

The state of the future: a commitment between generations

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Summarizing a day of hard work, that day itself already being a synthesis of five years of activities and projects, is inevitably complicated. I propose that reading this summary should be a starting point to revisit the things that I see as most important, most curious, or which leave unanswered questions and puzzles behind, made available publicly by the Calouste Gulbenkian Foundation. There you will find more extensive detailed information on the various projects and results.

The fundamental question behind the entire project is simple: what do we want to leave for future generations?

The answer can be given in many ways, and how we build it defines the values and principles we have as a society. Fully answering this question means addressing other key aspects of human life beyond the environment and the planet.

Often times there is a gap, which can be quite broad, between intent and actual practice, and the decisions made at every level of the economy and society. This is why, when seeking answers to the question posed, we must first find out if we are making good collective decisions in various domains relevant to future generations. “Good decisions” mean those that do not hamper the options of future generations more than the limitations faced by today’s generations and, if possible, giving them limitations which are even fewer.

As such, studies have arisen in four areas which should be discussed and analysed: the job market, housing, public finances and the environment.



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An overall conclusion shared by these four studies is that there are reasonable doubts as to whether we are “leaving what we want for future generations”. In other words, from a less technical standpoint, it is highly likely that if we continue down the same path, future generations will have fewer opportunities vis-à-vis past generations, at least in these four areas.



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As regards the environment, the acceptable limits for greenhouse gases, waste, water pollution and air pollution have obviously been systematically exceeded. Future generations will have to live with limits which were not followed by their predecessors and, most likely, with lower limits in order to offset the excess of the most recent past generations.

As regards public finances, the public debt to be paid is a disproportionate burden on the lives of future generations, with no easy or immediate solution.

In terms of housing, each new generation faces mounting difficulties in embarking on an independent life in their own home.

In the job market, each new generation starting their working life has a higher number of unstable contracts, coupled with salaries which are more stagnant vis-à-vis their level of education, compared to past generations.

Trends in these four areas lie in stark contrast to the past 150 years. In light of these conclusions, we must reflect upon how to do better in each one of these areas, as well as from an overall decision-making standpoint. In particular, they should make us think about how to include the interests of future generations – in a regular, proactive and constructive manner – in collective decision-making processes, and what mechanisms can, and should, lead to better decision-making, whether public or private.

The brainstorming sessions based on studies in these four areas resulted in some ideas for reflection. Some of these ideas have clear potential driving future action. As regards the **job market**, three core ideas emerged for future exploration. The first underscores the role of information in the search for the best education for one's desired career path. The challenge lies in finding the best means of mitigating inequality between generations. In addition to ensuring equal opportunities, everyone must be aware that these opportunities exist. The second idea is the option of a sabbatical for reskilling as part of a more extended career path, including more frequent underlying changes in the required expertise. The third idea focuses on the role of positive discrimination in public employment and economic support policies (and not just support for the many small enterprises). All of these ideas include a vision of a society encouraging individual career choices and new directions in the middle of one's working life.

The **area of housing** also had three key ideas which came out of the discussion panel. The first idea is to stop thinking about simply having one's own home, shifting to a broader perspective of having the right home at different times of one's life (since a home's most appropriate size and location can change over time). The second idea comes in the wake of the first, acknowledging that Portugal's current tax system discourages mobility in terms of housing. The third idea is to not overlook the role of public policy in terms of supply (placement of housing on the market for purchase or for rent). These ideas reflect a society that better addresses the initial question of what we want to leave for future generations: the goal should be for each generation to have the right home at each moment in their life, without being stuck to the notion of having one house for their entire life. Greater housing mobility is a positive step for future generations, giving them opportunities which are more like those of past generations.

As regards **public finances** and the problem of managing public debt, there was a clear consensus among those involved in the discussion. Everyone involved wants more growth and higher salaries. Indeed, it is hard to disagree with this common



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ambition. The doubts and uncertainties revolve around how to achieve it in a way that is compatible with the aim of better economic conditions, with less of a burden from public debt on future generations. Three ideas came out of this discussion. The first was the important need to change how we think about taxes. In particular, thinking about how to supplement income and consumption tax revenues with how new economic realities are taxed. The second idea was greater redistribution to achieve greater growth. Although not a consensus, it does merit proper discussion: what redistribution, if any, will achieve more growth, and what this redistribution looks like. Finally came the idea of more family-friendly immigration policies to help reverse or offset the population decline.

Moving ahead with public policies better aligned with future generations requires future methodologies to ensure that these generations are considered at all times, more so than proposing, right now, the measures and ideas to be adopted.

The common intent and vision of society found in these three ideas is simple: to lower the burden of public debt on future generations through greater growth, providing more tax revenues to the government as well as more after-tax income to future generations.

As regards the **environment**, the panel's participants came to a consensus: given that we are consuming beyond environmental limits, it is critical to "internalize external factors". In plain language, this means that environmental effects must have repercussions on decision-making at every level. These effects must be sure to include the costs that today's decisions may have on future generations. This conclusion, although nothing new, must always be remembered. Along these lines, generally speaking, existing policies and measures are going in the right direction, but at the wrong pace (too slow). Remembering shared policies is thus critical for staying the course and accelerating the speed of determining and applying measures. The

three main ideas coming out of this panel suggest two directions, plus one challenge to be overcome. The challenge is the difficulty faced by individual consumers in knowing what is an eco-friendly product and what is not, so as to reflect this information in their choices. Because this information is useful for all consumers, there is room for measures to help in this decision-making, thereby leading to choices which are less detrimental to future generations. The second central idea was a proposal for progressive and predictable environmental taxes in the coming years. Knowing about a gradual increase in environmental taxes in advance is, in turn, a roundabout means of driving innovation in processes and products, with less harmful environmental effects. Finally, the third idea of note is the role of local communities in discussions on the use of environmental resources, above all from the perspective of effects persisting beyond current generations.

Common to the entire discussion was a vision of society as being environmentally-friendly, using and developing technology as part of the solution, and accepting immediate changes to what is being done by today's generations.

The ideas and feedback from these discussions will help to improve public policies. Having new ideas with a social consensus, although a necessary step, is not enough. Moving ahead with public policies better aligned with future generations requires future methodologies to ensure that these generations are considered at all times, more so than proposing, right now, the measures and ideas to be adopted (which, sooner or later, will become outdated). It is worthwhile here to remember a key principle to be followed in collective decision-making: "a policy is fair for all generations when it addresses the needs of existing generations without compromising the ability of future generations to meet their own needs". Determining a fast but rigorous way of assessing whether a policy or decision is fair for all generations must overcome two essential challenges: ensuring that future generations are "heard", while measuring the (anticipated) impact of proposals in the long term.

Designing a methodology which is user-friendly for everyone involved stemmed from the concern of encouraging public and private decisions to consider the interests of generations still lacking a “voice”.

The public implementation of this methodology, essentially speaking, revolved around five core issues (the detailed methodology and how it can be best used is available for **public consultation**) and the five steps involved (diagnosis, impact, scenarios, process and conclusions). From the out-

set, the five questions are easy to ask, but behind their simplicity lie complex issues to be analysed, demanding clarification whenever the answer to one of the questions suggests the possibility that a proposal is not fair to every generation.

Each question is, in fact, a gateway to the possibility of unfairness for one of the generations. These questions can be immediately tied to studies on the areas of the environment, public finances, housing and the job market, thereby demonstrating their utility.



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The first question is whether the policy or decision in question moves Portugal away from its vision for the future. This question forces an understanding, or at least a reasonable idea, of what is intended for the future. For example, if Portuguese society shares the common value of producing and consuming within environmental limits which are not harmful to future generations, then a policy or decision which pushes the national position further away from these limits, increasing the situation of excess, will give a positive answer to the question. Such a positive answer dictates a more in-depth assessment, indicating the impact and potential scenarios. The mere existence of an analytical process does not mean that the proposal will be rejected. It simply means that enough advantages must be demonstrated for a measure to be considered fair to all generations.

The second question is whether the proposal disadvantages any existing or future generation. It goes straight to the central point of effects on different generations (which is different from affecting different age groups at the same point in time, to be taken up in the third question). The answer to this question will only be negative if no existing or future generations end up losing with the proposal. Once again, a positive answer will lead to a detailed assessment phase. Using one example from the discussion, higher taxes today on new economic activities would be detrimental to current generations (or a part thereof). Issuing more public debt now, to be paid in the future, would be detrimental to future generations. Both of these situations yield a positive answer to the question, thus requiring an in-depth analysis.

The third question is whether the measure disadvantages a given age group within the population. This question rounds out the previous one, by looking at the balance between generations currently in existence. Taking an example from the area of housing, a proposed measure to subsidize rent for young people treats different age groups in an inconsistent manner, with some having an advantage and others not. This case will also require an in-depth analysis, before classifying the measure as being fair to all generations or not.

The fourth question asks whether the proposal reinforces unjustified generation inequality. This question adds the dynamic factor of assessing the effects of social trends. Going back to the previous example of a proposal to subsidize rent for young people, it is unclear how this would reinforce inequality between generations, since it guarantees equal opportunities to all young people from the very outset. In this example, the answer to the fourth question would be negative.

Finally, the fifth question asks whether the proposal restricts choices for future generations. Here as well, the decision-maker is directly focused on the effects upon generations still not in existence. Taking an example from the area of the environment, destroying an ecosystem to build a dam for electricity production does change and limit the choices of future generations. Issuing more public debt limits what future generations can do with tax revenues. In an example from the job market, a new type of employment agreement does not limit future generations, since they can agree to the types of employment contracts deemed suitable whenever they exist. In the first two examples, the answer would be positive, thus dictating a detailed analysis. In the latter example, the answer would be negative.

It is normal to question the practical feasibility of these types of instruments. This is why, to demonstrate their ease-of-use, there are a number of examples of their application developed by entities such as Banco de Portugal, the Court of Auditors and the Public Finance Council, which have commented on them in summary form. In a brief reflection on the experience of using this methodology to recognize the effects on future generations, it was agreed that efforts to answer the questions and subsequently perform, when so justified, a detailed analysis with its various proposed steps, led to the consideration of other components beyond the usual ones at each institution, achieving the goal of prioritizing a concern for future generations in the processes of understanding, assessment and decision-making. The experience of Banco de Portugal, which studied the reformed calculation of pensions, resulted in a new viewpoint on a topic apparently explored



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in depth. An analysis by the Court of Auditors on the simplified lay-off mechanism showed the methodology's versatility of use in measures, even when they do not initially seem to be a perfect example in addressing every question. Comments made by the Public Finance Council clearly demonstrated the possibility of using the five questions and the entire ensuing analysis (if necessary) when weighing up risks and issuing recommendations on options involving the public finances.

The efforts to produce this methodology have made the Calouste Gulbenkian Foundation and the School of International Futures an international benchmark in the concern for recognizing future generations in the major decisions that will affect them today. The next panel brought **two international visions from Wales and the OECD**, underscoring the importance of the problem, and above all the important need to find means for helping to create fair policies for all generations.

Wales developed its own unique process for creating its future vision. Any public policies proposed must be aligned with this vision, which entailed creating a decision-making process in lieu of proposing a "reform" or a "policy". As an example of the difference of this type of approach, the pursuit of "prosperity" instead of "growth" (measured by GDP) and the adoption of four cornerstones (environmental, social, economic, and cultural) results in proposals for public intervention which differ from those of past tradition. The work of the OECD focused on the importance of having a strong permanent commitment in aspiring to "fairness for all generations". This commitment can be made clear to everyone by using the methodology in question, and publishing its findings in the most important cases of public decision-making. Recognizing the importance of the interests of all generations must lead, for generations yet to be born, to decision-making processes which consider these effects, with or without an entity or agent seeking to represent them.

Finally, close to the end of the working day, **the floor was given to the younger generations** to give their input. Their speeches called attention to their lack of confidence in older generations. There is an acknowledgement that more and better information is available these days, thus implying greater action and concern on the part of older generations as well. One of the consequences of younger generations' lack of confidence is that they turn away from mechanisms of public decision-making ("politics"). Whether the effects on future generations are taken seriously in decision-making processes must be demonstrated through action. Creating more permanent means of promoting dialogue and understanding between generations is absolutely essential. There is a desire to find ways of contact that help different generations work together to solve problems, leveraging the energy and life knowledge found to different degrees in these generations.



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Incorporating a concern for future generations in public decision-making requires having a political process where this is actually found. Analysing and discussing present-day decision-making methods shows that **public decisions geared towards the long term** are possible, including the effects on future generations. Recent experiences show there are several directions that can be pursued. For this reason, we are not dealing with the impossible. However, considering the effects on future generations is not a certainty. There are many examples of decisions where future generations have been completely overlooked. The existence of shortcomings in talking about inter-generational fairness in the political discourse is a consensus, and was emphasized in the discussion, meaning that concerns for fairness for all generations will play a lesser role, in practical terms, than that asserted by political agents themselves.

Political agents find it difficult to make long-term decisions. The short timeframe of political cycles and the associated "political egotism" contribute towards this difficulty. The possibility of a parliamentary "committee for the future" – directly involving members in an explanation of the effects on future generations of public policies discussed – was brought up, naturally involving the participation of members from different generations.

As a result of the analysis done, it comes as no surprise that negotiation, dialogue and above all the appropriate time, moment and duration for this negotiation and dialogue to have an effect, are of clear importance. Three key ideas were brought to the discussion. First, that dialogue is not confined to the process of formulating and approving measures, but must also take place over the course of these measures in order for them to be accepted and eventually refined.

Second, that the need to commit to long-term measures may somehow be met by adding the measures to electoral programs.

Third, that more direct engagement among different generations in the legislative process will also be a means of incorporating a greater concern for all generations into policy-making (while the best solution for achieving this direct engagement



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remains unknown). Having young people in the centre of the action in the actual decision-making process, and not only on advisory bodies to those making the decisions, will be essential.

Finally, it was demonstrated that two barriers have been overcome in order to consistently answer the initial question of “what do we want to leave for future generations?”. The inability to act due to a lack of understanding of the current circumstances can no longer be justified. Enough is known to be able to act, even with a constant desire to know more. The inability to act from not knowing what to do has been solved by the tool developed, which can accurately assess whether a measure (or policy) is (most likely) fair for all generations, or not, acknowledging the various ways that today’s decisions can affect future generations.

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