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What the boomers are leaving their children

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This January, the first baby boomers turn 65. The huge post-Second World War generation—which numbers 76 million in the United States, makes up almost a third of Canada's population, and according to one estimate, controls 80 per cent of Britain's wealth—will continue to enter their dotage at the rate of tens of thousands per day for the next 20 years. By 2050, there will be 30 million Americans aged 75 to 85, three in 10 Europeans will be 65-plus, and more than 40 per cent of Japan's population will be elderly. In Canada, the ratio of workers to retirees—currently five to one—will have been halved by 2036. And despite the odd dissenter, the generation that still oddly finds Paul McCartney relevant has made clear its intention to take everything it feels it has coming. It will be up to all who trail in their wake to pay for their privilege.

Common sense, not to mention decency, wouldn't call that just. But an outsized, over-entitled, and self-obsessed demographic is awfully hard for politicians to ignore. Take Britain's example. In last spring's general election, the most effective ad run by David Cameron's Conservatives was also one of the simplest: a close-up of a newborn baby, wriggling in a bassinet as a music box tinkled in the background. "Born four weeks ago, eight pounds, three ounces. With his dad's nose, mum's eyes, and Gordon Brown's debt," intoned a female voice. "Thanks to Labour's debt crisis, every child in Britain is born owing £17,000. They deserve better." The point was impossible to miss: the time had come to stop mortgaging the country's future.

As his first act, the new prime minister, a 44-year-old Gen Xer, cut his and his ministers' pay by five per cent, and froze all their salaries for five years. Tackling the U.K.'s $177.5-billion budget deficit and $1.6-trillion-plus national debt—annual interest payments alone stand at $70 billion—would require everyone to sacrifice, he told Britons. But there were also expectations that the burden wouldn't be equally shared. After all, one of Cameron's leading wonks, David "Two Brains" Willetts, now the minister for universities and science, had published a rather pointed manifesto, *The Pinch: How the Baby Boomers Took Their Children's Future—and How They Can Give It Back*, just before the election. After their victory, Thomas

Friedman, the *New York Times* columnist, applauded the coming reckoning for a generation—his own—that had "eaten through all that abundance like hungry locusts." And even as the new government's chancellor of the exchequer, George Osborne, stood before Parliament in mid-October to announce $131 billion in spending cuts over the next four years—and the elimination of as many as 500,000 public sector jobs—the protect-the-youth rhetoric continued. "Today's the day when Britain steps back from the brink," he said, ensuring "that we do not saddle our children with the interest on the interest on the interest of the debts we were not ourselves prepared to pay."

The reality, however, proved to be somewhat different. The age when U.K. citizens can start drawing old-age pension would gradually increase from 65 to 66, but other entitlements like free eye tests and prescriptions for the elderly would remain untouched, as well as winter fuel allowances, and free local transit for anyone over 60. Among the biggest budget losers was the department for education, facing an overall reduction of 10.8 per cent, which according to one economic think tank will translate to funding cuts for 60 per cent of primary schools, and 87 per cent of secondary schools. And the legacy of "Two Brains" for Britain's shafted youth? A 40 per cent cut to post-secondary teaching grants, and a doubling—or in some cases, tripling—of tuition, to as much as $14,500 a year.

On Nov. 10, more than 50,000 angry students gathered in London to rally against the cuts. A video of Nick Clegg, the Liberal-Democrat leader and deputy prime minister, promising to do away with university fees during the election campaign, was greeted with choruses of "wanker, wanker." "They're proposing barbaric cuts that would brutalize our colleges and universities," said Aaron Porter, the president of the National Union of Students. "We're in the fight of our lives. We face an unprecedented attack on our future before it has even begun." Later on, a crowd of several thousand descended on the Conservative Party headquarters, trading punches with police, smashing windows, lighting fires, and for a time, occupying the building.

"The situation for young people is not terribly good," Ed Howker, a 29-year-old London journalist and author, says in a classic bit of British understatement. "And there's no sense from the government that they have the interests of the next 30 or 40 years of Britons in mind." Of the country's 2.45 million unemployed, close to 60 per cent are under the age of 30.The new budget has not only frozen civil service hires, it scrapped two youth jobs funds, slashed rent subsidies, and cut the money for new housing by half. Howker, who along with Shiv Malik wrote the just-released *Jilted Generation: How Britain Bankrupted its Youth*, says the sense of despair is becoming overwhelming. "Our generation just seems to be a lot worse off. In terms of key things like getting stable housing, or a well-paid job, or a successful career, we just don't have it." The boomers' aren't evil, he says, but they nonetheless bear much of the responsibility. The generation that relentlessly mythologizes its "peace and love" heyday became ardent consumers as they aged, and ended up moulding politics in their "me-first" image. "It's a consumer version of democracy, where politicians realized that if they merely satisfied the short-term desires of their electorate, rather than think in the long term and make good decisions on behalf of the future of the country, they would win elections," Howker argues. The bills become somebody else's problem.

Want a scary number? How about $1.5 trillion, the amount the C.D. Howe Institute estimates Canada's rapidly aging boomers are going to cost Ottawa and the provinces in extra health and pension expenses over the next 50 years. Or perhaps 2,500, the number of new long-term care facilities the Canadian Medical Association says will be needed to accommodate the doubling of Canada's 65-plus population in two decades. Sixty thousand is how many RNs the Canadian Nurses Association predicts we will be short by 2022. Or maybe just one per cent, the expected annual amount of real per-capita GDP growth in Canada over the next 30 years as boomers leave the work force—less than half of what we've experienced over the past four decades.

Combine a demographic bulge with a falling birth rate and ever-increasing life expectancy (now 80.7 years at birth in Canada), and pretty much all the figures start looking ugly. "We have a significant challenge ahead of us," says Chris Ragan, a professor of macroeconomics and economic policy at McGill. "The tax base will slow down, and spending will speed up. We can't just do nothing."

Old Age Security, currently costing $33 billion a year, is already the No. 1 item in the federal budget, and Ottawa and the provinces collectively spent $183 billion on health care in 2009. By Ragan's estimate, health and benefit costs will be inflating federal and provincial budgets by a further $56 billion a year by 2040. (Last spring, a TD Bank report predicted health care expenditures in Ontario will rise from the current 46 per cent to 80 per cent of all program spending by 2030.) The options are stark. We can go the route of the U.K. and cut spending, or we can raise taxes. Stand pat, says the professor, and 30 years from now Canada will be back facing the same fiscal wall as it did in 1995, when the debt-to-GDP ratio peaked at 68.4 per cent.

More frightening still is the fact that the U.K.'s debt already stands at 73.1 per cent of GDP. In the tax-phobic United States, the Congressional Budget Office estimates the debt-to-GDP ratio, currently at 62 per cent, will rise to 87 per cent by 2020. Five years later, it will stand at 109 per cent. And by 2035 it will be 185 per cent. Later this month, a bipartisan commission set up by President Barack Obama will flesh out proposals to cut the US$14-trillion national debt by $3.8 trillion. Everything, including cuts to Social Security, Medicare and tax hikes, is reportedly on the table. "I think we need to listen, we need to gather up all the facts," Obama told reporters. "If people are, in fact, concerned about spending, debt, deficits and the future of our country, then they're going to need to be armed with the information about the kinds of choices that are going to be involved." Some of the trial balloons being floated—like raising the retirement age to 69 by 2075—suggest the real burden will be again borne by the post-boomer generations.

In October, the Center for Strategic and International Studies, a Washington think tank, debuted its Global Aging Preparedness Index, ranking both the fiscal sustainability and the adequacy of government benefits for the elderly. Canada was in the middle of the pack in both categories, ninth and 11th respectively. France, Spain and Italy were judged to be in an even deeper hole than the U.K., Japan or the U.S.: facing not just debt problems, but spiralling pension and health care costs, as well as some of the lowest birth rates in the developed world. India, with a relatively young population, meagre benefits, and close to 83 per cent of its elderly citizens already living with their children, looks best prepared for the coming storm.

But surely, the best-educated generation in history, not to mention the trailing Gen X, Y and the millennials, must understand all of this: how precarious the global situation already is, and the dangers facing Canada. How we all must prepare. Seemingly not. Household debt in this country reached $1.41 trillion last December, according to a study by the Certified General Accountants Association of Canada, about 2.5 times greater than the 1989 amount. The personal debt-to-income ratio reached a new record high of 144.4 per cent at the end of 2009. And 43 per cent of Canadians admitted to being concerned about their retirement, yet 32 per cent were committing nothing to savings or RRSPs. (Not surprisingly, young people, trailing school loans and other debts, save the least, with only 19 per cent putting 10 per cent or more of their earnings away, according to a different 2009 survey.)

And many of us are either too scared, or stupid, to even risk reading the tea leaves. Close to half of respondents to a new national retirement survey by Bensimon Byrne, a Toronto ad agency, said they had not yet calculated how much income they will receive when they stop working. But 86 per cent said they expected CPP, and 83 per cent Old Age Pension, to be crucial pieces of their financial puzzle. And 77 per cent are counting on eventually selling their house or condo to finance their golden years.

A capital idea. But what happens when millions of boomers all start selling off their homes to the far smaller and less wealthy generations working their way up the food chain? The baby boom generation who "have driven up housing demand and prices for three decades" could have the opposite effect once their mass sell-off commences, Dowell Myers, a University of Southern California demographer, wrote in a 2008 examination of the "generational housing bubble." Crunching the numbers state by state, he concluded that the current subprime-inspired meltdown may well pale in comparison to what lies ahead: lots and lots of sellers, far fewer buyers, and a two-decade long slump. "Whereas the major housing problem was once affordability, it could now be homeowners' dashed expectations after lifelong investment in home equity." The study won a prize from the American Planning Association.

Experts in Canada tend to be more optimistic about the fate of the domestic real estate market, but in a country where close to 40 per cent of personal wealth is now tied up in home ownership, even a small price drop could have drastic consequences. Boomers may have big dreams about retirement in sunny climes, or riding their Harley Davidsons into the sunset (the average age of U.S. motorcycle riders is now 47, up seven years since 2000), but they certainly haven't figured out how to pay for it all. A recent TD Bank survey found that just 44 per cent of Canadian boomers have actually paid off their mortgages. And among those who haven't, a quarter still had 75 per cent or more of the debt left to pay down.

The cover of the October edition of *The Atlantic* features a cartoon of *Doonesbury*'s Zonker—a blissed-out hippie for 40 years and counting—rolling up his sleeves as the sun sets in the background. "The boomers' last chance," promises the sell for the story by Michael Kinsley. Part generational apology "for ruining everything," and part call to arms, the piece suggests he and his contemporaries have just "19 years to redeem themselves." Kinsley's big idea—offering the next generation a fresh start by reducing the national debt, massively investing in education, and repairing America's crumbling infrastructure—sounds nice. Although in true boomer fashion the "extraordinary historic" fix he proposes—flat taxing the inheritances they are about to receive from their parents, and might reasonably have been expected to one day pass on to their own kids—somehow misses the point. Net cost to his "self-absorbed, self-indulged, and self-loathing" generation? $14 trillion of somebody else's money.

A truer indication of the kind of battles that boomers are girding to fight can be found in the news pages: a growing movement to enrich, or even double, Canada Pension Plan benefits, via substantially higher premiums for businesses and the ever-shrinking work force. Or last week's decision by the Canadian Human Rights Tribunal reinstating two Air Canada pilots who were forced, under company rules, to retire from flying at age 60. "This will be welcome news for all Canadians that one more element of age discrimination has been undone," proclaimed Susan Eng, vice-president of advocacy for the Canadian Association of Retired Persons (CARP). "The decision is especially important for those people who must stay in the labour force for economic reasons or simply for the dignity of work."

Boomers seeking to extend their careers—by any means necessary—is a growing trend. Substitute teaching, once a way for young education grads to get into the profession, is now dominated by retired "double-dippers" collecting both a teacher's pension and a paycheque. Law firms in the U.S. are redrawing policies that forced older partners out in the aftermath of two high-profile age discrimination lawsuits, and greying Bay Street hotshots are now quietly pushing to remain at the top of their profit pyramids for longer. Whatever the reasons—debt, divorce, pride—baby boomers are serving notice that they don't want the gold watch and farewell parties they foisted on their elders. The Bensimon Byrne survey found that 62 per cent of Canadians between 50 and 64 expect they'll continue to work full or part time after hitting "retirement" age.

Recent graduates already at a disadvantage from the recession (a study by Canadian economists found it can take up to 10 years for those who enter the workforce during bust times to catch up on wages) could face even more challenges. That's an already well-established pattern in Europe where the youth employment rates and standards of living are significantly lower now than just a generation ago. French sociologist Louis Chauvel has even coined a term for such unfortunates: "babylosers."

The defining characteristics of the baby boomers have been their sense of self-importance and limitless entitlement. And Kinsley's plea aside, there is little reason to expect that will change any time soon. If anything, it's getting worse as they age. "The yuppies have become the grumpies," says Frank Graves, president of EKOS Research. "They're reluctant to give anything up. It's like Charlton Heston: 'From my cold, dead hands!' "

In the recent U.S. mid-term elections, boomer angst and anger fuelled the rise of the Tea Party and right-wing Republicans. And in Canada, suburban boomers—generally less educated and less well off than their downtown compatriots—form the base for Stephen Harper's Conservatives, and every-schlub Rob Ford's hostile takeover of Toronto City Hall. As perhaps their final legacy, boomers are dominating politics the same way they have transformed every other aspect of our society. To be sure, politicians share the blame for cynically playing to them. But it can't last forever. At least, not unless somebody rediscovers Ponce de Léon's fountain of youth.

"In five to 10 years we're going to start seeing a different Canada emerging," predicts Graves. Younger Canadians who don't vote now will start turning out in numbers as they age—but without the traditional party allegiances. (Ekos's surveys consistently suggest under-25s would elect a Green party majority.) Gen Y, who according to a study by a University of New Hampshire management professor score even higher for entitlement and narcissism than their parents, will slowly take over. And the concerns of boomers will start becoming less and less important, just like their position in the consumer markets they once dominated. "Unless they're buying Viagra or upright bathtubs, nobody cares anymore," says Graves.

And the truth is, the brewing war between generations will feature more clashes around conference tables than riots in the streets. Hallmark programs like old-age pensions and health care are too important to young and old alike to let wither and die, so fixes will eventually be found. American journalist Ted Fishman, the author of the new book *Shock of Gray*, says an aging society presents a lot of other changes that we should be worried about, like soaring rates of road accidents, depopulating suburbs and denser downtowns as seniors cluster closer together, and the stresses for young people who will be balancing careers, families and the care of their elders.

Greying populations aren't just a European or North American problem, they are now a global phenomenon. "You can't escape from it anywhere in the world," says Fishman. As boomers have gotten older, and more expensive to employ, our search for cheaper labour and goods has created a "feedback loop" in the developing world. China, with its "21st-century urban industrial wonderlands filled with young people siphoned out of the countryside," is now aging faster than any place on the planet, he notes. The combination of rapidly growing cities, better wages and higher educational aspirations are shrinking families worldwide.

The real paradigm shift might be in learning to view this inexorable greying of the globe as a good thing, rather than a problem. "On balance it's all overwhelmingly positive," says Fishman. "An aging world happens because people live longer, and because women can achieve their aspirations and don't have time for big families. We'll be investing much more in the well-being of the kids we do have, their feeding and education. They're the pillars for future economic development and prosperity."

Now all we have to do is convince the boomers that it's finally no longer all about them.

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