

Foreword

On the importance of taking a life-cycle view in understanding generational issues

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Accurate measurement of the standard of living and of generational comparisons is of growing importance in the policy debate. Are baby-boomers better off than generations born later? How should we compare the standard of living across families of different size? How do individual earnings relate to family income? Are public pensions more generous than private sector pensions?

Snapshot measures of transfers, taxes and pension entitlements can be very misleading and typically do not reflect the reality of either the level or distribution of standard of living. What is required is careful and detailed empirical work on all sources of incomes and outlays for families and for the individuals that make up family units. It is particularly important to take a life-cycle view of incomes, consumption and the standard of living, especially in understanding generational issues.

My own research¹ has stressed the value of combining micro-data measures of earnings, income and consumption for different birth-cohorts to learn how individuals and families ‘insure’ themselves against adverse labour market shocks across their life-cycle. From this analysis we can examine the trade-off between social insurance and self-insurance². A key aspect of recent trends in the standard of living, especially among the poor, has been the growing inequality in the labour market earnings of men³. For men in the UK, low hourly wages and low hours of work increasingly go together. Over the last two decades the growth in tax-credits and female earnings have offset this trend and, for the vast majority of the population, total net household income inequality has been much more stable. But for how long? And what about top incomes? As in other developed economies, the top 1% have been very different. Their share of net total household income increased dramatically.

I would like to emphasise the importance of careful empirical work on detailed individual data with comprehensive treatment of taxes and transfers, placed in a life-cycle setting, for studying changes in the standard of living and for generational comparisons. This is precisely the aim of the papers in this volume. It is great to see this new issue of *Economie et Statistique / Economics and Statistics* address these key issues in research on economic statistics.

1. *Income Dynamics and Life-Cycle Inequality: Mechanisms and Controversies* (2014), *Economic Journal*, 124(576), 289–318.

2. *Labor Income Dynamics and the Insurance from Taxes, Transfers, and the Family*. Joint with Michael Graber, and Magne Mogstad (2015), *Journal of Public Economics*, 127, 58–73.

3. *Two decades of income inequality in Britain: the role of wages, household earnings and redistribution*. Joint with Chris Belfield, Jonathan Cribb, Andrew Hood, and Robert Joyce (2017), IFS Working Paper W17/01 (forthcoming *Economica*).

