

## Editorial *Intergenerational Ethics and Economics*

Debates about the future direction of national spending have swept through Western governments in recent years. Driven by doubts about the long-term viability of past levels of spending, present levels of budget deficits, and future levels of promised entitlements, governments have been faced with hard choices. In some cases, such as in the United Kingdom, some austerity measures have been imposed, often in the face of opposition from intellectuals and the public at large. Proposed alternatives to austerity typically involve increases in government spending and subsidy, intended to catalyze the private sector and restart the sputtering economic engine.

The United States faces similar choices. In the recent economic downturn, the federal government decided to engage in large-scale spending efforts, hoping to rescue failing companies and stabilize widespread economic turmoil. In so doing, however, the federal deficit rose to record highs, pushing the national debt to levels that have not been seen since the end of World War II. In her recent book, *How the West Was Lost*, Oxford-trained economist Dambisa Moyo predicts that unless there is radical change in its direction, “it is almost certain that America will move from a fully fledged capitalist society of entrepreneurs to a socialist nation in just a few decades.”<sup>1</sup> Given this relative certainty, Moyo advises (rather curiously) that the United States pursue a strategy to become a socialist state that is “well engineered and designed and can finance itself” rather than one that is cobbled together and incoherent. However, as we have seen from the option of pursuing austerity measures and limiting, rather than enlarging, the

scope of government, this choice between poorly and well-engineered socialism is a false dilemma.

The main driver of future costs, assuming the current trajectory, is certainly entitlement spending, which already accounts for the majority of outflows at the federal level. The Congressional Budget Office’s baseline projections for the next decade (2011–2021) predict that “spending on the government’s major mandatory health care programs—Medicare, Medicaid, the Children’s Health Insurance Program, and health insurance subsidies to be provided through insurance exchanges—along with Social Security will increase from roughly 10 percent of gross domestic product (GDP) in 2011 to about 16 percent over the next 25 years.”<sup>22</sup> The Social Security system currently represents the single largest section of the federal budget (\$695 billion in fiscal year [FY] 2010), and functions essentially as an intergenerational guarantee to a level of public support upon reaching retirement age.

Moyo puts the situation in stark terms: “It’s as simple as this: cheques that were written thirty years ago are, today, impossible to cash, in essence leaving government and some corporate defined-benefit pension schemes little more than Ponzi schemes.”<sup>23</sup> The reality of the promises that have been made to current and future generations of workers and retirees raises the important question of justice—what is rightly due and demanded from citizens at various stages of life.

This idea of intergenerational justice has entered the public policy debates explicitly in the United States primarily through the issuance of “A Call for Intergenerational Justice: A Christian Proposal for the American Debt Crisis” by the Center for Public Justice and Evangelicals for Social Action. The “Call” asserts, “Intergenerational justice demands that one generation must not benefit or suffer unfairly at the cost of another.”<sup>24</sup> It is important to note that the recent use of the term *intergenerational justice* springs in large part from debates about environmental policy and the benefits accrued to current generations from the use (and abuse) of natural resources. To this end, it is worthwhile to note that the primary argument employed by economists in this context focuses on the idea of *opportunity cost*.

In discussions about economically retrograde measures to control carbon emissions in an attempt to retard climate change, for instance, Nobel laureate Vernon L. Smith writes that we must focus on balancing economic development with optimally timed interventions. “If we ignore this rule of optimality and begin abatement now for damages caused by emissions after one hundred years, we leave our descendants with fewer resources—a hundred years of return on the abatement costs not incurred—to devote to subsequent damage control,” he writes. “The critical oversight here,” Smith argues, “is the failure to respect

opportunity cost. Each generation must be responsible for the future effect of that generation's emission damage. Earlier generations have the responsibility of leaving subsequent generations a capital stock that has not been diminished by incurring premature abatement costs."<sup>5</sup>

When we apply this insight into the conversation about the ethics of intergenerational economics, we see more clearly that the premature restriction of economic opportunity, by the movement of capital from younger generations to older generations, has significant consequences for the course of future economic development. These consequences become even more pronounced when we factor in the reality that younger generations are, at any point in time, typically less wealthy in material terms than older generations. Younger workers have not had as much time in the workplace to earn wages, collect benefits, and save, as those who have been working for decades and are nearing or have already entered retirement. As we learn from what has been called the "miracle of compounding interest," small deductions of available capital at earlier points in time have major consequences for long-term growth.

Along with our usual fare of pertinent and timely book reviews, this issue of the *Journal of Markets & Morality* includes a number of articles focused on themes with more or less direct relevance to the discussion of intergenerational ethics and economics, discussing topics as varied as the social encyclical tradition's developing thought on labor to consideration of the scope of the biblical question: "Who is my neighbor?" This issue also includes the first installment of a projected ongoing relationship with the Theology of Work Consultation of the Evangelical Theological Society (ETS). This symposium features lectures and papers presented at the ETS annual meeting under the auspices of the consultation. Our hope in publishing these papers is to promote scholarship and foster meaningful conversation about the pressing issues at the intersection between theology and work. As Gene Edward Veith puts it in his paper, "vocation discloses the spirituality of everyday life." This is a rich sentiment that warrants ongoing reflection.

We also feature the latest installment of our *Scholia*, original translations and editions of works from the sixteenth and seventeenth centuries. Franciscus Junius (1545–1602) was an accomplished and well-regarded Reformed theologian who trained in Geneva under John Calvin and ended his career as professor of theology at the university in Leiden. His treatise on the Mosaic polity (*De politiae Mosis observatione*) exhibits a masterful handling of distinctions and applications of various types of law, and stands as a signal contribution to the development of Reformed (and therefore Western) jurisprudence and theological ethics.

—Jordan J. Ballor, Ph.D. cand.

## Notes

1. Dambisa Moyo, *How the West Was Lost: Fifty Years of Economic Folly—and the Stark Choices Ahead* (New York: Farrar, Straus and Giroux, 2011), 193.
2. Congressional Budget Office, “Budget and Economic Outlook: Fiscal Years 2011 to 2021” (January 2011). <http://www.cbo.gov/doc.cfm?index=12039>.
3. Moyo, *How the West Was Lost*, 83.
4. Center for Public Justice and Evangelicals for Social Action, “A Call for Intergenerational Justice: A Christian Proposal for the American Debt Crisis” (March 3, 2011). <http://www.cpjustice.org/intergenerationaljustice>.
5. Vernon L. Smith, “Expert Panel Ranking: Vernon L. Smith,” in *Global Crises, Global Solutions*, ed. Bjørn Lomborg (New York: Cambridge University Press, 2004), 635.