Philip Aldrick

Our youth are rightly disaffected, but they must fight their corner

On a visit to Japan a couple of years ago, I had the good fortune to meet one of the country's top social scientists. He was worried, he said. The country's youth was too cautious.

Students weren't embracing opportunities overseas any longer. Instead, youngsters worried about job security and financial prospects. Women increasingly wanted to be housewives. A passive conservatism had taken hold that threatened to rob Japan of a generation of entrepreneurs. The new youth even had a name — *uchimuki*, or "inward-looking".

According to the professor, the cultural shift was the consequence of two decades of stagnation and the overbearing burden of debt.

Japan's demographics today are awful, the young are facing an enormous bill to look after the far larger older generation. According to the professor, that burden, combined with problems in the jobs market, was taking a crushing psychological toll.

Separate surveys in 2010, by the British Council and the Sanno Institute of Management, found that Japan's youth did not want to work overseas because of the "risk" involved. The risk, the professor explained, was that they would struggle to find a good job on returning home.

There is a danger that Britain is setting off down a similar path. Young people in the UK have borne the brunt of the recession and they are being asked to carry the cost of the clean-up.

As in Japan, attitudes are hardening. A recent social survey by Demos found that 18 to 30-year-olds, the so-called Generation Y, have lurched to the right. They are less supportive of paying for welfare than their parents, and resentfully believe that both their career and financial prospects are far worse.

Is it any surprise, though? This week, we learnt from the Institute for Fiscal Studies that the median income of 22 to 30-year-olds fell by more than any other age group over the recession — an inflation-adjusted 13 per cent decline. The over-60s, by contrast, did not suffer at all.

According to the Office for National Statistics, 28-year-olds were worst hit. In 2013, they earned 17.6 per cent less than they would have in 2009.

More young people found themselves on the dole than any other generation. Those between 18 and 24 accounted for almost 30 per cent of the rise in the unemployment rate, roughly double their share of the labour force.

Sky-high tuition fees will leave graduates with an average of £44,000 of debt, which many will still be paying off in their 50s, the IFS reckons. Soaring house prices are pushing more into rent or forcing them to camp with the folks.

All that comes before the cost of paying the inflated benefits of the baby boomers.

A 30-year-old today will make a net contribution over their lifetime of nearly £125,000 to the state in taxes. By contrast, a 65-year-old will receive a net £200,000 in benefits, analysis of the "generational accounts" by the National Institute for Economic and Social Research showed. It's enough to incite a revolution. Instead, as in Japan, Britain's young are completely disaffected.

Britain is facing a particular democratic crisis that, unless addressed, could have damaging long-term economic consequences. In the 2010 election, only 44 per cent of 18 to 24-year-olds bothered to vote. For 25 to 35-year-olds it was not much better, at 55 per cent.

The national turnout was 65 per cent, with those aged over 55 — who account for just over a quarter of the population — casting four in every ten votes.

Is it any wonder that pensions have been "triple-locked" and savers given tax breaks, as quantitative easing has bulked up house prices and retirement pots? Politicians are only responding to the voting electorate.

Which brings me on to Russell Brand. He has become a spokesman of sorts for Generation Y after his entertaining *Newsnight* interview last year, when he suggested that Jeremy Paxman tangle his beard into his "armpit hair". It went viral, and was watched 10 million times on Youtube.

He was a charlatan, though. The one thing the young should do, he said, was "don't bother voting … we know it's not going to make any difference". His call for anarchy ended up being a manifesto for apathy — exactly the last thing required.

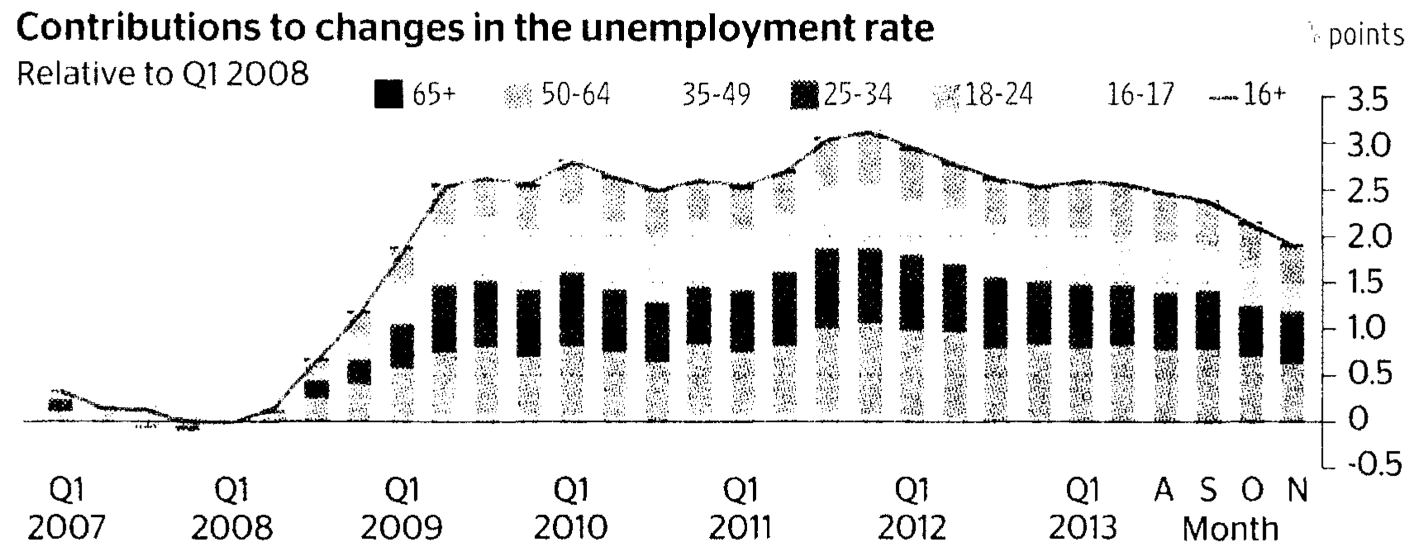
Young people need to vote. They need to start influencing the debate, and politicians need to start paying attention. Japan's two lost decades are the result of all sorts of mistakes, not least deflation and debt, but negativity is now seeping into the popular psyche.

The professor I met, Masahiro Yamada of Chuo University, feared that the country was losing its old dynamism. Animal spirits were decaying with the rise of the *uchimuki*. His prognosis was nothing less than a slow demise of the Japanese economy.

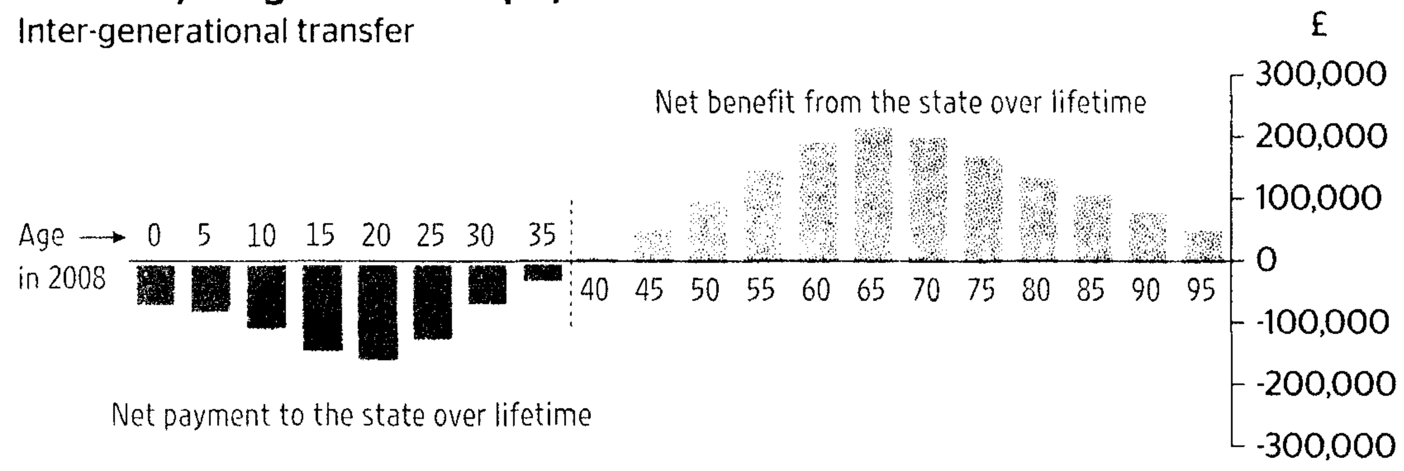
Britain can't afford to let that happen. The young are the nation's future, and must make themselves heard. And, of all the people who should recognise the importance of animal spirits, you'd have thought Russell Brand would be at the front of the queue.

Generation game

Contributions to changes in the unemployment rate
Relative to Q1 2008



How the young will have to pay for the old
Inter-generational transfer



2010 election voter turnout (proportion of population)	Age	18-24	25-34	35-44	45-54	55-64	65+
		44%	55%	66%	69%	73%	76%

Sources: ONS; NIESR; IPSOS MORI

Today's growth must be paid for later

Next week we'll find out if the recovery kept its head of steam into the second quarter. Economists are pretty optimistic and reckon the UK grew by 0.8 per cent — matching the three months to March. Over the past 12 months, that would be growth of 3.1 per cent, the fastest rate since the end of 2007.

It will be a moment worth celebrating, but there is a rider. For all his talk of austerity, the chancellor took his foot off the pedal last year and is planning to do so again. According to the Office for Budget Responsibility, fiscal consolidation amounted to 0.7 per cent of GDP in 2013 and will be 0.6 per cent this year.

After the election, austerity speeds up again. Relatively speaking, and certainly compared with George Osborne's earlier consolidation plans, his go-slow strategy might even be called a little stimulus. Kicking the hardship down the road is helping growth today, but it does mean we will have to live with austerity for longer.

Mortgages on wane as lenders take tough stance

Philip Aldrick

Strict new mortgage affordability rules are taking the heat out of the housing market, economists have signalled, after two reports provided evidence that activity had started to slow.

Mortgage approvals for home purchases fell for a fourth month running in May to the lowest level in 11 months, according to the Bank of England's quarterly trends in lending survey.

Separate figures released yesterday by the Council of Mortgage Lenders showed that gross lending in June reached £17.5 billion. Although that was a 17.3 per cent increase on last year, the rate of growth has eased from levels above 30 per cent in recent months.

Howard Archer, chief UK and European economist at IHS Global Insight, said: "There is substantial evidence that housing market activity has, at least temporarily, lost momentum. This looks to be at least partly due to the introduction of new regulations under the Mortgage Market Review."

The tough new rules require lenders to check that borrowers would be able to afford the debt under a series of scenarios, including higher interest rates. The result appears to have been that fewer mortgages are being approved.

The Bank's data showed that mortgage approvals for home purchases in May fell from 62,800 to 61,700, the lowest since June last year.

Even the London market showed signs of cooling. George Buckley, UK economist at Deutsche Bank, said that his research into regional house price inflation "points to the steam being taken out the London market".

"As asking prices in the capital ease further, that should eventually filter down the line to slowing — but still positive — rates of regional house price inflation," he added.

Brian Murphy, the head of lending at Mortgage Advice Bureau, said: "The mortgage market is finely balanced. On the one hand, interest rates are creeping upwards, homes for sale are scarce and new measures are keeping lending activity in check. On the other hand, aspiring buyers will be conscious that mortgage costs may be significantly lower if they can buy before rates — and house prices — climb any higher."

A survey by Halifax showed that the number of first-time buyers in Britain was at its highest since 2007. The lender said that there were 144,500 first-time buyers in the first half of this year — up 25 per cent on a year earlier.

A golf adventure

If you're inspired by the Open, here's your chance to play a round at home and away.

Our winner and guest will tee off on the glorious links of the Princes Golf Club at Sandwich. Then you will head across the Channel for a round at the beautiful 15th-century Château d'Augerville, south of Paris. The prize includes bed and breakfast and unlimited golf at both venues and a return crossing to France for one car.

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