

CTF Conference Gavin Oldham OBE 1 pm

Michael Gove sparked quite a debate three weeks ago with his warning to the Conservative Party that it must urgently appeal to young people – or risk them turning their backs on capitalism and democracy. His focus was on the fact that housing is out of reach for so many, an issue which has got progressively worse over the past couple of decades.

However, the challenge is much deeper than that. It encompasses a generation who have emerged from higher education saddled with huge debts and, as you've heard today, they face the denial of politicians to pass on even the modest endowments granted to them via their Child Trust Funds.

It amounts to an almost complete indifference to the interests of young people from the political system. James Marriott of The Times may have tried to assure his readers that Gen Z 'aren't going to rip up democracy' in his article on 15th February, but his statement that young people are 'full of new ideas and intensities that we forget we once possessed ourselves' ignores the fact that 20-30 years ago young people had a significantly more secure economic foundation with which to start adult life.

There's a direct link between having adequate economic well-being and being able to generate those 'new ideas and intensities', whether in the shape of democracy or otherwise. The basic necessities of life include not just accommodation but also the absence of debt anxiety, sustenance and the ability to travel: if trying to cope with these takes precedence, it's hardly surprising that their wider interest falls away, as is demonstrated in electoral turnout figures.

It's worth re-visiting that graphic epilogue of Antoine de Ste Exupéry in his book, 'Wind, Sand and Stars' to which I referred earlier in grasping what is meant by the cycle of deprivation. He recounts the scene in an overnight train across Europe in the 1930s: third-class carriages, crowded with hundreds of Polish workmen and their families sent home from France. Here's how it ends – and forgive the old-fashioned language from nearly 100 years ago:

'I sat down face to face with one couple. Between the man and the woman, a child had hollowed himself out a place and fallen asleep. He turned in his slumber, and in the dim lamplight I saw his face.

'What an adorable face! A golden fruit had been born of these two peasants. Forth from these lumps of clay had sprung this miracle of delight and grace. I bent over the smooth brow, and I said to myself: This is a musician's face. This is the child Mozart. This is a life full of beautiful promise. Little princes in legends are not different from this. Protected, sheltered, cultivated, what could not this child become?

'When by mutation a new rose is born in a garden, all the gardeners rejoice. They isolate the rose, tend it, foster it. But there is no gardener for men and women. This little Mozart will be shaped like the rest by the common stamping machine. This little Mozart will love shoddy music in the stench of night dives. This little Mozart is condemned.

'I went back to my sleeping car. I said to myself: Their fate may not cause these people suffering. It is not an impulse to charity that has upset me like this. I am not weeping over an eternally open wound. Those who carry the wound may not feel it. It is the human race, and not the individual, that is wounded here, is outraged here.

What torments me tonight is the gardener's point of view. What torments me is not this poverty to which, after all, a man may be able to accustom himself as easily as to sloth. What torments me is not the humps nor hollows nor the ugliness. It is the sight, a little bit in all these people, of Mozart murdered.'

If politicians really want to break this cycle of deprivation, they must accept their part in the need to nurture the empowerment of young people. If a young person's family is not in the position of being able to provide that nurture, then the state must step in. It calls for a targeted provision of resources and life skills, much more targeted than was the case with the Child Trust Fund.

If a family is able to provide that nurture itself, it should do so, bearing in mind of course the risk of over-doing that support. As Andrew Carnegie, the 19th century philanthropist, showed, if descendants receive too much money as inheritance, it can significantly undermine their drive to achieve their own potential. This caveat is known as the 'Carnegie Conjecture'.

But for low income, disadvantaged families there is no resource on which to provide that nurture – it has to be delivered as part of a systemic, long-term approach of inter-generational rebalancing. And the logical route for providing this is to recognise the role of the human life cycle: you can't take your wealth with you when you die!

The recent news that the birth rate in England and Wales has fallen to 1.49 births per woman means that Britain, along with most other non-African countries, is well below the 2.1 ratio necessary to maintain a stable population. The natural world might well breathe a sigh of relief at the prospect of fewer humans, but it means our societies changing radically as migration compensates for falling numbers of young people, and there's an increasing cohort of old people with fewer direct descendants.

In the United States, nearly 40% of total non-pension wealth is held by households whose heads are 65 or older. This concentration of disposable assets will apply across most of the developed world; but as those retirees have fewer and fewer children and grandchildren, on whom should they bestow their assets? We therefore need to develop a new approach for bequests designed for inter-generational rebalancing.

And that's why we should not be talking about abolishing inheritance tax: instead, we should be aiming to hypothecate it as soon as the state of public finances allow. A long-term approach to funding resources and life skills for disadvantaged young people from inheritance levies could literally deliver that opportunity for disadvantaged young people to achieve their potential in adult life, not just in the United Kingdom but across the world. No more murdered Mozarts.

But this needs to be a systemic structure framed in a constitutional, not political, character. It cannot be switched on and off at the whim of incoming administrations, as the coalition government did with Child Trust Funds in 2010. Whether established by Royal Commission (which have become very rare over the past two decades) or otherwise, it must override the short-termist nature of western democracy in order to reach across the generations as they move forward.

So, learning the lessons of Child Trust Fund design – what could have been done better?

Here are some suggestions:

1. It should have been more targeted for young people from low-income/disadvantaged backgrounds, where the ability to provide that early nurture simply doesn't exist And it

should have excluded all families where it did exist – for example, those on higher rates of income tax and with significant levels of disposable assets.

2. Its funding should have been locked in on an ongoing basis, by linking it directly to inheritance levies on a constitutionally-approved basis.
3. Because the issue of HMRC-allocated accounts is so vital to those low income/disadvantaged families, there should have been a much more rigorous communications programme to ensure that these families, and their children as they got older, were fully aware of the money set aside for them.
4. There should have been a much closer link between account provision and financial education; but the latter also needs to be grasped properly in the education system, with establishment of a financial awareness GCSE to provide a strong platform to run alongside starter capital accounts.
5. Based on the experience of The Share Foundation in its work for young people in care, there is an increasingly strong case for incentivised learning to be employed in the provision of life skills. Fuelled by British Bankers' Association funding in early 2023, we have enabled a thousand young people to register for our 'Stepladder Plus' programme, with participants each completing an average of nearly four out of the six steps. This process of combining earning into their starter capital accounts with learning is achieving an attitudinal transformation, and our experience demonstrates how effective it could be if applied for all low-income/disadvantaged young people, at a comparatively modest cost. It should be said that the design for this came from the use of loans as opposed to grants in micro-finance, together with an afternoon of meetings with members of parliament in Portcullis House.

There were of course many good points in the design of the Child Trust Fund as well.

Firstly, that it was based on individual accounts in order to provide that sense of ownership and responsibility – and thereby avoiding the danger of a later administration seizing unclaimed funds.

Secondly, that it started at a young age in order to help build financial awareness throughout childhood/adolescence. The Resolution Foundation proposals for providing a large lump sum on reaching adulthood cannot build this attitudinal transformation and maturity for receiving money.

Thirdly, the fact that it was based on multiple account providers was very appropriate not only for long-term administration but also as a basis for applying proper regulatory oversight and control. Centrally-arranged administration suffers the risk of poor oversight and reconciliation, as we discovered with the Official Solicitor's work in administering the accounts of young people in care up to 2017.

As a rough example of what a new scheme might look like, here is a proposal which The Share Foundation drew up for the State of California following an approach to learn from the experience of the Child Trust Fund. We proposed an initial payment of \$1,500 to open a starter capital account together with an incentivised Financial Awareness course through which the recipients could earn an additional \$3,500.

For a scheme like this to be re-introduced here in the UK we must, however, be able to demonstrate the effectiveness of the Child Trust Fund scheme. As explained earlier, The Share Foundation has discovered how focused the 'unclaimed adult-owned' challenge is for low-income/disadvantaged young people: 98% of those 51,000 accounts successfully linked have been administered by HMRC-allocated account providers, and these are also the most disadvantaged of all recipients of these accounts.

If they are not delivered to the young people to whom they belong, it will simply put ammunition in the heads of those people who wish to maintain the status quo, with its wholly excessive polarisation of wealth and opportunity. And if we think it's like that in the United Kingdom, you'll see here that other regions - with a few exceptions - are much worse than us. But that's why our conference today is so important, particularly as we approach the 50% mark of young people who have reached adulthood without any knowledge that this money is waiting for them.

And please remember that this opportunity to achieve inter-generational rebalancing is too great to be restricted just to the United Kingdom. The immense scalability of account administration and online teaching which modern technology provides, gives us all the tools we need in order to apply the concepts globally; the United Kingdom should be a world leader in showing how it can be achieved. There's a research programme underway in Cambridge at present looking into the effectiveness of incentivised learning, and by applying that hypothecation of inheritance from the 'first world' to incentivised learning and starter capital accounts in the 'third world', we could tackle many of our deepest international problems, including migration and conflict fuelled by poverty.

So, my message to you today is:

1. In the short term, let's make sure that all the accounts established for low-income/disadvantaged young people, and particularly those allocated by HM Revenue and Customs, are successfully delivered to the young people to whom they belong;
2. In the medium term, let's re-introduce a much more targeted system of starter capital accounts accompanied by a programme of incentivised learning for young people, for generations to come, here in the United Kingdom; and
3. In the long term, let's get the concept of inter-generational rebalancing recognised across the world, so that some of the resources of wealthy old folk in developed nations fuel these opportunities for young people in the 'third world', as we used to call it.

Let's make sure that future generations do not have to start their lives in squalor, in the cycle of deprivation; and let's establish the basis by which that cycle can be broken once and for all, right across the great human family.

Thank you.