Economic growth, wealth, and well-being: Is there an intergenerational divide?

This paper reviews the main mechanisms that explain the growing divergence in economic well-being between age groups. The changing patterns in the labour market are well documented and consistently show that young workers have been negatively impacted by the reductions in relative skill premiums, the rise of new forms of contracting (part-time and freelance), and the growing weight of unemployment. Wealth inequalities are also rising, not only for the most obvious transmission channel (savings) but also because capital gains have disproportionately benefited the elderly. We conclude by reviewing possible futures paths and the effects of wealth transfers.

Este artículo explora los principales mecanismos que explican la creciente brecha en el bienestar económico entre grupos de edad. Los cambios en el mercado laboral muestran que los trabajadores jóvenes se han visto afectados por un deterioro relativo en su posición como resultado de la reducción en los niveles retributivos de los grupos con mayor calificación, por el surgimiento de nuevas formas de contratación (contratos a tiempo parcial y por cuenta propia) y por el desempleo. Las desigualdades de riqueza también están aumentando, no solo debido al canal de transmisión más obvio (el ahorro), sino también porque las ganancias de capital han beneficiado de manera desproporcionada a las personas mayores. El artículo concluye revisando posibles escenarios futuros y los efectos de las transferencias de riqueza entre generaciones.

Adin-taldeen arteko ongizate ekonomikoaren arrakala gero eta handiagoa azaltzen duten mekanismo nagusiak aztertzen ditu artikulu honek. Lan-merkatuan izandako aldaketek erakusten dute langile gazteen posizioak okerrera egin duela, kalifikazio handiena duten taldeen ordainsari-mailak murriztearen ondorioz, kontratazio-modu berriak sortu direlako (lanaldi partzialeko eta norberaren konturako kontratuak) eta langabezia dela eta. Aberastasun-desberdintasunak ere handitzen ari dira, ez bakarrik transmisio-kanal nabariagoaren ondorioz (aurrezkia), baita kapital-irabaziek adinekoei modu neurrigabean mesede egin dietelako ere. Artikuluak, amaitzeko, etorkizuneko egoera posibleak eta belaunaldien arteko aberastasun-transferentzien ondorioak berrikusten ditu.

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1. INTRODUCTION

The increase in inequalities in recent decades has generated growing attention from the academic community and the public. Researchers generally agree on a common set of factors behind this process. The relative position of wage earners has been negatively impacted by the continued decline in the labour share over GDP, the reduced power of unions, and the weakening of collective bargaining institutions (Milanovic, 2019; Stansbury & Summers, 2020). These forces, in the context of technological change and globalization, have led to a growing divergence among workers (Goldin & Katz, 2010). The most qualified have improved their earnings, while those tied to unskilled occupations (or employed in precarious conditions) have seen their wages stagnate. Inequality is also rising outside the workplace. The strong process of wealth accumulation, largely influenced by the increase in asset prices, has especially benefited the wealthiest individuals. In the case of the United States, the concentration of wealth increased after the crises of 2008 and 2020 due to the rise in the price of financial assets (Saez & Zucman, 2016). In Europe, the upwards trend in wealth inequality has been less pronounced given that housing is by far the most important component in household portfolios and the rise in its price has benefited a larger number of families *(Garbinti et al.*, 2021; Martínez-Toledano, 2020).

These trends have grown in parallel to the emergence of a growing economic gap between age groups. These differences are known only because social scientists are increasingly pushing towards the understanding of inequality from a multidimensional perspective. This has generated greater attention to the study of differences based on gender, between natives and migrants, or along ethnic or racial lines. Inequalities by age fit within this new approach, although it is true that their study remains underdeveloped. In fact, much of the recent interest comes from two areas outside of economics. On the one hand, sociologists are increasingly researching the different living conditions of the baby boom generation compared to millennials (Green, 2017). The former experienced an increase in employment levels and salaries, enjoyed better social services, and became homeowners at an early stage in life. The latter, on the other hand, face a scenario in which the labour market offers lower wages and precarious jobs, the welfare state needs to allocate an increasing share of social spending to pensions, and the rise in housing prices limits the possibilities of emancipating. As a result, some scholars argue that young people face an «invisible wall» or even conform to «a lost generation» (Allen & Ainley, 2010; Howker & Malik, 2013; Politikon, 2017).

Political scientists are also paying growing attention to the cleavage between age groups. Although every country has its own phenomena –the rise and fall of Trump in the United States, Brexit in the United Kingdom, and the fragmentation of the party system in continental Europe– it seems clear that young and old people are increasingly diverging in their preferences (Maggini, 2016). Young people are more prone to vote for new political forces outside the traditional social democratic or conservative parties. They also show growing interest in new topics (climate change, feminism, etc.) and participate in politics through new channels (Garcia Albacete, 2014). The elderly, especially in the case of men, have opted for more conservative options or right-wing populist parties.

The purpose of this article is to analyse the main economic factors that the academic literature is exploring to understand the growing gap between young and old adults. To this end, the first section studies the factors related to income distribution and to conditions in the labour market (salaries, types of contracts, etc.). We explore how young cohorts have been negatively impacted by changes in skill premiums, the growing flexibility of contracts and the increase in part-time work (or unemployment). The second section exposes the factors that explain the growing differences in terms of wealth. The first section is devoted to exploring how income and wealth age profiles are increasingly diverging from the classical model of life cycle economics. Thus, instead of having a continuous increase in wealth throughout working life that then decreases during retirement, the current world is characterized by the fact that the younger cohorts have less wealth and seniors accumulate more. Thereafter, we study different mechanisms that articulate these differences and analyse how wealth transfers modulate this relationship in the future.

2. INCOME INEQUALITY BY AGE GROUP

Differences in income between age groups arise in the first instance from the changing situation in the labour market. This is because returns from gainful occupations (whether wages or self-employment income) still represent the lion's share of household income. Furthermore, in most European countries –and Spain is a paradigmatic case– social benefits (pensions, unemployment benefits, etc.) depend to some extent on employment status and labour incomes. In this way, the generosity of the welfare state largely reflects the past dynamics of the labour market. Capital income has grown in importance during the past decades, and we will analyse its complexity in the next section.

The trajectories of young and old in the labour market have been diverging during the last decades due to profound structural changes. The change in the economic context has led to worsening conditions in employment and earnings of young cohorts (Green, 2017). These phenomena are often associated with overqualification, a concept that reflects the mismatch between the educational credentials held by workers and those related to the job positions filled. One of the paradoxes of the present world is that young people accumulate more years of formal education than older cohorts after studying for more time in secondary and tertiary education institutions. However, a growing proportion of the first are employed in routine or relatively low-paid occupations, especially in the service sector. In addition, contrary to the narrow vision that often comes from national studies, these patterns are transversal to all developed countries. Of course, differences arise depending on the educational model, the labour regulations, and the productive specialization of each country, but in all cases, the mismatch between qualifications and occupations can be discerned.

Another major structural change relates to the phenomena that are often encompassed in concepts such as the rise of the precariat or the new gig economy (Standing, 2011). In the present world, the opportunities to have a stable job are severely hampered, and in exchange, flexible contracting models have become widespread. This can take various forms that cater to employers' demands (e.g., hourly or daily contracts but also freelance work). The available evidence indicates that young people have been mainly affected by this change in labour relations. Paradoxically, the increase in temporary employment has occurred at the same time that employment rates are declining among the youngest. Unemployment is higher, especially in Southern European countries, but so is the proportion of people who are neither active in the labour market nor completing their education.

In this context, the two most recent crises (2008-2020) have accelerated these trends. Young workers were hard hit by job losses, either because they were overrepresented in economic sectors that underperformed (for example, the hotel and catering sectors in the COVID crisis) or precisely because it was easier to discharge employees given the new labour relations. As might be expected from these trends, earnings differentials between age groups have increased considerably. In the case of Spain, Anghel *et al.*, (2018) decompose the evolution of labour incomes during the 2008–2017 cycle. The decline of incomes was more severe among low-paid workers, among those with part-time contracts or employed on a temporary basis. All these conditions are more common among young workers. Using a different perspective, a recent study confirms these trends *(*Arellano *et al.*, 2021). The incomes of young cohorts have been more volatile, falling especially significantly in the 2008–2013 crisis, and then recovering, albeit only partially.

The Spanish case has also been highlighted because of the relations between inequality of marketable income at the individual level and inequality in terms of disposable income (i.e., after taxes and transfers) at the household level. In principle, most scholars tend to focus on inequality metrics of household disposable income, as it is more closely associated with well-being and consumption possibilities. In Spain, inequality of household disposable income is considerably lower than that of marketable income, but the gap between them has been increasing on a consistent basis (Ayala & Cantó, 2018). Part of this phenomenon is due to automatic stabilizers but also because a growing number of young workers live in households with adults whose income (wages or pensions) was less negatively affected by the 2008-2013 crisis. This fact can be seen as an advantage of the Spanish system, at is increases social cohesion. However, it also speaks volumes about the possibilities of young generations to emancipate themselves from their parents and form new households.

However, this phenomenon has been shown to be considerably complex. Ahn y Sanchez-Marcos (Ahn & Sánchez-Marcos, 2017) document that in Spain, the proportion of young people (aged 18-40) living away from parents increased during the 2008–2013 crisis compared to the previous period. This is surprising because, in principle, one would expect that the increasing economic difficulties of young workers would reduce emancipation rates. The increase can, then, be partly explained by a lagged effect, insofar as people make decisions on household formation (accumulation of savings, purchase of a house with a mortgage, etc.) following a horizon of several years. These results do not rule out the importance of economic factors and obliges us to think in broader terms about the interrelation between employment and income, on the one hand, and wealth and housing access, on the other.

3. THE WEALTH GAP ACROSS AGE GROUPS AND GENERATIONS

The economic gap between age groups is far more pronounced when one turns from studying income to researching the wealth (or net worth) of individuals. This simple statement is, however, something that had not been explored in a consistent manner. Until recently, the study of wealth was underdeveloped as an area of study due to the lack of sufficiently detailed sources. Fortunately, these scenarios have changed due to two substantial innovations. First, there have been major advances in the statistics on aggregate household wealth. Presently, all OECD countries have homogeneous and updated series on household assets and liabilities following a common set of rules. The importance of this innovation cannot be understated. As an example, it is worth mentioning that in Spain during the previous economic cycle (2002–2014), scholars and policy-makers only had very imperfect data on the evolution of real estate prices and wealth aggregates. This situation contrasts with the recent estimates provided by the Spanish Statistical office (INE) on the stock of nonfinancial assets together with the extraordinarily detailed series on the financial accounts provided by the Bank of Spain.

The other major milestone has come in the wake of major improvements to measure personal finances and the concentration of wealth. This process has happened as a subproduct of two additional innovations. First, governments have started to develop household finance surveys, which are different from the well-established household consumer and income surveys, as they provide more details on assets and liabilities. In the case of the eurozone countries, these surveys are developed by the ECB in collaboration with the national central banks. However, a growing number of scholars have shown that wealth can be measured at the individual level with a high level of accuracy through the capitalization method (Saez & Zucman, 2016; Martínez-Toledano, 2020; Smith *et al.*, 2021). Thus, by capitalizing income flows derived from assets (such as interest, dividends, etc.) by their respective rate of returns, it is possible to estimate wealth on a higher frequency basis. These estimates are mostly based on income tax returns and considerably improve those derived from other well-established records (such as estate or inheritance taxes).

Several mechanisms connect income and wealth inequalities between age groups. The most obvious is through savings. If young cohorts have experienced a decline in relative incomes, this then results in lower savings for several years and, in short, less accumulated wealth. Another channel takes place through asset prices. As various studies have shown, the main assets owned by households (such as housing or equity shares) can increase their price at a much higher pace than the rate of economic growth (Piketty & Zucman, 2014; Jordà *et al.*, 2019). In fact, as we will later point out, this has been the case in developed countries since 1980 and, especially, since the turn of the century. In this context, if older people own on average more wealth, the gap between age groups will increase.

However, there are also forces that could mitigate wealth disparities between age groups. The arguments presented thus far are implicitly based on the life-cycle hypothesis, as postulated by Modigliani more than 40 years ago (Modigliani, 1986). According to this perspective, individuals rationally choose to smooth consumption over their lifetimes and thus save during years of relatively high income when employed and in retirement. In the most extreme assumption, people deplete their wealth during old age and leave no bequest. A more realistic approach would be that wealth decreases gradually through retirement, but older generations still leave estates to their descendants. However, this more flexible approach poses relevant questions in the present context. First, if life expectancy (and quality of life) after retirement have improved considerably, are old people dissaving more rapidly simply because there are more opportunities for spending? If so, what is the equilibrium between dissaving, on the one hand, and capital gains (i.e., the increase in house or stock prices) on the other? A second relevant question is that individuals do not live in isolation or always act in their pure self-interest. If old adults care about the well-being (and wealth) of the young cohorts (their children and siblings) and, if the latest are facing a more challenging economic context, then the first may opt to transfer them part of their assets as a gift.

The new evidence derived from national accounts outlines several common factors in the evolution of wealth. First, statistics show that wealth has grown at an extraordinarily fast rate, with the ratio of private wealth to national income going from approximately 3.5-4 in 1980 to 6-7 in 2020. This change can be observed in practically all countries, despite significant differences in economic growth, saving rates and changes in the price of assets. If wealth grows, so do other flows related to this stock. The most relevant is the inheritance flow (i.e., the annual volume of bequests and gifts) given its implications for understanding the wealth gap between age groups and the determinants of social mobility. In this area, the statistics are scarcer, and they depend on the ability of governments to properly measure bequests and gifts through official registers (whether for tax or other administrative purposes).

The French case is probably one of the best documented, and per these data, the inheritance flow has gone from representing approximately 6% of national income in the 1980s to approximately 14% in the present (Alvaredo *et al.*, 2017). This increase is not only the result of the increase in the relative value of private assets but also of the disparities in wealth according to age. Thus, in the same period (1980 to 2020), the wealth of people who bequeathed assets relative to the average wealth per adult went from 1.5 to 2.2. The records available for other countries are more limited, but the same factors suggest an increase in the relative value of the inheritance flows and in the disparity of wealth by age group.

These macrolevel trends have been the subject of a new wave of studies using microdata. (Feiveson & Sabelhaus, 2019) analyse the evolution of income, consumption, savings, and wealth patterns of various age groups in the United States during the most recent period. Their results confirm the main foundations of the life-cycle hypothesis: individual incomes grow during working life and slightly decrease after retirement. Consumption is more stable, and therefore, people over 60–65 years old start to dissave. The surprising fact turns out that wealth of the older cohorts is not decreasing but increasing. This fact can be explained by two factors. The first, already mentioned, is related to the strong increase in asset prices, most importantly of housing and equity shares. Given that old adults are wealthier than younger cohorts, they automatically profit from the upwards trend in asset prices. Second, wealth transfers (i.e., bequests and gifts) are more complex than what used to be implicit in traditional models. Due to the increase in life expectancy, people are bequeathing later in life, which increases the age of those who inherit. At the present time, heirs are usually senior adults (approximately 50–60 years old, on average) and not as young as previously (approximately 30–40 years old). Additionally, wealth transfers are becoming more complex because the traditional family model (a married couple with one or several children) no longer plays such a central role. This factor, as we will point out later, raises new questions about the distribution between generations. In any case, the bottom line is that these two additional factors make that, on average, wealth is not declining at older ages. Capital gains and wealth transfers are more than enough to offset negative saving.

Bauluz and Meyer further inquire into this matter by providing a more diverse empirical base (Bauluz & Meyer, 2021). Their paper makes a substantial contribution by covering more years (from 1950 to the present) and comparing two developed countries (the US and France). The core subject concerns the growing wealth gap between age groups but also between generations. In fact, the focus of their work is to understand the different paths followed between those born before the Great Depression (the *great generation*) and those born in the years around the Second World War (the *baby boomers*). These results provide a more dynamic perspective than what is traditionally offered in studies that cover only one country or a limited number of years.

From this point of view, the exceptionality of the baby boom generation is better understood in comparison to the previous and subsequent generations. The great generation (those born between 1900 and 1930) accumulated wealth by combining savings and receiving an inheritance (or gift) at a relatively early stage in life. Their assets experienced slow but constant growth and generally adopted a conservative and riskless investing profile. Overall, capital gains played a minor role given the absence of large fluctuations in housing and stock market values. In contrast, baby boomers started to inherit later in life. However, their greatest advantage resulted from experiencing faster growth in wealth throughout their working life, making their asset holdings already quite high at the time of retirement. The baby boom generation profited from the unprecedent rise in asset prices, a fact that can partly be explained because they assumed greater risks (incurring in more debt and holding more risky assets). In fact, this generation currently epitomises the paradox of having high dissaving rates without experiencing a reduction in wealth.

The available data do not allow us to present a complete diagnosis of the life cycle for the X-generation (those born between 1965 and 1980) and millennials (1981-1996), since these are cohorts that are either starting their working life or are in a middle phase. However, the available data make it possible to contrast the differences in the wealth profiles of young people today with respect to those of the two previous generations at a similar stage (Gale *et al.*, 2020). The main fact, as already pointed out in the introduction, is that the new generations start from a relatively weaker position. However, both generations seem to continue similar investment patterns as those of baby-boomers at their time: turning to relatively high-risk assets (in this case, housing) and assuming greater indebtedness. Their prospects are then conditioned by the future evolution of wealth aggregates.

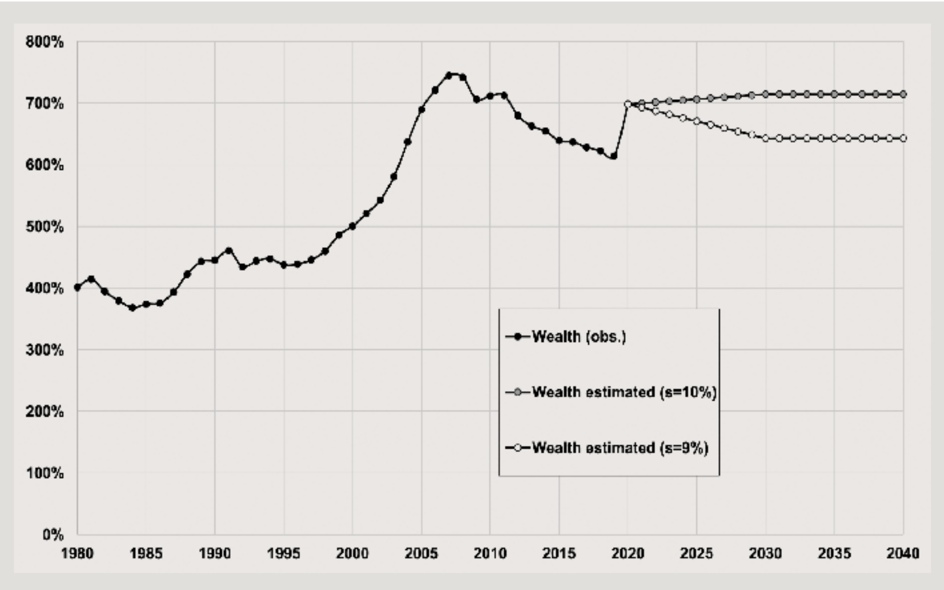
4. WEALTH IN THE FORESEEABLE FUTURE

As previously noted, the strong growth in asset prices has been one of the main factors driving the increase in the wealth of the baby boom generation. This, in turn, explains a considerable part of the relative differences in the wealth profile regarding other generations. A relevant question is whether this pattern can be repeated in coming decades. To answer this question, it is illustrative to take the statistics on household net worth. In the case of Spain, the main aggregates can be derived from Artola *et al.* (Artola Blanco *et al.*, 2020), which, in turn, depends on various statistical series from the Bank of Spain and the INE. Figure 1 shows the relationship between private wealth and national income in the most recent period. The results show three clearly differentiated phases. First, there was a very substantial increase from 1999 to 2008, when the real estate bubble favoured an investment boom and an unprecedented increase in housing prices. Second, a decrease in the wealth/income ratio during the 2008–2019 period driven by the correction in real estate prices and the subsequent economic recovery. Finally, the 2020 crisis caused by COVID-19 led to a slump in economic activity, but one in which savings increased considerably and asset prices were far more resilient than initially expected. Consequently, the wealth/income ratio grew to considerably high levels (7 times national income). In short, in the Spanish economy of the 21st century, wealth plays an increasingly central role.

In the coming decades, it is very possible that wealth will remain at relatively high levels. To estimate its future path, the best starting point is to take the model proposed by Piketty and Zucman (2014) and inspired by Solow (1956). Per these authors, the ratio between private wealth and income is approximated by dividing the private saving rate (net of depreciation) by the growth rate of national income. This model mostly works as a long-term proxy, and thus both variables must be projected towards their steady state. In Spain, private savings (of both households and corporations) have remained relatively constant, at approximately 9% of national income. In the future, it can be assumed that similar levels will remain in place. In turn, economic growth will tend towards relatively low rates, mostly as a byproduct of ageing (i.e., the share of active workers over the total population decreases). Changes in productivity may alter this trend, but one should not expect a huge upwards trend. As an example, the ECB projects long-term GDP growth in the euro area at an annual rate of 1.4% (European Central Bank, 2022).

Figure 1. **PERSONAL WEALTH TO NATIONAL INCOME RATIO IN SPAIN (1980-2040)**

(as a percentage of national income)



Source: Own elaboration.

Based on these parameters, Figure 1 projects two scenarios. Both take this last Figure (a 1.4% growth rate) as the long-term trend of the economy and differ in the private savings rate (9 or 10% of national income). In both cases, the wealth/income ratio will remain at high levels. In this future scenario, there is one additional variable that remains key: changes in asset prices (net of inflation). In the Spanish case, as in most developed countries, housing constitutes the lion's share of household wealth. Thus, if in future decades we were to live a similar situation as in the early 2000s, the projected ratios would increase further. Nonetheless, there are reasons to believe that a similar trend (in which real housing prices grew, on average, at 2% per year) is unlikely. If so, we would arrive at a situation where the wealth/income ratio could easily hover at approximately 10 times national income. Such levels have never been observed in history, even in patrimonial societies such as Great Britain or France in the late 19th century (Piketty, 2014). In a more intuitive way, it is difficult to conceive of an ageing society with a lower proportion of active workers who nonetheless experience a continuous increase in the price of a fundamental asset. We should never forget that housing, besides being a potential investment, is also a fundamental consumer good.

Household assets may then suffer oscillations from the economic cycle, but in the long term, they might experience relatively small capital gains. This fact has major implications for projecting the average wealth of different age groups or generations. First, the savings rates of the younger cohorts will depend on their relative income level, which in turn is a function of income inequality between age groups. If the current situation is to continue (with lower levels of employment and earnings among the young), differences in savings would continue. In turn, in a context of low asset price increases, wealth differences will remain in place. Faced with this determinism, it is therefore relevant to think of additional factors, such as inheritances and other wealth transfers.

5. **WEALTH TRANSFERS ACROSS GENERATIONS**

As previously noted, in recent decades, the share of inheritances flows has also grown in importance. This fact constitutes a first indicator of the general increase in the wealth stock but also of the fact that older people (who tend to be overrepresented in the population leaving a bequest) are on average wealthier than the rest. However, the growing importance of inheritances also poses the problem of how wealth is transmitted between generations and the relative position of each age group. In principle, one can assume that as income and wealth inequality grow, so does the importance of inheritance in defining the relative importance of a person's position. The assumption behind this principle is that wealth is derived from accumulating saving flows or through transfers (bequests and gifts). As wealth increases in a context in which saving ratios have been mostly unchanged, rich households should to a larger extent be formed by those who have received a large bequest and are able to live off by consuming only a fraction of the capital returns (Piketty *et al.*, 2014). People can still become rich during their lifetime even if they have not inherited at all, but to do so, they must rely either on extremely high capital gains or on a large savings ratio. This model describes quite well the patrimonial societies that existed in Europe until the Second World War, in which the fraction of inheritors increased across the wealth distribution.

The most recent results show that today's world is still far from adjusting to these parameters. In the case of the US (Wolff & Gittleman, 2014), wealthy households do receive more transfers than poorer ones, and the average seize of those bequests is larger. However, as a proportion of their current wealth holdings, bequests are greater for poorer households than for the first ones. The same principle applies for low-income households and the young, who also receive a higher share of their wealth from transfers relative to other groups. In the euro area countries similar trends prevail (Bönke et al., 2017): wealth transfers (as a percent of net worth) generally decrease with increasing household net worth. Wealth transfers therefore raise the total wealth share of poorer households and entail a reduction in relative inequality.

This surprising fact is explained in various ways. First, as shown in a recent study (Morelli *et al.*, 2021), most wealth transfers (bequests and gifts) in European countries tend to benefit households positioned around the middle of the wealth distribution. This would then explain the reduction in the wealth inequality metrics explained through intergenerational transfers. Although these studies cannot inquire into the patterns at the very top (due to data limitations), one is tempted to interpret the overall rise of the wealthy (i.e., the top 1%) as the by-product of the spectacular rise in asset prices in relatively short timeframes and not to a dynastic long-term approach. In the most extreme formulation, the wealthy in the present-day world are not formed by rentiers (as in the Belle Epoque) but by entrepreneurs (Smith *et al.*, 2019).

This somehow more optimistic perspective on the role of inheritances should nonetheless be taken with some caution. First, because one cannot rule out that in the following decades, as economic growth ebbs, inherited wealth will continue gaining ground and ultimately have a negative larger effect on inequality. Furthermore, even today, those who receive bequests are normally better off (both at that time of the transfer and in the future) than those who do not. A recent study (Palomino *et al.*, 2021) shows that bequests are still the largest contributor to wealth inequality, explaining about 30-40% of the observed metrics, even when controlling for key socioeconomic conditions. Furthermore, if one also includes parental background (i.e. the education and occupation of the household head), inherited conditions explain almost half of the observed disparities in wealth holdings. Connected to this fact, Salas-Rojo & Rodríguez (2021) show that inheritance flows also affect the opportunities for people to accumulate wealth during their lifetime. More research is needed on how inheriting wealth determines consumption choices, the possibility to complete education, or to set up a business. This again connects to the fact that a significant share of low-income (and young) individuals receive little wealth, which affects their long-term opportunities.

In this context, it is no surprise that the debate upon a universal endowment has gained traction. This kind of program rests upon the simple idea that a capital transfer is made to all young adults (e.g., approximately 20 or 25 years old) by taxing wealth or estates. This measure would improve the well-being of the young poor, reduce the negative effects of extreme wealth inequality, and potentially increase social mobility. This type of wealth endowment has been proposed by some of the most prominent scholars in the field (Atkinson, 2015; Milanovic, 2019; Piketty, 2020) and has been formulated as some general recommendations in official government reports (Oficina Nacional de Prospectiva y Estrategia del Gobierno de España, 2021, p. 344). Unfortunately, until now, quantitative research has been quite limited. As an exception, scholars (Morelli *et al.*, 2021) have simulated how this program would have worked in Italy and the US if it had been implemented in the early 1990s on relatively modest terms (every person at age 20 is endowed the equivalent of 10% of the average net worth). Even in these moderate terms, in which the average person received approximately 10,000–20,000 euros, the effect would have been substantial by eliminating the number of working people without wealth and slightly reducing (but not reversing the observed trends) wealth inequality.

6. **CONCLUSION**

This paper started by asking whether there was a growing economic gap across age groups in developed countries. The evidence gathered by scholars in terms of income inequality shows that this has indeed been the case for the last two decades and that most of the divergence can be drawn down to the changing nature of the labour market. Reductions in relative skill premiums, the rise of new forms of contracting (part-time and freelance), and the growing weight of unemployment have disproportionally affected young workers. This growing divergence in market incomes has been partly counterbalanced by the redistributive channels of the welfare state (i.e., progressive taxation and cash transfers) but more importantly because young cohorts are living for longer in their parents' house.

This fact, in turn, highlights the existence of a transmission channel between income and wealth inequalities. Since the incomes of young adults are increasingly diverging from those of more senior ones, differences in savings have exacerbated. This is one major factor behind the growing wealth inequalities. Major capital gains across asset classes are the other most important factor that has consistently pushed apart the fortunes between age groups. Thus, the rise in real house prices (and to some extent in other financial assets) has largely benefited those who already owned most assets (i.e., people in their prime age of employment or close to retirement) and widened the relative gap with the next generations.

Wealth inequalities can also be affected by wealth transfers across generations. The evidence on inheritances flows (i.e., the annual volume of bequests and gifts) shows that they are indeed playing an increasingly important role. Although this area remains relatively underresearched, there seems to be considerable evidence that wealth transfers tend to reduce inequalities, as they disproportionally benefit those around the middle of the distribution. We are still far from living in a purely rentier society in which rich households can safeguard the relative position of their future generations by guaranteeing capital preservation, although this could still happen in the future. Furthermore, even in the present world, a significant share of the population inherits almost nothing, and again, the young tend to be in a relative disadvantage situation. This condition should be taken as a starting point to consider the merits of any program that promotes unconditional wealth transfer.

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