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A "Citizen's Inheritance" is no substitute for robust growth and a functioning housing market

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The surest sign your narrative has political salience is when a think-tank gathers a commission of the great and good to investigate it.

Since publishing *The Pinch* in 2010, former Tory MP David Willetts has forewarned of an intergenerational crisis, like a perturbed *Game of Thrones* northerner warning "winter is coming!" The Resolution Foundation he chairs has gathered leaders of unions, think-tanks, the CBI and others for solutions to head off the looming economic and political difficulties.

Their Intergenerational Commission presents evidence that winter might be here already for millennials. They enjoy amazing technology, greater global connectedness and better employment levels than previous generations. But they earn less than Generation X at the same age and have less job security, and are half as likely as baby-boomers to own a home aged 30.

In the Eighties, a typical household in their late 20s could save for an average deposit in three years. Now it's 19. All this, coupled with decisions since 2010 to squeeze working age welfare while increasing elderly spending, creates conditions ripe for an army of generational jihadists.

Yet these arresting facts are primarily driven by three phenomena: the financial crisis and lower trend productivity growth, a restrictive housing supply leading to structurally high prices and rents, and unfunded but popular state pension and healthcare systems putting rising demands on working age taxpayers as the population ages.

Rather than delineating these underlying causes, and instead treating their consequences as part of an "intergenerational crisis", the report's solutions are inadequate for each. The commission seems largely fatalistic on growth prospects, for example, an improvement of which could do more than anything to improve living standards.

On housing, some proposed measures such as land auctions will help increase supply, but the absence of discussion of planning and green belt liberalisation suggests an unwillingness to really get to grips with the scale of the challenge. Instead there is much focus on making rental tenancies more secure, which will increase their cost, on average.

In other senses, the recommended policies do not indicate an "intergenerational" focus at all, but rather a "redistributive" one. The report calls for increased NHS, social care and state pension spending, all of which primarily benefit the old. They also want a £50k lifetime cap on social care costs, which would primarily benefit asset-rich older people in need of years of social care.

Yes, tax hikes on pensioner income would pay for some of this. But other revenue-raisers have nothing to do with intergenerational concerns. Take the idea of progressive property taxes to replace council tax, which economists favour. The design adopted here, which exempts the bottom-valued 10pc of houses in a region, taxes at 0.85pc on anything between that value and £600,000, with a higher marginal rate of 1.7pc above that, would lead to punitive £10,000-plus annual bills for those in many London and South East homes, hitting both young and old property owners alike.

In fact, the only economically meaningful "intergenerational" policy suggestion is the most controversial: a £10,000 payment to all 25-year-olds, costing £7bn annually, and financed by a new lifetime gift tax.

This isn't a crazy idea way outside of the status quo. Inheritance taxes are deeply unpopular, for good reason. It makes little sense to impose a capital tax at the discontinuity of death. But if you support the idea of levelling wealth, as others appear to, a lifetime gift tax makes sense, and provides a much larger tax base.

Likewise, the welfare state clearly redistributes based on age already. Taxpayers subsidise undergraduate degrees, which arguably is proving socially wasteful given over a third of graduates are going into ostensibly non-graduate jobs. Why not give every 18-year-old a big cash lump sum as a precursor to scrapping degree subsidies entirely?

No, the real problem with the proposal is that it would be a complete dog's dinner, and merely compensate young people for their misfortune rather than address the causes of their woes. Think about the complexity. How would the lifetime gift tax deal with non-legally binding loans from the Bank of Mum and Dad? Would these fall under the tax? This could crowd out a substantial source of intergenerational family support, just at a time young people need it most.

Then there are the restrictions on how one can use the money. You can put it towards education or training or student loan repayment, further subsidising higher education when arguably too many people go already.

You can use it to start a business, which would require a host of regulations to stop people trying to siphon the cash.

You can put it towards a home deposit, merely replacing Help to Buy as a demand-side subsidy for a supply-side problem. Or, perhaps most sensibly, you can invest in a pension, which might return approximately £45,000 by the age of 68. This is meaningful, but it would be politically difficult to sell this as a pro-young intervention, or indeed as a generational one-off to assist millennials affected by the crisis.

That’s not to say this cash wouldn’t help many poorer millennials – it clearly would. But their real problems are manifestations of bigger economic challenges: slow growth, a dysfunctional housing market and an unsustainable welfare state.

For all the grand talk, this commission does little to address the first two and seems more intent on protecting the welfare state economically and politically by making it more generous, rather than reforming it for the coming headwinds.

Like the wall in *Game of Thrones* designed to stop the army of the dead, this all helps delay an intergenerational winter. But if the underlying housing, economic and fiscal problems remain, a £10,000 “citizen’s inheritance” doth not a summer make.

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