagnosing some of the problems, but she also talks a lot about solutions, so what governments can do and what individuals can do to make a difference to this problem.

At the other end of the generational spectrum we have Professor Rodney Maddock. Rodney has described himself in his introduction as a curmudgeonly baby boomer, but certainly in my experience of Rodney nothing could be further from the truth. Rodney has had a very distinguished career as an economist in both the public and private sector. He now largely contributes to the public policy debate through his roles as an academic at both Monash and Victoria University. Rodney is a CEDA Director and is President of the Victorian branch of the Economic Society. So Jennifer and I are delighted to have Rodney as our token older male on the panel tonight.

Finally, Sarah has already introduced me. I'm a Fellow at the Grattan Institute. I work mainly on tax and budget policy, but we have also dipped our toes into this issue of intergenerational inequality with the report that I put out with John Daley at the end of 2014 called *Wealth of Generations*. So as part of that report we looked at trends in income and wealth, government taxes, and spending by age group and how they've changed over time. The view that we came to at the end of that exercise was really that there's a real chance that today's generation of young Australians could be worse off than their parents over their lifetime.

So what is intergenerational inequality and should we care? The way I was thinking we would approach it tonight is to get down into some of the specific policy issues around employment, around income, around wealth and around government spending. But before we delve into those policy weeds I wanted to give Jennifer and Rodney a chance to introduce themselves and introduce their ideas around this topic, because they come from quite different places when they think about these issues. So the question I would pose to both Jennifer and Rodney is: are today's young being systematically disadvantaged by the economic and political system and is this something as a society we should be worried about? Jennifer, would you like to kick off?

JENNIFER RAYNER: Sure. I think my answer to that is pretty predictable given that introduction. Before I start I would like to thank very much the Grattan Institute for having us here tonight and also the State Library, and to Danielle and John for the really important work that they did with that *Wealth of Generations* report. It was one of the data points which actually really kicked off my thinking about the issues that I've raised in the book.

Where I started from with that book was primarily in conversations with friends and colleagues and people my own age and as those conversations went on over the years it occurred to me that we kept coming back to the same set of themes. We kept coming back to feeling like we were falling behind in work, in wealth, certainly compared to where we saw our parents at the same age and where we would like to be at the ages that we are, and then also in wellbeing as a result of those two previous things. So I went back and started having a look at the data on this and I'm really clear throughout the book that I don't think we should be engaging in a conversation about boomers versus Gen Y and Gen X in that really confrontational frame.

I think it's actually more helpful if we just start looking at what's happening to people who are in their 20s and 30s today compared to people in their 20s and 30s in the '90s, the '80s and the '70s, and look at that more fact-based comparison. What I found when I went and did that work was there are gaps which have always existed between older and younger Australians, so I say in the book being poor in your 20s is a lifecycle effect, you just haven't had as much time to build up wealth as older people. But what's happening now is that those gaps are widening and they're widening out in ways which don't seem to have any option for reversal unless we actually change some policy settings.

So to just give a couple of quick numbers, and we'll probably delve into this a bit more later on, when my parents were looking for work when leaving school in the late '70s less than 1 in 30 young people said that they were underemployed. Today that number's up to about 1 in 6, so 1 in 6 people in their late teens/early 20s say that they can't get enough work. Similarly we've seen the rate of people working casually go from about 30% to over 50% in the last 20 years, and that's happening not just amongst people who go to university, because that's often the common response, young people go to university more and so therefore they don't need full-time jobs, but it's actually happening across the board. A great academic at the University of Melbourne, Jeff Borland who I can't recommend highly enough, does some labour market economics and he's had a look at that as well and came to the same conclusion.

So then in terms of things like wealth, we all know housing is a huge, huge issue and the affordability of it, so I talk in the book about how when my parents were starting out housing was about three times average incomes and saving a deposit you could do in a year or two with really dedicated saving. Today it's up to six times average incomes across the community and it can be up to nine or 12 times average incomes for young people depending on which city you're trying to buy in, then of course that means that the deposit gap, what it takes you to save is six or nine years compared to one or two years. The implication of that is that young people's lives are just much less secure now than they used to be. If we're in casual work and we can't get enough work, if we're moving around a lot because we don't own houses and live in one place, then that has a whole range of implications for the choices that we make about picking partners and putting down roots and all that kind of thing.

As Danielle's mentioned, I have a little one, but I'm very unusual in my age cohort to have a five year old and to have been married and decided it wasn't for me and have moved through those life stages already. Most people my age are still only thinking about doing those things as they enter their 30s.

So I guess the point that I was trying to make is not to say that there are gaps between young and old, because those gaps have always been there, it's to say that they're widening out in ways that are really worrying because they appear to be systemic, they appear to be the result of policies which are in place and show no possibility of changing at the moment and which will only get worse if we don't do something about them.

RODNEY MADDOCK: I think exactly the opposite. There you go; great start. The next generation is going to live about eight years longer than my generation. That is an enormous benefit and really one which shouldn't be underestimated. Eight extra years of life, that's massive. When I was born life expectancy was 66 years. I think I'd be dead actually if I was the average person born in the year I was born in. So the next generation is going to live eight years longer, that's huge. They've got access to communications, life experiences, international travel, food, a range of languages, a range of clients. You've been to Indonesia. I knew lots of people in Queensland growing up in the 1970s who'd never been out of Queensland, let alone out of Australia.

So the richness of your lives is actually very much bigger than anybody who grew up in the Menzies era and so I just think you really completely underestimate that. The other things you've got to think about are what did the baby boomers actually experience? You cited the example of your parents getting their first job in the '70s. Well of course in 1980 the unemployment rate was 10%; you haven't seen anything like that. In 1990 it was again 10%; you haven't seen anything like that. Inflation rate in the 1970s was nearly 20%; you haven't seen anything like that. We bought a house and within six months our interest rate went up 6%. We bought a house in 1988 I think it was and I think we paid 14% initially as our mortgage rate compared to what you pay now, and within six months it went to 20%. Just imagine. We almost lost our house. What's more, the value of our house fell 20% over the next two years, so we had negative equity in our housing.

So the story that your parents just waltzed into a house, put down 10% and it was just an escalator forever to be rich is just wrong. That is not the experience that I lived through. We think back about the generation as well, of course none of your friends have been forced to go and fight in Vietnam. A whole lot of my friends were conscripted and forced against their will to go and fight in another country. You don't face any of that. It's a much better place than it used to be. Our parents fought the Second World War, but of course what you probably have forgotten is they actually borrowed to finance it. So when I was born the debt to GDP ratio was 200%. By the time you were born it was very close to zero. So our generation paid off all of the debt of the previous generation, twice national income. That's something that we actually did.

The other thing you've got to remember is when we were born we were born into a generation which followed one which I had been through the Depression and the Second World War. There was virtually no infrastructure built in those 20 years. So we built the infrastructure. Look out around these streets other than the ones built in the 1880s, virtually everything was constructed by our generation and paid for by our generation. You have got better lives, richer lives, longer lives, better infrastructure and more options than we had. I really think it's generation more, not generation less.

DANIELLE WOOD: Thank you, I think that very much sets the tone for the discussion tonight, we're obviously going to have some very interesting discussions. I wanted to start with employment, and both of you touched on that in your opening. As we know, employment prospects for young people in particular have been quite dire since the Global Financial Crisis (GFC). We now see the youth unemployment at about 12% compared to 6% for the general population. Rodney, do you think what

we're seeing there is just a cyclical effect, or are there underlying structural problems and are there things that government should be doing about it?

RODNEY MADDOCK: We saw something similar in the 1990s. What happens when employment growth slows is basically anybody who's trying to enter or re-enter the workforce finds it very hard to find a job. You don't just look at the moment at the youth unemployment figures; have a look at the duration of unemployment. The number of people who have spent more than a year looking for a job has doubled since 2007. So it's not a generational issue, it's the fact that anybody who is out of the workforce and trying to get back into it has serious problems at the moment. The most obvious thing is to actually have more growth. If we have more growth we have jobs growth and then everybody will find it easier to get jobs. It is what happened in the 1990s and I think much of it will disappear as we get through the current period of very slow job growth.

JENNIFER RAYNER: It's not actually the youth unemployment rate that concerns me as much because youth unemployment is not that much higher than it has been at various other points, and in some cases quite a bit lower. It's some of the other trends that I've mentioned earlier which more concern me. So the rise in underemployment where people are in work notionally, but they can't actually get enough work to support themselves and so are ending up working two or three part-time jobs in order to stitch together a full income, and then the extent of the time that they spend doing that as well. So no longer is it just a thing that you do in your early 20s while you're studying, that continues to extend later into life.

It's also the rise in casual work. There are a lot of views about casual work and there are a lot of good things to it for people who are using to supplement study or return to work after caring responsibilities and all those kinds of things. But one thing that's really concerning about casual work is that employers don't invest in casual staff the way that they do in permanent staff, so younger people particularly who come into the workforce without having other forms of training, whether it's at university or TAFE or something like that, if they come into the workforce and then they work in casual jobs and they do that for a decade or longer then the likelihood that they will have had any kind of investment in their ongoing advancement, their ongoing training is pretty low. What that then means is that their capacity to move onto more permanent, more secure work and advance in their careers in the way that previous generations would have, for example, if they worked in a factory and then were given on-the-job training is actually diminished.

So what worries me more are some of those trends locking younger people into what's known as the precariat where as they grow older they have no path forward in the workplace, that's what worries me.

DANIELLE WOOD: I think we see that when we look at the income statistics, so you've got some of these in your book Jennifer and we use the Census data in our *Wealth of Generations* report. We see that we have had income growth across all age groups over the past decade, but we've certainly seen income growth for younger cohorts has been much slower over that time. Rodney, do you see that as an issue? As long as everyone's incomes are going up, does it matter that young people's income growth is falling behind?

RODNEY MADDOCK: Tricky question. As a basic philosophical position, I think that we can tolerate inequality in our society as long as the poor are getting richer. It's almost a Rawlsian philosophical position and that's my underlying philosophy. So generally, as long as the poor are getting richer then I think that that's much better than what you've got going on in the US where the poor are getting

poorer. So I'm happy with many of those things. Yes, of course you'd hope that no generation has slower growth than other generations. Obviously the nature of work is changing really dramatically. Women's participation rate has doubled over the period that we're talking about comparing generations. So women have got a lot more opportunities and a lot more women are in permanent work than used to not be in work at all really. So times have changed a lot.

JENNIFER RAYNER: Not full-time work, the rate of women working in full-time work has been pretty much static for about the last 20 years. So we're not really making gains there, it's at that casual/part-time work which personally, as a woman who works part-time and therefore sees the obstacles that women experience in career progression, for example, working part-time versus full-time is a really big factor in that.

RODNEY MADDOCK: Yes, but it's much better than the generation before which didn't even have that option.

DANIELLE WOOD: Why don't we move on to talk about another area of even more substantially growing disparity between the cohorts, and that is wealth. If you look at the latest ABS data you see a quite stark pattern emerging.

An average household 65-74 years old today has about \$400,000 more wealth in real terms than a household of that same age ten years ago. In contrast, if we look at households 25-34 years old today their wealth has barely moved over that decade. So what we see is this really strong disparity in wealth accumulation by people of different age groups. As Jennifer said in her introduction, a lot of that is a story about housing. When you have a situation where house prices have outstripped growth in incomes for 15 years unsurprisingly if you owned a house at the start of that period you've had a very substantial windfall gain. In contrast, if you're a young person trying to get into the market today it is going to take you a substantially longer to save up a deposit for an average home.

Jennifer and Rodney, a question to both of you: can you talk a little bit about what you see as the economic and social consequences of that growing wealth divide and how do you think high house prices are going to affect young people's opportunity to get into the housing market going forward?

JENNIFER RAYNER: Housing is a really good example of something that I mention in the book which is not that there is any one problem for young people at the moment, but it's about the way that a bunch of different problems are coming together. So the fact that house prices are escalating so much or have escalated so much in the last few years, prices are starting to moderate a bit now, combined with slower wage growth means that housing is a little bit further out of reach every time they've almost got the deposit together. So that's a really nice example of what's happening in a range of areas where we're seeing different problems come together in ways that compound on each other.

But I think generally there's this idea that people will be able to set themselves up in life and build wealth and build stability as they go forward. And really when I think about intergenerational equity, that's what I think is young people having the same opportunities to build stable and secure lives that our parents had and our grandparents had. If you take housing out of the picture you take away a really significant part of that wealth creation and that building block for a stable and a secure life. There are personal consequences, as I've reflected on, so people put off having families, they put off partnering up and pairing down and building – and it's not for everybody admittedly – but the kind of nice suburban lives that a lot of us would be familiar with.

Then the broader social impact of that I think we are seeing play out at the moment where there is genuine frustration and where there is genuine anger in some parts from younger people towards older people because we see what they have and we don't see a path to obtaining that.

RODNEY MADDOCK: It's a very traditional argument you've made. If you look at a country like Germany, what percentage of people own their houses? 40%. It's a very rich country, just has a different way of organising their society. So there's no particular golden rule which says everybody has to own a house. As I said, it's a very traditional argument that you put.

Thinking about the traditional argument yes, the traditional lifestyle was you got married, you saved up like hell to buy a house, you have your kids, you're really poor for a decade, and then gradually you get on top of your mortgage and then you hit your late 50s, the kids disappear and you start saving like hell for retirement. That's the sort of standard model. Of course we've got superannuation in the way at the moment. You've got to put 10% of your income into superannuation to fund you when you're 65, so you can't buy a house. You need a house and you need an income, and in retirement you need both. The superannuation system has actually distorted your ability to make the traditional choice of actually sequencing it so you buy a house and then you save like hell.

So I think you've got to think really hard about superannuation. You probably know that we wrote something for CEDA suggesting that young people should be able to access their superannuation savings to buy a house. You need both an income and a house when you retire and in the rest of your life, and having one sort of rule to run how you buy houses and another set of rules as to how you save for retirement is just ridiculous.

DANIELLE WOOD: Before I get Jennifer to respond to the point on superannuation, because I know you've got some views on that, just to make another observation relevant to Rodney's comment.

I think you're absolutely right, there's no golden rule that everyone must own a house, but when we have a look at what's been happening to home ownership and we look at the falling home ownership rates amongst young people, what we see is that has largely been driven by falling home ownership amongst low income young people. So if you're in the top 20% of 25-34 year olds in terms of income you're just as likely to own a home today as someone in that same group 30 years ago. Almost all of the fall has been driven by people at the lower end of the income spectrum.

So I think what we're seeing is not just a symptom of intergenerational inequality, it's inequality in the broad and that's why I think there are broader social issues at work there.

JENNIFER RAYNER: That's why I do to some extent call bullshit on the argument that older people sometimes make that younger people actually don't want the same things that they wanted, because Danielle's absolutely right, if you look at people who have the wherewithal to get into the property market and do all of those traditional things, they're still doing them. They still want to do them, people broadly still want the same things that people have wanted in Australia for 100 years, they want a stable and secure life, they want a family and they want a place to put that family. But for some of us that is just not a realistic proposition and so then there are a range of different things that people do instead. But the idea that we don't want those things I think has become a bit of a post facto rationalisation for the fact that the people who have them don't want to give up the things that would allow us to have them. So that's one point.

Just to go back to superannuation, because I am a huge supporter of the compulsory super system. Partly that's because I'm a Labor person and we see compulsory super as one of the very great achievements of the modern Labor Party, so I'll put that out there now. But I also believe in the behavioural economics insight that people are really bad about planning for their futures, they're really bad at estimating what they would need in the future and then rigorously putting aside, for example, the savings that would allow them to get there. The problem at the moment with removing compulsory super for young people is that that 10% of extra income is still not necessarily going to be enough to allow them to put together a house deposit. So what you're doing is you're saying take away the compulsory requirement to save and essentially they still won't be able to get the thing that we would hope they would spend that money on, so it just evaporates. So I would be really concerned about the impact on young people of taking compulsory super away.

RODNEY MADDOCK: I'm not taking compulsory superannuation away; I'm saying you can use some of those savings to buy a house. As an economist I think the basic problem is the housing market is on the supply side. We're not building enough houses and we haven't built enough houses for most of the last decade, and that's one of the main reasons we've got this ridiculous spike in prices. As I said, I went through a period when we bought a house where the price of our house fell 20%. If we build enough houses the price of houses in Australia would again probably fall 20%.

Let's solve the supply side problem, and a lot of that's got to do with planning rules and ridiculous height rules and all sorts of restrictions which are NIMBY sorts of effects I think largely and I think we've got to get rid of them. If you go and live in London or Paris or New York or Berlin and you'll be living in an apartment close to the centre of the city. That would be the norm. So we just have to get used to the fact that if we're going to have a big city then we really have to have much greater densities.

JENNIFER RAYNER: The supply side is definitely a problem, but I don't think anybody really disputes that demand is also a problem in Australia in that there is greater demand for houses than we can currently meet and a big section of that demand does not come from owner-occupiers, it comes from people who see housing as a speculative good rather than a social good. You talked about Germany, one of the reasons that they have a very established culture of renting is that there are large investment vehicles which buy housing for the purpose of people to live in long term. So it's a very different arrangement from here in Australia where people will invest in one property or two properties and be an individual landlord.

My concern is that some of the tax policies that we have in particular really encourage investment in housing over occupier housing, and that leads to a mismatch between supply and demand.

RODNEY MADDOCK: Yes, we can talk about the tax things in a minute; I think that's probably the next question. I think one of the things that's going to have to change is actually renters are going to have to be better protected. You do go to Germany, you see those countries where most people rent, but actually much stronger protections of the interests of the renting party, and I think that's one of the policy changes we need to see in Australia is introducing much more protection. If people aren't going to own their own homes, they're going to rent then we need to actually have a proper legal structure to support that.

JENNIFER RAYNER: I should say, before you guys all came in Rodney was saying that he disagreed with almost everything in the first half the book, which was the problems, but agreed with most of the things in the second half, which was the solutions. Laws that favour renters is one of the things that I

talk about as being really important because I have now moved house nine times in 12 years purely because as a renter you can get turfed out fairly quickly. And after my last rental inspection the real estate agent on behalf of the landlord sent me a note saying that putting one of my son's pictures up with sticky tape could be cause for losing some of my bond. Now that's nonsense if we've got people who are living in rented accommodation for ten or 15 years that you can't make your house your home, so certainly laws around renting and rights would be a really valuable change.

DANIELLE WOOD: So that's one thing we agree on, which is fantastic, probably on the supply side as well. So onto the issue of taxation that both of you have just flagged. Jennifer, obviously in your book you talk about tax concessions for property investment, capital gains tax discount and negative gearing, as being part of the problem on the demand side. Rodney, do you agree that winding back those tax concessions might be part of the solution to improving housing affordability?

RODNEY MADDOCK: I think capital gains tax has been far too generous across the board. The problem with capital gains tax is you impose a tax on the gain that somebody makes between when they buy an asset and when they sell it, but a lot of the difference in those two prices is actually due to inflation. So when we set up our capital gains tax concessions inflation was running at about 7%. Now it's running at 2%. So the concessions are just far too generous, so I would have a massive cut to the generous nature of the capital gains tax.

I think doing that solves most of the problems that you're concerned about with negative gearing and all those other sorts of things. I don't think you need to attack negative gearing and I actually like the principle that if people want to borrow to invest to build a factory they should be able to deduct the cost of borrowing, and I think that principle is probably a pretty good one to have across our tax system. Well then you start to get people playing games at the margin of is this one of the things which is allowed and one of the things which is not allowed? So I don't like the idea of having negative gearing restrictions to particular markets, but I would be much, much tougher on capital gains.

DANIELLE WOOD: Just on the negative gearing point, I agree that as a principle of tax policy it makes sense if you incur a loss in generating an income that you can deduct those losses. But why should you be able to deduct them against your wage and salary income? I think that is what causes a lot of distortions in the decision making is the fact that people are very fixated on reducing the tax bill on their wages. You could still have deductible losses but only deductible against other forms of investment income, as they do in many other countries.

RODNEY MADDOCK: If I'm a farmer and I want to borrow to buy a new tractor, can I deduct the cost of the borrowing against my income? Obviously yes.

DANIELLE WOOD: Yes, but that's related income to the purchase of the tractor.

RODNEY MADDOCK: Well, okay. So if I'm an investor and I want to actually build a new factory and I want to borrow to build that investor and it's not going to have any earnings for the next ten years, I actually can't deduct that against anything according to your rule. It just seems silly.

DANIELLE WOOD: I like to think of it every tax concession is something that we all contribute to, so every time someone gets a concession the rest of us don't get something that that tax revenue could have paid for. So my guiding principle is that those concessions should be available for things which add value in the economy, which contribute to production basically, and the problem with investing in housing is that it's dead capital. It sits there and accumulates capital for no real contribution to the

economy as a whole and then, as you say, people can deduct that from their wage income. So I think it's an unfair principle for the reason that Danielle's highlighted.

RODNEY MADDOCK: Only production is valuable, so none of the services are valuable? That's just nonsense. That's sort of 16th century economics.

DANIELLE WOOD: It depends how you define production I think.

RODNEY MADDOCK: Well if I'm producing services from something, you're not going to count that as production?

DANIELLE WOOD: No, I would count that as production because you're adding to the net value of things in the economy.

RODNEY MADDOCK: Okay.

DANIELLE WOOD: Investing in a property and owning it while it gains in value, what does that contribute to our common wealth?

RODNEY MADDOCK: It provides household services. That's what it does.

DANIELLE WOOD: But under the principle we're talking about any losses that you generate in providing those household services are deductible, just against other investment income not against wage and salary. That's really where we're drawing the distinction.

RODNEY MADDOCK: Yes, well I can't see why. So if I use my salary to actually buy a factory down the road and it makes losses, I can't deduct that against my earnings as an economist. Why?

DANIELLE WOOD: Jennifer can certainly speak to the Labor policy on negative gearing, but my understanding is that active investments, such as in business income, would be deductible, but what we're talking about is passive investments. And this is not an unusual principle Rodney, this applies in a number of large countries, including the United States.

RODNEY MADDOCK: Okay, it doesn't make it right. So I buy a pipeline, is that a passive or an active investment? If I buy a toll road, is that an active or a passive investment? You're just splitting hairs, it's just nonsense.

DANIELLE WOOD: No, I don't think it is splitting hairs but anyway, we need to move on. Why don't we talk about another controversial area of tax concessions since we're on the topic? As both of you are aware, at the moment superannuation earnings are tax-free for people over 65 that are drawing down on their superannuation. In contrast, people that are adding to their super that are under 65 pay 15% tax on their super earnings. Given a lot of the government's fiscal pressures and given a lot of the structural issues we see with the budget going forward, do you think that tax-free status for superannuation for over 65s is sustainable and, if not, how do you think we should change it?

RODNEY MADDOCK: You're asking me?

DANIELLE WOOD: I'll ask you first.

RODNEY MADDOCK: Alright. We're a lot poorer in many ways than we were four or five years ago, so many of the things that we said we could afford and thought we could afford during the boom are clearly now unaffordable, we actually have to weigh and pay for them. So I think that superannuation concessions have been too generous as part of that general policy where we just basically gave too many people too many concessions. So I think that a policy of pulling back a bunch of those concessions makes perfect sense.

I think that having poor people pay 15% tax when they're not taxed on their income at all is ridiculous. Personally, my policy would be to say that all superannuation contributions should go from your after-tax earnings, and hence they've all been progressively taxed on the way in. I think that's a much better system for us to operate and a much fairer system to operate. Yes, you can attack the people who've retired and have got no way of responding to your new tax, that's possible. We don't normally do those sorts of things. I just think shifting to a tax on the way in principle for everybody solves virtually all of the problems.

JENNIFER RAYNER: I think Rodney's absolutely right that one of the things which gets overlooked in the conversation about super tax concessions is actually what's going on at the bottom end, people who are earning the very lowest incomes. So, as he's pointed out, they pay more tax on their super contributions than they do on any of their other income because they pay zero on any of their other income and not only has the current government decided to maintain some of the very generous concessions, but they've also taken away pretty much the only measure which assisted those very low income people, which was the low income super contributions scheme.

So I do think it's pretty much an outrage that we would continue to have a system when the very poorest are paying more tax on their standard income, whereas very well-off people are getting huge discounts, 30% discounts, on their super contributions. So that would really be the priority for me.

DANIELLE WOOD: But we're talking about the issue of intergenerational inequality, all of the policies that you two have spoken about are about tax concessions on the way in. We do have a situation at the moment where people that have accumulated very large superannuation balances in a concessional tax environment are not making any contribution to the tax system after the age of 65. Do you see that as affordable going forward?

JENNIFER RAYNER: I think there is some role for taxing earnings on those investments to a greater degree than they have been certainly because, as Rodney has said, it's true that you don't necessarily want to be changing too much about the settings that people have made decisions about. But, at the same time, when we're talking about people who have very, very large balances, \$2 million or more, and then they're living off earnings from that, their capacity to respond to the changes in those policy settings is adequate I think we could agree.

RODNEY MADDOCK: Yes, I too think that we need to reconsider some of those concessions that we gave on superannuation. I just think some of them are far too generous.

JENNIFER RAYNER: It's an interesting point actually when you look at capital gains tax concessions, for example, as well where you go back 15 years to when these things were changed and we just didn't know how they were going to play out necessarily. I think it's a really valuable principle in public policy generally to say we tried this, it had this impact that we really didn't anticipate and so now we need to draw a line in the sand and change it. Because none of these settings are permanent or set in stone, they are all there because parliaments and the community have decided to leave them in

place. So there's no reason that we shouldn't change them now that we've realised they're causing a problem. That's not to say that they were set up with malice or ill will or anything like that, and I talk quite a lot in the book about how older generations today obviously didn't accrue this advantage on purpose and nobody is at fault for this, but it is a function of a range of policies which have played out in ways we didn't anticipate and which we therefore need to rethink.

RODNEY MADDOCK: Yes.

DANIELLE WOOD: Excellent. Well, why don't we move on to talk about university fees. Obviously one difference we see with the current generation is they're going to be entering the workforce with far greater university debt than the generations that went before them. But, at the same time, we're hearing about the growing cost of HECS to government budgets, particularly since the vocational education and training system has been brought into the HECS umbrella and there's been a lot of debate about how the government might change policy to make the system more sustainable. We've had a government put on the table fee deregulation then take it off and I think it's partially back on the table again.

JENNIFER RAYNER: Hanging off the edge.

DANIELLE WOOD: We've had what I would say are more incremental proposals including from the Grattan Institute that you might reduce the income threshold for HECS repayments. Do both of you see the current HECS system as a good one and do you think that any of these policy changes are required?

JENNIFER RAYNER: I think I'll say upfront that the HECS system is amazing at giving a lot more people access to university than would previously have been able to do so. So if we still had a situation that we had prior to the Whitlam government where only people who could afford to pay cash upfront went to university we would be much the poorer as a country. Certainly as well it's not unreasonable to expect young people to make some contribution to their university study, given that we know by and large they will earn a premium for that over their lives, although that premium is eroding and you're needing two degrees rather than one to get the same kind of bang for your buck that you used to, and those are all problems we can talk about.

But there is a difference between accepting that university should cost something and that people should make a contribution to their own education to saying that it should be this open market free-for-all and the universities can charge whatever they want for it. Because there is also a really huge social good in tertiary education and I find it really amusing when this debate about fee deregulation was going on, Christopher Pyne, I think he thought he was trying to gee people up who didn't go to university to say, "The 60% of people who don't go to university are subsidising the 40% of people who do". He said it a number of times and every time I just thought, "How does he feel about untrained surgeons stitching people up? Is he okay with untrained primary school teachers teaching people to read?" Hopefully not, and that's the social value of education.

Even people who don't go to university benefit from us having a very large number of university-trained people in the community and therefore it's reasonable to expect that we as a community would contribute to that, I believe.

RODNEY MADDOCK: I guess I disagree with how you set the question up Danielle. I don't think that HECS is an issue of intergenerational fairness; it's a question of fairness within a generation, which I

think you got to at the end of the conversation. So it's a different conversation and we all agree that some of the benefits are social and some are private and there should be some contribution. I think we've established that, but I just think it's misleading to treat it as an intergenerational issue when I don't think it is; I think it's a generational issue. You've just got to decide how much the educated people in your generation are going to subsidised by the uneducated people in your generation. So I think that's really the fundamental issue and we can talk about something else.

DANIELLE WOOD: No, let's stick with this for a minute because where I think it becomes an intergenerational issue is in the frame that the Abbott government set it up within the 2014 Budget which was we have this looming debt crisis, we have a growing older population that we can't afford to pay for, and so fee deregulation and big cuts to university funding are part of our solution to solving that. We are paying for things we need to pay for in the future by cutting back on paying for university. That's where I think it actually becomes an intergenerational issue and that conversation has got a bit messed up.

Some of you may have seen there was a big flame war on Twitter last week, Stephen Koukoulas wrote a very controversial piece about housing in The Guardian and then another young columnist fired back, and all of the internet was aflame for a day. One of the things that he said off-hand was that "you guys shouldn't resent us for having got free university". People might say things around the edges, but I don't really know anybody who resents older people for having got those free degrees. What we resent is then the assumption that you can continue putting more and more costs on younger people in order to pay for other things elsewhere in the budget. That's the real crux of the issue here I think.

RODNEY MADDOCK: Yes, we have to balance the budget, certainly we have to find savings somewhere, that's agreed or we have to raise revenue somewhere. That is an argument and I think that each generation really should pay for itself. As I said, we paid for our generation and the generation before us, for the war and for all of the infrastructure, and I think the fact that you're allowing deficits to be run at the moment is just crazy.

I think that the failure of Pyne was actually not to say that we're going to let the university have free-for-all, but not to say that we're going to tax Melbourne University 80% of its income on whatever it charges for a medical degree. I think it's nonsense that you've got this monopoly institution sitting up the road here which is able to charge under this model anything at all, using public funds which have set it up and supported it for more than a hundred years, I guess 150 years, and yet they're able to cream off all of the benefits of this public investment and do with it whatever they want. The problem was I think not with the fact that he was going to deregulate, but that he wasn't going to impose a tax on all those monopolies who can exploit their monopoly power. This is just standard distribution policy.

DANIELLE WOOD: We need to move to audience questions, but just before we do I wanted to ask you both if there was one policy that you could choose to put in place to improve the lives of young Australians today, what would you choose?

RODNEY MADDOCK: Wow, can I have two?

DANIELLE WOOD: Alright, you can have two, as long as you're fast.

RODNEY MADDOCK: My short term one is actually to take a lot of the restrictions on housing supply off. It seems just complete nonsense that we allow people to keep people out of the supply side of the market. That will solve many of the housing problems. That's a short run thing. The long run thing is actually we've got to address the ageing of the population and I think the sensible thing there is actually to rapidly increase the retirement age. People should be required to work longer or wait for longer to be on public benefits and that will solve many of the longer term budgetary problems which are pending after 2018 or 2019.

JENNIFER RAYNER: I think we possibly agree on that. I have two also. The biggest one for me is education and training, so I mentioned before the 60% of young people that will not go to university in Australia. We don't do anywhere near enough to skill and equip those people to make sure they are able to face the kind of future that is ahead of them and particularly one where skills will change very rapidly, industries will change very rapidly and they will need to adapt to that. We need to do a lot more with those young people and improving the quality of our vocational education and training system I think is really, really important to that. So that would probably be my number one thing.

My other one is just around organising and about the fact that young people don't get involved across the board in a whole range of ways, so we don't join unions, we don't join political parties; we don't show up. I think if there's one thing that I wanted people my own age and younger to take away from the book it was the idea that showing up makes a difference. Coming to hearings and being in political parties and doing all of those things which has come to be seen as a bit lame, you know, caring about things is just not very cool, is a bullshit cop out on our future frankly.

DANIELLE WOOD: Great note to finish on. So this is a wonderful chance for people in the audience to show us how cool they are and how much they care by asking a question.

AUDIENCE: How do intergenerational differences in wealth track with race? So, for example, are Aboriginal children and Aboriginal youth better off now than they were 20 years ago, are people of South East Asian descent better off now than they were 20 years ago? Why do you think that is and why hasn't that been discussed yet tonight?

JENNIFER RAYNER: That's a really good point and one of the absolute critical failings of public policy in Australia over the last 20 years is that that outcomes have not got a lot better for Indigenous young people in particular and, in some cases, they have got worse. People of South East Asian descent I'm not sure and off the top of my head I would say purely because diaspora communities are becoming more established and things those outcomes may well have got better. But you're absolutely right, the condition of Indigenous young Australians is making very little progress and that's something that should really concern all of us.

I suppose it's not something that I touched on in the book because the focus of the book or the conceit of the book, if you will, is that it's telling my life story with data and, to be honest, I'm a white girl from Canberra, I have very little capacity to reflect on those kinds of experience and I think in a way it would have been arrogant of me to try and do that. But it's a good point to draw our attention to, absolutely.

AUDIENCE: I'd like to ask what do you think the impact of inheritance will be?

DANIELLE WOOD: That's a really good question and that's something certainly when we were writing the *Wealth of Generations* report we had a lot of people come to us and said, "Won't inheritance solve

this issue?" Clearly to the extent you've got older people accumulating wealth, that's going to be passed on at some point in time, but what the very limited data we have on inheritances tells us is that inheritances tend to go to people later in life, so people in their 50s, 60s and beyond, which is not often the time that you actually need that money, and they tend to go to people that are already wealthy. So what you see is a concentration in wealth because of inheritances. So for some people that's great and that will address the issue, but for particularly the lower income people that are falling behind, a lot of them can't rely on inheritance to address the issue.

JENNIFER RAYNER: It's a good point actually and it takes us back to something that Rodney said right at the start which was that we will live eight years long and, in some cases, much longer than that again, and that's a huge benefit in lifetime wellbeing. And I think that may be true, but it's also a slightly economisty way of looking at things – and some of my best friends are economist – but if you have a very long life and then in the last few years of it you end up quite well off because you've inherited some money or you've finally managed to pay off your mortgage and those kinds of things you've still struggled for quite a significant period. And I'm not sure that averaging the wealth that you might have by the end of your life over your very long number of years actually makes the challenge of those other years any less. In fact, I'm almost certain that it doesn't.

RODNEY MADDOCK: The median superannuation balance is zero. So yes, there will be a group of people, but not very many I think. When I lived in the US it was one of the things that worried the hell out of me just seeing the importance of inherited wealth and the cumulative effect over decades of this accumulation of wealth. I do think in Australia we will need to think about wealth taxes at some stage. There is already a wealth tax in the superannuation system, as you know, but we probably will have to revisit I think as a country at some time in the future.

AUDIENCE: Just an extension of what we've been talking about here, the biggest contributor to wealth as I understand it is the family home. None of you refer to it, but surely taxing the family home or the anomaly of the family home as an untaxed item must be one of the biggest contributors to the difference between the generations?

RODNEY MADDOCK: Yes, fantastic, you probably read my paper for CEDA again which recommended that it's just complete nonsense at the moment that we don't include the house in any of the pension tests or means tests. That's again something which, difficult as it is, ultimately we're going to have to address. It's just nonsense at the moment. If we actually included those things in all of the tests then people would have incentives to find ways to actually release some of the income implicit in their houses. So I agree completely.

DANIELLE WOOD: And of course the other way we can tax the family home is through a broad-based land tax, so that is certainly something economists have been advocating for a long time. It's an incredibly efficient tax, State Governments are looking for a way to raise revenue and certainly Grattan Institute has been on the record as recommending low rate broad-based tax across the board on property.

AUDIENCE: While I understand the principle of not disadvantaging people who have made certain decisions based on previous policy, if with something like the superannuation you end up with a generation who have been able to take advantage of that and then a future generation that is not able to, how do then generate some income or some form of taxation on those who have already taken advantage of it? And I'm thinking particularly if you're generating a considerable income out of your

superannuation, at the moment that's untaxed and you're not even paying a Medicare levy on that income and to me that seems quite unfair.

RODNEY MADDOCK: I think we already agree that the concessions are too generous.

DANIELLE WOOD: Yes, it is part of a broader point though that whenever we start talking about changes to tax concessions the automatic response is, "Well you need to grandfather that". If you pull up the drawbridge every time all you're doing is exacerbating these issues of intergenerational inequality. You're saying, "Well yes, young people today, you're going to have to pay more tax so that people can enjoy these concession, but too bad for you, once you get there you're not going to get them yourself". So I think when we talk about grandfathering we should think about those intergenerational effects.

RODNEY MADDOCK: I don't think you should express these things in intergenerational terms. That sounds like you're setting up conflict all the time Danielle. It seems to me that this is just a policy which we put in place which we can no longer afford. Let's not blame somebody for it. Let's just say we need to do this better and we made a mistake, let's fix it.

JENNIFER RAYNER: Although the arguments for retaining it are often made in terms which are implicitly generational, so we say we need to maintain the current super concessions because otherwise more people will be on the pension and then we can't afford the pension. So the way that this whole conversation happens tends to implicitly set up an older versus younger frame.

RODNEY MADDOCK: Let's undo that. That's just not productive for us as a society.

JENNIFER RAYNER: I don't think it's blame to simply point out that you're asking a group of people to pay for something that they're not going to benefit from.

RODNEY MADDOCK: The title of the book is called *Generation Less*, that sounds very.

JENNIFER RAYNER: I'm up for a fight. It actually did have a different title originally, but the publishers thought it wasn't sexy enough, so sorry.

AUDIENCE: I just want to go back to the proposition that because the population is living for eight years longer that is an advantage because I can remember being told repeatedly by particularly Joe Hockey that the problem that Australia faced was that people are living too long and that, as a result of that elongated life, they have elongated demands on the social service system, both for medical and for pension payments. Could we re-examine whether the extra eight years of life is an unequivocal advantage or it's partly an advantage and partly a disadvantage?

JENNIFER RAYNER: Well I would like to live forever if I could, given the option, so I'm in the camp of thinking that longer life is good life. But I think you've raised an interesting point to come back to how Joe Hockey set this frame up of how are we going to afford this future where we've got so many old people around? The reality is that the old people of the future are not going to look like the old people of today, they are going to be healthier and they are going to be in work longer. That didn't quite come out the way that I intended, but they are not going to represent the same demand on our services as they do currently.

So I think part of this panic about how are we going to afford the future is sometimes based on a bit of an assumption that there will be the same requirement for services at the age of 65, say, as there is currently and there just won't be because people will be healthier, they won't be having the same need for healthcare services, they will likely still be working at 65 because we're moving towards a services knowledge-based economy where it's not as hard on your body as being a chippy or working with your hands. So it's important I think to think about what the service need of the future is going to be, as well as worrying about some of those other issues.

The idea about flexibility and us having more opportunity to travel and hop jobs and settle down later and live in different cities and all of that stuff, those benefits only accrue to people of privileged, they only accrue to people who have good quality education, who come from well-off families, who would have been okay regardless of what the conditions were. Things like stability at work, entry level jobs that carried you through your career, vocational training on-the-job, those things benefited people who were not already well-off and they made sure that they were able to have stable and secure lives. What's being lost is the capacity for those people in particular to get ahead. So when we talk about flexibility and how great the benefits are, they're only great for people who are already well-off, frankly.

RODNEY MADDOCK: I don't think that's right.

JENNIFER RAYNER: You shock me.

RODNEY MADDOCK: How many people here have not travelled outside Australia?

JENNIFER RAYNER: I'm not sure this is a hugely representative sample of the Australian community Rodney.

RODNEY MADDOCK: Yes, but that's a nice example isn't it? I don't think that a lot of the people that go backpacking are necessarily from upper class families. I don't think the people you see in Bali or Phuket or whatever are actually rich. I'm just struggling with this idea that you can't enjoy the richer and more interesting life that you have these days unless you're right, that just seems wrong.

JENNIFER RAYNER: It's not really so much about things like travel or owning an iPhone or things like that where I think it bites. The point about that as well is that everyone's benefited from that. Older people enjoy their iPhones just as much as younger people and older people enjoy cheap overseas travel just as much as younger people.

RODNEY MADDOCK: We didn't enjoy it when we were your age.

JENNIFER RAYNER: This is true. But it's more about things like stability of lives because of housing tenure and stability of work and those kind of areas where I think it's a real problem, and I don't think anybody could dispute that those inequalities are becoming more severe in those areas.

DANIELLE WOOD: Yes and I think when we actually look at consumption patterns, and we haven't done this work for Australia but I've certainly seen some good data for the UK, when we don't see young people spending a lot more on technology or leisure time, we actually see the biggest increasing in spending for young people are for education and for housing. So I think even though they may have these greater broader social opportunities, that's great. The cost of living is actually biting in terms of the educational costs and the housing costs.

RODNEY MADDOCK: But that's what the cost of living deflator does, so when you measure these things in real terms this generation is much richer than previous generations in real terms, taking into account those things.

AUDIENCE: I'd like to speak to this point about generations today having so much more choice, because I think it's very dangerous for us to start thinking about this as a generational problem in Australia when this is a global world systems issue of protected countries which the World War generations previously were very aware of the fact that they were fighting in a world system and the baby boomers did not have to go and fight in wars the same way that their parents did. Frankly, the war today that younger people face is not necessarily one with bullets and guns, but it is one of labour forces and gaining meaningful employment and you may need to go and fight a war except it's not in Vietnam, it's now in Silicon Valley or London or these places.

I think that this issue around having more choice, we have to stop thinking of this as a generation, like we didn't get to go shopping in as many places as you get to go shopping it. It's a very insular way of looking at a big world systems problem and it's one that younger people are having to face every day at work, and when we're going to work there are now four generations at work, there are four generations wanting different things, but the commonality, as you've all said, is that they do all want to live in houses and for some people that is completely unaffordable. They'd also like to have meaningful relationships, if their work is so insecure and difficult and unable to open up pathways for them then these social effects need to be understood. And in one way maybe younger generations are in a situation which is more like the World War generations and in that sense maybe the baby boomers are the exception and I think there's a frustration around baby boomers not seeing themselves as that exception.

JENNIFER RAYNER: It's a good point actually what you said at the start there about reminding that Australia is operating in a very globalised context now and this is definitely not a problem which is unique to Australia. We're seeing this happen certainly across the advanced economies and, in some cases, the less developed economies are even worse off because they've got so many young people that are coming through and they're really, really struggling with things like transitions to work. So it's a really good point that this is definitely not a problem that's not unique to Australia.

RODNEY MADDOCK: Have you ever heard of the Cold War? One of the reasons that I decided not to have kids until I was in my 30s was because I seriously thought that nuclear holocaust was most likely and after the Russians invaded Afghanistan anybody here who's my generation would say we actually thought that there was a serious chance the world would be blown up within a year or two years or some short period of time. We lived in a huge period of intellectual challenge which was global. Yes, my friends did go to Vietnam and fought against bullets, but also we spent all of our lifetime under the shadow of global annihilation. I just think that you're probably being unfair.

JENNIFER RAYNER: I would probably disagree with your assessment that we are doing great on skills and on education. I think that is true in, as I've said, the 40% of people who go to university. I don't think it's anywhere near true for the 60% of people who don't. So, for example, 100,000 less people started an apprenticeship in 2015 than did so in 2013. There's a huge number of young people who are struggling to make a transition from school into work and particularly are dropping out of school early, and we know that they will then go onto be unemployed at a rate that's about twice as high as people who have post-secondary qualifications.

What we are seeing, and it goes back to a point I was making before, is underinvestment in younger people at work in their early careers, and so then there's a skills gap emerging in a whole range of industries and currently that's then being met by overseas labour. I say this as a huge supporter of overseas migration, I think a big Australia is the best Australia we could possibly have, but when there is a mismatch between the skills that are in demand and the skills that are available, overseas labour becomes the way you fill that and then you create a conflict frame around overseas migration when if we were better skilling young people in Australia then we could have people coming from overseas, and that would increase demand because one of the quickest ways, as we know, to boost GDP is to bring in more people because they create demand, then you wouldn't have that same conflict frame.

So I guess I would dispute the premise of your question.

RODNEY MADDOCK: I'm really heavily involved in a project at the moment on the west of Melbourne and one of the really interesting things, especially as employment in the manufacturing sector has been hit with the automobile industry being reduced, is how do you actually create an environment in which the sorts of jobs you're talking about can grow and match the sorts of people who are being skilled? So getting the skills right, making sure people are actually either in a skills system or education or in work, rather than just slipping between the gaps is one of the really fundamental problems that we're struggling with.

And I think as a city we need to think about this a lot harder and I do a lot of work with Victoria University which is a VET system as well as a university system, and it's one of the problems that we are actually very, very concentrated on at the moment. So if you've got any good ideas as to how we should address some of this please let me now.

JENNIFER RAYNER: But if you want to go to the point about growth, one of the best ways for governments to create growth is to set the signals for investment, so to say, "Here are the policy settings in which we're going to operate and therefore people will invest and jobs will grow on the basis of that".

A really good example of that is climate policy, so we know renewable energy is a huge growth industry, both the building of renewable energy facilities and then their operation creates jobs. It's an entirely new sector, an entirely new industry. It is quite easy for governments to say, "Here are our environmental policies, here are the targets that you as industry have to meet, off you go and meet them" and then industry invests. So I think when you look at what governments can actually do, the kind of signals that you send for investment through policy can be really powerful.

I don't think it has to be a trade-off because, for example, making housing more affordable by encouraging less speculative investment and more owner-occupier investment, that's not going to change the richness of our community, it's not necessarily going to change the other range of experiences that we can have. They're just policy choices that we have made to let things go in a particular direction and we could make different policy choices and they would go in a different direction. So no, I don't think it has to be a trade-off at all.

RODNEY MADDOCK: Yes, I think I'm more inclined to agree with you than disagree. I think that as a generation the policy makers in the 1980s in Australia decided that we needed to have a much more flexible economy in particular than we'd had in the past. The exchange rate goes up and down a lot more rapidly than it used to and a lot of the traditional manufacturing industries, which are the long stable jobs, then disappeared and we all had to become much more agile. So I think there was a

historic choice made in the 1980s which has actually changed the nature of society and many of the things we're talking about are the ways in which people are trying to adapt to a world which is more flexible than the one that my parents operated in.

So to some extent it was a very big strategic choice, sorry you didn't get asked, you probably weren't here at the time, and it may well have been a mistake, Who knows, but the judgement we made I think as a set of policy makers of the time was that it would lead to a richer and more adaptable society and that the costs of adaptation were probably less if we had a flexible society than if we had a very rigid one. It was a big choice and history will tell whether we were right. I think so far the evidence is it was a good decision.

JENNIFER RAYNER: That's a really good point actually because you're right, there were a whole set of decisions that were made in the '80s that really fundamentally changed what Australia is like and I think, by and large, a lot of them were really good decisions. So it's not about saying that we need to go backwards to, for example, the really highly locked up labour market that we had or having exchange rates set by pointy heads in the Reserve Bank. There are a lot of those policies which were clearly the right ones to make, but it's about I think going back to the values and the aspirations that people have. so people still have the same aspirations and values that we had in the '80s to some extent, so how do we now meet those going forward in this new world in which we're operating?

DANIELLE WOOD: I think that is an excellent note for us to finish on. Can everyone join me please in thanking the State Library, Alex Stott from Grattan who organised this event, and very much thanking our two panellists, Jennifer and Rodney, who have done a wonderful job with disagreeing with each other all evening.

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