



## Protecting and Representing Future Generations in Policymaking Debate on 20 June 2019

### Summary

This House of Lords Library Briefing has been prepared in advance of the debate due to take place on 20 June 2019. Lord Bird (Crossbench) is to move that “this House takes note of the case for better protecting and representing the interests of future generations in policymaking”.

Academics Hilary Graham and Piran White have argued that “how future generations are represented in policy-making is one of the biggest questions of our time”. However, the “standard approach to policymaking prioritises the interests” of current citizens.

Some theorists have suggested that future generations should not be explicitly represented in policymaking. One reason advanced is their implicit representation through family and institutional ties of the current generation. Another is uncertainty about what future generations’ interests will actually be. However, counter-arguments have been made to these ideas.

Worldwide, countries including Finland, Hungary, Singapore and Israel have introduced formal representation of future generations into policymaking. There is a Commissioner for Future Generations in Wales, and a ‘futures forum’ in Scotland. There is no UK-wide equivalent, although future generations are mentioned in a number of policies and plans.

A preference for current over future generations is built into the cost-benefit analyses (CBAs) undertaken on proposed UK government policies. In CBAs, the ‘discount rate’ means that any benefit has a lower value, the further in the future it arises. However, the Government has said that this should be adjusted for environmental issues. These, it said, involve “significant and, for all practical purposes, irreversible wealth transfers from the future to the present”.

Intergenerational fairness may be threatened by current government deficits. These transfer the cost of spending onto future generations, even though they may not benefit from it. A House of Lords committee proposed that all spending policies should be subject to an ‘intergenerational impact assessment’.

Finally, a number of organisations have put forward proposals for how future generations might be formally represented in UK policymaking. Several have proposed a new House of Lords Committee as a possible approach.

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## I. Future Generations and Policymaking: Theory

Academics Hilary Graham and Piran White have argued that the consideration of future generations in policymaking is critical, but complex. They said:

How future generations are represented in policy-making is one of the biggest questions of our time. We might expect that protecting future generations would be a central concern, but the standard approach to policymaking is to prioritise the interests of current generations.<sup>1</sup>

This section explores further the reasons why policymaking tends to favour the current generation. It then looks at the arguments for and against future generations being considered. Finally, it considers whether a common underlying assumption in these theories, that people prefer current to deferred benefits, is correct.

### I.1 Why Does Policymaking Tend to Favour Current Generations?

Dennis Thompson, a Harvard academic, has argued that favouring the current generation is a particular feature of democracy, as opposed to other systems of government.<sup>2</sup> He wrote:

Most citizens tend to discount the future, and to the extent that the democratic process responds to their demands, the laws it produces tend to neglect future generations.<sup>3</sup>

Thompson then explained why the representation of future generations in a democracy is challenging. He said:

Democracy itself affirms that the citizens bound by laws should have a voice in making them. Yet future citizens who will be bound by the laws cannot have such a voice.<sup>4</sup>

Thompson stated that this characteristic of democracy has advantages and disadvantages. He wrote:

Democracy's presentism is not entirely unwelcome. Compared to other forms of government, democracy is not disposed to sacrifice

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<sup>1</sup> Hilary Graham and Piran White, '[Society Actually Does Want Policies that Benefit Future Generations](#)', The Conversation, 19 January 2017.

<sup>2</sup> Dennis Thompson, '[Representing Future Generations: Political Presentism and Democratic Trusteeship](#)', *Critical Review of International and Political Philosophy*, 2010, vol 13 no 1.

<sup>3</sup> *ibid*, p 1.

<sup>4</sup> *ibid*, p 2.

citizens or a whole generation for some distant future goal [...]

Nevertheless, this virtue of democracy becomes a vice when the good of future citizens is at stake. Presentism manifests itself in laws that neglect long-term environmental risks, the consequences of genetic engineering, problems of population growth, and development of the democratic process itself.<sup>5</sup>

## 1.2 Why Should Future Generations Be Represented?

Thompson argued that future generations should be represented in policymaking.<sup>6</sup> This, he stated, was contrary to many theorists who believed that “future citizens do not require any special attention”. He referred to a number of such theories and provided his counter-arguments to each.

First, Thompson cited theories which suggested that natural relationships will ensure their interests are protected.<sup>7</sup> He summarised these by saying that “citizens care about their children and grand-children, and both citizens and their representatives care about sustaining democratic institutions”. However, Thompson argued that this argument is insufficient, because “the further we look to the future, the weaker and more indeterminate the conclusions”. Many policies, he stated, “have their most significant effects a century or more in the future”.

Second, Thompson reported theories which state that special attention to future generations is unjustified.<sup>8</sup> This, he said, was because future generations are likely to be better off, as they benefit from the knowledge and capital handed down from previous generations. Again, Thompson dismissed this argument, citing environmental concerns in particular. He said that environmental changes are “large and irreversible harms” that can be inflicted on future generations.

Third, Thompson referred to arguments that prefer helping disadvantaged people in less developed nations now to helping disadvantaged people in one’s own country in the future.<sup>9</sup> Thompson said that “the claims of foreign and future citizens” are, in fact, “not so distinct as many theories assume”. For example, at least some future citizens of any one country are likely to be descendants of a different country. Therefore, he said, “even if we tried, we

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<sup>5</sup> Dennis Thompson, ‘[Representing Future Generations: Political Presentism and Democratic Trusteeship](#)’, *Critical Review of International and Political Philosophy*, 2010, vol 13 no 1, pp 1–2.

<sup>6</sup> *ibid*, pp 5–9.

<sup>7</sup> *ibid*, p 6.

<sup>8</sup> *ibid*, pp 6–7.

<sup>9</sup> *ibid*, pp 7–8.

could not completely limit our efforts to help future citizens to only those who will be living in our own state in the future”.

Fourth, Thompson considered the “argument from uncertainty”, which he said “had considerable force”.<sup>10</sup> He summarised it as saying that it would be desirable to give weight to the needs of future generations, if we knew what these needs would be. However, the theory states, as these are uncertain, we cannot reliably act in their interests. Thompson countered that at least some future claims are predictable: for example, “even in the remote future, we can reasonably assume that citizens will not want to live with toxic chemicals, foul air, and chronic disease”.

### 1.3 Do People Prefer Current to Future Benefits?

It was a premise of Thompson’s paper that people tend to prefer policies that deliver immediate rather than deferred benefits. Graham and White stated that economic research suggests the same conclusion.<sup>11</sup> Moreover, they said that the “standard approach” to UK policymaking is also based on this assumption (this refers to the practice of discounting, discussed in section 4 below).

However, Graham and White went on to challenge this consensus with experiments of their own. The results suggested that people actually preferred policies where the benefits increase progressively from the current generation to two generations further on. The authors concluded that this reflected “people’s ties to younger family members, as well as a broader social ethic around protecting future generations”.<sup>12</sup>

## 2. Current Approach to Long-term Policymaking in the UK

This section considers the ways in which future generations are explicitly represented in policymaking in the UK. In Wales and Scotland, institutions exist with this specific purpose. In England and Northern Ireland, future generations’ interests are considered in a number of bills, plans and strategies.

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<sup>10</sup> Dennis Thompson, ‘[Representing Future Generations: Political Presentism and Democratic Trusteeship](#)’, *Critical Review of International and Political Philosophy*, 2010, vol 13 no 1, pp 8–9.

<sup>11</sup> Hilary Graham and Piran White, ‘[Society Actually Does Want Policies that Benefit Future Generations](#)’, *The Conversation*, 19 January 2017.

<sup>12</sup> *ibid.*

## 2.1 Wales: Well-being of Future Generations (Wales) Act 2015

### *Introduction and Aims*

In 2015, the Welsh Assembly passed the Well-being of Future Generations (Wales) Act.<sup>13</sup> The Act came into force on 1 April 2016.<sup>14</sup>

The Act requires public bodies to consider the long-term implications of their actions. The Welsh Assembly described the aims of the Act as:

To put sustainable development at the centre of decision-making, and [...] to ensure actions meet the needs of the present, without compromising the ability of future generations to meet their own needs.<sup>15</sup>

Amongst other provisions, the Act requires public bodies to set and publish objectives and a ‘well-being statement’ which demonstrate how they are applying this ‘sustainable development principle’.<sup>16</sup>

Lord Bird has called for a similar Future Generations Act for the UK.<sup>17</sup>

### *Future Generations Commissioner*

The Act also appointed a future generations commissioner for Wales.<sup>18</sup> Sophie Howe was appointed as the first commissioner in 2016. She described her role as being:

To act as a guardian of the ability of future generations to meet their needs and encourage public bodies to take greater account of the long-term impact of the things that they do.<sup>19</sup>

The first of four “purposes” contained in the commissioner’s strategic plan was to “highlight the big issues, challenges and opportunities facing future

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<sup>13</sup> Future Generations Commissioner for Wales, [‘Working Together to Build the Wales We Want’](#), 2 April 2019.

<sup>14</sup> National Assembly for Wales, [Research Briefing: The Well-being of Future Generations Act](#), May 2018, p 1.

<sup>15</sup> *ibid.*

<sup>16</sup> *ibid.*, pp 4–5.

<sup>17</sup> Foundation for Democracy and Sustainable Development, [‘Lord John Bird Calls for Future Generations Act for the UK’](#), 22 December 2018.

<sup>18</sup> National Assembly for Wales, [Research Briefing: The Well-being of Future Generations Act](#), May 2018, p 10.

<sup>19</sup> Future Generations Commissioner for Wales, [Strategic Plan 2017–2023](#), accessed 6 June 2019, p 4.

generations”.<sup>20</sup> To meet this goal, she said that she would concentrate her resources on the following areas:

- Creating the right infrastructure for future generations, with a focus on:
  - Housing stock;
  - Energy generation and efficiency; and
  - Transport planning.
- Equipping people for the future:
  - Skills for the future;
  - Adverse childhood experiences; and
  - Alternative models for improving health and well-being.<sup>21</sup>

### **Auditor General’s Role**

The Act also defined a new role for the auditor general for Wales (ADW). It stated that the ADW can examine any public body for the extent to which it is acting in accordance with the sustainable development principle.<sup>22</sup> It must assess each body in this way at least once every five years.

A barrister in a recent failed legal case, which cited the Act, was reported to have criticised the Act as being “toothless” and “virtually useless”.<sup>23</sup> However, more recently, the future generations commissioner welcomed the decision by the Welsh Government not to proceed with a proposed M4 relief road.<sup>24</sup> The reasons given by the Welsh First Minister, Mark Drakeford, included the impact of the road on the environment.<sup>25</sup>

## **2.2 Scotland’s Futures Forum**

Scotland’s Futures Forum describes itself as the “Scottish Parliament’s futures thinktank”.<sup>26</sup> Its aim is to look “beyond the electoral cycle to stimulate debate on the long-term challenges and opportunities that Scotland faces”.

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<sup>20</sup> <sup>20</sup> Future Generations Commissioner for Wales, [Strategic Plan 2017–2023](#), accessed 6 June 2019, p 6.

<sup>21</sup> *ibid.*

<sup>22</sup> National Assembly for Wales, [Research Briefing: The Well-being of Future Generations Act](#), May 2018, p 12.

<sup>23</sup> Paul Martin, [‘Law to Protect Future Generations in Wales “Useless”](#)’, BBC News, 15 May 2019.

<sup>24</sup> Future Generations Commissioner for Wales, [‘Future Generations Commissioner for Wales Welcomes “Brave Decision” by First Minister on the M4 Relief Road](#)’, 5 June 2019.

<sup>25</sup> BBC News, [‘M4 Relief Road: Newport Motorway Plans Scrapped](#)’, 5 June 2019.

<sup>26</sup> Scotland’s Futures Forum, [‘Scotland 2030 Programme](#)’, accessed 10 June 2019.

In a May 2017 paper looking at worldwide arrangements to address short-termism in policymaking, academics Mark O'Brien and Thomas Ryan discussed the forum.<sup>27</sup> They said that the Scottish Parliament set it up in 2005 as a company at arm's length from the parliament.<sup>28</sup> They stated that its board included backbench MSPs, academics, civil servants and business leaders. One of its main functions has been to "stimulate public debate" in Scotland on issues related to the future.<sup>29</sup>

Considering the forum's influence, the authors argued that "the institution is laudable for making an active effort to directly promote longer-term thinking in decision making".<sup>30</sup> However, they suggested that it is "hard to assess the impact" of its activities on policymaking. O'Brien and Ryan also suggested that its scope may be narrow as a result of the Scottish Parliament's limited powers, for example in economic policy. This, they concluded, "highlights the need for the UK Parliament to deal with intergenerational issues".

### 2.3 England and Northern Ireland

There is no UK-wide organisation equivalent to the Welsh and Scottish bodies outlined above. In November 2018, a parliamentary question asked the Government what lessons it had learned from the actions of the Future Generations Commissioner for Wales (see section 2.1 above).<sup>31</sup> The Government said that the Environment (Principles and Governance) Bill, currently in draft form, contains some proposals which are similar to the Welsh initiative. The Government stated that these proposals included establishing "environmental principles" in UK law.

The Government's commentary on the draft bill said that these principles would "serve as a foundation for the development of environmental policy and law".<sup>32</sup> One of these principles was entitled "sustainable development", defined as:

Development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs.

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<sup>27</sup> Mark O'Brien and Thomas Ryan, [Rights and Representation of Future Generations in United Kingdom Policymaking](#), University of Cambridge Centre for the Study of Existential Risk, May 2017, pp 27–8.

<sup>28</sup> *ibid*, p 27.

<sup>29</sup> *ibid*.

<sup>30</sup> *ibid*, p 28.

<sup>31</sup> House of Lords, '[Written Question: Future Generations Commissioner for Wales](#)', 26 November 2018, HLI 1361.

<sup>32</sup> Department for Environment, Food and Rural Affairs, [Draft Environment \(Principles and Governance\) Bill](#), December 2018, Cm 9751, p 41.



Overall, the draft bill aims to provide governance relating to the environment which is “broadly equivalent” to that provided by Europe.<sup>33</sup>

Other government policy documents that referenced future generations include:

- the 25 Year Environment Plan;<sup>34</sup>
- the Industrial Strategy;<sup>35</sup>
- the National Planning Policy Framework;<sup>36</sup> and
- the proposed post-Brexit fisheries policy.<sup>37</sup>

The UK Government, along with all United Nations’ member states, also signed the UN’s 2030 agenda for sustainable development in 2015.<sup>38</sup> The UN described the agenda as “broad and universal”, and “for the full benefit of all, for today’s generation and for future generations”.<sup>39</sup> It included 17 sustainable development goals, including on climate action, affordable and clean energy, reduced inequalities and responsible consumption and production.<sup>40</sup>

### 3. Other Worldwide Initiatives

Worldwide, several countries have adopted their own institutional arrangements to address short-termism in policymaking. In their paper, O’Brien and Ryan explored several of these, in addition to those of Wales and Scotland described in section 2.<sup>41</sup> Their findings are summarised briefly below, together with the lessons that they draw from each.

<sup>33</sup> Department for Environment, Food and Rural Affairs, [Draft Environment \(Principles and Governance\) Bill](#), December 2018, Cm 9751, p 41.

<sup>34</sup> Department for Environment, Food and Rural Affairs, [A Green Future: Our 25 Year Plan to Improve the Environment](#), 11 January 2018, p 18.

<sup>35</sup> Department for Business, Energy and Industrial Strategy, [Industrial Strategy: Building a Britain Fit for the Future](#), 27 November 2017. This was referred in the 25 Year Environment Plan as “future-proofing our economy for generations to come” (Department for Environment, Food and Rural Affairs, [A Green Future: Our 25 Year Plan to Improve the Environment](#), 11 January 2018, p 18).

<sup>36</sup> Ministry of Housing, Communities and Local Government, [National Planning Policy Framework](#), February 2019, CP 48, pp 5 and 54.

<sup>37</sup> Department for Environment, Food and Rural Affairs, [Sustainable Fisheries for Future Generations: Consultation Document](#), 25 October 2018.

<sup>38</sup> United Nations Sustainable Development Goals, [Sustainable Development Goals](#), 2015.

<sup>39</sup> United Nations Sustainable Development Goals, [Transforming Our World: The 2030 Agenda for Sustainable Development](#), 2015.

<sup>40</sup> United Nations Sustainable Development Goals, [Sustainable Development Goals](#), 2015.

<sup>41</sup> Mark O’Brien and Thomas Ryan, [Rights and Representation of Future Generations in United Kingdom Policymaking](#), University of Cambridge Centre for the Study of Existential Risk, May 2017.

### 3.1 Finland: Committee for the Future

O'Brien and Ryan reported that Finland established this 'standing permanent committee' of parliament in 1993. It can conduct general research and also prepare responses to government reports on the future. These reports, and the responses, are commissioned every four years.<sup>42</sup>

O'Brien and Ryan suggested that the committee has had "substantial impact". For example, the government adopted its proposals in all four of its responses to government reports up to 2004. The authors attributed its success to:

- widespread cross-party and public support in its creation;
- its membership being parliamentarians, giving its findings political weight; and
- the fact that it can set its own agenda.<sup>43</sup>

### 3.2 Hungary: Commissioner for Future Generations

O'Brien and Ryan described the Hungarian commissioner for future generations as "one of the strongest representative mechanisms for future generations yet created".<sup>44</sup> It stemmed from a 1993 parliamentary act, but only operated from 2008. However, its powers were "significantly reduced" in 2012 under a new constitution.

The authors stated that the commissioner, while elected by parliament, was independent in that they could not have been a member of a political party, or held office, in the previous four years. Its role was to be focused around environmental protection. Again, O'Brien and Ryan believed that the commissioner had a "significant impact". For example, it won "many" court cases, and prevented the privatisation of state owned forest and water utilities.

The authors argued that the commissioner's independence was an advantage, as was its transparency. However, they criticised its scope for being limited to environmental issues, and its focus on legal cases in response to individual complaints. They suggested that the reduction of the commissioner's powers may have been due to a "deficit of political understanding of, or sympathy for, its goals and methods", and may have

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<sup>42</sup> Mark O'Brien and Thomas Ryan, [Rights and Representation of Future Generations in United Kingdom Policymaking](#), University of Cambridge Centre for the Study of Existential Risk, May 2017, pp 21–2.

<sup>43</sup> *ibid*, p 22.

<sup>44</sup> *ibid*.

resulted from its “notable interventions in private and governmental interests”.<sup>45</sup>

### 3.3 Singapore: Centre for Strategic Futures

O’Brien and Ryan reported that the Singapore government set up a “futures think tank” within the Prime Minister’s office in 2009.<sup>46</sup> They stated that it is designed to improve public sector thinking on “risk and the future”.

The authors argued that while its position in the Prime Minister’s office gives it authority, it also “raises questions of independence” and makes it open to political pressures. However, they suggested that, in fact, its relevance is “firmly ingrained”. The authors particularly noted its work on developing “highly rigorous frameworks” for considering future trends and risks.<sup>47</sup>

O’Brien and Ryan argued that the centre has been “broadly successful”. However, they suggested that the model might not be transferable to the UK. This, they argued, is because of the lesser degree of “political short-termism”, and greater emphasis on long-term planning, in Singapore.<sup>48</sup>

### 3.4 Israel: Commission for Future Generations

O’Brien and Ryan reported that Israel’s parliament established a commission for future generations in 2001.<sup>49</sup> The commission was an “organ of parliament”, but the commissioner was independent of party politics. The authors reported that the commission was disestablished in 2006, “apparently for budgetary reasons”.

The authors reported that the commissioner’s role was to give opinions on any legislation which affected future generations.<sup>50</sup> This included holding an “effective veto” on legislation which did not comply with the interests of future generations. The commissioner could also initiate bills and “play a general advocacy role to parliament”.

O’Brien and Ryan argued that the commissioner’s wide-ranging powers may have been a reason for its demise. They reported the parliament as saying

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<sup>45</sup> Mark O’Brien and Thomas Ryan, [Rights and Representation of Future Generations in United Kingdom Policymaking](#), University of Cambridge Centre for the Study of Existential Risk, May 2017, pp 23–4.

<sup>46</sup> *ibid*, pp 20 and 24.

<sup>47</sup> *ibid*, pp 24–5.

<sup>48</sup> *ibid*.

<sup>49</sup> *ibid*, p 26.

<sup>50</sup> *ibid*, p 27.

that “the commission received too much authority to interfere in their work”.<sup>51</sup>

#### 4. Economics of Policymaking: Discounting

Sections 2 and 3 discussed formal institutions, in the UK and elsewhere, which aim to represent the interests of future generations in policymaking. However, these interests are also directly affected by the method of assessing potential policies known as discounting. This section explains what discounting is, its effects, and the approach currently taken in the UK.

##### 4.1 What is Discounting?

In the UK, the Government recommends that the economic impacts of policies and possible policies are assessed using ‘cost-benefit analysis’, also known as ‘appraisal and evaluation’.<sup>52</sup> To look at the effects of policies over time, costs and benefits in future years are converted to a value in today’s money. This is known as a ‘present value’.<sup>53</sup> In the calculation, a ‘discount rate’ is applied to benefits and costs in the future.

##### 4.2 What is the Effect of Discounting?

The *Green Book* is the guidance published by HM Treasury on how to conduct public sector appraisal and evaluation in the UK.<sup>54</sup> It describes the discounting process and how it is set to give preference to present benefits over future benefits. The *Green Book* said that this is because discounting is:

Based on the concept of time preference, that generally people prefer to receive goods and services now rather than later. If Projects A and B have identical costs and benefits but Project A delivers benefits a year earlier, time preference means Project A is valued more highly.<sup>55</sup>

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<sup>51</sup> Mark O’Brien and Thomas Ryan, [Rights and Representation of Future Generations in United Kingdom Policymaking](#), University of Cambridge Centre for the Study of Existential Risk, May 2017, p 27.

<sup>52</sup> Institute and Faculty of Actuaries, [Intergenerational Fairness Bulletin: Climate Change](#), January 2017, p 1; and HM Treasury, [The Green Book: Central Government Guidance on Appraisal and Evaluation](#), 2018.

<sup>53</sup> Hilary Graham et al, [Do People Favour Policies that Protect Future Generations? Evidence from a British Survey of Adults](#), *Journal of Social Policy*, July 2017, vol 46 no 3, p 425.

<sup>54</sup> HM Treasury, [The Green Book: Central Government Guidance on Appraisal and Evaluation](#), 2018.

<sup>55</sup> *ibid*, p 7.

Graham et al linked discounting explicitly to intergenerational fairness. They said:

As is widely recognised, discounting builds intergenerational inequity into the policy appraisal process. It means that dividends yielded by policies in 30 years' time are accorded very low value from the perspective of the present.<sup>56</sup>

### 4.3 UK Discount Rates

The *Green Book* stated that the discount rate for cost-benefit analyses in the UK is 3.5% in real terms, with an exception for “risk to life” values which uses a lower rate of 1.5%.<sup>57</sup> It then provided an illustration of its effect. It said that a benefit of £1,000 today is valued the same as a benefit of £842 in five years' time or £709 in ten years' time.

The Institute and Faculty of Actuaries, the chartered professional body for actuaries in the UK, explained how the choice of discount rate has a very large effect when assessing investments with a long-term pay off.<sup>58</sup> It considered two possible discount rates, 1.4% and 5% to 6%. It then showed that, for any given sum of money today, the discounted values in 100 years' time using these two rates were different by a factor of 50.

The discount rate in the *Green Book* is set as the sum of two components:

- ‘time preference’, which captures the preference for value now rather than value later; and
- ‘wealth effect’, which states that wealth tends to increase over time. Therefore, £1 of extra wealth today is valued more than £1 of extra wealth in the future, because in the future it will bring proportionately less benefit.<sup>59</sup>

HM Treasury has recognised that the standard discounting technique may not be appropriate for projects with long time effects.<sup>60</sup> Therefore, for periods over 30 years, a reduced discount rate applies to allow for

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<sup>56</sup> Hilary Graham et al, ‘[Do People Favour Policies that Protect Future Generations? Evidence from a British Survey of Adults](#)’, *Journal of Social Policy*, July 2017, vol 46 no 3, pp 423–45.

<sup>57</sup> HM Treasury, [The Green Book: Central Government Guidance on Appraisal and Evaluation](#), 2018.

<sup>58</sup> Institute and Faculty of Actuaries, ‘[Intergenerational Fairness Bulletin: Climate Change](#)’, January 2017, p 4.

<sup>59</sup> HM Treasury, [The Green Book: Central Government Guidance on Appraisal and Evaluation](#), 2018, p 101.

<sup>60</sup> *ibid*, p 103.

uncertainty.<sup>61</sup> In other words, future benefits that accrue in more than 30 years' time are not reduced as rapidly when calculating their present value. In addition, further "sensitivity analysis" must be carried out, and published, for projects with long-term effects.<sup>62</sup>

## 5. Climate Change: A Special Case?

### 5.1 Environmental Change and Discount Rates

As set out in the previous section, policies having effects in the future are subject to discounting, and there are additional rules for long-term effects. However, HM Treasury has said that even these extra adjustments are not sufficient for assessing the irreversible effects of climate change. Referring to the findings of the 2006 Stern Review on climate change, HM Treasury said the review concluded that:

it was not ethically defensible for pure social time preference to be applied to future cost-benefit calculations where these involved significant and, for all practical purposes, irreversible wealth transfers from the future to the present.<sup>63</sup>

The paper specified an alternative series of discount rates to be used in such cases.<sup>64</sup>

Long-term cost-benefit analysis has also been used in, for example, the 'TE2100' project to manage flood risk in London and the Thames Estuary.<sup>65</sup>

On 12 June 2019, the Prime Minister, Theresa May, announced a target to reduce the UK's net contribution to climate change to zero by the year 2050.<sup>66</sup> In her statement, she said that this was an "ambitious target", but that "it is crucial that we achieve it to ensure we protect our planet for future generations".

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<sup>61</sup> HM Treasury, [The Green Book: Central Government Guidance on Appraisal and Evaluation](#), 2018, p 28.

<sup>62</sup> Joseph Lowe, [Intergenerational Wealth Transfers and Social Discounting: Supplementary Green Book Guidance](#), HM Treasury, July 2008, p 4.

<sup>63</sup> Joseph Lowe, [Intergenerational Wealth Transfers and Social Discounting: Supplementary Green Book Guidance](#), HM Treasury, July 2008, p 3.

<sup>64</sup> *ibid*, pp 4–6.

<sup>65</sup> Environment Agency, [Thames Estuary 2100: TE2100 Plan](#), November 2012, pp 46–7.

<sup>66</sup> Prime Minister's Office, [PM Theresa May: We Will End UK Contribution to Climate Change by 2050](#), 12 June 2019.

## 5.2 Governments' Legal Obligations to Future Generations

In the United States, the courts are currently considering a case in which the plaintiffs are claiming that “young people have a constitutional right to be protected from climate change”. The US Government is contesting the case.<sup>67</sup>

One report of the case described how governments now face legal duties in relation to the impact of climate change on future generations. It said:

The notion that governments have environmental obligations to generations to come is now a principal feature of international treaties, national constitutions and case law.<sup>68</sup>

The article went on to cite examples from the US, the Philippines, Pakistan, Columbia, Ireland and the Netherlands.

## 6. Government Debt and Intergenerational Fairness

### 6.1 Introduction

If government expenditure exceeds its income, the national debt will rise.<sup>69</sup> Interest on, and repayments of, that debt will fall on future taxpayers.<sup>70</sup> If the excess of spending over income benefits only the current generation, this is effectively transferring the cost of the spending onto future generations who will not benefit from it. Note that borrowing to invest may not give rise to the same issues, because the benefits of the investment, as well as its costs, accrue in the future.<sup>71</sup>

Such effects can last many years into the future. For example, the longest dated current UK debt will not be repaid until 2071.<sup>72</sup> Interest on it will also be paid up until that date.

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<sup>67</sup> John Schwartz, [‘Judges Give Both Sides a Grilling in Youth Climate Case Against the Government’](#), *New York Times*, 4 June 2019.

<sup>68</sup> Oliver Houck, [‘The Children’s Climate Case: Our Obligation to Future Generations’](#), *The Hill*, 11 June 2018.

<sup>69</sup> John Black et al, [‘A Dictionary of Economics: Budget Deficit’](#), Oxford Reference, 2009.

<sup>70</sup> House of Lords Committee on Intergenerational Fairness and Provision, [Tackling Intergenerational Unfairness](#), 25 April 2019, HL Paper 329 of session 2017–19, p 8.

<sup>71</sup> House of Lords Committee on Intergenerational Fairness and Provision, [Tackling Intergenerational Unfairness](#), 25 April 2019, HL Paper 329 of session 2017–19, p 20.

<sup>72</sup> HM Treasury, [Debt Management Report 2019/20](#), March 2019, p 18.

## 6.2 House of Lords Intergenerational Fairness and Provision Committee

The House of Lords Intergenerational Fairness and Provision Committee raised this issue several times in their April 2019 report.<sup>73</sup> For example, it said:

We recognise that financing present public expenditure through creating an unsustainable financial burden for future generations would damage the intergenerational compact. Taxation must be fair between different generations. Our goal is for the intergenerational compact to be as strong, if not stronger, in 20 years' time as it is today.<sup>74</sup>

The committee noted that in New Zealand, an Act requires the government to have “regard to its likely impact on present and future generations” when forming a fiscal strategy.<sup>75</sup> Witnesses to the committee described ‘generational accounts’ or ‘intergenerational impact assessments’. These would require calculating whether specific policies would mean future generations paying more tax, and whether this would fund investments or spending which benefits current taxpayers.<sup>76</sup> The committee recommended the production of intergenerational impact assessments for all draft legislation.<sup>77</sup>

## 6.3 Intergenerational Commission

The Intergenerational Commission, established by the independent thinktank the Resolution Foundation, reported in May 2018. It also considered the intergenerational impact of government debt.<sup>78</sup> The commission considered possible paths for future government spending, including taking into account the ageing population. It then looked at the implications if that spending is met through additional borrowing. On its main projection, the national debt would rise above 100% of GDP by 2040 and above 230% of GDP by 2066. As a result, debt interest payments rise from 1.8% of GDP today to 9% by 2066. The commission said that “such a path may be possible for a time, but it is not politically and financially sustainable in the long run”.<sup>79</sup>

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<sup>73</sup> House of Lords Committee on Intergenerational Fairness and Provision, [Tackling Intergenerational Unfairness](#), 25 April 2019, HL Paper 329 of session 2017–19.

<sup>74</sup> *ibid*, p 9.

<sup>75</sup> *ibid*, p 16.

<sup>76</sup> *ibid*, pp 19–20.

<sup>77</sup> *ibid*, p 20.

<sup>78</sup> Intergenerational Commission, [A New Generational Contract: The Final Report of the Intergenerational Commission](#), May 2018, pp 91–2.

<sup>79</sup> *ibid*, p 92.



Analysis reported by the commission suggested that taxes would need to increase by 6% to 7% of GDP to “correct away from this unsustainable path [...] and deliver both intergenerational and intertemporal budget balance”.<sup>80</sup>

The commission also considered the value of net national assets that the current generation is leaving to future generations, which it called the “social inheritance”.<sup>81</sup> It suggested that public sector net assets (ie assets less liabilities) fell from 100% of GDP at the start of the 1980s to a negative figure in the years since 2012 (ie liabilities exceed assets). Private sector assets rose sharply over the same period, so that overall UK net wealth has increased. However, the commission reported that 92% of that overall increase was due to rises in land values. This, it said, “does not represent any additional productive assets that can be passed on to future generations”. In contrast, the commission suggested that the value of assets such as transport, intellectual property and information and communications technology has declined.<sup>82</sup>

Furthermore, the commission stated, these figures do not take into account known future liabilities such as nuclear decommissioning, student loans and public service pensions.<sup>83</sup> Finally, it said that the UK has relatively low levels of investment compared to other advanced countries.<sup>84</sup>

For more information on issues related to intergenerational fairness, see:

- House of Lords Library, [Equality of Opportunity and Quality of Life for Young People](#), 9 May 2019
- House of Lords Library, [Free Public Transport and TV Licences for Older People](#), 6 June 2019<sup>85</sup>

## 7. Proposals for the Representation of Future Generations

### 7.1 University of Cambridge Centre for the Study of Existential Risk

Following their survey of international government institutions designed to represent the interests of future generations, Cambridge academics O’Brien and Ryan drew some possible conclusions on designs for mechanisms for

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<sup>80</sup> Intergenerational Commission, [A New Generational Contract: The Final Report of the Intergenerational Commission](#), May 2018, p 98.

<sup>81</sup> *ibid.*, pp 99–100.

<sup>82</sup> *ibid.*

<sup>83</sup> *ibid.*, p 100.

<sup>84</sup> *ibid.*, pp 100–1.

<sup>85</sup> On 10 June 2019, the BBC announced that from June 2020, free TV licences for the over-75s would be restricted to households in which somebody received pension credit (BBC News, [‘TV Licences: Up to 3.7 Million Over-75s to Pay Licence Fee’](#), 10 June 2019).

representing future generations in publicly sponsored organisations.<sup>86</sup>

First, they suggested that any mechanism should not be given “too much power, too soon in their lifespan”.<sup>87</sup> This, they suggested, tends to lead to rejection from politicians. However, the authors said that some level of power is essential.

Second, the authors stated that any institution must be seen as legitimate and supported by both politicians and the public. This, they suggested, is essential for it to endure and have power. Legitimacy, they said, is helped by transparency and accountability.

Third, O’Brien and Ryan suggested that the organisation should have a “multi-disciplinary team” to ensure that all issues can be covered. They believed that there should be some involvement from parliamentarians, to assist with legitimacy and influence. However, the body should set its own agenda, independently of government. Academic input should be included to prioritise issues.

For the UK, O’Brien and Ryan suggested a body that:

Could play a monitoring role for legislation affecting future generations, carry out and collate relevant research with respect to intergenerational issues and play an advisory role to government. Additionally, such an institution should work to achieve wider public engagement and lobby with policymakers to care about issues facing future generations.<sup>88</sup>

Specifically, the authors recommended:

- The formation of an All-Party Parliamentary Group on future generations. (Such a group was later launched on 22 January 2018<sup>89</sup>).
- Legislation should be passed to ensure that the long-term risks of all government bills are included in their explanatory notes.
- An “expert advisory panel” should be formed, with representatives from “futures research institutions and thinktanks”.

<sup>86</sup> Mark O’Brien and Thomas Ryan, [Rights and Representation of Future Generations in United Kingdom Policymaking](#), University of Cambridge Centre for the Study of Existential Risk, May 2017, pp 29–31.

<sup>87</sup> *ibid*, p 30.

<sup>88</sup> *ibid*, p 31.

<sup>89</sup> All-party Parliamentary Group for Future Generations, ‘[Cambridge Students Join Forces with MPs to launch APPG Combating Political Short-termism](#)’, 22 January 2018. The group is chaired by Bambos Charalambous (Labour MP for Enfield, Southgate) and co-chaired by Lord Bird of Notting Hill. The full membership can be found at All-party Parliamentary Group for Future Generations, ‘[Officers](#)’, accessed 7 June 2019.

- Intergenerational rights should be included in any future British bill of rights.
- In the longer term, a select committee on future generations should be formed.
- Any institution formed to represent future generations should have “existential risks arising from technological development” as part of its mandate, in addition to environmental sustainability.
- “Civil society needs to mobilise to form strong cross-party support for representation of future generations”.<sup>90</sup>

## 7.2 Foundation for Democracy and Sustainable Development

The Foundation for Democracy and Sustainable Development, an independent forum, has also called for a committee for future generations.<sup>91</sup> It suggested that the House of Lords create such a committee, as an institution particularly suited to counter short-termism in politics. The foundation proposed that the committee would scrutinise legislation, conduct its own reviews and produce an annual report on long-term trends.<sup>92</sup>

## 7.3 Centre for the Understanding of Sustainable Prosperity

The Centre for the Understanding of Sustainable Prosperity, an academic research centre, supported the idea of a House of Lords committee.<sup>93</sup> It also called for:

- A UK commissioner for future generations.
- Reform of the National Infrastructure Commission, so that it places more weight on the social and environmental impact of developments, rather than maximising economic growth.
- Statutory duties on ministers and public bodies to publish the implications of policy proposals on future generations.
- A new ‘environmental watchdog’, formed as part of Brexit preparations, to consider the interests of future generations.<sup>94</sup>

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<sup>90</sup> Mark O’Brien and Thomas Ryan, [Rights and Representation of Future Generations in United Kingdom Policymaking](#), University of Cambridge Centre for the Study of Existential Risk, May 2017, p 36.

<sup>91</sup> Foundation for Democracy and Sustainable Development, [A Proposal—House of Lords Committee for Future Generations](#), March 2018.

<sup>92</sup> *ibid*, p 2.

<sup>93</sup> Victor Anderson, [Protecting the Interests of Future Generations](#), Centre for the Understanding of Sustainable Prosperity, July 2018, pp 25–6.

<sup>94</sup> *ibid*, p 26.

## 7.4 Dennis Thompson (Harvard)

Following his discussion of the theoretical aspects of the representation of future generations, summarised in section 1 above, Thompson discussed possible solutions.<sup>95</sup> He proposed independent commissions or citizen’s assemblies. These, he suggested, should be in place at the international as well as the national level, although he noted that previous formal attempts to establish a similar mechanism at the United Nations have failed.

## 7.5 Research Institute for Future Design

In 2012, a group of researchers based in Japan established an institute to consider how to design social systems to take account of intergenerational policy issues.<sup>96</sup> It has considered challenges such as the environment, declining populations and increasing government debt. Its methods have included an experiment in which people imagine themselves as inhabitants of their own town in 2060. These people are then asked to represent that inhabitant in current debates about planning for the town.<sup>97</sup>

The founder of the institute, Tatsuyoshi Saijo, stated that this technique is useful because:

If those of us who belong to the current generation think as an imaginary future person, we would be able to make our society more sustainable.<sup>98</sup>

In all such experiments conducted by the institute, the presence of a person representing the interests of future generations has made a difference to the outcome. The institute suggested that this might imply that establishing a public body, such as a “ministry of the future”, could be effective. Such a body could act as the representative of future generations in public policy debates.

## 8. Further Reading

The Library holds the following book on the subject:

- Iñigo González-Ricoy and Axel Gosseries (eds), *Institutions for Future Generations*, 2016

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<sup>95</sup> Dennis Thompson, ‘[Representing Future Generations: Political Presentism and Democratic Trusteeship](#)’, *Critical Review of International and Political Philosophy*, 2010, vol 13 no 1, pp 17–37.

<sup>96</sup> Keiichiro Kobayashi, ‘[How to Represent the Interests of Future Generations Now](#)’, Centre for Economic Policy Research VOX Portal, 5 May 2018.

<sup>97</sup> *ibid.*

<sup>98</sup> *ibid.*