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Do Millennials Stand a Chance in the Real World?

By ANNIE LOWREY

When I was a kid, my grandmother used to spirit packets of oyster crackers from restaurants. She unwrapped gifts meticulously, peeling back the tape with her nails so that she could reuse the paper. She also stockpiled so many coupon-bought cans that she probably could have had her own show on TLC.

These habits, judging by both anecdote and literature, were generational. My grandmother was born in 1917 and entered the work force during the Great Depression. I've been thinking of her generation — the one that saved rather than spent, preserved rather than squandered — a lot lately. In the past year or so, data have come in regarding how my own generation, often called Generation Y, or the millennials, has adapted to our once-in-a-lifetime financial crisis — the one that battered career prospects, drove hundreds of thousands into the shelter of schools or parents' basements and left hundreds of thousands of others in continual underemployment. And some of that early research suggests that we, too, have developed our own Depression-era fixation with money.

The millennials have developed a reputation for a certain materialism. In a Pew Research Center survey in which different generations were asked what made them unique, baby boomers responded with qualities like "work ethic"; millennials offered "clothes." But, according to new data, even though the recession is over, this generation is not looking to gorge; instead, they are the kind of hungry that cannot stop thinking about food. "Call it materialism if you want," said Neil Howe, an author of the 1991 book "Generations." It seems more like financial melancholy. "They look at the house their parents live in and say, 'I could work for 100 years and I couldn't afford this place,' " Howe said. "If that doesn't make you focus on money, what would? Millennials have a very conventional notion of the American dream — a spouse, a house, a kid — but it is not going to be easy for them to get those things."

This condition is becoming particularly severe for the group that economists call younger millennials: the young adults who entered the job market in the wake of the recession, a period in which the unemployment rate among 20- to 24-year-olds reached 17 percent, when graduate school competition grew more fierce and credit standards tightened. Many also saw their parents struggle through a pay cut, a job loss or another economic disruption during the recession.

These troubles, many economists fear, left serious scars, and not just psychic ones. Now that the economy has entered a steady but slow recovery, younger millennials wonder if they can make up that gap. Lisa Kahn, a labor economist at the Yale School of Management, studied the earnings of men who left college and joined the work force during the deep recession of the early 1980s. Unsurprisingly, she found that the higher the unemployment rate upon graduation, the less graduates earned right out of school. But those workers never really caught up. “The effects were still present 15 or 20 years later,” she said. “They never made that money back.”

Kahn worries that the same pattern is repeating itself. And new research from the Urban Institute augurs that this emerging income gap is compounding into a wealth gap. The institute’s research shows that even as the country has grown richer, Generations X and Y, meaning people up to about age 40, have amassed less wealth than their parents had when they were young. The average net worth of someone 29 to 37 has fallen 21 percent since 1983; the average net worth of someone 56 to 64 has more than doubled. Thirty or 40 years from now, young millennials might face shakier retirements than their parents. For the first time in modern memory, a whole generation might not prove wealthier than the one that preceded it.

The millennials’ relationship with money seems quite simple. They do not have a lot of it, and what they do have, they seem reluctant to spend. Millennials are buying fewer cars and houses, and despite their immersion in consumer culture, particularly electronics, they are not really spending beyond their limited means. Their credit-card debt has declined, most likely because many millennials cannot get a credit card, and in part because they know they cannot afford to spend now and pay back later. “They have this risk aversion that we’ve seen with millennials since they were teenagers,” Howe said. “It’s declining alcohol use, declining drug use. I mean, declining sex.”

There might be one more factor at play in the millennials’ economic anxiety. For my grandmother’s generation, the economic boom that followed World War II expanded the middle class and its share of the nation’s wealth. Our great recession, however, came after three decades of wage stagnation for a huge swath of middle-class American workers, which is one reason income inequality has yawned to levels not seen since the late 1920s. And since the worst days of the recession ended, inequality has continued to grow. Corporations that shed workers became leaner and more profitable. Members of the 1 percent have taken nearly all the wage gains made in the recovery. Their incomes bounced back. Nearly everyone else’s fell. Worse, our savings rate before the recent crisis was near a record low.

During World War II, the ethos was "use it up, wear it out, make it do, or do without." But the 21st-century rallying cry among the young is "We are the 99 percent." This recession's emphasis was never on making do with little; for many millennials, it has seemed more about wondering why *they* had to make do with so little when so few had so much. This sentiment was captured in recent exit polls that found that nearly two-thirds of presidential voters 29 and younger thought the American economic system favored the wealthy.

The millennials, in other polls, remain optimistic about their futures. Economists are less so. There is a persistent fear that they have entered a permanently lower earnings and savings trajectory. Even if the generation recovers, even if it ends up wealthier than the one before it, the scars will be deep and long-lasting. Kahn has started comparing recent graduates during the recent recession with recent graduates in the 1981-82 recession. She said the initial wage losses were comparable, and the trend looks set to repeat. "My inclination is pessimism," Kahn said. "If anything, these guys might experience something worse."

Other economists also envisioned a future in which millennials would spend less and save less. "I was talking with a mom who has a son in his mid-20s and told her the generation is not on the same wealth-building path," said Signe-Mary McKernan, one of the authors of the Urban Institute study. "She had this look of terror on her face; our children are in trouble, and that's such a worry for a parent. I told her, 'Maybe this generation won't have a worse life, but just a different life.' " And that may be true. Millennials are the best-educated generation ever. Their challenge may just be to preserve that advantage for their own children.

Annie Lowrey is an economics reporter for The Times. Adam Davidson is off this week.