What Do We Owe Society? Reflections on COVID-19
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Let us try a thought experiment. Suppose we are designing an autonomous vehicle and need to programme the computer to decide whether to swerve to avoid an infant or an elderly person. We would probably opt to save the infant: the older person has had a life the infant has a longer future to experience.

But what would we do it if we had to provide instructions between swerving to avoid an infant or adult in his or her prime in mid 30s? The adult has family responsibilities and has accumulated human capital from training and education. What would you do? You would probably still decide to save the child and reject an economistic argument as callous and immoral.

This is not a trivial question – it was posed by the head of the computer lab at Cambridge who felt that philosophers and theologians were needed to help computer scientists make choices.

Let's rephrase this question in two areas, both of which use economic reasoning to the detriment of the older generation. Both are real rather than hypothetical thought experiments.

The first was addressed by the Road Research Laboratory: how to decide on investing funds for road safety measures. What was the value to society of saving a life? This led to the calculation of the **Value of Prevented Fatalities.** From about 1970, this took two things into account: the loss of future output; and the future consumption of the individual. This allowed different fatalities to be priced.

The elderly or retired were assumed to have no present output; and their consumption came from savings or old age pensions (a transfer rather than additional consumption) – so their value was nil. To allow for sentiment, they were allocated a subjective value of £5,000. The average value was taken as £17,000. Since more pedestrian deaths were the elderly, and an individual car passenger or motor cyclist was worth over three times a retired person, it made more sense to spend on better motorways than on pedestrian safety measures. This approach was explicitly about economic valuation to society.

The second concept the was developed by two Nobel prize winning economists (Ken Arrow and Gerard Debreu) in the early 1960s was **Quality Adjusted Life Years** – the cost of a medical procedure and the benefit to the individual in terms of added life years, adjusted for quality. The technique was taken up by the NHS and the National Institute for Clinical Excellence (NICE) and applied to areas such as the allocation of resources for renal dialysis. This approach considered the well-being of the individual rather than their value to others.

Politicians were wary of drawing attention to the criteria used in VPF and QALY for resource allocation and did not wish to be seen as valuing the life of one human over another.

What have these measures to do with Covid-19 and issues of intergenerational equity? The answer is – quite a lot.

We know that the death rate rises rapidly with age and is low for young people. To protect the elderly, lockdown was and is imposed, schools and universities suspended, bars and restaurants closed – all with a disproportionate effect on the young. If we were adopting the approach of VPF or QALYs, this policy would **not** have been adopted – the harm to the young was greater than the gain to the elderly.
Both VPF and QALY measures suggest we should NOT adopt policies to protect the elderly at the cost to younger generations. But lockdown policies have protected the elderly – should they?

Some argue that the policy was mistaken. For example, in September, Duncan Maskell**,** vice chancellor of Melbourne University and former head of the School of Biological Sciences in Cambridge, informed the *Sydney Morning Herald* that decision-makers must consider the role of QALY and that:

> *"a life near its end, whether because of disease or advanced age, is empirically different to a healthy life closer to its beginning.' 'My personal view is there should be some form of sensible, public health, QALY-based analysis done and tough calls made. It boils down to a basic but very hard moral philosophy: What is the value of a 90-year-old's life versus the value of the continuing livelihood and happiness of a 25-year-old?.... Personally, I think it is an absolute tragedy that young people's lives are being disrupted.'"*

Similarly, the **Great Barrington declaration** in October thought that the lockdown was mistaken, leading to devastating effects on public health and future excess mortality, and above all causing harm to the young. They argued that those at low risk – the young – should lead their lives normally, return to work and education, and build up herd immunity – and the elderly should stay at home and shield.

The Great Barrington declaration is not widely supported by epidemiologists who doubt herd immunity, are war about the health impact of long covid, and doubt the efficacy of shielding the elderly. The point I wish to make is not the epidemiological effectiveness, but the question whether QALY measures as a sensible way of proceeding. It was used by NICE but has been criticised by the philosopher and bio-ethicist John Harris as being nasty.

In his view, QALYs are 'fatally flawed', 'positively dangerous and morally indefensible'.

- I might prefer one year of healthy life to three years of severe discomfort – but I might still prefer three years of discomfort rather than my immediate death which might give one year of healthy life to you. Why should that decision be made by an algorithm whose assumptions I do not control?
- Or take a cohort of seven people, all with zero life expectancy without treatment; with treatment, six would have remission for one year (a total of six years) but the seventh would have seven years remission. QALYs mean that six have no treatment and die so that the seventh can live.

To Harris, this is ethically reprehensible. It is individuals who lose their lives, and the value of the life belongs to him or her and not to the society as whole. A society that values the lives of its citizens tries to ensure that as few of them die prematurely as possible; QALYs has in this case sacrificed six lives for one; if each wants to go on living for as long as possible, and values the remission, to choose between them on the basis of QALYs gives no value to the lives of six people.

To Harris, QALYs contradict the conception of justice and civil rights by which each person is as morally important as any other – QALYs allows a few to benefit a few at the expense of the many; and above all to assist those who gain the maximum QALYs, the young rather than the old.

To Harris, it is people and not units of life span that matter – QALYs are ageist; and it is for the individual to decide if a short, painful remission is important. Hence to Harris the life of each has the same value as that of any other, and the state must not make choices that abridge civil rights. 'A society, through its public institutions, is not entitled to discriminate between individuals in ways that mean life or death for them on grounds which count the lives or fundamental interests of some as worth less than those of others'.

You might not agree with Harris, and might think that the use of the techniques of VPF and QALYs are entirely appropriate as a way of deciding between spending money on kidney dialysis (one of its first uses) against other interventions, or on motorways versus pedestrianisation. It is something on which you might wish to consider your own position. Harris could be seen as overly individualistic setting the needs of every individual against the collective society.

I intend to proceed by accepting Harris's argument on more practical and pragmatic grounds: there is little popular support for adopting an approach to the pandemic that leads to excess deaths among the elderly.

So, let's assume that economic disruption and lockdowns will continue for some time, with detrimental effects on the life chances of younger people in order to save the lives of the elderly. What we need is to devise other policies that mitigate that harm and reverse a longer-term generational divide which started well before the pandemic and has hit the life chances of those born since the 1980s.

The growing intergenerational divide was stressed by David Willets, the former Conservative minister, in his book *The Pinch Generation*. The baby boomers had pinched assets – housing, pensions – and it was time to give back. He was involved with establishing the Resolution Foundation which has recently published an intergenerational audit of covid-19.

Their graph of generations shows:

- Baby boomers born 1946-65: they came to retirement around the time of the great recession and before covid. They were the big gainers – and before anyone else has the thought, I am one of them.
- Generation X born 1966-80 acquired assets before the recession. Some of the younger members were hit – but they did reasonably well.
- Millennials born 1981-2000 had a double hit from the great recession and now covid.
- Generation Z born after 2000 – even worse.

Let's consider some data to indicate the different experiences:

- **Housing and age of first ownership**.
  The average age of first purchase was 23 in 1960; it rose to 31 in 2007, and 33 in 2017.
  64 per cent of those born in the early 1950s owned their home by age 35; 53 per cent of those born in early 1970s; 46 per cent of those born in early 1980s.

- **Pensions**

The Institute for Fiscal Studies found that in 1979 the median income of a pensioner was two-thirds of the median non-pensioner. In 2009, for the first time, the median pensioner was better off.
The state pension has a triple lock of the highest of increase in average incomes, inflation, or 2.5 per cent which is more generous than in-work benefits.
The basic state pension is expected to be almost double the main rate of unemployment benefit by the mid-2020s.
To fund these pensions, the working age population have a fall in their income to pay for state and private pensions – and will not themselves have such generous pensions from their employer as a result of a shift from defined benefit based on the final salary to career averaging (as in universities) or from defined benefits to defined contributions.

- **Education**
  Shift in definition of tertiary education from a public good to a personal benefit which leaves debt

- **Return larger that growth**
  This is the argument of Thomas Piketty that the return on assets is greater than the rate of economic growth, so that anyone with assets (baby boomers) gains and wealth inequalities widen, for these assets are inherited by their children and grandchildren. The distribution of wealth becomes more unequal, and inheritance means this has an intergenerational impact. The 1981-85 cohort had 25 per cent less wealth in real terms at age 34 than the 1971-75 cohort at the same age.

- **Consumption and savings**.
  Quantitative Easing after 2008 was necessary to prevent the collapse of the financial system but led to higher asset prices that benefitted the richest 10 per cent; their wealth and income rose and the outcome was both a savings glut of the rich, and a larger increase in consumption by the elderly, compared with falls or very small increases for working age. Austerity and economic change that led to greater precarity meant that the lower 90 per cent of the income distribution turned to debt or 'dissaving' to maintain consumption. Those with a savings deficit had problems in coping with economic uncertainty and providing for future perils of old age and sickness.

- **Shifts in labour market**
  The baby boom generation not only had full employment, but a labour market in which even those without formal qualifications could secure steady work in manufacturing. Deindustrialisation removed these jobs: much of the growth in employment was in precarious or lousy jobs, with fewer lovely jobs for those with formal credentials and the ability to benefit from mobility, globalisation. It is a shift from tangible to intangible capital. The gains from one generation to the next stalled for many people.

These trends were all present before 2020 and the pandemic which has further intensified them:
- Pensioners have automatic rises; those on furlough do not – and they are the ones with more precarious jobs; hit the young very badly
- Asset prices have risen (at least as I write), above pre-COVID levels; billionaires have gained
- Growth in precarious jobs in delivery, supermarkets
- Rising national debt which is said to be a charge on the future – issue of what to do.

What these trends before and after COVID suggest is that it is time for the 'pinch generation' that is now being protected by lockdowns, to contribute to society and the next generations.

What ways are there to help the younger generations as we protect the older? Various ideas were being discussed before COVID to address some of the intergenerational issues which are now even more relevant.

Whether they can be implemented depends on political mobilisation: question is whether the young can mobilise and express their grievances. Pensioners had political voice and were more likely to vote, hence the triple lock. But might this change? Data from Deutsche Bank for G7 economies shows that by the early 2030s the electorate will be dominated by generation X and millennials and younger groups.

Various ideas are being discussed - you might feel they are utopian.

- **Tax of inheritances or of wealth**: it had some support from nineteenth century liberals such as John Stuart Mill and Gladstone, and in Conservative party in 1960s to create a dynamic society rather than a 'gerontocracy'. Not just socialist: it is supported by Bill Gates senior and Warren Buffet who said that inheritance is like "choosing the 2020 Olympic team by picking the eldest sons of the gold-medal winners in the 2000 Olympics". Rather than assets going only to the direct heirs and creating growing inequality, could be used by society as a whole.

- **Restore progressive taxation**. The top marginal retention rate – how much of an extra £1 of income was retained – was about 98 per cent in 1913 and about 35 per cent in 1939; by 1950 to about 5 per cent; now 60 per cent. Linked with an increase in the share of income held by the top 0.1 per cent: about 11 per cent in 1913, 1.5 per cent in 1979; now 5-6 per cent. No evidence that leads to more rapid growth/incentives. Could increase top marginal rates and widen the tax base as well as taxing wealth transfers through a lifetime capital receipts tax and property tax based on up-to-date assessments.

- Use the OECD to tackle harmful international tax practices. Deal with tax havens and with treatment of multinational corporations – OECD proposals on 'base erosion and profit shifting' is under consideration.

These measures could produce more revenue and reduce intergenerational inequality. What can the revenue then be used for? Leading economists – Tony Atkinson, Paul Collier and so on - have made suggestions.

- **Child Benefit**: in UK, about 26 per cent of children in poverty [US 29 per cent]. By contrast, Norway 11 per cent. Pay to all children, as taxed income.

- Payment of a **basic income** to everyone who participates. In June 2016, Switzerland voted on a basic income of SFr30,000 per head for everyone regardless of whether they worked. Had support of 23 per cent – being debated/experimented in Brazil, Canada, Finland, Netherlands and India. Can be linked with negative income tax ie withdrawn as wages rise above a threshold, removing poverty traps.

- **minimum inheritance paid on reaching adulthood**, attached to past receipt of Childhood Benefit [ie pro rata by number of years paid Childhood Benefit]. Julian Le Grand proposed the funding should come from increased inheritance taxation; Tony Atkinson from lifetime capital receipts tax, possible restriction to education, apprenticeship, starting a small business, or down payment on housing.

- **Reform of social care** as proposed by Andrew Dilnot in *Fairer Care Funding* in 2011. Clearly, the funding of social care is a major issue in the pandemic, and there was inequity that end of life care for cancer was paid by the NHS but not care for dementia – and if someone was in long term care, it could take all assets. Dilnot's proposal was that everyone above a (higher) means tested threshold should contribute to social care up to a set limit or cap (£35,000) so that they were protected from extreme cost; then the state should take over – a system of 'risk pooling' or collective social responsibility which is a better option than trying to save individually to cover the full cost; more people could plan to save or insure for the cap. It almost passed before the 2015 election. Theresa May then raised the cap to £100,000 which led to criticism of a 'dementia tax'. How to pay for the scheme? It needs more funding of local authorities from the central government. Dilnot saw three options: more revenue from general taxation; shifts in existing spending; or an additional tax on those benefiting from the reforms - the elderly. He did not elaborate, but the solution might be to bring the retired into National Insurance contributions or a tax on inheritance or wealth. Everyone would pay something rather than some a lot and others little. This approach would be more equitable between the elderly, and also across generations by paying into a general pot rather than to heirs which leads to growing inequality.

- Can be a **sovereign wealth fund** such as created by Norway from its oil revenues – and rejected in UK in 1970s. Adopted in France in 2008 in the Structural Investment Fund. Not socialist: found in Singapore; and it is not nationalisation, for money is invested in shares in companies rather than control. Tony Atkinson argued for such a fund in the UK to build up the net worth of the state. 'the net worth of the state is a measure of what we pass on to future generations, and the establishment of a sovereign wealth fund is a vehicle for achieving intergenerational equity'. Some see the current economic crisis as an opportunity to secure a sovereign wealth fund on the cheap.

- **Change emphasis from obsession with the level of national debt** which uses an intergenerational argument: we must not pass on to our children the results of our profligate public spending, and therefore must adopt austerity. This misses the fact that public spending/debt creates assets which are handed on to the next generation. Another way of looking at the issue is to compare national debt with the value of national assets and not GDP. In 1957, the national debt was much higher than the value of state assets by about a third of GDP. By the mid-1970s, the value of state assets was well above national debt to the extent of about 75 per cent of GDP. Since 1979 fallen and now debt is higher than assets by about 20 per cent. This is the 'great divestiture', the transfer of assets to individuals – council houses, sale of nationalised industries. Not deny benefits in some respects – but case can be made that a state with a positive net worth can create a fairer society across generations than one in which assets are held by individuals and passed on to their descendants.

The national debt is clearly a major concern with the pandemic – in this case, spending does not produce an asset. Some argue that spending on support for the economy should not be yet another burden our grandchildren who are suffering now. Level is not excessive compared to war – it is for peace.

The tax reforms could allow the costs of servicing to be met – but even more we need to consider the relationship between three other variables:

- The level of **interest rates**: the crucial point is the cost of servicing the debt. It was high after the First World War, not after the Second as a deliberate act of policy. Interest rates are now

low and are likely to remain low – and can be locked in by extending the duration of government bonds.

- **Inflation**: this played no role in the reduction of the debt after the Napoleonic wars, for prices were about the same in 1914 as in 1815. It did after 1945. The Bank of England has undershot its inflation target and could possibly be allowed to make up the lost ground as some have advocated – and the young would be more favourable to inflation as debtors.

- Above all, **growth:** this is what reduced debt in the 19th century as GDP rose; and also, to a lesser but substantial extent after 1945.

The need is therefore to work on the side of growth rather than debt – and policies that would help the young and precarious. But will growth – even if 'green' – harm future generations by stimulating climate change?

When I proposed these lectures, COVID-19 was unknown. It has brought the questions of what generations owe to each other to the fore in a way that might have the potential for major change in policy. The main point is a simple one: if we are to protect the lives of the elderly rather than adopt the calculus of QALYs, we also need a set of policies that can help the young to create a social contract across generations. Looking after grandparents means positive action for grandchildren.

In my next lecture, I will look at how such contracts across generations have evolved over time. They have changed in the past and might do so again. I will look at how assets are handed on from one generation to another, within families and within communities.

In the third lecture, I will turn to an area where the young have been active: climate change and Extinction Rebellion. What duty do we owe to future, as yet unborn, generations which might not even be born if we destroy the planet and its natural environment?

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