



# POLICY PAPER 27

## Intergenerational Justice: Are We Measuring What Matters?

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# Intergenerational Justice: Are We Measuring What Matters?<sup>1</sup>

Behind any measurement of intergenerational justice, there is an underlying theory. Any such theory will require two crucial decisions. One is about the meaning of *generation* – age groups or birth cohorts. An age group is a group of those having reached the same age. It is in this sense that young and old belong to different generations. A birth cohort is a group of those born at the same time. *Millennials* and *Baby Boomers* are different generations in this second sense. Under the first meaning, we constantly change generation throughout our lives, from youth to old age. Under the second, however, we belong all our life to a single generation.

Another important decision is what we mean by *justice*. Among other options, we can choose here between a more commutative conception, typically involving the idea of reciprocity, or a more distributive one. Commutative theories focus on fairness in exchange. They often say: "Because I give this, I should receive that in return". In contrast, distributive views are concerned with fairness in the background distribution between parties. From this perspective, my entitlement to some benefit is not based on having contributed something in the first place. Instead, it is based, for example, on the fact that I am a human being who deserves to be treated fairly and that I find myself in a more disadvantaged position (in the case of egalitarianism, for instance).

It is common for measurements of intergenerational justice to focus on justice as *reciprocity* and on generations as *age groups*. In this paper, we explore possible drivers of this situation and the problems it can generate. We then show that the indicators proposed in this project can help us measure intergenerational injustice, even on an approach that is neither centered on reciprocity nor restricted to age groups.

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<sup>1</sup> This paper is an outcome of the project: "An Index of Intergenerational Justice for Portugal" developed by the Institute of Public Policy – Lisbon and funded by Gulbenkian Foundation /FCG).

# 1. Birth cohorts versus Age Groups

As an example of the focus on the concept of age, there is the "European Fairness Index 2016" (Leach *et al.* 2016). It proposes to identify the main drivers behind the different prospects of *young* and *old* Europeans. The indicator built by Vanhuysse (2014) also focuses on age groups in three of its four dimensions. Ecological footprint aside, the measurements of *youth* poverty, the burden of debt on *young* people and the pro-*elderly* bias of welfare states in social spending illustrate well the primary focus on age groups. This tendency to look at age indicators could have several explanations.

In practice, measuring disparities between cohorts is more difficult than between age groups. To determine whether a specific age group benefits more from the state than another, it is enough to take a snapshot of reality at a particular time. In contrast, measuring differential treatment of cohorts seems to require longitudinal studies - which follow the entire life of each birth cohort - rather than snapshot data. More information is needed to carry out such studies, and policymakers and researchers tend to lack this kind of data.

To complicate things further, data on less recent cohorts is more complete than data on more recent cohorts (which requires a greater degree of prediction). We need to combine hindsight and foresight, in different proportions. Some have most of their lives in the past, while others have most of it ahead of them. We also need foresight to act early to correct problematic inequalities. In short, the difficulty with focusing on cohorts has to do with *longitudinal approaches being both prospective and retrospective and, therefore, more difficult to achieve and render politically legible.*

Although it is more accessible to study age groups, theories of intergenerational justice focus more on birth cohorts. The intuition here is that the relevant unit of comparison from a justice perspective is people's entire lives rather than instantaneous inequalities.<sup>2</sup> In this sense, analysing birth cohorts offers a more comprehensive picture of our lives. For example, some age groups benefit more from the state than others. Typically, middle-aged people tend to be net contributors, and older people are often net beneficiaries. What does this difference between age groups tell us? It tells us that benefit ratios (benefit/contribution) change significantly throughout life. It does not automatically point to a difference between the entire lives of each

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<sup>2</sup> See, for instance, Gosseries (2023b). Three noteworthy examples are Thomas Nagel's claim that equality is not about 'the distribution of particular rewards to individuals at some time, but the prospective quality of their lives as a whole' (1995, p.69); John Rawls's view that 'the claims of those in each phase [of life] derive from how we would reasonably balance those claims once we viewed ourselves as living through all phases of life...' (2001, p.174); and Ronald Dworkin's insistence on equality of resources 'over an entire life' (2002, p.94-95).

cohort. For example, it does not necessarily show that *Baby Boomers* will benefit more from the state than *Millennials*. Given that theories of justice tend to give a central role to the entire lifetimes of individuals rather than to specific phases of their lives, it is more appropriate, from the point of view of justice, to focus on cohorts rather than age groups.

## 2. Reciprocity versus Distributive Equality

There is, then, a discrepancy between what seems generally feasible in the social sciences and what ends up being relevant in normative terms. Later on, we will propose some ways of overcoming this problem. But before we do, it is worth noting that this mismatch between what should be studied and what is actually studied concerns not only the groups at stake. It also has to do with the implicit conceptions of justice we adopt. Although there are many possible theories of intergenerational justice, at the outset we suggested distinguishing between two families of theories: commutative (based on reciprocity) and distributive. The former is more common than the latter when measuring intergenerational justice, for reasons we will examine below.

Kotlikoff's (2017) approach is a good example of a focus on reciprocity. He uses a generational accounting method, in which intergenerational justice implies that net current transfers "are zero for all generations" (see Zuber 2016). The underlying idea here is that each generation should receive as much in transfers as it contributes over the course of a lifetime, so as not to force future generations to be either net contributors or net beneficiaries (i.e., to contribute more or less than they benefit). This involves the notion of fair exchange underlying reciprocity: each generation benefits as much from the state as it transfers to others.

Another example is Wolfson & Rowe (2007). They associate intergenerational justice with a version of the golden rule, which says that a generation should not expect to be treated better by its children than how it treated its parents. The intergenerational rule they cite echoes a statement by the House of Commons in 1983, according to which "(t)hose now working could build up a moral claim on future pension entitlements by making transfers to the current elderly of at least the same magnitude as they would expect to receive when their time came".<sup>3</sup>

The focus on reciprocity has to do with the influence of popular opinions on justice, with measurability, with its allegedly uncontroversial nature, among other factors. Empirical studies suggest that the notion of reciprocity and its focus on fair exchange is

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<sup>3</sup> See Wolfson & Rowe (2007). Also, see Kershaw (2018), who uses the golden rule adjusted to capacity to pay.

appealing to many, especially in the intergenerational domain.<sup>4</sup> In terms of measurability, it is convenient to be concerned with *benefit ratios*, such that each generation should benefit equally from the state, or at least according to their contribution.

There are, however, different conceptions of reciprocity. The most common in the context of intergenerational justice are indirect, or "open", in the sense that each generation does not benefit the same generation from which it received benefits. As Vanhuysse & Tremmel (2018) note, *direct* reciprocity exists when parents look after their children until they are autonomous enough and, in return, the children support their parents when these reach old age. Despite the potential partial relevance of direct reciprocity, its indirect version has been more common when it comes to grounding an institutional design for intergenerational cooperation.<sup>5</sup>

*Indirect* reciprocity is premised on the idea that the person or generation from whom we receive is not the same as the one to whom we give. For example, we can talk about *descending reciprocity* - we owe our children as much as we receive from our parents, or *ascending reciprocity* - we owe our parents as much as our parents transferred to our grandparents. Descending reciprocity is common when discussing the capital that each generation inherits (housing, health, carbon budget, etc.). It tells us that these transfers should not diminish from one generation to the next. On the other hand, in the case of pensions, it is common to say that people should receive as much as they have contributed. Under a pay-as-you-go (PAYG) pension scheme, this claim implies the idea of ascending reciprocity, where we are entitled to receive at least as much from our children as we transferred to our parents.

Despite these various types of reciprocity, there is a problem common to all of them. The problem is the following. Substantively, we can wonder whether it is fair to expect that a person always gives back as much as she receives.<sup>6</sup> Let us consider a paradigmatic case. We often think it is acceptable, if not required, for the state to implement net

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<sup>4</sup> See Wade-Benzoni (2002).

<sup>5</sup> See, for example, Heath (2013).

<sup>6</sup> See Gosseries (2017: 126-8) on Barry (1989). One might wonder why giving something to someone is sufficient and/or even necessary to justify a duty on the part of others to give us something in return.



transfers between people of different socio-economic conditions, for example, in favour of victims of serious genetic diseases. In this sense, more favoured groups are not entitled to reciprocity, understood as people receiving *as much* in state transfers as they contribute. Justice requires the existence of net contributors and net beneficiaries. If reciprocity is implausible *within* a given generation, why should it be endorsed *between* generations? It seems equally plausible to demand net transfers between generations under unequal conditions.

Reciprocity can sometimes be plausible, but not as a general view that prohibits net transfers. We tend to favour commutative duties because we think that duties of justice are triggered respectively by the harms we suffer or the benefits we receive. But these triggers can only derive their normative force from background conditions of distributive justice that precede them.

Alternatively, let us consider a maximin/leximin egalitarian principle as illustrative of a distributive view that does not require strict equality.<sup>7</sup> More specifically, it tells us that we can move away from equality if, and only if, this improves the situation of people who are worse off. This idea requires comparing various intergenerational scenarios, asking us to choose the scenario under which the most disadvantaged, whatever generation they are in, are better off than the most disadvantaged one under any alternative scenario. To be more specific, let us add at the metrics level that we are primarily concerned with those who are disadvantaged because of opportunities and circumstances rather than choices and preferences.

Distributive equality tells us that unequal benefit ratios can be fair under unequal conditions between generations. It can be fair for a cohort to receive more than it has transferred, if it contains the least well-off members of all generations and if these generational net benefits are directed towards improving their situation. For example, we might find that younger generations will contribute more to healthcare than they will benefit. But if younger generations are fortunate enough to live longer in better conditions, their net contributions to previous generations may not be unfair from a whole-life perspective. On the contrary, this may be typical redistribution from the most

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<sup>7</sup> See, for instance, Gosseries (2023a), ch.2.

favoured generations (younger generations with longer lives) to the most disadvantaged ones (older generations with shorter lives).

Although it may be more plausible than reciprocity, maximin equality is more challenging to measure. It requires going beyond the amounts that the parties transfer to each other (for example, through benefit ratios). It requires us to assess the background conditions between the parties. In addition, the commitment to benefiting the least advantaged will also involve counterfactual claims about their position under various scenarios and determining which of these best improves their condition. As before, there is also a discrepancy here between what seems feasible and what ends up being normatively relevant. In what follows, we propose three ways of overcoming such problems.

## 3. Approximations

So far, we have stressed a discrepancy between what seems generally feasible in the social sciences and what ends up being relevant in normative terms. We will propose some ways of overcoming this problem. In this section, we show that the indicators chosen are relevant, even for an approach that is neither centered on reciprocity nor restricted to age groups. We divide the indicators into three types: annual trends (3.1), age indicators (3.2), and benefit ratios (3.3).

### 3.1 The Differential Impacts of Annual Trends

Annual trend indicators are not centered on age but are relevant for measuring distributive equality between birth cohorts. If living conditions tend to improve, this represents a more significant advantage for more recent cohorts over less recent ones. Unlike the latter, the former still have a whole lifetime ahead to enjoy such benefits. Although it can be formulated in terms of reciprocity - not leaving the future something worse than we inherited from the past - we think the underlying idea here is to look at the extent to which members of one generation are at a disadvantage compared to those of another.

For example, if regular positive annual trends increase our shares of certain stocks, goods and opportunities, this indicates that, in those respects, more recent cohorts will be at an advantage over older ones. These positive trends are often indicators of progress and tend not to be unfair from a distributive perspective. Unlike reciprocity, they could even be something that justice requires since, although they have a greater impact on younger generations, they can also benefit less recent cohorts.

There are several reasons why a positive trend usually has a greater impact on younger generations. Firstly, trends can be used as an indicator of a better or worse future, depending on the direction in which they are heading. In this *prospective* sense, they have a higher impact on more recent generations, as the latter have a longer future ahead of them. Secondly, in a *retrospective* sense, we know that a positive annual trend has a smaller impact on less recent cohorts - since the older they are, the longer they have lived without this change. This second reason why trends can have a more significant impact on younger cohorts is the inverse of the first one. Thirdly, we can say that trend gains tend to have a greater impact on more recent cohorts because of the number of members that compose them. As time goes by, members of a specific cohort gradually vanish. While more recent cohorts still have almost all their members alive, the same cannot be said of less recent cohorts - within which many members have already

died and will, therefore, no longer be affected by annual trends. In this sense, changes have greater effects on more recent cohorts because they affect a higher proportion of their members.

We have examples of annual trend indicators in various areas. Regarding the *Environment*, the environmental stock is measured, in line with the idea of not leaving future generations, in the short or long term, a level of "natural capital" lower than that we inherited.<sup>8</sup> Insofar as *Health* is concerned, we measure the evolution of the state of health over the years, both in terms of quantity and quality of health, as well as accessibility and orientation towards preventive care (improvements that put more recent cohorts at an advantage). As to the *Labour Market*, we look at the evolution of gender inequality. An improvement shows that more recent cohorts are doing better than those born more recently. The same can be said of the aggregate indicators of *Living Conditions and Poverty*, such as household income, the poverty rate and the intensity of poverty. Regarding *Housing*, accessibility gives us a sense of how much more difficult it can be for more recent cohorts to find a house, especially given that less recent cohorts tend to already have their own homes.

To sum up, annual trends can give us a good approximation of whether conditions are getting worse or better for more recent cohorts, allowing us to draw conclusions about whether one is likely to end up experiencing an advantage in terms of opportunities over the other. Annual trends are cohortally relevant because of their differential impact on the various cohorts at stake. As trends, they indicate a consistent movement in a particular direction. They inform us of the future that recent cohorts can expect and of the past that inevitably impacted the lives of less recent cohorts more significantly.

### **3.2 The Indirect Relevance of Age-focused Indicators**

Age indicators can also have cohortal relevance. We use them in the case of the *Labour Market*, with indicators on job insecurity, unemployment and emigration of young people. In *Housing*, we are concerned with the housing autonomy of young people. And in *Living Conditions and Poverty*, we also pay special attention to the incidence of poverty, material and social deprivation among young people, as well as their participation in education.

With that in mind, some indicators focus on the extent to which young people are deprived of certain critical goods. Firstly, and this is the most important reason, we know that certain

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<sup>8</sup> In the case of climate change, this will only happen once carbon neutrality has been achieved, the goal of which in Europe is 2050, i.e., a long-term goal.

deprivations have *scarring effects* on the entire lives of individuals. Deprivation in youth has consequences on the lifetime income of cohorts and, not only, but also on the future rights of that cohort (for example, to future pensions). Whenever scarring effects are significant, data on the position of young people over time can tell us something relevant about the fate of different cohorts. We are not the first to say this. Vanhuysse (2013) already did so when he motivated the need to measure child poverty. We can say that data on young people is cohortally relevant prospectively, precisely because of these scarring effects.

This does not mean that data on older people cannot also be relevant in obtaining information on birth cohorts. Data on older ages has the advantage of capturing cumulative effects from the past. Just as deprivation at younger ages can be used to predict future “scars”, poverty at older ages can help detect the “scars” from the past that many older individuals carry with them. Although this project does not explore the latter possibility as much as the former, indicators about both age groups can be relevant for measuring fairness between different birth cohorts.

Admittedly, there is a reason why deprivation in youth can tell us something different - and more complete - than poverty at older ages. The reason is that the focus on the young ages covers all members of their cohort. Unlike old age, which not everyone reaches, we were all young once. Indicators on young people do not, therefore, exclude the members of a cohort who do not reach old age, who are often the most disadvantaged among us.

Before moving on to the next strategy, it is worth noting that the focus here is not only on indicators of absolute deprivation at younger or older ages but also on indicators of inequality between age groups or between people at certain ages and the rest of the population (as, for example, is the case with the incidence of poverty). If we can show that these inequalities are decreasing, it will be possible to infer that inequalities between cohorts are also decreasing over time through the cumulative effects of passing through various ages. Of course, since what interests us here is also the absolute position of the most disadvantaged and not just inequality, there needs to be coordination between inequality indicators and the measurement of the absolute positions of various cohorts.

### **3.3 The Indirect Relevance of Benefit Ratios**

Benefit ratios can also be relevant to a conception of justice between birth cohorts even if it is not based on reciprocity. The tendency is to associate our indicators in *Public Finance* with reciprocity. This includes their sustainability in the long and medium term; that is, the idea that

future generations should not have to bear more taxes for similar levels of benefits than present generations (and vice versa) and the idea that current generations should not bear more or less of the burden of budgetary adjustment to respect the rules of the *Stability and Growth Pact* than future generations. The same view may underlie the ratio between social contributions currently paid to fund pensions and the value of pensions, and the one between the average retirement age and the average life expectancy at 65.<sup>9</sup>

The general intuition behind these indicators is that net contributions (i.e., after discounting benefits) should be distributed equally between different birth cohorts. Given the emphasis on the idea of fair exchange, it is tempting to associate these proposals with the idea of reciprocity. We can still look at these indicators as some form of equal protection of the various generations, which is generally intuitive. This does not necessarily go against distributive equality if we do not take inequality between generations for granted. It is this type of inequality that we are trying to discover, rather than assume, with this project. We can, therefore, assume that each generation is otherwise equal to the previous one, as this is studied in other areas. What we know so far is that *all other things being equal*, a benefit ratio (i.e., the ratio of benefits to contributions) should not favour one generation over another. Benefit ratios favouring some cohorts more than others can be fair if they are acting to correct unjust inequality. But in the absence of such disparities and other things being equal, a benefit ratio biased towards one generation puts that generation at an advantage compared to others. Of course, such injustice can be accentuated or attenuated depending on the results we obtain in other areas, so as to worsen or improve the final value of intergenerational injustice.

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<sup>9</sup> This underlies the Portuguese legislation that positively associates the increase in life expectancy with an increase in the statutory retirement age, which is also considered one of the public finance indicators.

## **4. Conclusion**

In conclusion, indicators for measuring intergenerational justice often tend to focus on reciprocity (as opposed to more distributive conceptions of justice) and age groups (as opposed to birth cohorts). We provided some descriptive explanations for this decision, but we have also pointed out some normative problems that this decision may bring. Finally, we proposed three ways the indicators could be relevant to an approach that is neither centered on reciprocity nor restricted to age groups. It is, however, essential to insist that these strategies are still imperfect approximations, and that more needs to be done to refine the indicators in order to make them more directly significant from a normative perspective.

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# IPP POLICY PAPER 27

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ISSN: 2183-9360

September 2023



**INSTITUTE OF  
PUBLIC POLICY**

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