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The social and economic reasons for Generation Squeezed

By Robert J. Samuelson

I worry about the future — not mine but that of my three children, all in their 20s. It is an axiom of American folklore that every generation should live better than its predecessors. But this is not a constitutional right or even an entitlement, and I am skeptical that today's young will do so. Nor am I alone. A recent USA Today/Gallup poll finds that nearly 60 percent of Americans are also doubters. I meet many parents who fear the future that awaits their children.

The young (and I draw the line at 40 and under) face two threats to their living standards. The first is the adverse effect of the Great Recession on jobs and wages. Even if this fades with time, there's the second threat: the costs of an aging America. It's not just Social Security, Medicare and Medicaid — huge transfers from the young to the old — but also deferred maintenance on roads, bridges, water systems and power grids. Newsweek calls the young "generation screwed"; I prefer the milder "generation squeezed."

Already, batteries of indicators depict the Great Recession's damage. In a Pew survey last year, a quarter of 18-to-34-year-olds said they'd moved back with parents to save money. Getting a job has been time-consuming and often futile. In July, the unemployment rate among 18-to-29-year-olds was 12.7 percent. Counting people who dropped out of the labor market raises that to 16.7 percent, says Generation Opportunity, an advocacy group for the young. Among recent high-school graduates, unemployment rates are near half for African Americans, a third for Hispanics and a quarter for whites, notes the Economic Policy Institute, a liberal think tank.

The weak labor market hurts even job holders. From 2007 to 2011, "real" (inflation-adjusted) wages fell nearly 5 percent for recent college graduates and 10 percent for recent high-school graduates, says EPI. Among college grads, only four in 10 said their jobs required a four-year degree, reports a survey by the John J. Heldrich Center at Rutgers University. If the economy doesn't fully recover, slack labor demand will continue to depress employment and wages for years.

Of course, generalizations can be overdone. Countless millions of young people are doing — and will do — fine. History can't be predicted. The mass retirement of baby-boom workers may create job scarcities and raise wages. Still, some setbacks will endure. Some skills that would have been learned on the job won't ever be. Life decisions are deferred. Among 18-to-29-year olds, the weak economy is causing 18 percent to postpone marriage and 23 percent to delay starting a family, reports a survey by Generation Opportunity.

And then there are the costs of aging. Gains in productivity — from new technologies or better skills — that would normally flow into paychecks will be siphoned off to pay for retiree benefits, underfunded state and local government pensions and infrastructure repair. Taxes will rise; if not, public services will fall. Or both. Population change can't be repealed. The ratio of workers to retirees, 5-to-1 in 1960 and 3-to-1 in 2010, is projected at nearly 2-to-1 by 2025.

It's often said that today's young will ultimately benefit from this lopsided tax-and-transfer system. Old themselves, they will be similarly subsidized by their young. Doubtful. Sooner or later, the system's oppressive costs will become so obvious that future benefits will be curbed. Chances are the young will still pay for today's elderly without themselves receiving comparable support.

As a parent, all this rattles me. We judge our success by how well our children do. We love them and want them to succeed, even if most of us recognize — at some point — that our ability to influence and protect them has expired. Peering into the unfathomable future, we don't like what we think we see. We're dispatching them into a less secure and less prosperous world. These parental anxieties, I think, are the presidential campaign's great, unacknowledged issue. Many voters will decide based on a calculus of which candidate would minimize the economic perils for their grown children.

But the calculus will be selective. To aid the young, we could tighten Social Security and Medicare, raising eligibility ages and reducing payouts for wealthier retirees. Unlikely. Younger voters seem clueless about advancing their economic interests. In 2008, 18-to-29-year-olds supported Barack Obama by 34 percentage points. They love his pseudo-youthfulness. Or his positions on other issues (immigration, gay rights) trump economics. As president, Obama has done nothing to improve generational fairness.

If the young won't help themselves, their parents and grandparents might. They might champion revising retirement programs. Dream on. Parents and grandparents may be worried about their offspring's prospects, but they're not so worried as to sacrifice their own. There are real conflicts between the young and old; so far, the young are losing.