How Have Millennials Inherited an Economic Wasteland?

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Throughout history economic and political policies of the US government have followed the growing demands of its people. However, there is one generation that has overwhelmingly made political and economic demands that continue to go unnoticed and unrepresented: Millennials. Millennials watched as the economy was driven to the Great Recession in 2007/2008 and now, amidst the current COVID-19 pandemic, watch the economy struggle to stay on its feet once again as the system in which it was built collapses around us.

During much of the '70s and '80s, the government spent significant effort trying to incentivize homeownership for adults. Joseph Sternberg, an editor of the Wall Street Journal and author of *The Theft of a Decade: How the Baby Boomers Stole the Millennials' Economic Future*, explains in an interview with Jeremy Hobson at WBUR, an NPR news station owned by Boston University, that many of those incentivized housing policies encouraged extremely irresponsible home lending and borrowing, leading to the burst of the housing bubble in 2008. Prior to 2007, lending habits tended to be more predatory in nature and loans were offered more freely to "vulnerable households" whom were simultaneously pressured by the financial strain of continuous privatization of public services combined with stagnate wage growth (Szymborska, 2019). Households during this period whose main source of wealth accumulation was housing, and those who had been targeted in mass by subprime lenders, felt the most extreme consequences that followed from the Recession.

One of the several mass targets by subprime lenders was the young who were largely, at the time, millennials. Millennials (for clarification) are defined by Kristen Bialik and Richard Fry of the Pew

Research Center as those young adults who were born between the years 1981 and 1996. They have been found to be majorly disadvantaged in the current economy but also have been the scapegoat of other generations for nearly every decline seen in society, from social concepts like chivalry to the steady fall of the automotive industry. Many millennials have become unable to relate to the policies and ideas of their predecessors, unable to defend themselves against accusations of decreased spending and unable to pull themselves out of a dark, economic pit of debt and stagnant income.

In September of 2018, Binyamin Appelbaum and Robert Pear released an article in the New York Times addressing information released by the Census Bureau regarding median household income. According to the bureau, median household income had finally reached levels reflecting the healthy economy prior to the crash in 2008. Rather than accepting this data at face value, Appelbaum and Pear looked deeper into the details of the rise in median household income finding that:

> The gains in income were also driven by increased employment, rather than increased pay. The average annual earnings of both male and female full-time workers actually declined last year, but that drop was offset in the national data by the increase in the number of people with jobs (Appelbaum & Pear, 2018).

In a similar study reported by Drew Desilver for the Pew Research center, data can be found to support that wages haven't grown to match inflation. Since 1973 the American dollar has seen some significant setbacks in purchasing power. Desilver reports that "The $4.03-an-hour rate recorded in January 1973 had the same purchasing power that $23.68 would today." Inflation has driven the costs of everything up while the country has failed to value an hour of work in a manner that reflects the costs of living.

Studies show that this generation is largely more educated than previous generations however, they also tend to show that education comes with a price: more debt. According to Bialik and Fry, "… the

median amount of debt was nearly 50% greater for Millennials with outstanding student debt ($19,000) than for Gen X debt holders when they were young ($12,800)." In a study conducted by Stacia West and Terri Friedline, it was reported that millennials with a college degree were 71% more likely to have too much debt compared to those who had not attended any college.

The third element of the triple threat, that begins with educational debt and wage stagnation, is a statistically significant decrease in income mobility for Millennials. That is, millennials are 40% less likely to earn more than their parents, those born in 1940 had a 90% chance of earning more than their parents but those born in the mid to late 80's only have a 50% chance (Chetty, et al., 2017). In summation, Millennials have more debt, make less money per hour of their time when adjusting for inflation, and are less likely to earn more money than their parents yet are expected to continue to fulfill the same standards of financial stability.

In May of 2019, Joseph Sternberg published his book that discusses many of the compounding economic factors that have had such a negative impact on the majority of millennials. In *The Theft of a Decade: How the Baby Boomers Stole the Millennials' Economic Future* Sternberg examines the decade following the 2008 global financial crisis, and the implications of the policies that led to the crisis and away from it. According to Sternberg, the American approach to investment since the 1980s has shown a growing tendency in companies to invest less in labor heavy industries and more towards labor replacement. He talks about the consequences of this way of thinking in regard to millennials today:

> One consequence Millennials grapple with is a hollowing out of the job market, which can provide some work for very highly skilled individuals in the upper reaches of the economy and a lot of jobs in service industries at the bottom of the ladder, but which struggles to create jobs in the middle ranks in terms of skills and pay. Another consequence of this transformation is that as companies invest less in their own

> workers, workers must invest in their own training and skills. Millennials have done so with sometimes reckless abandon. This is part of the explanation for our fetish for advanced education and the enormous debts we've taken on to go to school (Sternberg, 2019).

These consequences outlined by Sternberg are only a fraction of the economic issues thrust upon the millennial generation, however they may be the two most easily recognizable. Without any statistics available to them many millennials can feel the disparity between the willingness of employers to invest in their workers and the unrelenting debt of education that employers seem to require. Many young adults know the distinct struggle of needing work to gain experience while being told they need experience to gain work. While the economy requires employment to succeed and survive, and employers require experience or education to be hired.

Another one of the major effects that the increased debt and stagnant wages have had on millennials is their decreased ability to own their own home. In 2018, 15% of millennials were living at home with their parents, which is reported to be almost double the amount of early baby boomers who did so at a comparable age (Bialik & Fry, 2019). Home affordability has dramatically decreased since 1988, and the sale price of a single-family home was 30% higher in 2017 (Thompson, 2018). Millennials are facing the reality that what used to be a social coming-of-age right may no longer be a marker of young adult stability.

Most millennials were just coming of age when the 2008 financial crises struck and that shadow has lingered with them since as millennials fell below projected income and wealth expectations in both 2010 and in 2016 (Luhby, 2020). In her article, Tami Luhby interviewed Ana Hernandez Kent who is a policy analyst at the Federal Reserve Bank of St. Louis. Ana emphasized

that millennials had a more difficult time than most building up a wealth safety net to fall back on since the recession in 2008. Now that the United States is facing another economic downturn in light of COVID-19, many millennials may find their recovery is especially difficult.

The current crises, COVID-19, has caused a record loss of more than 20 million jobs in April of 2020 at an unemployment rate of 14.7% which is the highest it's been since 1948 (Tappe, 2020). Some are optimistic that millennials will be able to recover and build wealth similar to Gen X after the Great Recession, however we can see that there are several factors working against them.

Moving into the future many millennials are forgoing futures that used to be part of the expectation of living a fulfilled life. Buying homes later, having children later or not having children at all, and staying in school longer to become more educated are all steps that many millennials have taken to improve their economic situation. There is a sense of community among many of the lower-middle class millennials to withhold these rights of passage from themselves so that that future generations may be able to have more control over their financial situations. Recovery from the current recession will be difficult and may set back the up and coming Gen Z in the way the Great Recession set back millennials.

Hopefully as we come out of this economic shift caused by the pandemic, policy makers will look back at the past 12 years and see how the policies we've been building up over several decades have effected the young adults trying to get their footing. In this time where so many are facing critical challenges to the well-being of themselves and their families, reflection on the past is a necessary component of looking forward to building a better future for the majority of the American people.

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