



ADAM SMITH  
INSTITUTE



# My Generation

**Introducing the Next Generation Centre**

Sam Bidwell

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**Cover Image** - Maxwell Marlow

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# EXECUTIVE SUMMARY

- An enormous political, economic, and social gulf has emerged between younger people - particularly those under 40 - and their parents. The chasm between younger people and their grandparents is even more pronounced.
- Politically, young people are disengaged and prone to radicalism, with a tendency to be highly sceptical of established institutions and ideas. There is a concerning growth in scepticism of liberal democracy, its institutions, and market economics amongst the next generation, and an outright rejection of traditional centre-right politics.
- Political dissatisfaction and disengagement amongst younger people is directly informed by their material circumstances. For too many young people today, there is a pervasive feeling that our economy no longer works for them. Without the opportunity to build a stake in society, there is little reason for them to defend established institutions and ideas.
- In particular, we have identified six areas of economic life in which young people today face challenging conditions:
  1. Housing Affordability
  2. Rental Costs
  3. Taxation
  4. Higher Education and Professional Prospects
  5. Family Formation
  6. Savings
- Taken together, these conditions create an environment in which young people do not have the same opportunity to achieve the stable, prosperous economic conditions enjoyed by their parents and grandparents. In turn, these conditions are the result of an approach to economic policy-making which seeks to eliminate risk-taking from our economy, thereby stifling dynamism and protecting vested economic interests. However, this status quo is not inevitable. With the right ideas and the right policies, Britain can once again become a country that works for young people.
- Not only is it possible to deliver greater opportunity for young people, but doing so has the potential to be enormously popular. As case studies in Canada and New Zealand show, a positive agenda which promotes greater ownership and opportunity for young people can deliver considerable electoral gains for parties which have traditionally promoted these values.
- This is why we are launching the Next Generation Centre at the Adam Smith Institute, which will promote bold new ideas produced by young people, for young people, with the aim of delivering greater opportunity to the next generation through market economics.

# INTRODUCTION

*“The old man is always wrong; and the young people are always wrong about what is wrong with him. The practical form it takes is this: that, while the old man may stand by some stupid custom, the young man always attacks it with some theory that turns out to be equally stupid.”*<sup>1</sup>

So said the English philosopher G.K. Chesterton, writing for the *Illustrated London News* in June 1922. If intergenerational relations were strained in Chesterton’s day, they have practically disintegrated a century later. An enormous political, economic, and social gulf has emerged between younger people - particularly those under 40 - and their parents. The chasm between younger people and their grandparents is even more pronounced.

Politically, young people are disengaged and prone to radicalism, with a tendency to be highly sceptical of established institutions and ideas. The most acute manifestation of this anti-establishment tendency is the complete collapse in support for the Conservative Party amongst younger people, in sharp contrast to the Party’s strong base of support amongst older voters.

This intergenerational gap is the direct result of an economic model that has failed to deliver adequate prosperity for younger people. In particular, the modern British economy has failed to deliver affordable housing, reliable career progression, and adequate conditions for family formation, all of which have traditionally delivered a ‘stake in society’ for upwardly mobile younger people. Without this stake in society, younger people have little reason to defend the institutions and systems which underpin our existing social order.

In the words of Edmund Burke, “[society] is a partnership...not only between those who are living, but between those who are living, and those who are to be born.”<sup>2</sup> For at least the past century, each generation has been promised implicitly that it will have the same opportunities as - or greater opportunities than - the previous. When that promise is reneged upon, we shouldn’t be surprised when the result is a rejection of the status quo.

As a result of misconceptions about the role that ‘capitalism’ has played in producing these negative economic outcomes, market-oriented policies have received undue criticism from some quarters. In fact, our existing economic landscape is the result of risk-averse policymaking which seeks to eliminate harms rather than striking a balance between risk and reward - in a number of areas, bad regulation is stifling opportunity. The solution is not to shy away from market economics, but to embrace the ability of markets to deliver opportunity.

There is a growing recognition in the political mainstream of the need to deliver greater economic opportunity for younger people. To make serious headway on this agenda, politicians and policymakers must be equipped with ambitious policy solutions to the issues that young people face, which bridge the gap between ideas and action. This will be the purview of the Next Generation Centre - a sustained policy initiative, focused on delivering greater opportunity for younger people through market-based policy proposals.

As we launch the Next Generation Centre, we look forward to working alongside those in Government and across politics who share our beliefs. We also look forward to continuing the Adam Smith Institute’s proud legacy of championing the interests of younger people through market-oriented economics, which stretches back to the ASI’s foundation in 1977 and to the philosophy of Adam

<sup>1</sup> G.K. Chesterton, *Collected Works*, Vol XXXII: *The Illustrated London News 1920-22*, Ignatius Press, 1989, Pg. 383

<sup>2</sup> E. Burke, *Reflections on the Revolution in France*, 1790, pg. 192-93

Smith. It was Smith himself who praised the “*contempt of risk and the presumptuous hope of success*” that he felt to be characteristic of younger people.<sup>3</sup> Nearly 250 years later, that animating spirit is just as potent, and the opportunities of unleashing it are just as profound.

## WHERE WE ARE: YOUNG PEOPLE AND POLITICS

According to polling conducted by JL Partners and published in autumn 2022, 61% of 18-34 year-olds in the UK agree that “*having a strong leader who does not have to bother with Parliament and elections would be a good way of governing this country.*” Just 29% of over-55s surveyed agreed with the same statement.<sup>4</sup>

The British edition of the World Values Survey (conducted 2017-22) identified that only 40% of Britons under-29 felt that “*hard work brings success*”.<sup>5</sup> Perhaps that’s why, in a 2021 poll from Forefront Market Research, 67% of Britons aged between 16 and 34 said that they would like to live in a socialist economic system.<sup>6</sup>

When surveyed by YouGov in April 2022, just 24% of respondents aged between 25 and 49 agreed that British democracy successfully addressed their needs; amongst those under-25, that figure dropped to 19%.<sup>7</sup> According to the Electoral Commission, 60% of those aged 20-24 and 74% of those aged 25-35 were registered to vote in 2022, as compared to 96% of those aged over-65.<sup>8</sup>

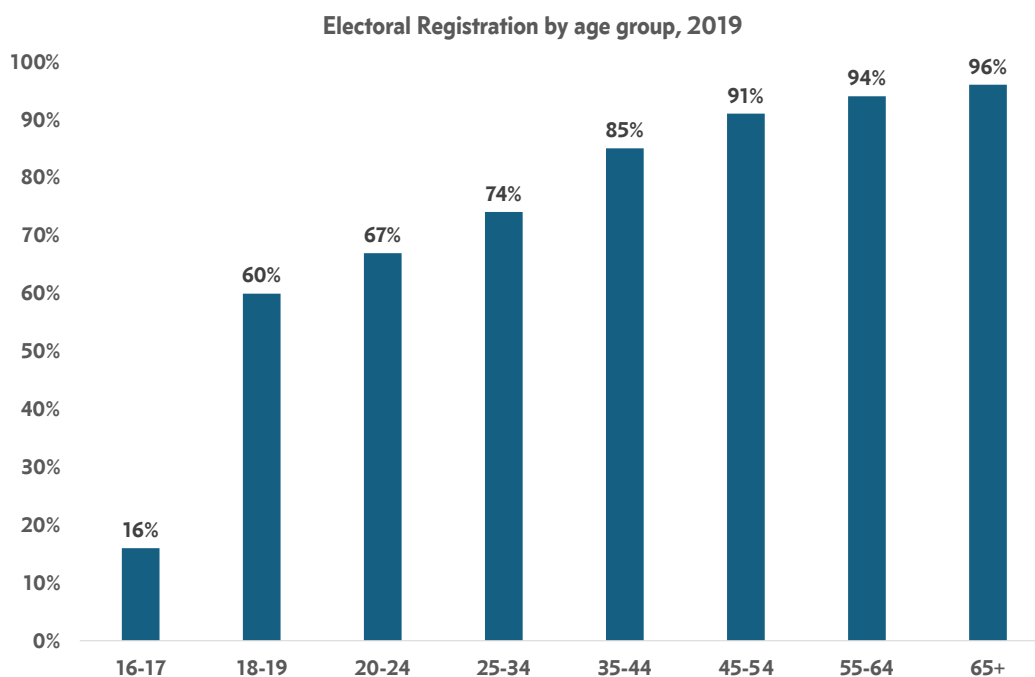


Figure 1: Electoral Registration by age group, 2019, Electoral Commission

<sup>3</sup> A. Smith, *The Wealth of Nations*, 1776

<sup>4</sup> L. Stanley, W. Tanner, J. Treadwell, J. Blagden, *The Kids Aren’t Alright*, Onward, 2022, pg. 19

<sup>5</sup> World Values Survey, *World Values Survey Wave 7 (2017-22): UK - Great Britain*, 2022, pg. 53

<sup>6</sup> K. Niemietz, *Left Turn Ahead?*, Institute for Economic Affairs, 2021, pg. 7

<sup>7</sup> P. Patel, H. Quilter-Pinner, *Road to Renewal: Elections, Parties, and the Case for Renewing Democracy*, 2022, pg. 23

<sup>8</sup> Electoral Commission, *Explore the data: who is and isn’t registered to vote?*, accessed 13th February 2024

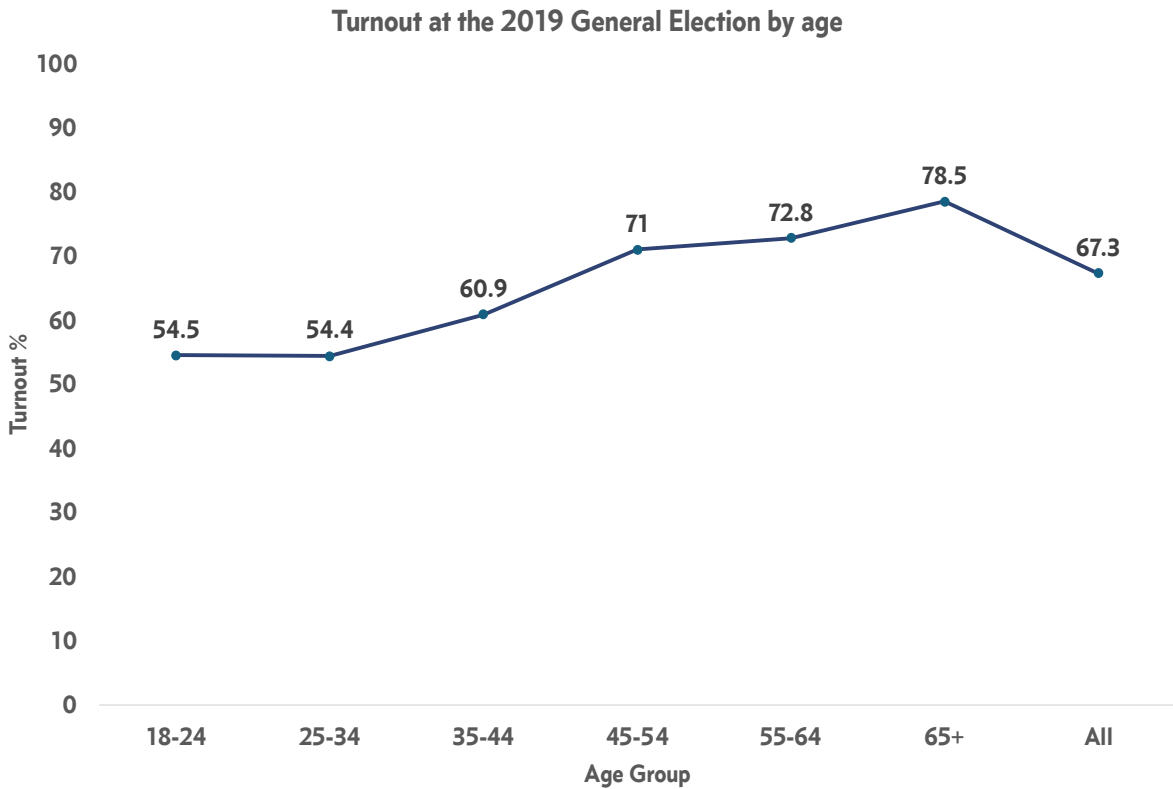


Figure 2: Turnout at the 2019 General Election by age, Electoral Commission

These are not signs of a healthy political climate. Younger people are disengaged, disenchanted, and disillusioned; they feel that hard work does not correlate with success, and are drawn to political radicalism.

Disengagement amongst young people is a particularly acute concern for the mainstream centre-right. A number of recent opinion polls indicate a near-wholesale collapse in support for the Conservative Party amongst younger voters.

A YouGov poll published in September 2023 reported just 1% support for the Party amongst voters aged 18-24, and 8% support amongst voters aged 25-49.<sup>9</sup> At time of writing, the most recent YouGov poll (conducted 14-15 February) puts the party's support at 11% amongst 18-24s, and 15% amongst 25-49s.<sup>10</sup> For reference, at the 2019 General Election, the Party won support from 21% of voters aged 18-24, 23% from voters aged 25-29, 30% from voters aged 30-39, and 41% from voters aged 40-49.<sup>11</sup>

The Conservative Party has traditionally argued in favour of Britain's existing constitutional settlement, and in support of market-oriented economic policy. It should not surprise us that declining faith in those institutions is matched by declining support for their traditional political standard-bearer.

However, the repercussions of a generation which has lost faith in markets and democracy go well beyond the political impact on the Conservative Party. History shows us declining faith in institutions amongst younger people risks lending credence to radical, often violent political ideologies.

<sup>9</sup> YouGov/The Times, Westminster Voting Intention (conducted 26-27th September 2023), 2023

<sup>10</sup> YouGov/The Times, Westminster Voting Intention (conducted 14-15th February 2024), 2024

<sup>11</sup> A. McDonnell, C. Curtis, How Britain voted in the 2019 general election, YouGov, 2019

We should not be lulled into a false sense of security by the relative stability of Britain's political and social order in previous centuries - with the right political conditions, it can happen here too.

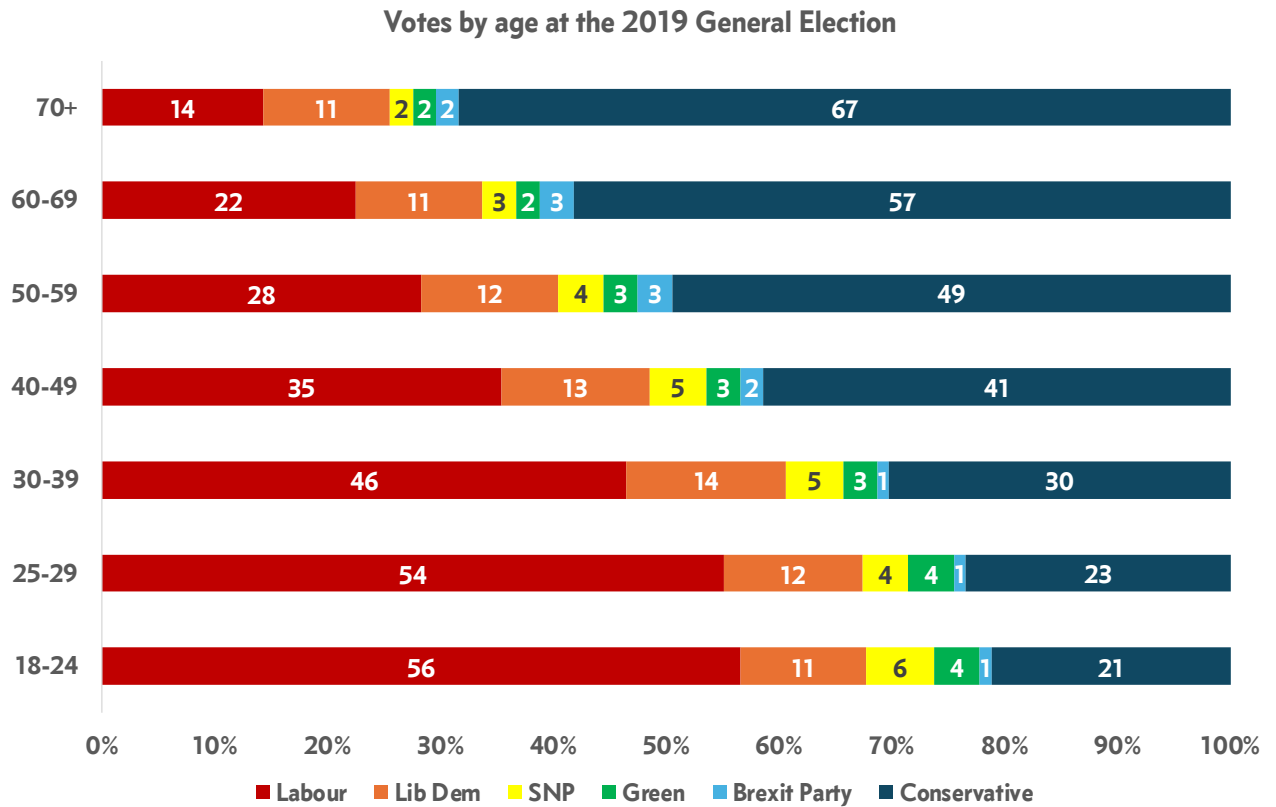


Figure 3: Votes by age at the 2019 General Election, Electoral Commission

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## WHERE WE ARE: YOUNG PEOPLE AND THE ECONOMY

Given these stark findings, those who believe in the value of democracy and market economics should seek to identify the source of this discontent as a precondition for fixing it.

Fortunately, the question of why younger people are so dissatisfied with the political status quo has a relatively straightforward answer. In the words of American political consultant James Carville - "it's the economy, stupid."

Political dissatisfaction and disengagement amongst younger people is directly informed by their material circumstances. In many ways, some of which are examined below, young people have had

a worse experience of the economy than their parents or grandparents. This is particularly true of key economic ‘milestones’, such as homeownership, family formation, and career progression, all of which have been markedly more difficult for younger people.

In turn, these declining material conditions stand to undermine one of the implicit promises of British politics: that the opportunities available to each generation will exceed those available to the previous. At the very least, each generation expects to be able to attain the same level of material comfort as their parents. This assumption gives young people a reason to work hard at the beginning of their careers (which, in turn, helps to grow the economy) and to cooperate with established institutions.

Systems like Parliamentary democracy and a volunteer military service are reliant upon this cooperation.

Radical systematic change will seem altogether less appealing if the system delivers, and protects, opportunity and prosperity. Given that the promise of improved material conditions has not been kept, many younger people have lost faith in the efficacy of existing institutions, like democracy and markets.

The idea that our modern economy disadvantages younger people is not a new one. Writing in 2017, the Adam Smith Institute’s own Dr. Madsen Pirie observed that:

*“It really does seem to young people that any perks and privileges available to them pale into insignificance compared to those on offer to the elderly. Many of those who say they speak for the young claim that society is tilted against them.”<sup>12</sup>*

Even older is Lord Willetts’ *The Pinch* (2010), which made similar arguments about the extent to which the economic conditions facing younger people represent a failure to adhere to the implicit intergenerational contract at the heart of our politics. The emergent political trends identified above have sparked a renewed interest in this subject in recent years.

So, how exactly is the economic status quo skewed against younger people? Below are six areas of economic life in which younger people face worse conditions than their parents and grandparents. This analysis focuses on areas of economic life which have traditionally delivered – either in practice or in promise – a ‘stake in society’, or which have traditionally been identified as economic ‘milestones’.

## 1) HOUSING AFFORDABILITY

For younger people today, access to housing is worse than it was for their parents and grandparents.

From a low ebb of £154,452 in March 2009, the average UK house price has risen to £284,691 as of the latest published figures in December 2023,<sup>13</sup> an 84% increase over a period of just 14 years. While there is considerable variation between regions – with an average house price in London of £508,037, versus £137,557 in the North-East of England,<sup>14</sup> every region of the UK has seen a notable increase in house prices over the same period. Data published by Halifax in 2023 found that the average deposit for those saving to buy their first home in 2022 was just over £62,000,

<sup>12</sup> Dr. M. Pirie, *A Millennial Manifesto*, Adam Smith Institute, 2017, pg. 1

<sup>13</sup> UK House Price Index: December 2023, Office for National Statistics, 2024

<sup>14</sup> Ibid



up 8% on the average in 2021.<sup>15</sup> Go back to 1990, and we find that the average deposit stood at just £6,793.<sup>16</sup>

This is particularly troubling when taken in conjunction with the fact that wages have not risen at anywhere near the same rate as house prices. The result is a crisis of affordability, whereby young people cannot save enough money to afford to buy their own home. In 2012, the campaign group Generation Rent estimated that it would take the average first-time buyer 6.8 years to save for a mortgage - today, they estimate that rising house prices (and rising rental costs) have added almost three years to this figure, which now stands at an estimated 9.6 years.<sup>17</sup>

This crisis of affordability is beginning to have a direct impact on levels of homeownership amongst younger people. In 2021-22, 41% of those aged 25-34 were recorded as homeowners,<sup>18</sup> down from 51% in 2008-09.<sup>19</sup> The dream of homeownership, one of the most tangible examples of the inter-generational contract outlined earlier in this paper, is becoming more and more distant for many young people.

## 2) RENTAL COSTS

For younger people today, affording the cost of rent is a greater challenge than it was for their parents and grandparents.

According to data published by the ONS at the end of 2023, the cost of renting a property from a private landlord is rising at the fastest rate since records began in 2006, while the proportion of salary that private renters spend on rent is far higher than in previous decades.<sup>20</sup> Whereas private renters in the 1960s to 1980s spent approximately 10% of their salary on housing costs, rising to 15% in London, today's private renters spend over 30% of their salary on housing costs, rising to nearly 40% in London.<sup>21</sup>

While renters are not exclusively younger people, they are disproportionately likely to be renters - “[w]ith a mean age of 41 years, private renters tend to be younger than social renters (53 years) and owner occupiers (58 years). The age profile of private renters reflects this. The most common age group is 25 to 34 year olds, who account for almost one third (32%) of private rented households.”<sup>22</sup>

Rising rental costs are linked inextricably to the aforementioned crisis of housing affordability. Not only are rental costs driven by many of the same factors which drive housing affordability, but rising rental costs are one of the factors which make it harder for young people to save money each month, thus delaying their ability to afford a mortgage.

<sup>15</sup> Cohabitation nation - more than six in ten first-time buyers go joint to get on housing ladder, Halifax, 2023, accessed 18th February 2024

<sup>16</sup> W. Lewis, Housing deposits increase tenfold in 20yrs, First Direct, 2011, accessed 18th February 2023

<sup>17</sup> Saving for a mortgage now takes a decade, Generation Rent, 2023, accessed 18th February 2024

<sup>18</sup> English Housing Survey 2021 to 2022: Headline Report, Department for Levelling Up, Housing, and Communities, 2022

<sup>19</sup> English Housing Survey 2008 to 2009, Department for Communities and Local Government, 2010

<sup>20</sup> Index of Private Housing Rental Prices, UK: January 2024, Office for National Statistics, 2024

<sup>21</sup> N. O'Brien, Green, Pleasant, and Affordable, Onward, 2018, pg. 11

<sup>22</sup> English Housing Survey 2019 to 2020, Ministry of Housing, Communities, and Local Government, 2021, pg. 7

### 3) TAXATION

For younger people today, taxation is more burdensome than it was for their parents and grandparents.

The UK's tax burden is historically high. According to the OBR, the UK tax burden is projected to stand at the equivalent of 36.3% of GDP in 2023/24,<sup>23</sup> a marked increase from previous decades. The tax burden fell from a high of 33.9% of GDP in 1982 (still lower than today's rate) to a low of 27.4% in 1993, largely as a result of cuts to the top and basic rate of income tax during the period.<sup>24</sup> The Adam Smith Institute has calculated that in 2023, the average Brit worked for 45% of the year, or 169 days, for the Exchequer instead of for themselves.<sup>25</sup>

Given the aforementioned higher housing costs, and the stagnant career prospects detailed below, the rate of taxation currently imposed will have a disproportionately negative effect on younger people at the beginning of their careers, who are more likely to experience a feeling of being "squeezed" by the cumulative impact of these costs. The decision to freeze personal tax thresholds in April 2021 (where previously those thresholds were expected to rise in line with CPI inflation) will exacerbate this feeling, due to the resultant 'fiscal drag', whereby a greater proportion of salaries will be subject to taxation, and at a higher rate.

While this 'fiscal drag' - and the UK's historically high rate of taxation in general - have a considerable impact on all working-age people, the impact on younger people at the beginning of their careers will be more pronounced, as a result of the other financial burdens outlined elsewhere in this section.

It should also be borne in mind that the increased tax burden is, in part, driven by increased public expenditure on pensions, healthcare, and social care, government services which are used disproportionately by older people. To take just a single example, the cost of the state pension is projected to have risen by £78 billion since the introduction of the triple lock in the 2011/12 financial year.<sup>26</sup> Increasingly, the UK's tax system seems to levy disproportionate burdens on younger people in order to fund services which are disproportionately used by older people.

### 4) HIGHER EDUCATION AND PROFESSIONAL PROSPECTS

For younger people today, graduating from university is less lucrative and more expensive than it was for their parents and grandparents.

Amongst developed economies, the UK has one of the highest rates of university education. According to research conducted by the House of Commons Library, the higher education entry rate among UK 18 year olds increased from 24.7% in 2006 to 30.7% in 2015 and peaked at 38.2% in 2021. It fell back to 35.8% in 2023.<sup>27</sup>

<sup>23</sup> I. Jones, UK tax burden remains set for post-war record high, despite cuts, *The Independent*, 2023, accessed 18th February 2024

<sup>24</sup> The UK's tax burden in historical and international context, Office for Budget Responsibility, 2023, accessed 18th February 2024

<sup>25</sup> Adam Smith Institute, Tax Freedom Day. <https://www.adamsmith.org/taxfreedomday>

<sup>26</sup> M. Feeney, R. Colville, *Justice for the Young*, Centre for Policy Studies, 2023, pg. 4

<sup>27</sup> P. Bolton, Higher education student numbers, House of Commons Library, 2024, pg. 6

However, this improved rate of engagement with higher education does not necessarily translate into improved prospects. Experiences of higher education for many young people today are characterised by relatively little practical improvement to earning potential, and an additional long-term cost in the form of student loan repayments.

According to research undertaken by the Institute for Fiscal Studies, 42% of university-educated workers outside of London work in a job that does not require a degree, up from 31% in 1993. In London, the rate has remained stable over the past three decades, at between 37 and 38%. Put simply, about 4 in 10 graduates do not work in a job which requires a degree.<sup>28</sup> The value of the ‘graduate premium’ in Britain has actively declined in relation to other developed economies, too - on the eve of the global financial crisis in 2008, UK graduates made just 8% less than their US counterparts. Today, that gap has ballooned to 27%.<sup>29</sup>

However, despite this unreliable link between higher education and improved career prospects, graduates are nevertheless saddled with significant debt which is repaid, in practice, in the same manner as an additional tax on income. Since 1998, student loans have been repaid through payroll, in the same manner as income tax - as of 2024, graduates who started their undergraduate studies between September 2012 and July 2023 are taxed at a rate of 9% on income above the repayment threshold, which is currently set at £27,295.<sup>30</sup> Any debt which is not repaid is cancelled forty years after graduation.

According to the Government’s latest projections, just 27% of full-time undergraduate students starting in academic year 2022/23 are expected to repay their loans in full - for 73% of graduates, student loan repayments will function as an additional tax for the first forty years of their careers.<sup>31</sup> A graduate with average levels of debt would need to earn an average of £62,795 or more per year across their career to repay their loan plus the accrued interest.<sup>32</sup>

For too many young people today, higher education provides limited additional job opportunities, while imposing a considerable and long-standing financial burden.

## 5) FAMILY FORMATION

For younger people today, it is more expensive to start a family than it was for their parents and grandparents.

The UK has a declining fertility rate. As of 2021 (the last year in which this figure is available), total fertility rate (TFR) in England and Wales stood at 1.61, down from 1.94 in 2012.<sup>33</sup> In practical terms, this means that the average number of children per woman in Britain stands at 1.61.

At the same time, the UK has high costs associated with raising children, though precise estimates vary. According to analysis from The Times, the average cost of raising a child in the UK from birth to 18, including housing and childcare costs, now stands at £223,356, or about £12,400 a year.<sup>34</sup>

<sup>28</sup> X. Xiaowei, The changing geography of jobs, Institute for Fiscal Studies, 2023, pg. 2

<sup>29</sup> J. Burn-Murdoch, Britain’s graduates are being short changed while America’s are rich, The Financial Times, 2023, accessed 18th February 2024

<sup>30</sup> Student loans: a guide to terms and conditions, 2023-24, Student Loan Company, 2024, accessed 18th February 2024

<sup>31</sup> Student loan forecasts for England, Department for Education, 2023, accessed 18th February 2024

<sup>32</sup> R. Uddin, Number of UK graduates repaying loans rises to 2.5mn, 2023, accessed 18th February 2024

<sup>33</sup> Births in England and Wales: 2021, Office for National Statistics, 2022, accessed 18th February 2024

<sup>34</sup> J. Brown, How much does it cost to raise a child in the UK?, The Times, 2024, accessed 18th February 2024

2023 research from the Centre for Research in Social Policy at Loughborough University suggests that the full cost of raising a child over 18 years would amount to £166,218 for a couple. However, it should be noted that the Loughborough University analysis is based on average costs in the East Midlands, “so will be even higher in parts of the UK such as the South East and London.”<sup>35</sup>

These considerable costs have risen in recent years, and have risen at a considerably greater rate than salaries. Between 2003 and 2016, the cost of raising a child increased by a staggering 65%,<sup>36</sup> with costs increasing slightly, according to most estimates, between 2016 and today, driven by both rising housing costs and increases in the cost of childcare.

While the direct impact of economic conditions on TFR is difficult to model accurately, due to the high number of variables which influence TFR, we might logically draw a link between high costs associated with raising children and a lower tendency amongst younger people to have children.

Even if we do not believe that the cost of raising children is linked to declining TFR, we should still recognise that high costs for young parents represents a bad economic outcome in and of itself. Alongside a historically high tax burden and rising housing costs, high costs associated with raising children present yet another economic challenge for young people.

## 6) SAVINGS

For younger people today, it is harder to save for the future than it was for their parents and grandparents.

According to research conducted by the Intergenerational Foundation in 2023, only 65% of those aged 16-34 have enough savings to be able to withstand a three-month-long 25% loss of income.<sup>37</sup> The Financial Conduct Authority paints an even bleaker picture, and estimates that just 66% of UK adults have less than £1,000 in savings, with this figure falling to 53% amongst 18-24 year olds.<sup>38</sup>

It's not difficult to see why - the rising costs and restricted earning opportunities outlined previously create an environment in which precarity is the norm for too many younger people. Add high housing costs to the equation, and the prospect of putting money away each month is simply a bridge too far. The result is a generation susceptible to the unexpected, and unable to plan for the future.

## WHY WE ARE WHERE WE ARE: THE DECLINE OF DYNAMISM

Taken together, these figures paint a bleak picture of an economy that is not working for younger people - traditional economic milestones are more difficult to reach than in decades past, and the relative prosperity of previous generations has given way to a generation for whom precarity is the norm.

This economic landscape is the product of sustained, deliberate policy choices. It is not inevitable, nor is it consistent with the conditions faced by previous generations. What, in turn, underpins

<sup>35</sup> J. Stone, M. Padley, *The Cost of a Child in 2023*, Centre for Research in Social Policy, Loughborough University, 2023

<sup>36</sup> P. Collinson, *Cost of raising children in UK higher than ever*, *The Guardian*, 2016, accessed 18th February 2024

<sup>37</sup> A. Haglund, *The savings squeeze: young people locked out of the benefits of saving*, Intergenerational Foundation, 2023

<sup>38</sup> L. O'Brien, *UK Savings Statistics 2024*, *money.co.uk*, accessed 18th February 2024



these policy decisions? One of the UK's core problems is a culture of risk-aversion in policy-making, which seeks to eliminate risk from our economy at all costs, while protecting the interests of established economic stakeholders through state intervention.

Rising house prices and soaring rental costs are the direct result of a lack of housing undersupply - in turn, this is the result of a planning system that tries to control for any and all risks, while giving enormous influence in the planning process to established economic stakeholders (e.g. homeowners).

By the same token, our flawed higher education funding system is partly shaped by a desire to ensure adequate funding for established stakeholders - in this case, UK universities which might not otherwise be financially viable. Any proposals to reform this system are met with arguments about the risk that reform would pose to our higher education sector, even as existing higher education provision fails to deliver acceptable outcomes for many graduates.

Even stagnant wages and diminishing career prospects can be partly attributed to this culture of risk-aversion. At least to some extent, the UK's lack of per-capita economic growth in recent years is a feature of burdensome regulation. In 2019, the National Audit Office (NAO) found that there were roughly 90 regulatory bodies in the UK, with combined expenditure of around £5 billion,<sup>39</sup> imposing monitoring and compliance costs estimated to total over £100 billion annually.<sup>40</sup> The activities of these regulators has, in too many cases, been tilted entirely towards minimising the potential harms for consumers, at the expense of other objectives.

However, removing risk is not cost-neutral. These additional obligations on businesses, and the associated costs, stifle economic growth; the resultant lack of growth manifests itself in the form of fewer career opportunities for individual economic actors. Over-regulation risks creating, in the words of Economic Secretary to the Treasury Bim Afolami, “[safe] graveyards”.<sup>41</sup>

There is a direct link between the expansion of the regulatory state, and the challenging economic conditions that now face younger people. A more dynamic approach to our economy, which tries to balance risk against reward in all areas of economic life, would drive economic growth while unlocking the potential of a generation of young people who are currently being stifled.

Against this backdrop of stagnating incomes and declining homeownership, is it any wonder that younger people are rejecting the established political order? In the words of Michael Gove, Secretary of State for Levelling Up, Housing & Communities: “if people think that markets are rigged and a democracy isn’t listening to them, then you get - and this is the worrying thing for me - an increasing number of young people saying, ‘I don’t believe in democracy, I don’t believe in markets.’”<sup>42</sup>

If we now accept the causal relationship between the political tendencies of younger people, the challenging economic conditions that they face, and the risk-averse policymaking that has characterised much of the past thirty years, we ought to be able to identify a path towards improving the situation.

<sup>39</sup> National Audit Office, Central Oversight of Arm’s-Length Bodies, Cabinet Office, 2021, pg. 31

<sup>40</sup> The purpose of regulation, The Regulatory Reform Group, 2023, pg. 19

<sup>41</sup> S. Bush, ‘Safest graveyard’ phrase will stick amid Tory worry about financial regulators, The Financial Times, 2023, accessed 18th February 2024

<sup>42</sup> C. Wheeler, Michael Gove: if the young can’t get housing, they will abandon democracy, The Sunday Times, February 10th 2024

## WHAT WE CAN DO TO FIX THIS: INTRODUCING THE NEXT GENERATION CENTRE

However, there is a silver lining at the edge of this particularly dark cloud. If our economic status quo is indeed the result of deliberate policy choices, it is also within our power to choose differently, and to build an economy that re-engages young people by allowing their natural dynamism to flourish.

This will be the focus of the Next Generation Centre at the Adam Smith Institute - the sustained generation of market-oriented policy solutions to the problem of Britain's intergenerational gap.

### BUILDING A NARRATIVE

The first step in addressing the status quo is the construction and presentation of a narrative that explains why young people are politically disengaged and economically disadvantaged - this has been the endeavour of this paper. Young people are politically disaffected because of an economic system that is not working for them, the result of insufficient dynamism and the protection of vested economic interests.

However, to some extent, this task is also an educational one. As we have already explored, younger people are beginning to lose faith in democracy and markets. If they subsequently decide that these institutions are not just failing to deliver prosperity, but are actively contributing to the problem, then an entire generation may begin to question the value of these institutions altogether.

As such, we must guard against narratives which suggest that these institutions are the root cause of declining opportunity for young people. Unfortunately, these narratives are already pervasive. Polling conducted in 2021 by Forefront Market Researching suggested that 78% of young people blame capitalism for Britain's housing crisis, while 73% believe that capitalism fuels selfishness, greed, and materialism.<sup>43</sup>

The economic difficulties facing young people today are not caused by capitalism - instead, they are the result of ill-advised regulatory intervention, risk aversion, and a desire to defend vested interests.

Providing a compelling alternative explanation as to the root causes of the challenges facing young people today will be crucial in helping them to understand that capitalism is not the cause of their woes, but the clearest solution. We must highlight the extent to which the decline in opportunity for younger people is the result of a risk-averse policy-making culture, and of a political system which too readily defends vested interests, while emphasising the link between political disaffection and challenging economic circumstances.

### PROMOTING POLICY AS A MEANINGFUL LEVER

However, it is not enough to recognise the problem - we must also fix it. A focused, sustained policy initiative will be necessary to translate these ideas into action.

The Next Generation Centre will work alongside young people whose ideas are in alignment with our own to propose bold new ideas on a variety of policy areas affecting them. Alongside producing

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<sup>43</sup> K. Niemietz, *Left Turn Ahead?*, Institute for Economic Affairs, 2021, pg. 7

research in-house at the Adam Smith Institute, we will commission research from ‘Next Generation Fellows’ who have subject-specific expertise, building lasting relationships with the policy-makers of the future.

This initiative will explore a wide range of policy ideas. It is not enough to be pro-housebuilding, or pro-growth in the abstract; we must recognise that addressing the intergenerational gap will require a fundamental reconfiguration of how we think about our economy.

The Next Generation Centre is keen to work alongside those in Government - and in the wider political space - who recognise the necessity of fixing this problem, and who share our ideas.

## **DRAWING ON EXISTING POLICY IDEAS**

Alongside proposing novel policy solutions, the Next Generation Centre will work to amplify and update existing proposals, including those generated previously by the Adam Smith Institute. Below are just a some examples of recent ASI policy proposals which have aimed to deliver greater opportunity for young people:

1. The introduction of 3-year leases for renters, with an Act passed that specifically exempts landlords who used them being made liable to further security of tenure or of being forced to sell the property - *A Millennial Manifesto*, Dr. Madsen Pirie (2017)
2. Reforming student loan repayments to an Australian-style model, whereby our existing system of student loans would be replaced by a graduate tax on earnings above a certain threshold, indexed each year in line with inflation - *A Millennial Manifesto*, Dr. Madsen Pirie (2017)
3. A lower rate of National Insurance Contributions on people under 25 - *A Millennial Manifesto*, Dr. Madsen Pirie (2017)
4. Replacing the triple lock on pensions with a smoothed earnings link - *Boomer and Bust: Realigning Incentives to Reduce Intergenerational Inequality*, James Dickson, John Macdonald, and Dr. Michael Turner (2022)
5. Establishing a system of personal development loans for school leavers, constituting a £6,000 per annum loan over three years to all school leavers who do not attend university - *Boomer and Bust: Realigning Incentives to Reduce Intergenerational Inequality*, James Dickson (2022)

The Next Generation Centre will continue in this tradition of proposing market-oriented solutions to Britain’s intergenerational gap.

## **HOW WE CAN MAKE THIS AGENDA POPULAR**

Given that fixing Britain’s intergenerational gap will require policy intervention, it is not enough for this agenda to be practicable and technically possible - it must also be politically popular. Politicians, who will lead the charge on implementing the policy needed to redress this imbalance, must be convinced of the political expediency of doing so.

In fact, reengaging young people in our economy and democracy through market-oriented policy has the potential to be enormously popular.

In order to prove that this agenda has the potential to be popular, we can draw on three sources:

1. International comparisons, with a focus on examples of success for similar political movements elsewhere in the Western world;
2. Historical comparisons, with a focus on examples of success for similar political movements in recent British political history; and
3. Existing polling and data about the stated preferences of younger people in the UK.

## INTERNATIONAL COMPARISONS

As we have already demonstrated, market-oriented policy and centre-right political parties are currently very unpopular amongst young Britons. However, voting patterns elsewhere in the Western world do not support the thesis that young people are inherently left-wing or inherently anti-capitalist. They certainly do not support the thesis that Britain's pronounced political age-gap is the norm.

At the last American Presidential election, for example, 31% of voters aged 18-24 voted for Donald Trump, with support rising to 43% amongst 25-29 year olds, and to 46% amongst 30-39 year olds.<sup>44</sup>

In the German general election of 2021, 41% of voters aged 18-24 voted for parties of the centre-right, with 21% of that support going towards the classically-liberal Free Democratic Party (FDP). Support for the centre-right rose to 44% amongst those aged 25-34, with FDP support falling to 15%.<sup>45</sup>

Clearly, the extreme level of dissatisfaction with market-oriented politics - and particularly with political parties of the centre-right - seen in Britain is not reflected in other major Western economies.

We can go even further than this - there are credible Western examples of political parties which have turned around their political fortunes with younger voters by focusing on the economic conditions of young people, particularly with regards to housing.

The most obvious example is that of the Conservative Party of Canada (CPC), which has won international attention for its ability to win support amongst younger Canadians in recent years, despite its traditional strength amongst older voters. Since falling to less than 20% of the youth vote at the country's 2021 general election, polls now indicate that the CPC is regularly polling at around 40 percent with voters under-30, flattening the age gradient on their support.<sup>46</sup> Even more remarkably, the Party has managed to win youth support without sacrificing its strong base of support amongst older voters.

Under the leadership of Pierre Poilievre, the Party has focused on the affordability of housing, which it now regards as one of the most important issues facing Canada. In May 2023, Poilievre demonstrated his commitment to this agenda in no uncertain terms:

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<sup>44</sup> CNN 2020 United States Presidential Election Exit Poll, CNN, 2020, accessed 18th February 2024

<sup>45</sup> Wen wählten Jungere und Ältere?: Bundestagswahl 2021, Tagesschau, 2021, accessed 18th February 2024

<sup>46</sup> J. Burn-Murdoch, Canadian conservatives have found a way to win back younger voters, 2023, accessed 18th February 2024



*“After 8 years of Trudeau, housing costs have doubled. Youth are stuck in parents’ basements.*

*My Common Sense Plan removes gatekeepers by*

- *Giving bonuses to cities that speed up & lower cost of building permits*
- *Fining local governments that block new homes.*<sup>47</sup>

The CPC’s uptick in support amongst younger voters has coincided directly with its increased focus on housing affordability, and with Poilievre’s leadership. Its response to Canada’s acute housing crisis has been driven by market-oriented policy proposals, and has been supported by an aspirational message that recognises the natural dynamism of younger people.

However, Canada is not the only useful case study - the most recent general election results in New Zealand tell a similar story. As recently as the general election of 2017, polling in the country indicated that the centre-left Labour party was by far the most popular party amongst voters aged 18 to 24. In an SSI/Newsroom poll published in September 2017, 65% of voters in this age range declared their support for Labour, with just 14% saying that they intended to support National.<sup>48</sup>

However, just six years later, the picture is totally different. Polling in August 2023 indicated that 40% of voters aged 18-34 intended to vote for National, with Labour’s support now down at just 20%. This redistribution is not the result of younger voters shifting to parties even further on the left, either. Taken together, Labour and the left-wing Green Party accounted for just 34% of millennial voters, as compared to the 50% of voters in this bracket who declared their support for National or the classically-liberal ACT New Zealand party.<sup>49</sup>

The National Party’s campaign at the 2023 election pledged tax cuts for the ‘squeezed middle’, funded partly by a tax on foreign property buyers. On the campaign trail, Christopher Luxon insisted that he would be *“ruthlessly committed to building more houses”* in government,<sup>50</sup> particularly by *“unlocking more greenfield space, incentivising councils to encourage development, and freeing up resource consent procedures.”*<sup>51</sup> Speaking to supporters on election night, the National Party leader summarised his party’s appeal as follows: *“the promise of New Zealand is quite simply that if you work hard in the best country on planet Earth, you should be able to get ahead.”*<sup>52</sup> Luxon’s National won the most seats of any party at the election, and now leads the Government of New Zealand, alongside the classically-liberal ACT New Zealand, and the populist New Zealand First.

In both of these cases, an explicitly capitalist, pro-opportunity, pro-housing agenda has won broad popular support amongst younger people in Anglophone countries. In the case of New Zealand, polling success has translated into practical success, and ultimately electoral victory. These examples are particularly useful, given the notable similarities between the political systems of the English-speaking world, and the fact that all three countries (the UK, Canada, and New Zealand) have seen steep increases in the cost of housing and declining homeownership rates in the past few decades.

<sup>47</sup> @PierrePoilievre, <https://twitter.com/PierrePoilievre/status/1658151155946463232>, accessed 18th February 2024

<sup>48</sup> T. Murphy, Labour opens gap with women, young, Newsroom, 2017, accessed 18th February 2024

<sup>49</sup> C. Graham-McLay, Guardian Essential Poll New Zealand: National holds clear lead over Labour as election nears, The Guardian, 2023, accessed 18th February 2024

<sup>50</sup> K. Bowden, Luxon Q’ town speech: housing crisis ‘insane’ as land available, Crux Community Matters, 2023, accessed 18th February 2024

<sup>51</sup> Ibid

<sup>52</sup> C. Graham-McLay, From selling deodorant to running the country: New Zealand’s new PM, Christopher Luxon, The Guardian, 2023, accessed 18th February 2024

At the same time, there are numerous examples in the Western world of younger people seeking politically radical solutions - whether of the radical left or the radical right - to their problems.

In Ireland, another Anglophone country facing difficulties with housing affordability, younger voters have disproportionately been attracted to the socialist, left-wing nationalist Sinn Fein party. A recent Irish Times poll indicated that 37% of Irish voters aged 18-24 and 41% of voters aged 25-34 would vote for the party, a remarkable achievement in a country with a single-transferable vote electoral system.<sup>53</sup>

In the Netherlands meanwhile (where 86% of people agree that the country faces a housing crisis)<sup>54</sup>, the results of the most recent general election show that younger people were disproportionately likely to support radical parties of both the left and right. Out of the country's 150 member House of Representatives, 44 of the members elected at the November 2023 general election were associated with parties of the radical right (PVV, SGP, FvD, JA21), while 11 were associated with parties of the radical left (SP, DENK, PvdD). If only under-35s had voted, this would have risen to 50 members for the radical right (a full third of seats in the country's Parliament), and 15 seats for the radical left.<sup>55</sup>

These examples should serve as a reminder of the necessity of taking action to deliver greater opportunity for young people, in order to prevent the growth of radical political movements.

Of course, this analysis must be taken with a pinch of salt. Every political system is subject to different pressures and dynamics - we should not assume that lessons learned elsewhere can be applied directly in Britain. To this end, it is also useful to look at recent British political history, from which we can more readily draw conclusions about the flexibility of younger voters in the narrow context of the UK.

## HISTORICAL COMPARISONS

The current state of affairs, whereby young voters are near-unanimous in their support for parties of the left and centre-left, is historically unusual.

As recently as the General Election of 2010, market-oriented policies espoused by parties of the centre-right enjoyed healthy support amongst younger voters. At that election, 30% voters aged 18-24 voted for the Conservative Party (versus 31% for the Labour Party and 30% for the Liberal Democrats), rising to 35% amongst voters aged 25-34 (versus 30% for the Labour Party and 29% for the Liberal Democrats).<sup>56</sup> Perhaps this level of support had something to do with the Party's manifesto promise of "*a property-owning democracy where everyone has the chance to own their own home.*"<sup>57</sup>

It ought also to be remembered that a voter who was aged 18 in 2010 (a third of whom voted Conservative) is now likely aged 32. Given the low levels of support for the Conservative Party today amongst voters in the under-35 age bracket, we can actually conclude that a considerable number of voters who supported the Conservative Party at age 18 in 2010 have since abandoned the Party.

<sup>53</sup> The Irish Times, The Irish Times Poll: The full result in charts, The Irish Times, 2024, accessed 23rd February 2024

<sup>54</sup> S. Boztas, What's all the fuss about housing in the Netherlands?, DutchNews, 2023, accessed 23rd February 2024

<sup>55</sup> Minder jongeren naar de stembus: dit is hoe zij stemden, NOS, 2023, accessed 23rd February 2024

<sup>56</sup> How Britain voted in 2010, Ipsos, 2010, accessed 18th February 2024

<sup>57</sup> Invitation to join the Government of Britain: The Conservative Manifesto 2010, Conservative Party, 2010

The 2010 election is not an isolated incident. Under the leadership of Margaret Thatcher, the Conservative Party won considerable support amongst younger voters, while focusing on policies that promoted economic dynamism and homeownership. In 1979, 42% of voters aged 18-24 supported Thatcher's Conservatives, rising to 43% of voters aged 25-34. A similar pattern bears out at the 1983 election (42% with voters 18-24 and 40% with voters 25-34), with a slight decline in support amongst these groups in the 1987 election, broadly in line with a slight decline in support for the Party nationally.<sup>58</sup>

However, once again, we should be cautious of reading too deeply into historical comparisons. Changing political, social, and economic dynamics mean that lessons learned in previous decades cannot be applied neatly to our current context, even if those lessons can provide a useful foundation for more focused analysis. To this end, we ought also to consider existing polling data which supports the thesis that young people in the UK today are receptive to these ideas.

## EXISTING POLLING DATA

Fortunately, there are examples of applicable data that we can draw on, which highlight the fact that young people in Britain today provide fertile ground for market-oriented ideas, and for political solutions to the economic problems that they face.

In a Survation poll published by the ASI in 2020, almost three-quarters of respondents (72%) said that they thought that the Government should reduce taxes after lockdown. Of those aged 18-34, two-in-five (44%) strongly supported lower taxes after the lockdown, compared to one-third (33%) of those over the age of 65.<sup>59</sup> In short, younger people were more likely to support lower taxes than older people. This fact should not come as a surprise when considering the extent to which many services on which older people rely (such as the state pension, social care, and the NHS) are reliant upon taxes levied on younger, working-age people for funding.

More recently, polling conducted by JL Partners and published by the ASI in August 2023 indicated the potential popularity of a political case for greater housebuilding as a means of improving housing affordability. 71% of those polled said that they would be more likely to support housebuilding in their local area if it made local housing more affordable, while 70% of those polled said that they would support more housing being built nationally.<sup>60</sup>

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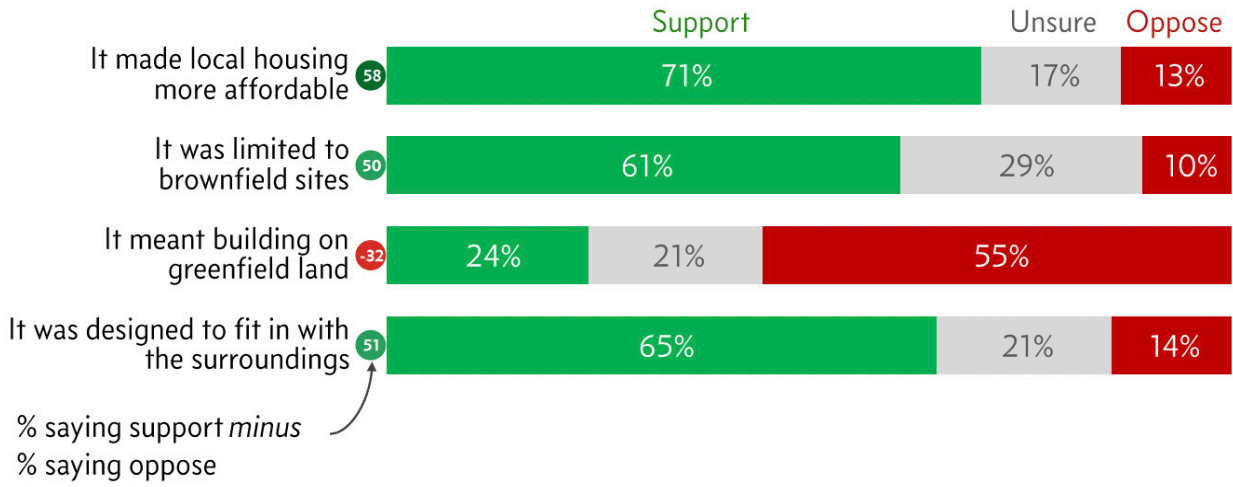
<sup>58</sup> How Britain voted since October 1974, Ipsos, 2010, accessed 18th February 2024

<sup>59</sup> M. Kilcoyne, M. Lesh, Young hit hardest by lockdown, want tax cuts, Adam Smith Institute, 2020

<sup>60</sup> Rooms for Debate: Polling on the housing crisis, green belt, and planning system, Adam Smith Institute, 2023

## There is support for new housing, with the right design and in the right place, if it makes local housing more affordable

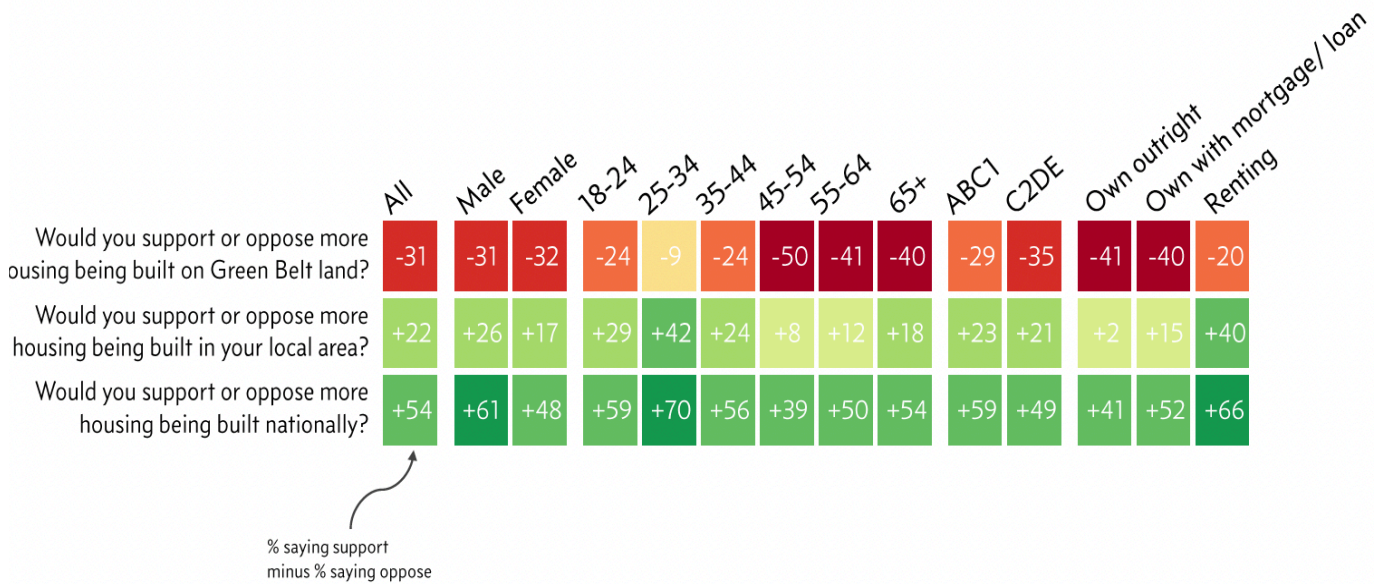
How much would you support or oppose building new housing in your local area if...



Q12. How much would you support or oppose building new housing in your local area if it... (Asked to general public).

Support for house-building was disproportionately concentrated amongst those under-35 - while net approval for more local house-building stood at +18% amongst those over-65, it rose to +29% amongst those aged 18-24, and +42% amongst those aged 25-34.

## 25-34 year olds and renters are the most supportive of more housing being built

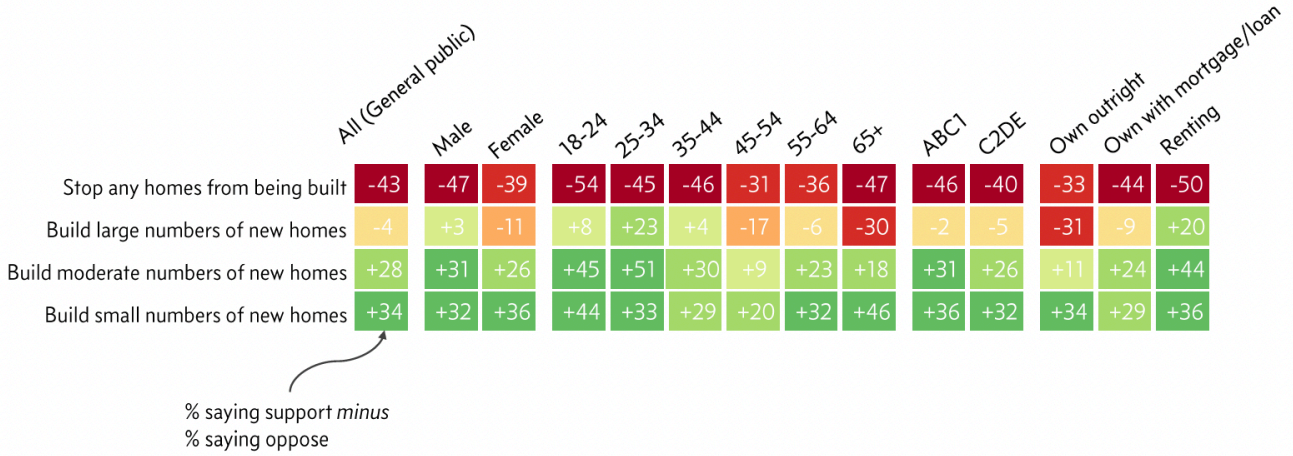


Q1. Would you support or oppose more housing being built nationally? Q2. Would you support or oppose more housing being built on Green Belt land? Q3. Would you support or oppose more housing being built in your local area? (Asked to general public).



## The main opponents to new homes being built in large numbers are over 65s and homeowners, whereas renters and younger people are more supportive

Thinking about your local area, to what extent would you support or oppose the government attempting to...



Q4. Thinking about your local area, to what extent would you support or oppose the government attempting to...

These indications of interest from young people in market-oriented solutions to the major economic challenges that they face, taken alongside international and historical indications that younger voters can be persuaded by campaigns that appeal to their interests, are encouraging. An explicit economic and political appeal to younger voters is not only important for the future of our democracy, but has the potential to be enormously popular.

## CONCLUSION

Young people are politically dissatisfied and sceptical of markets because they feel let down by an economic system which has not delivered sufficient opportunity for them. By changing our approach to the economy, and deliberately pursuing a policy agenda that seeks to deliver this opportunity, we can re-engage young people in the ideas and institutions which have made Britain so successful. Doing so has the potential to be enormously politically popular.

As we launch the Next Generation Centre, we look forward to carrying the torch for young people, including those who currently feel disillusioned with our political system. We want to recognise and promote the enormous potential that markets have to deliver the opportunity that is currently so sorely lacking, and we are eager to work alongside those in Parliament, Government, and the wider political landscape who recognise the need for change.

Crucially, we also look forward to doing so in a way that is fundamentally constructive. One of the most common misconceptions about this agenda is the belief that these concerns are driven by a desire to provoke intergenerational warfare. This is wholly false. To say that younger people today face challenging circumstances does not diminish the hard work and sacrifice of previous generations. Many of those born a century ago fought in the Second World War; their children, in turn, battled with the economic hardship of the 1970s.

However, we should not make the mistake of trying to diminish the material challenges that younger people face today by reference to the challenges faced by previous generations. A country as prosperous as the UK should aim to deliver improved material conditions for each generation, while

also respecting the importance of previous generations in laying the foundations for those improved conditions.

To young people, I say this: change is possible. The first step is to recognise that our economic status quo is by no means inevitable, and that it is within our power to affect the policy change needed to deliver better outcomes. There is a growing sense in the political world that this change is not just possible, but necessary - let us seize on this momentum.

To older people, I say this: have a little more faith in your children and grandchildren. Just like you, younger people want to work hard, provided that they are rewarded with better material conditions. Give us the opportunity to own a home, start a family, and build a career, and we can drive an economic renaissance that puts the 1980s to shame.