



A Generational Perspective on Living Standards: Where We've Been and Prospects for the Future

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A century has passed since Walter Lippman (1914) coined the term “American Dream,” which to most Americans has come to mean the assumption that every generation ought to enjoy some progress over the previous generation in material living standards. When James Truslow Adams (1931) popularized the term a few years later (poignantly, at the depths of the Great Depression), he defined the dream as the expectation, “generation after generation,” that America would build something “bigger and better.” He described the American pageant as a sequence of generational challenges—first to cross the Appalachians, then dig the canals, then build the railroads, then fight the Civil War, and so on. “It was largely in the period from 1830 to 1850, when the nation was growing like a weed, that this conception took deep root among us,” he wrote, though he implies that it goes back at least to the nation’s founding.

In the wake of the Great Depression, Americans sought to avoid any future threats to the “bigger and better” dream Adams described. The fast-growing economics profession in the 1940s created a detailed system of national accounts in part to measure the progress of living standards in dollars as well as to diagnose new recessionary threats to that progress. And during the first three decades of the postwar era, most of these product and income metrics did indeed rise strongly.

Since the mid-1970s, however, those metrics have decelerated overall, and many of them have changed direction. In 2014, for example, the real median incomes of families, of households, and of persons in the United States were actually below their values in 1998, 1997, and 1998, respectively. Media stories about “stagnant” or “declining” American living standards have proliferated. In surveys stretching back to the early 1980s, the shares of Americans saying that “my kids” or “the next generation” will do as well or better than “me” or “today’s generation”—while fluctuating up or down with the state of the economy—have trended downward over time.¹ According to a NBC News/*Wall Street Journal* poll taken last year, 76 percent of Americans are “not confident” that “life for our children’s generation will be better than it has been for us,” which is by far the largest share since that question was first asked in 1992 (O’Connor 2014).²

1 See for example *USA Today*/Gallup poll question asked since 1983; see also question archives at www.gallup.com/poll/159737/americans-divided-outlook-next-generation.aspx.

2 See also question archives at www.pollingreport.com/life.htm.

Introducing the Generational Perspective

How to help younger generations do better economically has, not surprisingly, become a growing focus of policy discussion. “Younger,” for this purpose, often means Millennials in their mid-20 trying to launch careers. But it may also mean older generations. It may mean Boomers in their mid-50s trying to prepare for retirement.

Yet as policymakers struggle to help these generations work and save, they are hindered by relatively little understanding of who these generations are, why they differ, and how these differences have shaped their work and savings behavior to date. The central premise of our paper is that a generational challenge requires a generational perspective—and that before devising new policies to help generations pursue the American Dream, policymakers need to consider the generational life stories of those who are actually engaged in that pursuit. By “generation,” we mean—as did Adams—a social generation, a group of people who are born over roughly the length of the phase of life and whose behaviors and values are shaped at every age by roughly the same forces of history.

Generations are an inherently multidisciplinary field of study—since they are historically involved (both as effect and as cause) in a broad variety of social and cultural forces. Most economic policymakers, by contrast, tend to be monodisciplinary and prefer to simplify the world into strictly solvable parameters. While economists do sometimes refer to “generations,” they typically define them as ahistorical concepts (in a “generational equity” or an “overlapping generations” model, for example). They seldom refer to generations of real people. Unless they are working collaboratively with other social scientists, most economists regard a cohort group (or an age bracket at any point in time) as just a group of individuals with randomly distributed endowments and preferences.

We think much is lost by this simplification. In general, members of the same cohort group are members of a generation that share a common age location in history and that possess, at any given time, a broadly similar set of past experiences and a broadly shared set of future expectations. As such, their endowments and preferences are *systematically biased* this way or that.

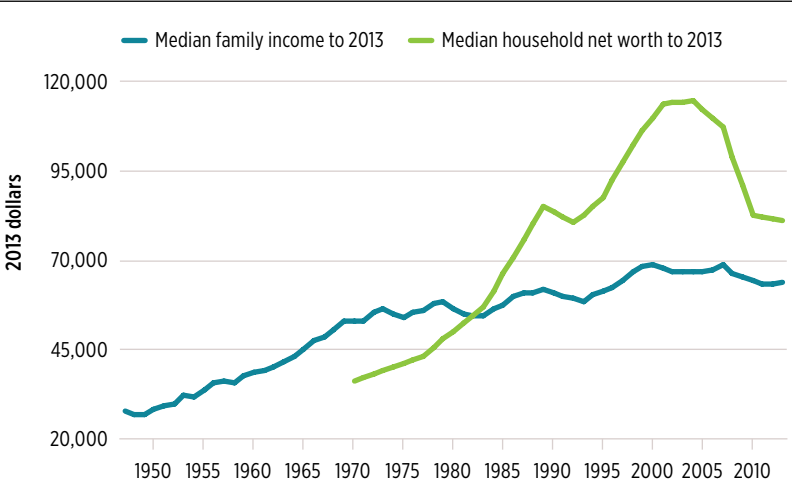
To grasp how this happens, consider how generational membership shapes people and differentiates them from those younger or older in ways totally beyond their control—such as their aggregate number or their ethnic composition or the way they were raised as kids or the age at which they encounter economic booms or busts. And then think about how it shapes them in ways they do in some sense collectively choose—such as their attitudes toward authority or family or risk or work or civic cooperation. Along the way, as

Adams suggests, each generation redefines “the American Dream” according to its own vision. The World War II-winning G.I. generation came of age with D-Day and defined the American Dream in terms of a strong middle class and a “Great Society.” Many of their Boomer kids came of age with Woodstock and celebrated radically more individualistic and values-driven life goals. These differences are not mere cultural footnotes. They’ve driven dramatic changes over time in how much families save, how parents finance their homes or kids’ education, and how voters sway regulatory, tax, and fiscal policy.

Looking at living standard growth or decline from a generational perspective means, first, taking a fresh perspective on the overall data, and second, creating a fresh set of explanatory (and generational) narratives. In the rest of this section, we will focus on the overall data. In the following sections, we will turn to the narratives.

We start by considering (in figure 1) two of the most often-cited measures of U.S. living standards: the census data on median family income and the Federal Reserve Board Survey of Consumer Finances (SCF) data on median family net worth, both expressed in constant dollars. Both series certainly offer plenty of reasons to be concerned about overall living standard trends in recent decades. Real median income shows an obvious trend turning point

Figure 1. Alternative measures of U.S. standard of living, 1947–2013, in constant 2013 dollars



Note: All series deflated to 2013 dollars with CPI-U-RS.

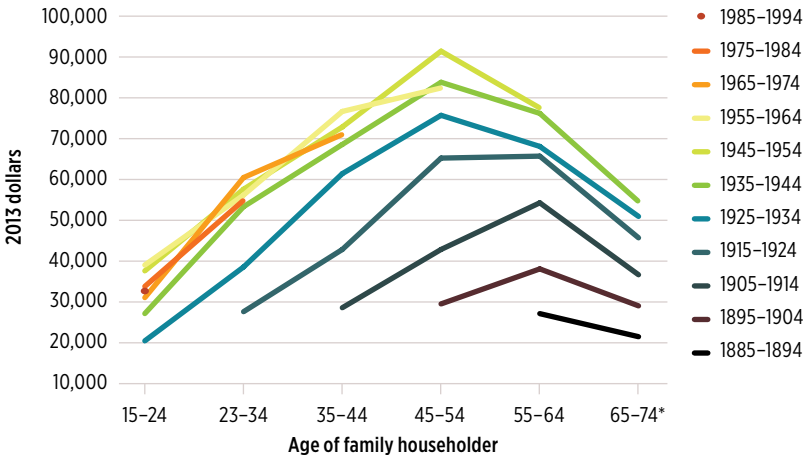
Source: SCE, Fed Bulletin (2013 and earlier years); CPS, table F-11, Census (2015).

in 1973 from faster to slower growth—and, since 2000, may show another turning point from slower growth to zero growth or worse. The trend in real household net worth, while not showing the same turning points, looks even more alarming. It illustrates how the expansion of nonfinancial credit boosted household asset values over incomes for over 35 years—and how everything came crashing back down after 2007.

Many researchers have shed important explanatory light on these turning points by pointing to major “exogenous” shifts in labor productivity growth trends, in terms of trade, in employment rates, and in the distribution of national income. It obviously matters, for real median family income, whether output per worker is rising or falling, whether more or fewer persons per family are employed, and how output is divided up by factor of production and by income bracket. The role of productivity growth is especially critical, and no history of median incomes over the last century could possibly neglect it. As Paul Krugman has aptly written, “Productivity isn’t everything, but in the long run it is almost everything” (1994).

Yet neither the overall median income series itself, nor the aggregate economic drivers behind it, say anything in particular about the generational

Figure 2. Real median family income by age bracket, from 1885 to 1994 birth cohorts



Note: Families only, at exact date birth cohort coincides with age bracket; all series deflated to 2013 dollars with CPI-U-RS.

* Trended from values for all 65+ before 1987.

Source: CPS, table F-11, Census (2015).

experience—that is, about how each generation is differentially shaped by these macro changes or about how each in turn is differentially shaping them. Consider, for example, the flattening trend in overall real median income. Does it really point to any special difficulty faced by today’s young? Maybe income is flatlining or falling for all age brackets. Consider further that this cash measure doesn’t include the growing in-kind income most families receive, mostly in the form of health care.³ So it’s hard to know if there’s any cause for worry.

It takes a generational perspective on these same data—which are now rearranged from 1950 to 2010 by 10-year cohort groups (in figure 2)—to understand what’s really going on. Here we see that, yes, today’s younger generations do indeed face unique challenges. Notice the upward jumps, and mostly big upward jumps, in the life cycle income of every cohort through early-wave Boomers (born 1945–54). But for every younger generation—that is, every cohort group that has not yet reached age 60—there is no such progress. In fact, the 1955–64 birth-year cohort group is the earliest-born ever in this census record to fall beneath an earlier cohort group in income at the same phase of life. Later-born cohorts at younger ages have meanwhile been falling beneath first-wave Boomers for decades—in what amounts to an awkward traffic jam.⁴

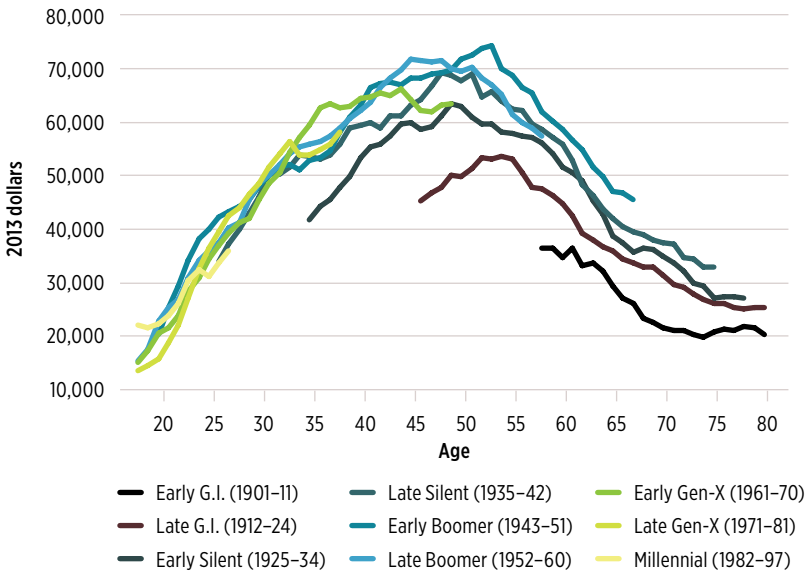
The impact of the business cycle, which can lift or sink families of all ages to some degree, is by no means missing from figure 2. Notice, for example, that most cohort groups born since 1945 were lifted somewhat “above trend” at whatever age they encountered the late 1990s, an era of both full employment and (temporarily) resurging productivity growth. For early-wave Boomers, it was age 45–54; for late-wave Boomers, age 35–44; for early-wave Xers, age 24–34. Yet these small ripples don’t change the overall story line, which is the failure of younger generations to experience sustained income gains over the generations coming before them.

Another way to appreciate the inferior performance of later-born cohorts in figure 2 is to look at family income growth by age decade-over-decade

3 Government in-kind transfers plus employer contributions to private insurance (both mostly health-care related) amounted to roughly \$1.5 trillion in 2009. See Katz (2012). To understand how government taxes and transfers affect the income distribution, see Perese (2014).

4 While rising rates of college attendance and completion in the youngest two cohort groups may suppress median earnings in the age 15–24 bracket, they don’t have much effect thereafter. Historically, the college completion rate for a cohort at age 25–34 is very close to its lifetime completion rate. Over the last decade, moreover, the constant-dollar mean earnings of persons age 25–34 with bachelor’s degrees has declined—and has declined faster than that of all persons age 25–34. See U.S. Census Bureau (2015b) for trend data.

Figure 3. Life-cycle income for half cohorts, in constant 2013 dollars



Note: All series deflated to 2013 dollars with CPI-U-RS.

Source: IPUMS-CPS (1964–2014).

since 1950. Rapid (over 10 percent) growth for families under age 35 lasted until 1970; for families age 35–44, it lasted until 1980; for families age 45+, it lasted until 2010. Any positive growth (better than 0 percent) for families under age 35 lasted until 1980; for all older families, it lasted until 2010. It makes no sense to attribute these young-old disparities to in-kind health benefits, since these are mostly flowing to older age groups; “cashing them out” would only accentuate the contrast.⁵

The advantage of the census series used in figure 2 is that it goes back to 1947. The disadvantage is that it only includes families and is sorted into 10-year age brackets. In order to refine our picture, we took a robust census income data sample for all households going back to 1964 and sorted them

5 While recent estimates of total in-kind income by age are unavailable, the dominant health-care component is skewed heavily toward older age brackets. In 2010, per-capita health-care spending (excluding out of pocket) is estimated to be \$3,800 for age 19–44, \$7,100 for age 45–64, and \$16,000 for age 65+. See Centers for Medicare & Medicaid Services (2014).

into yearly medians for exact cohort groups of our choosing.⁶ We started with the following social generation definitions:⁷

- G.I. generation born 1901–24
- Silent generation born 1925–42
- Boom generation born 1943–60
- X generation born 1961–81
- Millennial generation born 1982–95 (youngest adult in 2013)

We then divided each of these generations into two halves of roughly equal length.

The results are shown in figure 3. For the years and ages available, it shows for all households largely the same generational patterns that figure 2 shows for families—namely, a steady rise in cohort-group income at every age through the early Boomers (born 1943–51). With late Boomers (born, 1952–60) and early Xers (born, 1961–70), the income trajectory begins to plunge beneath those of earlier cohorts at many or even most ages. The main exceptions are the ages when these later-born cohort groups reached the expansionary peak years of 1998 to 2001—that is, in a fashion similar to what we noticed in figure 2, when they briefly reached all-time peaks for their age. Figure 4 translates these same numbers into a more readable index. At every age in figure 4, the average median income for all half-generations equals 100. We will refer to figures 3 and 4 in the later sections.

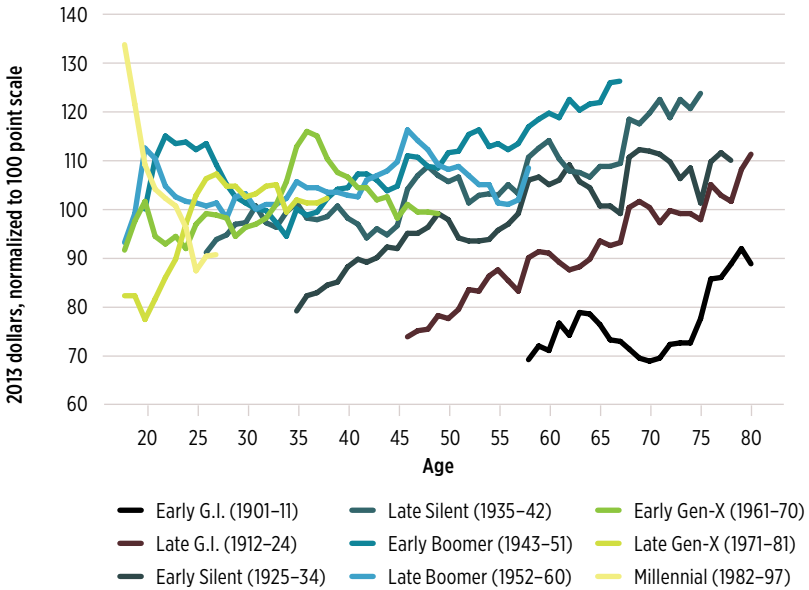
So much for income. Now let's do for median net worth in figure 1 what we just did for income—break the series down into trends by age. Because we have many fewer data points for median net worth, we cannot construct continuous cohort-group series. Instead, we simply show, in figure 5, a comparison by age of median net worth in three different years: 1983, 1995, and 2013.

Here again, we see a striking divergence in generational trends that don't appear at all in figure 1. While the median net worth for all households rose only slightly between 1995 and 2013 (+7 percent), the medians for households under age 35 and age 35–44 both fell by over 10 percent, and the medians for households age 65–74 and age 75 and over rose by over 100 percent. Or to look at it another way: The same householders (born 1939–48) who were age 35 to 44 in 1983, when their median wealth was 57 percent of that of age 65–74 households, filled the 65–74 age bracket in 2013, when the median wealth of the younger bracket was only 20 percent of that of the older bracket.

6 Specifically, the age of the head determined household membership in cohort groups. The median income of all members of a cohort in a given year was then plotted according to their combined average age. See the data and methods section for further details.

7 For generational birth dates, see Howe and Strauss (1991) and Howe and Strauss (1997).

Figure 4. Life-cycle income for half-cohorts, normalized to 100 point scale, in constant 2013 dollars



Note: All series deflated to 2013 dollars with CPI-U-RS.

Source: IPUMS-CPS (1964–2014).

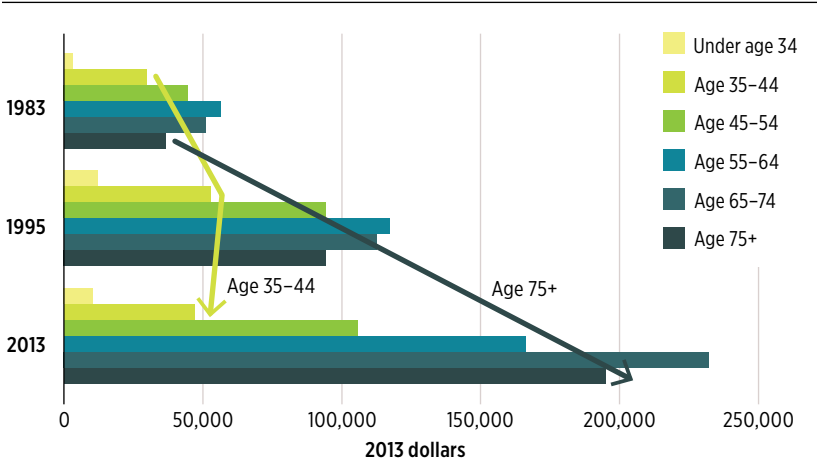
Why do younger cohort groups, once again, lag so far behind in their median net worth trajectories? One obvious explanation is the inferior median income growth of younger cohorts: With less income, there’s less to save. Another is the rising degree of income inequality within younger cohorts.⁸

Why is the emerging generational disparity in net worth even more dramatic than the disparity in income? Here we could mention several possibilities. According to James Duesenberry’s (1949) relative income hypothesis,⁹ an individual’s attitude toward income and saving is dictated by that individual’s income relative to others—and younger cohorts have saved at lower rates to the extent they’ve had trouble keeping up with the consumption of the cohort just ahead of them. This perspective may have received recent support from the research by Barry Cynamon and Steven Fazzari (2014), showing that savings rates differentially declined among nonaffluent (read: younger) households in

8 For more detail on this point, see figure 8 in this paper, which shows Gini coefficients for half-cohorts.

9 However, see also Frank (2005).

Figure 5. Real median family net worth, by age: 1983 to 2013



Note: All series deflated to 2013 dollars with CPI-U-RS.

Source: SCE, Fed Bulletin (2013 and earlier years).

the 20 years preceding 2008. Post-2008, with steep deleveraging among the nonaffluent, this differential has finally started to show up in a sharp rich-up versus poor-down divide in consumption.

To explain the unusual shifts in median net worth by age, one might also point to the timing of catastrophic asset-price declines. The exceptionally long “great moderation” preceding the exceptionally severe crash of 2008 has worked to the benefit of anyone retiring and cashing out just before that date—and to the detriment of younger cohorts, especially those with 10 to 30 years still ahead before retirement.

Weighing and evaluating such explanations requires us to put together some sort of coherent narrative of the postwar era. But it can’t be a single narrative. Rather, it needs to be a sequence of generational biographies, allowing us to glimpse—however briefly—each generation as a collective story. Let’s look at income and wealth accumulation from their perspective—considering not just the quantitative but also the qualitative side of their experiences: how each generation was viewed by others, how it redefined the American Dream of economic success, how it devised new strategies to achieve that success, and how it was helped or hurt along the way by external events.

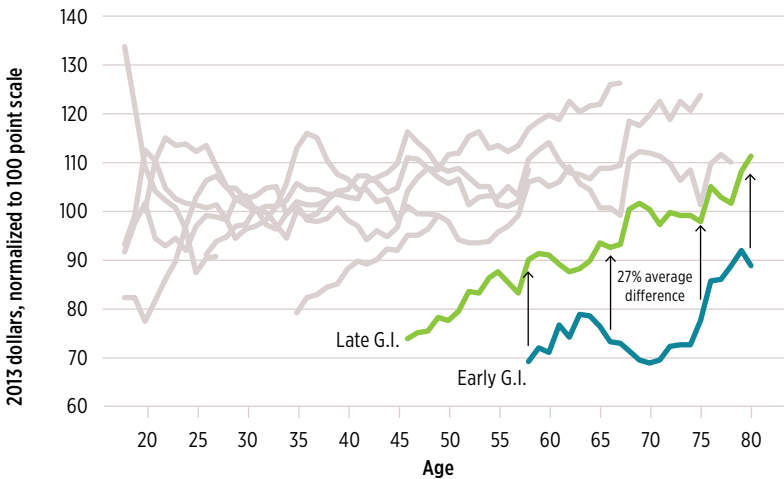
So we turn now to today’s living social generations, starting with the G.I.s and ending (for now) with the Millennials.

The G.I. Generation and the “Triumph of the Squares”

The G.I. generation (born 1901–24)—also dubbed the “Greatest Generation” by Tom Brokaw (2001)—today comprises some four million Americans mostly in their 90s. They can be roughly defined as Americans who were born just too late to serve in World War I, but early enough to experience the Great Depression or the climax of World War II as they came of age. John Kennedy, their first President, defined them as “born in this century” (1961). And indeed, their collective life story virtually coincides with the “American Century” of unprecedented global power, technological progress, and rising living standards.

By the time they reached their 50s and 60s (the youngest age at which the data allow us to make the comparison), the typical G.I. adult enjoyed a colossal jump of roughly 50 percent in real family income over the previous (“lost”) generation at the same age. (See figure 2.) They showed ongoing progress from first wave to last wave as well. As shown in figure 6, late G.I.s achieved a median income that was 27 percent higher on average than their early G.I.

Figure 6. Life-cycle income for early and late G.I.s, normalized to 100 point scale, in constant 2013 dollars



Note: All series deflated to 2013 dollars with CPI-U-RS.

Source: IPUMS-CPS (1964–2014).

peers born just a decade earlier.¹⁰ This constitutes the largest percentage growth in median income between any of the half-generations born since 1901.

What's more, the G.I.s knew they were better off. One of their economists (Simon Kuznets) invented the term "GNI" to measure this affluence (Dickinson 2011), and another (John Galbraith 1958) invented the term "Affluent Society" in the 1950s to describe it. Yet few G.I.s equated rising material production with the mere sating of individual appetites, but rather as a means to build a more secure "free world" in which the "common man" (another phrase they popularized¹¹) would be vastly better fed, housed, educated, leisured, and insured than ever before. At the peak of their power, in the mid-1960s, they largely succeeded. In the decades since, arguably, we struggle to register any improvement on some of these metrics. Like putting a man on the moon, we look back and wonder just how they did it.

We all know about the gigantic civic investments the G.I.s made in America's future, resulting in much of the global order and prosperity the world enjoys today. But hardly anyone asks who invested in them to make them turn out that way.

The story starts back in their childhood, when little G.I.s were fussed over by protective parents determined to raise up kids as good as the Lost generation had been bad. Much of this was the focus of the progressive movement. Youth clubs, vitamins, pasteurized milk, laws to keep kids in school and out of the labor force—even Prohibition—were all efforts to keep these kids away from the danger and decadence of older Americans.

These G.I.s responded by coming of age as the straight-arrow achievers that adults had been hoping for. By the mid-1920s on college campuses, cynicism and selfishness were out, optimism and cooperation were in. In the years that followed, G.I.s became the Civilian Conservation Corps dam-builders and tree-planters, the heroes of Iwo Jima and D-Day—in fact, the most uniformed generation per capita in American history.

Later, after the crisis was over, G.I.s just kept on building: interstates, suburbs, missiles, miracle vaccines, trips to the moon, and the Great Society. Eventually, their "best and brightest" hubris about guns and butter, beating benchmarks, and "growthmanship" made them a target for younger generations. Many of the G.I.'s own Boomer kids, raised during the rising tide of their success, found their parents implacable and unfeeling, piling block on block with no moral purpose. As G.I.s entered elderhood in the late 1960s, many chose to separate themselves from their children and congregate in vast

10 Percent change was calculated using the average normalized median income of early G.I.s relative to late G.I.s. at the same ages.

11 Most notably, George H. Gallup; Google Ngram shows use of the phrase peaking between 1940 and 1970.

age-segregated desert communities with names like Leisure World and Sun City rather than endure their celebration of selfishness—what G.I.s have always considered hateful to their life-mission to homogenize and clean up the world.

Now when you look at the entire G.I. life story, you see a lot that explains their collective leap in living standards.

For starters, they were a generation of achievers. They represented the single biggest gain in educational attainment in U.S. history—from 10 percent of their first cohorts getting high school diplomas to 50 percent of their last-born cohorts (Goldin and Katz 2008). After the war, thanks to the G.I. bill, they also became the first generation whose middle class could enter college in large numbers. G.I.s eventually won 133 Nobel Prizes, accounting for 38 percent all Nobels ever awarded to Americans since 1901.¹²

They believed strongly in community. G.I.s were joiners who defined citizenship in terms of cooperation. In their youth, they voted overwhelmingly for the New Deal and became America's biggest-ever union generation. They voted for generous subsidies that helped push up homeownership rates: The share of owner-occupied homes rose from 46 percent in the 1920s to 62 percent by the mid-1960s—about where it is today (U.S. Census Bureau 2011b). They also greatly expanded the use of employer-sponsored pension plans and backed minimum wage laws and high marginal tax rates.

Income equality grew on their watch, which hugely boosted the growth in the middle-class median. Most measures in income inequality show a rapid fall in the 1930s and 1940s (when they were coming of age) and a rapid climb in the 1970s (when they were retiring) (Atkinson, Picketty, and Saez 2011). According to census, the income Gini coefficient for all U.S. families flattened out at a historically low level from the late 1950s to late 1960s (hitting its all-time low in 1968),¹³ just as this generation reached its peak earning years. As we will see later (see figure 8), the Gini coefficient for this generation specifically was lower than that of any later-born generation at the same age.

They brought these attitudes with them into elderhood. Called “junior citizens” in their youth, G.I.s became known as “senior citizens” when they began retiring in the mid-1960s and gave birth to a new label for that phase of life. Membership in an elder organization such as AARP—something unknown to lost generation elders in the early 1960s—became nearly universal for G.I. elders by the early 1980s. The G.I. reputation for civic dedication also triggered a vast expansion in senior entitlements from 1965 to 1972, including Medicare, Medicaid, and much higher Social Security benefit levels plus 100 percent cost-of-living adjustment (COLA) indexing. This gave a further boost

12 See the official website of the Nobel Prize, www.nobelprize.org.

13 For historical Gini index data for families, see U.S. Census Bureau n.d.

to their income late in life, some of it measured by the census income figures and some of it not.

Today, most of this generation has passed on. But they live on in the imagination of younger people who have grown up in their civic shadow: They are the special generation whom everyone counted on to team up and push forward when our nation really needed it. Their American Dream is perhaps best captured by the returning soldier's wish in *The Best Years of Our Lives* (1946): "All I want's a good job, a mild future, a little house big enough for me and my wife." To which the movie's (and the federal government's) answer was: "I don't think that's too much to ask." Many of their civic efforts were devoted to making that vision possible for all Americans—though whether that possibility still extends to today's younger generations has since become an open question.

The Silent Generation, "The Lucky Few"

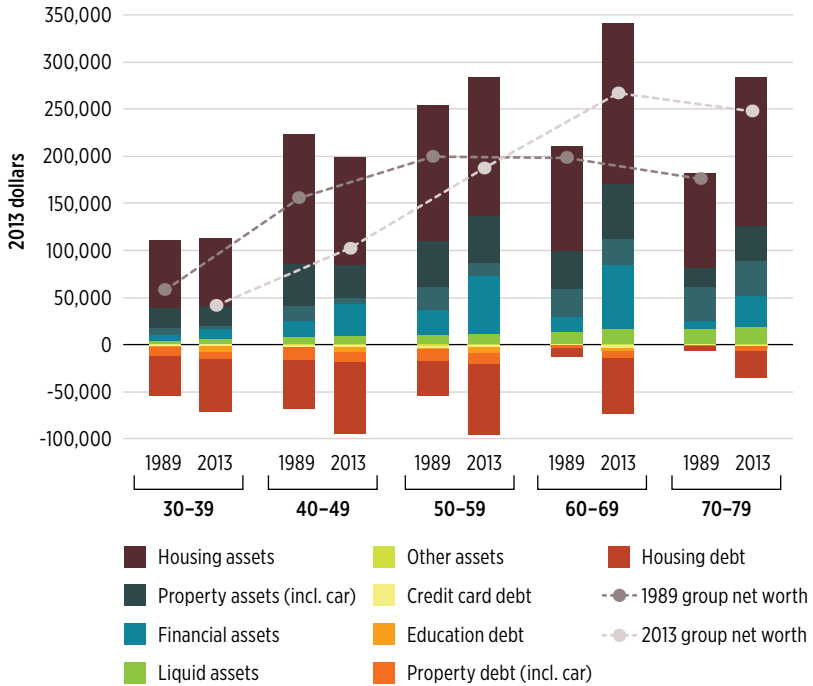
The Silent generation (born 1925–42) today comprises roughly 20 million adults in their 70s and 80s. Their age location in history sandwiches them awkwardly between two better-known generations: They were born just too late to be World War II heroes and just too early to join the '60s youth protests. In their personal lives, this age location has been a source of tension. By the time the Silent were entering midlife, they spearheaded the divorce revolution and popularized (thanks, Gail Sheehy 1976) the term "midlife crisis." But in their economic lives, this age location has been very good to them—and given them a lifetime ride on the up-escalator coming off the American High.

As we see in figures 3 and 4, their income reached new heights over the G.I. generation before them. The late Silent reached their peak median income in their late 40s and early 50s at around \$69,000 a year, soaring beyond their early Silent and late-G.I. peers (who peaked around \$63,000 and \$54,000, respectively). At age 49, the typical late Silent household was making \$6,000 more than the typical early Gen-X household at that age, reflecting the good fortune of their historical timing.

The Silent started out as the children of crisis. They grew up while older people were fighting wars and making great sacrifices on their behalf. Childrearing in America, already more protective for the G.I.s, approached the point of suffocation. Later in life, many Silent¹⁴ blamed strictly behavioral child-rearing (often shaped by the advice of Dr. John Watson 1928) for over-socializing them early in life.

14 See for example Eisler (1986).

Figure 7. Average net worth and composition of assets and liabilities of the middle 60 percent of the wealth distribution by select 10-year age groupings: 1989 and 2013

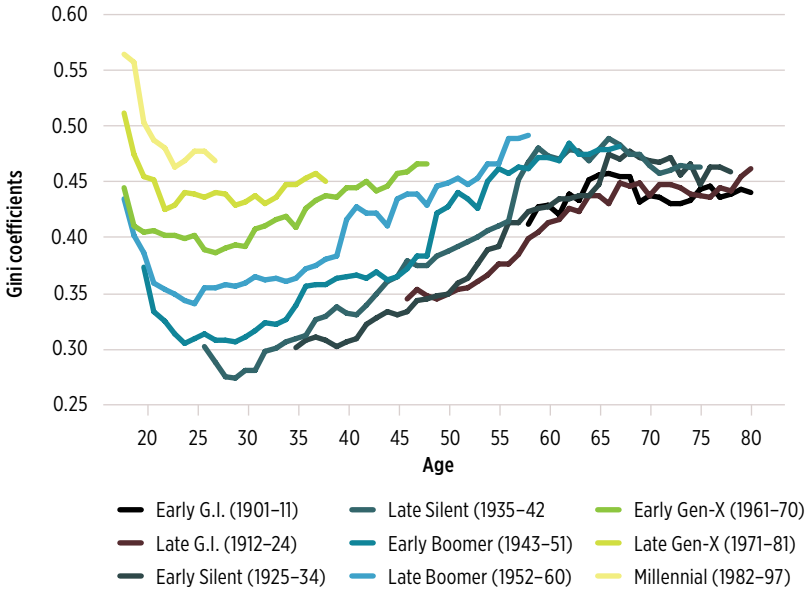


Note: All series deflated to 2013 dollars with CPI-U-RS.

Source: SCF (1989 and 2013).

When the Silent began coming of age after World War II, they tiptoed cautiously in a post-crisis social order that no one wanted to disturb. Unlike the G.I.s, they rarely talked about “changing the system,” but instead about “working within the system.” Because they didn’t want anything to go on their “permanent records” and kept their heads down during the McCarthy era, *Time* gave them the label “Silent” in a famous 1951 essay (*Time* 1951). They were also careful in the labor market. *Fortune’s* story on the “College Class of ’49” was subtitled “Taking No Chances” (*Fortune* 1949). When they went to job interviews, their first questions were about pension plans. They emulated their powerful G.I. elders by marrying and having babies incredibly young—in fact, younger on average than any other generation in American history since

Figure 8. Gini coefficients for half cohorts, by average age



Note: All series deflated to 2013 dollars with CPI-U-RS.

Source: IPUMS-CPS (1964–2014).

at least the Civil War.¹⁵

Unlike the G.I.s, the Silent didn’t have to wait for a depression or war to end. A new “booming” economy was ready to join right out of school. Demographer Richard Easterlin (1980), in *Birth and Fortune*, called them the “lucky” or “fortunate” generation for their great timing. Easterlin noted that a remarkable feature of the Sputnik era was how the typical young man could earn more by age 30 than the average wages for men of all ages in his profession—and could certainly live better than most “retired” elders. He also noted that since the mid-1970s, the economic conditions facing young late-wave Boomers were becoming much tougher.

At the time, Easterlin hypothesized that the Silent—being small in number because of low birthrates during the 1930s and early ’40s—benefited from labor markets that bid up their wages in an era when young adults were relatively scarce. Later, as they retired, their small size (next to the large FICA-paying generation

¹⁵ For historical census data on age at first marriage, see U.S. Census Bureau (2004).

following them) has certainly helped make their pay-as-you-go Social Security and Medicare benefits seem more affordable. Sociologist Elwood Carlson (2008) echoes Easterlin's thesis in his recent book, *The Lucky Few: Between the Greatest Generation and the Baby Boom*.

Yet the arrival of young-adult Gen Xers in the 1980s and '90s, who were also small in number but have fared much worse in the economy, throws this explanation into doubt. Numbers helped, but what helped the Silent even more was, again, their timing. Taught to play by the rules, this generation discovered at every age—from the moment they married (at a median age of 21 in 1960) and purchased a house and car (soon thereafter)—that playing by the rules usually worked very well for them.

As the Silent have aged, their perfect timing has not let them down. Many of them locked in fixed 4.5 percent mortgages on their first homes in the 1960s just before inflation accelerated—giving them many years of deeply negative real interest rates. In the large corporations where so many of them worked, they signed up young for the defined-benefit pension plans their G.I. managers started—the same plans that have been frozen for Boomers and disbanded for younger generations. Their midlife high-savings decades roughly coincided, in 1980s and '90s, with perhaps the greatest bull market ever in both stocks and bonds. And after riding this bull, the Silent retired and sold out just before the crash hit. The last Silent cohort reached age 65 in 2007.

This is the only living generation that could half-believe, along with Woody Allen, that “80 percent of life is just showing up,” a joke that makes most Xers simply shake their heads.

In terms of national leadership, the Silent—unlike the G.I.s—are not a powerful generation. According to the late management guru Warren Bennis (2009), they redefined leadership as more “maestro” than “macho.” They are the only generation in American history never to occupy the White House. In Presidents, we jumped from George Bush Sr., the World War II veteran, to Baby Boomer Bill Clinton.

Yet they are without doubt the healthiest and most educated generation of elders that ever lived—and, of course, the wealthiest. Coming of age 50 years ago, they quickly amassed more wealth than the seniors of that era. (Back in the early 1960s, poverty was considered an affliction of the old, not the young.¹⁶) Even over just the last 25 years, the shift in the age-wealth curve has been dramatic. As figure 7 shows, the Silent generation in their 70s have a median net worth of \$248,391 in 2013, nearly \$72,000 higher than people that age had in 1989. In 2013, astoundingly, their net worth is more than six times larger than that of households in their 30s (\$41,062). And their total debt is less than half as large.

16 For historical Census data on poverty status, see U.S. Census Bureau (2015c).

Given their material good fortune, along with their instinct to help others in need, the Silent as elders have become economic anchors for America's new renaissance in multigenerational family living. Many routinely pay for extended-family vacations or subsidize their grown Boomer or Xer kids. Many have set up college trust funds for their grandkids—and indeed, a record share have assumed formal custody of them (U.S. Census Bureau 2011a). Most are worried about the economic challenges facing their families—and wonder why economic success has become so much harder for them to attain.

The Boom Generation, “What a Long Strange Trip”

Boomers (born 1943–60) today comprise 65 million adults mostly in their 50s and 60s. As a social generation, Boomers are a bit older than the oft-cited Census Bureau definition (1946–64), which merely refers to a “baby boom” fertility rate hump. If you remember World War II, were out of college when JFK was shot, and recall Woodstock as something “kids” were doing, you're too old to be a Boomer. If you can't recall the moment JFK was shot, nor Jim, Jimi, or Janice when they were still alive, you're too young.

However you date them, we all know the Boomers' life story. It's as though no phase of life means anything until Boomers pass through it and can tell other generations all about it. They started out as feed-on-demand Dr. Spock babies, then grew into the indulged Beaver Cleavers of the '50s, then the college and inner-city rioters of the late '60s, and finally ended up as the young family-values moms and dads of the early '80s.

Along the way—somewhere between LBJ and Reagan, between hippie and yuppie—Boomers shook the windows and rattled the walls (to paraphrase Bob Dylan) of everything their parents had built. In so doing, this “generation” (a word they repopularized) became especially well-known for its cultivation of self and its carelessness about material wealth. It's no coincidence that Boomers mark first the apogee, and then the decline, in generational progress as measured by real-dollar income.

First-wave Boomers born mainly in the mid-1940s have done best, but late-wave Boomers born mainly in the mid- to late 1950s are underperforming the first-wavers at nearly every age (see figures 3 and 4). Early Boomers at age 53 reached their peak median income at \$74,000, higher than any other half-generation born earlier or later. And ever since, they have exceeded all other half-generations in median income for their age. By contrast, late Boomers hit their peak much earlier (at age 45) with a median income of \$72,000—and have been on a downward slide, lagging under first-wavers, ever since.

One explanation for this turnaround is simple age location. First-wave Boomers tended to emulate the Silent: They followed the rules more carefully, went to school longer, and got married earlier. Late-wave Boomers—who hit the social turmoil of the '60s at progressively younger ages—got into more trouble, graduated less often from college (men, especially), and married much later (if at all). The difference in age location also extends to the economy. Most first-wavers launched careers (in 1972 or before) during the revved-up go-go years. Most late-wavers launched careers (in 1973 or after) when the economy was stagflating.

Yet a fuller explanation requires mentioning three collective personality traits that define Boomers as a generation—and that gathered force moving from first wave to last.

The first Boomer trait is their famous individualism. Boomers have long behaved as if they didn't need institutions or each other. This is the first generation of women, for example, to regard itself as essentially economically independent. Harvard sociologist Robert Putnam explains much of the growing shift away from civic and group participation in postwar America as a generational phenomenon—and one that began with Boomers (Putnam 2000). This individualism helps explain why Boomers have avoided the group security offered by unions or paternalistic benefit plans—and why, as voters, Boomers have been generally tolerant of a growing rich-versus-poor spread in America's income distribution, which of course widens the gap between mean and median.

In fact, the coming of age of Boomers in the late '60s and early '70s heralded a notable shift toward growing income gaps in the late 20th century—and the moment when the overall U.S. income Gini coefficient initiated a secular rising trend. The story told by half-generation Gini coefficients (see figure 8), though complex, is clear enough in its basic outline. For most of their lives, the Silent (except for late Silent past their mid-50s) have tracked the low Ginis of the G.I.s fairly well. Early Boomers initiated a bigger jump upward at earlier ages. And late Boomers are the first half generation to show a higher Gini at every age than any earlier-born cohort group.

The second trait is their attraction to personal risk-taking. As youth, Boomers pushed the envelope on danger, propelling rates of accidents, suicide, violent crime, drug use, unmarried pregnancy, and STDs to levels that seemed shockingly high at the time.¹⁷ Today, many of those indicators are rising

17 For CDC data on suicides and accidental mortality by age, see National Center for Health Statistics (2015); on crime, see overview by Fox (1996); on sexual behavior, see overview by Caron and Moskey (2002).

swiftly for midlife Americans, even as they fall among youth.¹⁸ Risk-taking has obvious implications for economic decisionmaking—for example, portfolio selection. There’s also mounting evidence that Boomers have higher rates of lifestyle-related chronic disease than the previous generation at the same age (King et al. 2013). This would mark a reversal of health gains achieved by the G.I.s and Silent as elders, and it may portend a decline in the Boomers’ productivity and employability as they age—as well as a further acceleration in disability and health benefit spending.

Finally, there is the Boomers’ values orientation. This generation has always preferred dividing the world into right versus wrong, good versus bad. They came of age creating the “counterculture,” whose purpose was to judge their parents. Now they lead the “culture wars,” whose purpose is to judge each other. This strong values orientation makes Boomers suspicious of purely material measures of life success. According to a MetLife (2011) survey, Boomers are considerably *less* likely than other generations to agree that the American Dream means “exceeding your parents’ standard of living.” And according to U.S. Trust (2013), Boomers are a lot more likely than prior generations to say that giving their kids “good values” is more important than providing them with a material inheritance. Even high-end Boomers agree with this.

Today, Boomers are busy redefining retirement—or getting ready to redefine it. From first wave to last, G.I.s entered retirement with more money than they expected in an era of expanding benefits. From first wave to last, Boomers are moving in the other direction. In 2013, the median early Boomer had a median net worth (\$267,520) that exceeded that of all other half generations and was 36 percent higher than what their parents had at roughly the same age in 1989 (\$198,493) (see figure 8). In contrast, late Boomers represent the beginning of a trend toward lower net worth totals. Late Boomers (defined here as all households in their 50s) had a median net worth of \$187,214—6 percent lower than what Americans in their 50s had in 1989, due in large part to their much larger housing debt. Along with less wealth, more debt, and lower pre-retirement income, late Boomers are sharply less likely to qualify for defined-benefit pensions and face receding benefit generosity from Social Security.¹⁹

As for the G.I. trend toward earlier retirement, that too is being reversed. The employment rate for Americans age 65 to 69, which has already been rising steadily since 2008 (despite the recession) as early Boomers move past 65, will almost certainly continue to rise once late Boomers arrive.

The G.I.s wanted to live away from their kids and near their peers—which

18 For overview of trends, see Bahrapour (2013); Elinson (2015); and Nagourney (2013).

19 Under current law, the “normal” age for receiving full Social Security full retirement benefits is 66 for Americans born from 1943 to 1954, but it then rises to age 67 for those born in 1960 or later.

led to the construction of vast age-restricted desert communities like Sun City and Leisure World. Boomers want to live away from their peers and near their kids—this, indeed, is one of primary reasons they prefer to “age in place” in the suburbs (Keenan 2010). As developers prep their active-adult communities for the coming late wave, they can expect less affluence, somewhat greater ethnic diversity, a weaker middle class, and, perhaps eventually, an abandonment of the very word “retirement.”

All their lives, Boomers have touted a lofty vision of the American Dream that eschews the material in favor of a deeper, more meaningful definition of both work and play. That’s a good thing, because many of them (late-wavers, especially) will have to work much longer than their parents did—or find fulfillment in “priceless” play that can be purchased at bargain prices.

Generation X: Once Xtreme, Now Exhausted

Generation X (born 1961–81) today comprises roughly 87 million adults in their early 30s to their early 50s. The very name “X” has an identity-cloaking quality, reflecting the fact that many Xers feel little generational center of gravity. They are, first of all, the most immigrant generation per capita born in the 20th century. Early on, they also sensed that they had no middle class—and were told repeatedly by older generations that collectively they had no future (Howe and Strauss 1993, chapter 2). A famous 1990 *Time* magazine cover photo (O’Brien 1990) illustrates, early on, how many Xers entering adulthood were likely to see themselves—dressed in black, certainly not euphoric, and all looking in different directions, as if to advertise that they have nothing in common. In interviews, young Xers tended to agree with dark predictions of their generation’s prospects—which meant that to be successful you had to take plenty of risks and be different from your peers.

The data suggest that the Xers’ early intuition was largely correct. Of every half-generation that has as yet fully entered the labor market, they show (see figure 8) the highest levels of income inequality, with late Xers even more unequal at every age than early Xers. (To be sure, we should be cautious with these cross-sectional Gini data, since some of the rise may reflect generational shifts in the year-to-year stability of personal income.)

Moreover, in terms of median household income, Xers are having trouble keeping up with their parents and older siblings. Through their 30s, early and late Gen Xers appeared to be roughly on track to match the incomes of the two halves of the Boomers. In fact, Pew found that when comparing the income of Xers to their own parents in their 30s, a majority were exceeding the previous generation (The Pew Charitable Trusts 2014). But that was before the Great

Recession hit. In their late 40s, the median income of early Xers slipped below both waves of Boomers as well as the late Silent (see figure 4). When we compare each Xer half-generation with the half-generations most likely to include their parents (early X with late Silent and early Boom; and late X with early and late Boom), it's clear that the typical Xer household is today approaching and passing age 40 or 50 making less than their parents were at the same age.

Gen Xers first arrived as toddlers in the early 1960s, when the increasingly indulgent parenting style enjoyed by Boomer kids became totally hands-off. Institutions that once protected kids no longer seemed to work in the '60s and '70s. Schools were breaking down, and the divorce rate soared. What's more, starting in the early '60s, adults didn't want to have kids anymore. The total fertility rate plummeted, hitting an all-time low in 1976, making this known as a "baby bust" generation.

Xers learned young that they couldn't trust older people and institutions to look out for their best interests. They needed to be resilient survivors who could trust their own instincts. While Boomers have always focused on their inner lives, Gen Xers tend to focus on bottom-line outcomes. For the last several decades, the UCLA college freshman survey²⁰ has been asking students what life goals they consider important. Through the early 1970s (when Boomers were college freshmen), a three-to-one majority cited "developing a meaningful philosophy in life" as most important rather than "being very well off financially." When Xers entered college in the late 1970s, those priorities reversed.

Entering the workplace in the 1980s and '90s, young Xers encountered a generally buoyant economy that held lopsided rewards. At the high end, there was Wall Street and the allure of the entrepreneur in a newly deregulated economy. At the low end, rising import competition from cheap labor abroad and a massive immigration surge bringing in cheap labor from abroad pulled earnings down. The minimum wage (in real dollars) was allowed to sink. Entry-level union jobs began instituting two-tier wage scales, and legislators began scrapping job training programs and welfare benefits that had remained in place during the Boomer youth era.

Raised as kids to take care of themselves, most young Xers embraced the high-turnover, no-safety net, free-agency lifestyle. Many gladly cashed out their workplace benefits, triggering the '90s-era trend toward opt-in "cafeteria" and "total rewards" pay packages (McCluskey 2002). At an early age, they dominated temp work—a sector that today is beginning to age with them. "McJobs" became the most celebrated neologism readers took away from Douglas Coupland's (1991) generation-naming novel.

20 *The American Freshman* (Los Angeles: Higher Education Research Institute) published annually, yearly surveys since 1966.

The first wave of Generation X (born in the 1960s, the so-called Atari or Reagan Xers) started out at a tough time, in the grim shadow of the Volcker recession. By contrast, the last wave (born in the 1970s, the so-called Nintendo or Clinton Xers) entered the workforce during the Roaring '90s, giddy years of “irrational exuberance” in which market valuations hit preposterous peaks. Millions of first-wavers at age 35 could at last hope that maybe the future wouldn't totally suck after all. Millions of last-wavers at age 25 started out daydreaming about seven-figure stock options.

Yet despite all the “end of history” and “Dow 36,000” talk, precious few Xers—first wave or last—actually struck it rich. Under the impact of successive booms and busts, most struggled to afford a family or keep their home. While aspiring to become the capitalist “rich dad” they wished they had (Walker 2002), most could not keep up with the actual wage-slave “poor dad” they sometimes had to boomerang back home to.

Then came the Great Recession, which hit Xers much harder in percentage wealth and income declines than any older generation (see figure 9). And no wonder. They had invested aggressively in stocks with the highest P/E ratios, the ones that crashed hardest. More than Boomers, Xers had bought late into the real-estate boom at punishing prices—and in exurban regions where the price declines were steepest. Since the crash, Xers in their 30s and 40s have experienced the biggest decline in homeownership (U.S. Census Bureau 2015d)²¹—and to this day are the most likely to be underwater on the homes they still own (Swanson 2014).

Their net worth shows the damage. In 2013, Xers in their 40s have a median net worth of \$102,668—34 percent lower than what late Silent and early Boomers held when they were in their 40s. Again, homeownership has not helped them—Xers owe a lot more on homes that are worth a lot less. The typical Xer in their 40s has \$50,000 less home equity than what the typical American in their 40s had in 1989 (see figure 7).

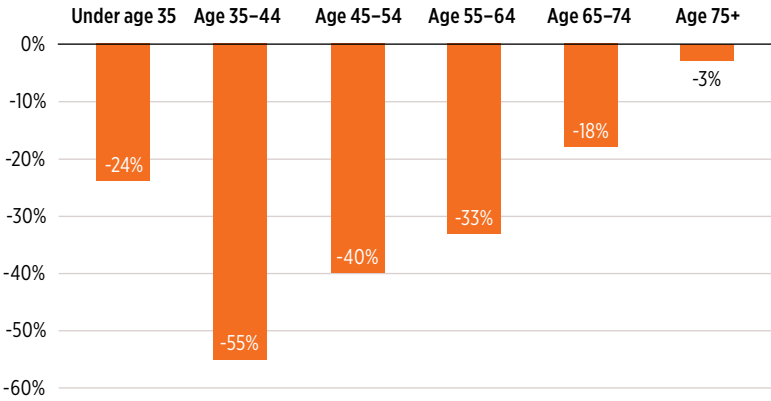
Meanwhile, despite strong recent overall employment numbers, the jobs recovery for Gen Xers remains uncertain and incomplete. While the number of (mostly) Boomers age 55 and over with full-time jobs has risen by about 4.5 million from the fall of 2007 to the spring of 2015, the number of (mostly) Xers age 25 to 55 with full-time jobs has *declined* by about 6.0 million.²²

There is some truth to the benign view that many Gen Xers are willingly choosing to downshift, work less, and lead a more do-it-yourself lifestyle. In an era when steady employment is a struggle to find, more Xers are prioritizing time with their families over longer hours at the office. They see traditional

21 See also Emmons and Noeth (2014).

22 For labor force statistics by age, see Bureau of Labor Statistics (2015).

Figure 9. Change in real median household net worth, by age: 2007 to 2010



Source: SCF, Fed Bulletin (2007 and 2010).

full-time positions as a burden rather than a benefit. This is especially true for Xer men who are seeking to be much more involved fathers than their own parents were. These forces are encouraging many of them to withdraw from the labor market (Furchtgott-Roth 2014). But for millions, we’re talking about involuntary unemployment or underemployment leading over time to loss of skills and detachment from the labor force. This is especially true for minority, immigrant, or low-skilled Xers, who were most likely to have lost most or all their wealth since 2008 and who have been the slowest to recover any of it. The aggregate statistics (Pitts, Robertson, and Terry 2014) read like the gigantic auto accident Xers always feared lay somewhere in their future.

Helping this generation get back on track economically is one of most important policy challenges America faces over the next decade.

The Millennial Generation, “Keep Calm and Carry On”

The Millennial generation (born 1982–2004) today comprises roughly 100 million people mostly in their teens and 20s. Their attitudes and behaviors have been scrutinized from every angle, with labels ranging from “the Me Me Me generation” (Stein 2013) to “Generation Nice” (Tanenhaus 2014). When it comes to the economy, however, this generation’s story is straightforward: The oldest Millennials

began graduating from high school in 2000, from college in 2004, and with master's degrees in 2006. The Great Recession has thus totally dominated their view of the economy in general and their career aspirations in particular.

Their leading edge has certainly been hit hard. Millennials through age 27 have median incomes lower—in most instances by thousands of dollars—than even the late Silent, the oldest cohort we can track at the same average ages (see figures 3 and 4). While this is certainly not an auspicious start, it's probably too early in the lives of Millennials to read too much into these numbers—especially considering the growing share of adults in their late 20s (now roughly half²³) who are neither a “head” nor “co-head” of household and are thus unrepresented in them.

The first Millennials were born in the early 1980s. They have no memory of the Consciousness Revolution that was so defining for coming-of-age Boomers nor the hands-off parenting era in which Gen-X children were raised. By the time Millennials came onto the scene, social and family experimentation was ebbing. Young children began to receive more structure and protection. In the early 1980s, “Baby on Board” signs began to appear, attached to new child-friendly minivans loaded with safety gadgets. With “family values” ascendant, Boomer (and later Xer) parents began spending far more time with their kids than their own parents ever spent with them (Milkie, Nomaguchi, and Denny 2015). Child safety and child abuse became hot topics as rates of divorce (Wolfers 2014), abortion (Jones and Jerman 2014), and violence and abuse against children all fell steadily (Finkelhor and Jones 2012).

Meanwhile, the media spotlight honed in on Millennials' academic achievement. The “Goals 2000” movement—targeting first-wave Millennials born in 1982—demanded improved student achievement from the high school class of 2000. Educators spoke of raising standards and No Child Left Behind. By the mid-1990s, politicians were defining adult issues (from tax cuts to Internet access) in terms of their effects on kids and teens.

Given all this adult attention, it's no wonder that this rising generation has developed a sense of specialness, to themselves, to their parents, and to the wider community. As we might expect, this location in history has had a major impact on Millennials' collective personality and generational behavior.

Many media reports (Lowrey 2013) about Millennials' economic prospects have focused exclusively on how the Great Recession is likely to reduce their average earnings for many years to come, no matter how much the economy improves. This is probably correct. It's also true that the majority of Millennials looking for

23 The share of 25- to 29-year-olds who are neither living alone nor heading a family has grown from 36 percent in 2000 to 48 percent in 2014; most of this increase is equally divided between growth in young people living with parents and young people living with friends. See U.S. Census Bureau (2015a).

work have as yet been unable to find secure and salaried careers—and thus are leading lives that are literally on hold. A rising share of young adults age 30 and under are putting off marriages, births, home purchases, car purchases, and relocation. Notably, this age group shows by far the biggest jump between 2008 to 2014—from 25 to 49 percent (Morin and Motel 2012)—in the share of Americans who consider themselves “lower” or “lower-middle” class.

Yet there’s more to the story. Along the way, the tough economy is also reinforcing generational traits that Millennials possessed even before the recession began.

Millennials were risk-averse before—and now even more so. Since Millennials began entering their teen years in the mid-1990s, rates of personal risk-taking among this age bracket have plummeted. Rates of violent youth crime and teen pregnancy have both declined dramatically (Child Trends Databank 2015b),²⁴ while rates of teen drinking and smoking have dropped to record lows.²⁵ Of the 46 “youth risk indicators” that have been continuously monitored by the Centers for Disease Control from 1995 to 2013, nearly all of them (42) have improved (Centers for Disease Control and Prevention 2015). As they have grown older, this risk aversion continues. Over the past decade, young adults in their 20s have experienced rapidly falling accident rates (auto accidents especially (National Highway Traffic Safety Administration 2014)), a shrinking share of fatal drug overdoses (Chen, Hedegaard, and Warner 2014), and falling rates of crime victimization (Langton and Truman 2014) and of incarceration (Carson 2014).

Contrary to stereotype, most Millennials try to avoid economic risks as well. Most aspire to a stable career within a big corporation (*Millennials in the Workplace* 2014)—and, remarkably, a higher share of them think job security is “extremely important” than either Xers or Boomers (Pew Research Center 2013b). The share of under-30 Americans who own a private business has recently fallen to a 24-year low,²⁶ according to Federal Reserve data, with most young adults citing “fear of failure” as the biggest roadblock to entrepreneurship (Kelley et al. 2013). Though media reports often portray Millennials as spurning the 9-to-5 working world in favor of freelancing, the reality is that many of these young people are “permalancing” out of economic necessity and would prefer the security of a permanent position.

Once on the job, they want to max out on benefits from pensions to insurance. According to DC funds data (Smialek 2014), they have the most conservative portfolio selection of any age bracket under age 65. Though they

24 See also, Butts (2013); Child Trends Databank (2014); see also Khan (2014).

25 For data on drug and tobacco trends, see Johnston et al. (2014).

26 Data from the SCF, available at www.federalreserve.gov/econresdata/scf/scfindex.htm; see Simon and Barr (2015).

are accumulating record levels of college debt, Millennials are actually less likely to have credit card, auto, or housing debt (and incur fewer delinquencies on that debt) than Gen Xers were at the same age (Dettling and Hsu 2014).

Millennials were close to their families before—and now even more so. A full 24 percent (Fry and Passel 2014) of 25- to 34-year-olds now live with their parents or other family members, up from an all-time historical low of only 11 percent back in 1980, when Boomers filled that age bracket. It's not just joblessness that is driving this trend, since it started long before the Great Recession. It also reflects the closing of a generational rift that once split families on so many “values” topics. According to AARP research, Millennials are more comfortable discussing sensitive subjects with their parents—namely, their emotional lives (friends, relationships, dreams) and their financial lives (careers, spending, savings)—than Boomers were when they were young adults (Huber 2012).

The re-emergence of the extended family has clear economic implications for young-adult Millennials. They are not only more likely to live in or near their parents' home, but also are more likely to need parental help in investing in their future and backstopping their commitments. Over the past 15 years, parents (and other family members, including grandparents) are paying more to help with college tuition, are more often covering living expenses, and are more often cosigning leases, loans, and mortgages. Between just 2005 and 2012, according to one survey, the share of adults who are financially providing for their own adult children has grown from 42 to 48 percent (Parker and Patten 2013). According to another, 44 percent of parents of Millennials report giving them “regular” or “frequent” financial support—while only 14 percent of the parents recall receiving such support when they were in their 20s (Clark University 2013).

Millennials were achievement-oriented before—and that too continues. Unable to get good jobs and trusting that credentials are the route to success, a record number of Millennials are working to get degrees. Today, the share of 25- to 29-year-olds with four-year college degrees (at 33 percent) and high-school diplomas (at 90 percent) are both at record highs (Fry and Parker 2012). The on-time high school graduation rate (at 81 percent) is also at a record high (Brounstein and Yettick 2015). And despite the difficult youth economy, the share of teens age 16 to 19 who are neither enrolled in school nor working (7.9 percent) hovers near its all-time low (Child Trends Databank 2015c).

Unlike Boomers, who famously boasted of “sticking it to the man,” Millennials express little desire to defy the norms and persist in believing that by following the rules they will achieve the American Dream. And what is that Dream? According to MetLife, it is surprisingly conventional: Millennials agree at least as much as older generations that it means marriage, children, home, college education, and financial security. While many Millennials are delaying

children and (especially) marriage, a vast and undiminished majority regard both as essential life goals. They are not happy with their growing college loan indebtedness, which passed \$1 trillion in 2011 (Mitchell and Jackson-Randall 2012). But they feel they cannot afford not to incur it. For a growing share of Millennials, the college mortgage is replacing the home mortgage.

Finally, Millennials were collectively optimistic before the recession—and, remarkably, remain optimistic still. Surveys confirm (Pew Research Center 2014) that, as roughed up by the economy as they are, today's Millennials lead other generations (especially Boomers) in expressing confidence in America's future. In fact, a majority of Millennials think they will be better off than their parents—even if their parents disagree. And in an era when Americans of all ages generally don't trust public leaders, Millennials are most likely to trust the federal government to “do what is right” (Pew Research Center 2013a).

This sunny perspective sets Millennials apart from Boomers back when they were young adults in the '60s and '70s. In a 1974 Gallup survey, only about half of adults under age 30 said they had “quite a lot” of confidence in America's future, compared with about 70 percent of those ages 30 and older (Pew Research Center 2013a). This relative pessimism has stayed with Boomers as they've aged. Over the past two decades, this generation has generally expressed more discontent than other age groups about the state of the nation and their quality of life (Cohn 2008). Perhaps the only adequate parallel for the optimism of today's Millennials is the G.I. generation during the Great Depression, who famously “accentuated the positive”²⁷ even at the bleakest of times.

This mentality may grow even stronger among late-wave Millennials. In a recent study of teens (Agathoklis 2013), MTV summed up their mentality with the World War II adage, “keep calm and carry on.” This group has come of age during the downturn and is adapting an attitude of implacable resolve to prepare for life in the brave new economy.

A Generational Perspective: Some Concluding Remarks

Americans have long taken for granted that their living standards will rise, generation over generation—an expectation that has been borne out through most of the nation's history and has been enshrined as a cornerstone of the American Dream. In recent decades, an increasing share of Americans doubt

27 “The Andrew Sisters & Bing Crosby—Accentuate the Positive” [video file], uploaded May 31, 2015, https://www.youtube.com/watch?v=5Qk9o_ZeR7s.

that upward generational mobility will still be there for their children. And a rising number of policymakers have deliberated over ways to make generational progress again a reality.

The premise of our paper is that a generational challenge requires a generational perspective. We have taken overall standard of living measures, and we have disaggregated them into separate half-generational cohort groups. We then looked at the collective life stories of five generations of Americans. What can we learn from these narratives?

First, the Declining Generational Trend in Median Affluence Is Not a New Development.

Media stories often imply (Smith 2012) that post-2008 Millennials are the first generation of young adults to experience “downward mobility.” Most Xers already know that’s false. Some have penned eloquent and barely printable responses (Honan 2011) pointing out that not only did Xers get “f---d over,” but that—unlike Millennials—“Generation X wasn’t surprised. Generation X was kind of expecting it.” Which is why so few of them complained, except maybe in an old Winona Ryder movie.²⁸

Yet, as we’ve seen, even Xers get it wrong: The first cohort group to fall behind was not the Breakfast Club (born in the early ’60s), but the Madonna- and Michael Jackson-age kids at the tail end of the boom (born in the mid-to-late ’50s). As youth, they got buffeted young by the turmoil of the ’60s. Coming of age, they got slammed by the Ford-Carter stagflation and ultimately started careers much later than first-wave Boomers. More recently, they’ve become 50-somethings aiming to retire later in hopes of retiring comfortably—or, abandoning hope, “retiring” early in record numbers on disability insurance (Merline 2012).

Five years from now, this leading edge of generational downward mobility will begin hitting retirement age. More than a decade ago, Craig Karpel (1995) foresaw that many former yuppies were destined to become “dumpies” (downwardly mobile urban middle-aged people). That era dawned. According to Pew, “early Boomers may be the last generation on track to exceed the wealth of the cohorts that came before them and to enjoy a secure retirement” (The Pew Charitable Trusts 2013).

28 “Reality Bites (1994)—Official Trailer” [video file], uploaded on July 29, 2011, www.youtube.com/watch?v=xDYGoOUgIVM.

Second, Inequality Is on the Rise—and This Too Started with the Late Boomers.

Late Boomers came of age in the late 1970s, just when the decades-long trend toward greater income equality in America, driven by the G.I. generation, began to reverse decisively. Thus, the same half generation that initiated the trend toward downward generational mobility is also (as we have seen) the half-generation that initiated the clearest break toward greater generational inequality. While this may be a coincidence, we think it probably isn't. One connection between a lower median and a greater inequality is simple mathematics. In income distributions, the median typically falls behind the mean precisely when the dispersion grows.

Yet the connection is surely deeper than that. With Boomers prioritizing individualism and personal risk-taking, and devaluing any standard benchmark for material success, they may have set the stage for both growing income inequality and downward mobility. By shifting the cultural and political discourse away from government and institutional supports, as the G.I.s had established, and towards a credo of personal responsibility, the economy that Boomers created was not designed to “lift all boats” (to quote John F. Kennedy (1963)), but rather to let each person “do your own thing” (to quote a memorable motto of '60s youth).

Third, the Relative Affluence of Today's Elderly Is Historically Unprecedented.

Behold the flip side of the declining life cycle fortunes of younger generations. Never before have Americans age 75+ had a higher median household net worth than that of any younger age bracket. And never before have poverty rates among seniors been so much lower than among the young. In 1985, 12 percent of *Forbes'* richest 400 Americans (Associated Press 1985) were under age 50—and 4 percent were under age 40. Today those figures are 8 percent and 2 percent, respectively (Dolan 2014). In fact, though Xers today outnumber the Silent by over three to one, the Silent collectively possess nearly twice as much wealth.

Understandably, today's elders have become economic backstops for their grown kids and grandkids—subsidizing them, housing them, co-signing their loans, funding extended-family vacations, and setting up college trust funds. The Silent generation came of age in an era (the early 1960s) when the elderly were vastly more impoverished than younger Americans—hence the need to declare a federal “war” on their destitution. Today, many Silent find themselves waging their own campaign against youth poverty within their own families.

Fourth, Generation X Is Currently in the Greatest Danger.

One question sometimes asked is which generation is worst off economically. The answer, we believe, isn't Millennials. Few were old enough to lose much wealth in the recent crash. And though they're encountering a very rough start, they have decades to make up lost earnings and savings. Barring a catastrophic national future, they should be OK.

We're more worried about Gen Xers, who were hit harder and at a more vulnerable stage in their lives—considering that a large share were not doing well to begin with. Many have become detached from the labor force. Most are used to getting by on their own without recourse to safety nets. And the oldest Xers don't have much time left to repair their balance sheets before retirement.

Policies targeted at this generation (Americans today aged roughly 35 to 55) should therefore be a national priority—and should emphasize self-help and labor force reattachment. We need to help millions of Xers save more, find jobs, and even re-engage with our political system. Given that Millennials look to government to solve problems, they may be instrumental in ushering in a new era of policies to collectively improve these conditions.

Fifth, Millennials Will Be Helped not Just by Their Better Timing, but also by a Generational Shift in Their Expectations and Behaviors.

We're already mentioned several generational traits that should play in their favor over the next few decades. Millennials are risk-averse, which is already translating in more careful career and life planning and earlier retirement savings habits; eventually, it is likely to translate into higher savings rates. Millennials are close to their families, which provides them with a more secure safety net, more advice and assistance preparing for their future, and more help raising their own families. Millennials are achievement-oriented, which makes them more patient in waiting for their credentials to pay off. And Millennials are more collectively optimistic about the future, which gives them the hope that they are on the way to building an economy that works better for the typical household.

There is perhaps one other trait worth mentioning that could in time be historically decisive. More than Boomers or Xers (at any age), Millennials are team oriented: They do community service, they live together in groups, they are 24/7 interconnected on social media, they fuel the sharing economy, and they favor group awards. Surveys show that they are much more likely (both Democrats and Republicans) than older generations to say that

government should promote the principle of “community” over “self-reliance” (Congressional Institute and LifeCourse Associates 2015).

This could have political consequences down the road, especially if another economic or financial emergency compels political leaders to rewrite the rules of the game. Such an outcome could re-tip the playing field toward a new and younger middle class. When the New Deal was proposed in the midst of such a crisis, an energized generation of young G.I. voters helped push it through. Perhaps something similar could happen again.

Finally, the American Dream Is Reimagined by Each Generation.

There was a time when young adults defined the Dream as a bigger home and a bigger pension for everybody. Millennials think and talk about homes and pensions—and, as we’ve seen, they still think they’re an essential part of the American Dream. But they no longer assume that Dream is for everybody. In recent decades, Boomers and Xers have gradually redefined the Dream as more qualitative than quantitative, more private than public (MetLife 2011). As such, it remains universally accessible only by becoming intangible. Peak experiences are for everyone, but a good pension is for the few.

As goes the Dream, so goes the direction of our nation. We’ve become an economy less focused on building things for our collective future and less interested in the material prosperity of younger generations. Remarkably, despite the unprecedented relative wealth of today’s seniors, Congress continues to spend massively on them: Over one-third of the federal budget consists of benefit payments to 65+ Americans (Grady and Klunk 2007). That’s well over \$1 trillion, or about \$25,000 per person—mostly without regard to financial need. Meanwhile, future-related spending is getting all but squeezed out of public budgets, causing infrastructure to rust (Dennison 2013) and an alarming share of today’s college students to drop out (Wells 2013) or rush to food banks (Bahrapour 2014) out of dire need.

As a brute economic proposition, the prospects for America’s younger generations are unlikely to improve until our nation invests as much in the young for what they will do tomorrow as it rewards the old for what they did yesterday. A half-century ago, we were such a nation. Might we become one again? In time, the American Dream will likely shift back again. We already see some signs of this happening among Millennials—in their higher savings rates, closer connection to family life, and desire for community. As voters and leaders, this rising generation will sooner or later galvanize a change in that direction.

Data and Methods

The data used in this paper come from two main sources—the Current Population Survey (CPS) and the Survey of Consumer Finances (SCF).

CPS Analyses

To explore income differences between generations and half-generations in this paper, CPS data were used. The CPS is continuously collected by the U.S. Census Bureau and is considered the leading national source of income data. Two versions of CPS data were used in this paper—the Integrated Public Use Microdata Series (IPUMS) (King et al. 2010) and the public historical tables published by the U.S. Census Bureau.

The IPUMS data used in this study are from the 1964 to 2014 CPS, typically from the Annual Social and Economic Supplement. In this analysis, all income data were inflation adjusted to 2013 dollars using the CPI-U-RS.

In the IPUMS-CPS analyses, the variable FTOTVAL was used for all years from 1964 to 2014, which represents a family’s total income, thus excluding the income of unrelated household members. Analyses were conducted and weighted at the person-level and were restricted to the householder. All median income estimates and Gini coefficients were produced for each half-generation for each year in which householders were aged 18 to 80. Estimates were then linked to the average age of each half-generation in each year to illustrate the life cycle trajectory of income for each group by age. Smoothing was applied to income figures for those years where data did not align with a particular cohort’s average age.

Other analyses in this paper used CPS income data from published historical census tables, including the years 1950 to 2010. Specifically, historical table F-11 (“Age of Householder—Families, All Races by Median and Mean Income: 1947 to 2013”) was used to pull all estimates of family income by age and can be located here: www.census.gov/hhes/www/income/data/historical/families/. Median income data points were used from this table for 10-year age brackets at 10-year intervals. All estimates were inflation adjusted to 2013 dollars.

SCF Analyses

In order to understand wealth differences between the generations and half-generations, the SCF was used. The SCF is considered the leading source of data on wealth in the United States and has been collected triennially by the Federal Reserve Board from 1983 to 2013.

Both published data from the SCF bulletins and the downloadable data files were used in this paper (Board of Governors 2013). Published data from 1983 to 2013 were used to construct the net worth trajectories of each age cohort over time according to when most members were included in major age brackets in each survey year. The downloadable data files from 1989 to 2013 were used to merge the precise age of householders from the full data files with net worth values from the abstract data on the Federal Reserve website. This allowed aggregation of the net worth of all householders in each year of each SCF survey. Then, in order to understand compositional differences in wealth by age, large categories of assets and debt were collapsed and were analyzed according to 10-year groupings for each data year. All estimates in the downloaded data were weighted using the five implicates provided with the SCF. All data, whether downloaded from the SCF or taken from published bulletins, were inflation adjusted to 2013 dollars. ■

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