WEALTH AND GENERATIONS

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New America

Writing in 1965, Social Security Commissioner Robert Ball announced that the American economy was on its way to becoming so productive that there was no reason why government could not eliminate all want among the citizenry. "Poverty in the past has been basically the result of the fact that there was not enough to go around," wrote Ball. "By contrast, today it can be taken as a fact that the abolition of want in the United States is no longer a problem of economic capacity."

The next generation was bound to become rich beyond imagination, Bell explained, and so could well afford to pick up the cost of making programs such as Social Security far more generous. "Extremely conservative projections of what has been happening in industry lead to almost unbelievable conclusions," wrote Ball. "If we take not the rate of productivity increases that seems likely to result from the new [automated] approach to problems of production but instead merely the average rate over the past 100 years, our grandchildren will be able to produce in 1 day as much as we do in a 40-hour week."[1]

The American Dream may be a cliché, but faith in its promise has long defined our social contract and ideologies across the political spectrum. During many eras of U.S. history, liberals and progressives like Ball have used the assumed upward mobility of future generations to bolster and legitimize their agendas, arguing in the 1960s, for example, that the cost of the War on Poverty and of new or expanded entitlement programs, such as Medicare, Medicaid, and Social Security, could easily be borne by future taxpayers who would inevitably be many times richer.

The same assumption has been perhaps even more critical to the appeal of conservative ideas throughout American history. In explaining why

1 Robert M. Ball, "Is Poverty Necessary?" *Social Security Bulletin* (August 1965), p. 18.

socialism, communism, and other forms of class-based politics barely got a toehold in the United States, historians typically point to the broad faith most Americans have in their own and their children's ability to rise up the economic ladder. Broad upward mobility across generations diminished the importance of inherited wealth, strengthened faith in the fairness of markets, and, as Richard Nixon proclaimed in his famous "kitchen debate" with Nikita Khrushchev at the height of the Cold War, made it at least superficially plausible to argue that America was a "classless society."

Yet with the benefit of hindsight, we can now see that this underlying premise of the American creed has gradually been turned on its head. Until roughly the 1970s, inequality between generations was large and increasing, but for the happy reason that most members of each new generation far surpassed their parents' material standard of living. Today, inequality between generations is increasing for the opposite reason. Most workers are indeed many times more productive than their counterparts in the past, yet by most measures, they are falling farther and farther behind their parents' generation in economic well-being.

The implications run deep. For younger Americans, the new normal of stagnant or falling living standards compared to the prior generation requires new life strategies, including much shrewder and more deliberative plans for building human capital and lifetime net wealth. At the same time, we need public policies that do not simply assume that each new generation will be richer than the last, but that give individuals and families the specific tools they need to pursue opportunity and upward mobility in the 21st century.

DOWNWARD MOBILITY TAKES HOLD

Defining and measuring the "standard of living" enjoyed by different generations is not straightforward. Among the complicating factors are changes in family structure, the role of women, and the ethnic and racial profile of the population. Other considerations include the true measure of inflation, the amount of financial and unemployment risk borne by individuals in different eras, and changes in educational attainment. Although no single metric is perfect, in combination they tell a dramatic and, by and large, depressing story.

The most straightforward "apples-to-apples" comparison is between the amount of income the typical (median) male with a specific level of education makes today compared with what his counterpart in the previous generation made. According to work done by economists Michael Greenstone of the University of Chicago and Adam Looney of the Brookings Institution, the steepest downward mobility has been among male high school dropouts, who in 2009 earned 66 percent less (adjusted for inflation) than their counterparts did in 1969[2], due to a combination of falling real wages and declining labor force participation rates. The slide for men with only a high school degree, who constitute the majority of men, was a staggering 47 percent. College-educated men did better, but only by falling not as far. For prime-aged male college graduates, real earnings in 2009 were 12 percent below those enjoyed by their counterparts 40 years before. Even among college graduates who worked full-time, real earnings were 2 percent below that of their counterparts in 1969.

These trends were well in place before the coming of the Great Recession. According to work by Jeff Madrick and Nikolaos Papanikolaou, between 1969 and 2005, real earnings for full-time male workers, age 25–34, with only a high school degree, declined from $34,681 to $30,000 (in 2005 dollars).[3] Meanwhile, full-time college-educated male workers of the same age eked out hardly any gains compared with their counterparts in the previous generation, as real wage and salary income for this group increased at an annual growth rate of just 0.1 percent between 1969 and 2005.

A similar comparison between today's working women and their counterparts a generation ago reveals an only slightly less dramatic story. For example, among full-time working women, age 30–45, who lack a high school degree, real wages were 12 percent lower in 2013 than they were for their counterparts in 1990. For the typical woman in this age group who has a high school degree but never graduated from college, wage and salary increases have been hardly measurable from one generation

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2 Michael Greenstone and Adam Looney, "Trends: Men in Trouble," *Milken Institute Review* (Third Quarter, 2011): 8–16.

3 Jeff Madrick and Nikolaos Papanikolaou, "The Stagnation of Male Wages," *Policy Note* (New York: Schwarz Center for Economic Policy Analysis, The New School, May 2008), p. 3, Tables 1.1, 1.2.

to the next, rising by just 3 percent between 1990 and 2013. Only college-educated women who worked full-time saw any substantial gains over their counterparts of 1990. This was mostly because of increasing numbers of women moving into managerial jobs rather than to any general increases in wages for the same work.[4]

These trends for men and women converge in the statistics on family income, which especially for the young, had been falling consistently year after year even before the coming of the Great Recession. The median income among families headed by someone under 35 was just $35,500 in 2013. Adjusted for changes in the Consumer Price Index, that is nearly 20 percent below what young families earned in 2001.[5]

LIFETIME INCOME GAINS PEAK EARLIER AND CONTRACT

Another measure to consider is the ever earlier age at which workers' earnings peak. In nearly all previous eras, workers normally saw their income rise in their 20s, 30s, 40s and 50s as they gained education and experience and as wage rates in general grew. Although their earnings might be interrupted by illness or temporary unemployment, most workers generally earned more each successive year until they retired, typically in their 60s. This pattern still held until 2000, after which Americans started seeing their earnings peak and then decline at younger and younger ages even as the standard retirement age went up.

The tipping point came with those born between 1946 and 1950. The median household income of these early-wave Baby Boomers rose steadily during their early working years. Adding to these gains in household income was a sharp increase in the number of working women, as the "two paycheck" family gradually became the middle-class norm. Yet despite this additional income from women, median earnings for these households started declining when their prime wage earners were still in their early 50s—a time of life when members of previous generations were still typically seeing gains in real income from year to year. For these

4 Melissa S. Kearney, Brad Hershbein, and Elisa Jácome, "Profiles of Change: Employment, Earnings, and Occupations from 1990–2013." (Washington, DC: The Hamilton Project, Brookings Institution, April 20, 2015), Figure 1.

5 Federal Reserve Board, "2013 Survey of Consumer Finances." (Washington, DC: Board of Governors of the Federal Reserve System, 2014), Table 1 89-98 01-13.

early Baby Boomers, median houshold income peaked in 2000 at $78,458 at age 50–54 and fell each year thereafter, reaching an inflation-adjusted $50,834 in 2013.[6]

This pattern has grown progressively worse since then. For example, those born between 1953 and 1957 saw their median household income peak at $77,543 in 2002 when they were ages 45–49. For them, household income subsequently fell by 0.5 percent annually during the so-called economic recovery years of 2002 to 2007 and then declined much more during and after the Great Rececssion, falling to $60,100 by 2013. Financially speaking, 50 turned out to be the new 65 for these cohorts, even as they were expected to live longer.[7] And the situation only got worse with younger generations. For example, among persons born between 1962 and 1966, median household income peaked in 2007, when they were still between the ages 41 and 45, and has not yet recovered.

Among today's newest workers, most have already missed out on the rapid increase in earnings that members of previous generations typically enjoyed in their 20s and 30s. This early-career earnings deficit has left them with fewer dollars to save while young, putting them even farther behind their parents in building long-term assets, such as adequate savings for retirement.

MIDDLE-CLASS CHILDREN WHO GROW UP TO BE POOR

Contributing to this downward mobility trend are Americans who were raised in middle-class homes but who have fallen down the economic ladder as adults. According to a study by the Pew Charitable Trusts of children born in the late 1970s, one-third of those raised in middle-class families —defined as families between the 30th and 70th percentiles of the income distribution—have fallen out of the middle class in adulthood. This phenomenon is particularly pronounced among members of minority groups. Among African Americans who were raised in middle-class

6 Robert J. Shapiro, "Income Growth and Decline under Recent U.S. Presidents and the New Challenge to Restore Broad Economic Prosperity," (Washington, DC: Center for Effective Public Management, Brookings Institution, 2015), Table 1.

7 Ibid. See also Table 2.

families, for example, 37 percent were no longer middle class at middle age. For whites, 25 percent were now in the bottom tiers.[8]

How do these rates compare with the number of Americans who move up the income ladder? Recent research by Raj Chetty and others shows that during the last two generations, fewer than one in ten children born to parents in the bottom one-fifth of the income distribution managed to rise to the top one-fifth as adults.[9] This ratio has not changed appreciably since the 1970s. Yet overall income inequality has increased substantially since then, causing the rungs of the income ladder to become farther apart. This in turn makes the consequences of failing to rise up the ladder, or falling down it, harder to bare.

FAMILY BALANCE SHEETS DETERIORATE

Income alone does not define a standard of living. Getting ahead in life also requires accumulating assets such as home equity and savings that exceed one's debts and other liabilities. Without at least some net wealth, it is impossible to finance a first home, pay for a child's college education, enjoy financial security in old age, or leave behind an inheritance.

Until the present era, despite vast disparities and inequalities across different racial, ethnic, and other demographic groups, most American families enjoyed a rising net worth, both within and across generations. Today's older Americans still exemplify this pattern. Americans who were 74 years or older in 2010 had an average net worth that was 149 percent higher than that enjoyed by Americans who were the same age in 1983 (after adjusting for inflation).[10] This pattern has since disappeared, however. The precise tipping point came among people born in 1952. They would become perhaps the first generation in American history to have less real net worth on the threshold of retirement than people born ten years earlier had at the same age. From there, the real net worth of subsequent birth cohorts has generally been stagnant or has declined

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8 Gregory Acs, "Downward Mobility from the Middle Class: Waking Up from the American Dream." (Washington, DC: Pew Charitable Trusts, Economic Mobility Project, September 2011), Figure 6, p. 14.

9 Raj Chetty et al., "Is the United States Still a Land of Opportunity? Recent Trends in Intergenerational Mobility." Working paper 19844. (Cambridge, MA: National Bureau of Economic Research, January 2014).

10 C. Eugene Steuerle et al., "Lost Generations? Wealth Building among Young Americans." (Washington, DC: Urban Institute, March 2013), Figure 3.

compared to the lifecycle experience of Americans roughly 10 to 20 years older.[11] For example, after adjusting for inflation, the median net worth of families headed by a person 35–40 years old was 30 percent less in 2010 than it was for their counterparts in 1983.[12]

RETIREMENT LOOMS

Because of the vast upward mobility of the Americans born before the 1950s, and the downward mobility of Americans born later, the economic security of the next generation of elders will, on current course, be much less than that of today's retirees—and their children are even less likely to be able to make up any shortfall. One study by the Pew Charitable Trusts found that the typical retiree couple born between 1936 and 1945 had enough net wealth to replace 100 percent of their pre-retirement income when combined with annuitized assets, such as private pensions and Social Security. In contrast, a typical Gen-X couple (born between 1966 and 1975) is on course to see their income decline by half in retirement.[13]

To make matters worse, this 50 percent decline assumes that both members of such a couple are able to continue working until the previously normal retirement age, which may well not happen. Labor force participation rates for men younger than 65 have been declining sharply, owing to corporate downsizing, low wages, obsolete job skills, rising rates of chronic illness such as diabetes, long-term unemployment, and other factors.[14] Since the 1960s, the share of prime-age men no longer in the workforce has rougly tripled.[15] Taken together, these trends paint a picture of steady declining mobility and shorter and less secure attachment to the workforce for men.

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11 Ibid.

12 Survey of Consumer Finances 2012, cited by Neil Howe, "Are you Born to be Better Off Than Your Parents?" Forbes.com (July 16, 2014), Figure 4.

13 The Pew Charitable Trusts, "Retirement Security Across Generations: Are Americans Prepared for Their Golden Years?" (Washington, DC: Pew, May 2013), Figure 11.

14 The share of men of prime working age—those 25 to 54 years old—who are in the workforce declined by 5.2 percent between 1992 and 2012. Bureau of Labor Statistics, "Labor Force Projections to 2022: The Labor Force Participation Rate Continues To Fall," *Monthly Labor Review (December 2013)*, table: "Civilian Labor Force Participation Rate by Age, Sex, Race, and Ethnicity."

15 Binyamin Appelbaum, "The Vanishing Male Worker: How America Fell Behind," *New York Times*, December 11, 2014.

Adding to the difficulties facing the future elderly is the disappearance of windfall Social Security benefits. In the late 1970s, Social Security paid out benefits to retirees that exceeded the value of their contributions by between $250,000 and $300,000 in today's money.[16] Subsequent birth cohorts have paid a far higher share of their income into the system, but under current law, most members are promised back little more in benefits than they paid in taxes. Social Security payroll taxes remained below 2.5 percent through the 1950s and below 4 percent until the end of the 1960s. But workers born in the 1990s have paid 6.2 percent of their income into the system throughout most of their working lives, and really double that, since most economists agree that the employer contribution in payroll taxes is ultimately born by employees.[17]

Having effectively paid about one out of eight dollars they earned into Social Security, the ability of Americans born during and since the 1960s to save for their own retirement has been correspondingly reduced, even as the Social Security system's rate of return has become progressively less for each new generation. The same diminishing rate of return is found in many private pension plans as well, even as pension coverage itself has also fallen precipitously among today's young and middle-aged workers.

THE MOUNTING COST OF LIVING

The declining cost and increasing quality of digital technologies, as manifested by smart phones and their apps, gives many of today's Americans access to goods and services that were beyond the reach of even the richest people a generation ago. Yet the cost of the goods and services Americans most need to help themselves and their children rise up the economic ladder has grown much faster than family income or general inflation. This is another large factor behind the stark increase in wealth inequality among the generations.

One major example is the inflation in higher education costs. During the last generation, graduating from college has become a near prerequisite to obtaining middle-class status or avoiding losing it. Yet even as paying for higher education became, for that reason, harder for families and

16 Sylvester J. Schieber, *The Predictable Surprise* (New York: Oxford University Press, 2012).

17 Social Security Administration, *Social Security & Medicare Tax Rates*.

individuals to avoid, the cost of attending a public or private college escalated 40 percentage points more than the Consumer Price Index between 2005 and 2015.[18]

Compounding the burden, the share of the higher education sector's revenue paid by families and students rose from one-third in 1980 to one-half in 2012, reflecting not just rising tuition, but a sharp decline in needs-based financial aid during the last generation.[19] Closing the gap has been a mountain of debt on household balance sheets. The share of young adults with student loans rose from 26 percent in 2001 to 40 percent in 2013.[20] Total student debt now surpases $1.1 trillion, and sadly, much of this debt is held by people who never finished college, and who have often been victimized by predatory lending practices. Among seniors graduating in 2013, the average borrower owed $28,400 in student loans.[21]

Meanwhile, the dramatic rise of health care costs relative to family incomes has been, and will be, particularly burdensome on younger generations. As recently as the 1960s, health care costs were an incidental expense of most young American families. In 1964, health care spending was just $197 per person per year. This low cost meant that with a mere 78 hours of labor (or by the end of the second work week in January, for those working full-time), the average nonsupervisory worker earned enough to cover the per capita cost of health care, including that of all children and retirees.

By contrast, in 2012, such a worker had to put in 452 hours to cover the average per capita burden of medical expenses, which by then had risen to more than $8,915. Put another way, by 2012, it was nearly March before the typical American working a 40-hour week earned enough to pay the

18 Bureau of Labor Statistics data, cited by Annie Lowrey, "Changed Life of the Poor: Better Off, but Far Behind," *New York Times*, April 30, 2014.

19 The Pell Institute and PennAHEAD, "Indicators of Higher Education Equity in the United States, 45 Year Trend Report," (Washington, DC: Pell Institute, 2015), p. 28.

20 Lisa Dettling and Joanne Hsu, "The State of Young Adult's Balance Sheets: Evidence from the Survey of Consumer Finances," (St. Louis, MO: Federal Reserve Bank of St. Louis, May 2014), p. 13.

21 Student Debt and the Class of 2013, Project on Student Debt, November 2014.

health-care sector's growing claim.[22] The total annual cost of health care for a typical family of four—even one covered by a typical employer-sponsored plan—reached $23,215 in 2014, or roughly the equivalent cost of buying a brand new Honda Accord LX every year.[23] The growing burden of health care costs is a major reason why employers are so reluctant to hire and wages remain stagnant.

Although some of the increase in health care costs reflects genuine advances in medicine, most simply reflects rising prices for existing medical services combined with an increasing volume of redundant tests, unnecessary surgeries, and other forms of over-treatment that do not improve health.[24] Peer countries achieve better population health and life expectancy while expending as little as half as much per person on health care services. As such, most of the increasing cost of health care does not reflect improvement to the average Amerian's standard of living.

PREDATORY LENDING AND THE HOUSING BUST

Another factor behind the downward mobility of Americans is the growth of payday loans, subprime mortgage lending, and other wealth destroying consumer finance products. Americans who came of age before the 1970s were largely protected from predatory lending by usury laws, which capped fees and interest costs on loans. But starting in the 1980s, these consumer finance protections largely disappeared. At the same time, financial engineering, including securitization, led to the growth of financial institutions with business models that allowed them to prosper—at least in the short term—by lending money to people who could not afford to repay.

These trends, combined with generally lagging or falling individual and household incomes and rapidly expanding access to credit, often on predatory terms, led to an explosion of borrowing. When this was

22 For health care expenditures, see Centers for Medicare and Medicaid Services, "National Health Expenditures; Aggregate and per Capita Amounts, Annual Percent Change and Percent Distribution, by Type of Expenditure: Selected Calendar Years 1960–2012" (Washington, DC: CMMS, n.d.), Table 1. For hourly earnings, see Bureau of Labor Statistics Employment, "Hours and Earnings from the Current Employment Statistics Survey" (national) (Washington, DC: BLS, 2015).

23 Christopher Girod et al., "2014 Milliman Medical Index" (Seattle: Milliman, Inc., May 2014).

24 See, for example, Atul Gawande, "Overkill", *The New Yorker*, May 11, 2015. Shannon Brownlee, *Overtreated: Why Too Much Medicine is Making Us Sicker and Poorer*, (New York, Bloomsbury, 2010).

followed in turn by a collapse in home prices, the result was devastion to the balance sheets of most Americans under age 50. By 2010, the average family aged 25–49 had a net worth that was 32 percent below that of their counterparts in 1989.[25]

This sequence of events particularly damaged members of Generation X, many of whom took out mortgages on predatory terms at or near the top of the housing bubble. Largely as a result, from 2007 to 2010, Gen-Xers as a whole lost nearly half (45 percent) of their wealth, or an average of about $33,000 subtracted from already low levels. Many were pushed into negative net worth, as their houses became worth less than their mortgage. By contrast, those born during the Great Depression era (between 1926 and 1935) experienced zero loss of net wealth as a group during the Great Recession (2007–2010).[26]

DECLINING ASSETS AND THE SHARING ECONOMY

Most Millennials, whose oldest members are still in their mid-thirties, were too young to be in the market for real estate during the housing bubble and therefore did not directly experience the evaporation of real estate wealth caused by the Great Recession. While they may have dodged that bullet, however, the longer-term trend of declining asset ownership among today's younger Americans has potentially very negative implications for their future net wealth. The rate of homeownership among households headed by a person under age 35 has fallen from 43 percent in 2005 to 35 percent in 2014. To be sure, not every Millennial wants or needs to own a house. But homownership has been the major means by which most ordinary Americans in previous generations built their net wealth and financed their retirements. Moreover, home prices have been recovering since the bottom of the Great Recession, and in many places have escalated sharply. Thus, the continuing decline in the homeownership rate among young households has probably reduced what Millennials' aggregate net wealth would have otherwise been.[27] And if the

25 Lori A. Trawinski, "Assets and Debt across Generations: The Middle Class Balance Sheet 1989–2010." (Washington, DC: AARP Public Policy Institute, January 2013), Table 4.

26 The Pew Charitable Trusts, "Retirement Security across Generations." (Washington, DC: Pew, 2013), Table 1.

27 Current Population Survey/Housing Vacancy Survey, Series H-111, U.S. Census Bureau, Homeownership Rates by Age of Householder: 1994 to Present, Table 19.

typical Millennnial winds up a renter for much, if not all, of his or her life, this will certainly require that the generation acquire some other major means for building assets over a lifetime.

A sharp decline in stock ownership among young adults does not bode well for that possibility. In 2001, 48 percent of persons aged 18 to 31 owned stock; by 2013, this share had dropped to 37 percent.[28] This long-term decline in stock ownership among the young occurred in a period in which stocks, despite volatility, appreciated in value by several-fold. Younger cohorts of Americans are also increasingly less likely to own businesses. On a per capita basis, the rate of new business formation declined by 50 percent between 1977 and 2009, a trend that leaves more businesses failing each year than are started.[29] As Federal Reserve Chair Janet Yellen has pointed out, the declining share of Americans who are business owners diminishes what historically has been "a vital source of opportunity for many households to improve their economic circumstances and position in the wealth distribution."[30]

The trend now seems to be compounding among Millennials, who, despite high aspirations to entrepreneurship, are having a difficult time starting successful businesses. A recent report by the Kauffman Foundation concludes that although Millennials have higher levels of education than previous generations and lifelong exposure to information technology, their shaky finances mean that most "can't afford to become entrepreneurs."[31]

Millennials are also less likely than young adults in the past to own other forms of assets, including cars and many durable consumer items. In some instances this can be positive. If, for example, the growth of services such as Zipcar makes owning a depreciating asset like an automobile unnecessary, this is at least potentially a gain to one's net worth. Being

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28 Lisa J. Dettling and Joanne W. Hsu, "The State of Young Adults' Balance Sheets: Evidence from the Survey of Consumer Finances," Federal Reserve Bank of St. Louis *Review*, Fourth Quarter 2014 p. 316.

29 Barry C. Lynn and Lina Khan, "The Slow-Motion Collapse of American Entrepreneurship," *Washington Monthly*, July/August 2012; Thomas Edsal, "Has American Business Lost its Mojo?" *New York Times*, April 1, 2015.

30 Janet Yellen, "Perspectives on Inequality and Opportunity from the Survey of Consumer Finances." Speech at the Conference on Economic Opportunity and Inequality at the Federal Reserve Bank of Boston, October 17, 2014.

31 Kaufman Foundation "The Future of Entrepreneurship: Millennials and Boomers Chart the Course for 2020." (Kansas City: Kaufman Foundation, February 2015).

able to "monetize" previously underused assets, such as by renting a spare bedroom through Airbnb, can also have the same positive effects on personal balance sheets.

Yet this "sharing" economy depends on and contributes to the "gig" economy, in which more and more workers are no longer employees, but rather freelancers responsible for the financial security, health, and retirement benefits once provided by employers. The Uber driver, for example, is responsible for purchasing and maintaining the car he or she uses, just as the contract white-collar worker must often finance and maintain his or her own office space, IT systems, career training, and other hard and soft assets necessary for the job. Although difficult to measure, the increasing uncertainty and contingency of today's employment has to be counted as a net negative for most workers' standard of living.

IMPLICATIONS

To be sure, some of the factors behind generational downward mobility are difficult to address through public policy. For example, during the last several generations, the number and share of single-parent families has grown rapidly.[32] Abundant social science research documents that this is both a cause and a consequence of diminishing economic opportunity, yet there is no single policy lever that will reverse the trend.

But many of the major causes of downward mobility do rest squarely within the realm of political economy and public control. One example is the woeful inefficiency of the U.S. health care system. A large body of research now pegs the amount of waste in this burgeoning sector at between 30 and 50 percent of all health care spending. According to the National Academy of Medicine, eliminating this waste would be enough to provide every young person in America (aged 18–24) with the average annual tuition and fees of a four-year institution of higher learning for two years—to take but one example of its tremendous opportunity cost.[33]

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32 The National Marriage Project, "State of Our Unions," 2012 (Charlottesville, VA: University of Virginia, 2012). As recently as the 1980s, only 13 percent of children born to mothers with only a high school degree were born outside of marriage. By the late 2000s, that figure had risen to 44 percent.

33 Mark Smith, et al., editors, *Best Care at Lower Cost: The Path to Continuously Learning Health Care in America* (Washington, DC: Institute of Medicine, National Academies Press, 2012), pp. 3–11.

The higher education sector is also badly in need of systematic rethinking and overhaul. Individuals need to be cognizant of both the mounting cost of *not* acquiring an education and of the lifelong damage that can result from excessive student debt. At the same time, government and society at large need to attack inflating college costs, which seem to result primarily from growth in administrative spending and a lack of transparency about educational outcomes.[34]

Another priority should be redirecting the vast subsidies the federal government has long expended to help households accumulate financial and tangible assets. These subsidies currently total more than $350 billion a year, with the lion's share going to already wealthy households and individuals. For example, American taxpayers annually spend roughly $70 billion to cover the cost of the home mortgage deduction. Yet 70 percent of this money goes to households in the top 20 percent of the income distribution, while just 8 percent accrues to middle-income households, and almost nothing to the bottom 40 percent. Similar tax breaks nominally meant to encourage saving for college and retirement have similar "Robin-Hood-Reverse" qualities.[35] Much more can and should be done to target resources for asset building for those in, and struggling to reach, the middle class.

Let's not forget another possible policy lever: the money supply. Moderate levels of price and wage inflation have always tended to benefit younger adults disproportionately, because younger households tend to have more debts and fewer assets than older households. Conversely, hard money tends to help older generations, who have fewer debts, less need to worry about unemployment, and more assets to protect from inflation. A big part of the reason that today's 70-somethings did so comparatively well financially over their life was that while they were young, the general wage and price inflation of the 1960s and 1970s eroded the value of their mortgages even as it inflated the value of their homes. Today's young people, being particularly encumbered by debt, would benefit from modest levels of general inflation so long as wages kept pace.

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34 Paul Campos, "The Real Reason College Tuition Costs So Much," *New York Times*, April 4 2015.

35 Benjamin Harris et al., "Tax Subsidies for Asset Development: An Overview and Distributional Analysis." (Washington DC: Urban Institute and Brookings Institution, 2014).

More generally, we need policies that will allow today's workers to retain more of the value of their increased productivity. In many sectors of the economy, workers do indeed produce as much in one day as their counterparts in the 1960s did in a 40-hour week—just as Robert Ball predicted. Yet the benefits of this increased efficiency have gone overwhelmingly to already established owners of assets, rather than to each new generation of workers.

The reasons behind this shift are varied, but hardly inevitable or unalterable. Since the 1980s, for example, the United States has radically reduced enforcement of anti-trust and fair trade policies. The resulting trend toward concentration in many industries largely explains both the diminishing opportunities for upward mobility through entrepreneurship and the reduced competition among employers for wage employees.[36] Meanwhile, thanks largely to changes in tax law since the early 1980s, major U.S. corporations have used almost all their profits in recent decades to reward their shareholders with dividends and stock buyback schemes, leaving little for investment in productive enterprise or for raising the wages of rank and file workers.[37]

Certainly the potential exists for our children to inherit a far more productive and broadly prosperous society than exists today. Yet for this to occur, it is not enough to focus primarily on individuals or even on the problem of "the 1 percent" growing richer. To turn the negative generational trends around requires that we reverse the deep changes in our political economy that have led to mass inequality across generations.

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36 Barry C. Lynn and Phillip Longman, "Who Broke America's Jobs Machine?" *Washington Monthly*, March/April 2010; Barry C. Lynn, *Cornered: The New Monopoly Capitalism and the Economics of Destruction* (New York: Wiley. 2010).

37 William Lazonick, "Profits without Prosperity," *Harvard Business Review*, September 2014; Dan Carpenter, "What Piketty Missed: The Banks," *Washington Monthly*, March/April 2015.