After the Fact | The State of the American Dream

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TRANSCRIPT

Dan LeDuc: Welcome to After the Fact, a podcast that explores the facts, numbers, and trends shaping our world. This new series is brought to you by the nonpartisan Pew Charitable Trusts, which works to improve public policy, inform the public, and invigorate civic life. With each podcast, we hope to do just that—invigorate our national conversation, inform you a bit, and maybe offer solutions to meet some of the challenges facing the world today. No meaningful conversation can begin without the facts, so we'll always start with the data. And then we'll delve into them to learn more about the story they tell.

I'm your host, Dan LeDuc. For this inaugural episode, we're focusing on this data point: 92 percent. It sounds like a lot, and it is. In a moment, we'll tell you what it says about the American dream.

As we mark the start of the 115th Congress and a new president enters the White House, we're looking at the balance sheets of American families, how the nation's middle class is feeling about its finances, and what this says about the American dream. That notion that each generation believes it can achieve more than the one before it. That's where this episode's data point comes in.

According to a Pew survey, 92 percent of American families now prefer financial security over economic mobility. That means nearly all people are happy just paying their bills and making ends meet, rather than striving to move up the economic ladder. That says a lot about the economic turmoil still roiling the country as we slowly come out of the Great Recession, and how it continues to have an impact on most families. To learn more, we're speaking with Erin Currier, the director of Pew's financial security and mobility project. Welcome, Erin.

Erin Currier: Thank you for having me.

Dan LeDuc: So the economy is strengthening. Unemployment is below 5 percent, the stock market seems pretty steady, the Fed's even starting to raise interest rates. Yet there's this unease among Americans. We saw that in the last election, and then there's your survey. Ninety-two percent of families are happy just making ends meet. So what's going on?

Erin Currier: Right. Well, as you pointed out, when you look at this 30,000-foot level of the broad economy, there is a lot of reason to feel confident. But when you come down from that to the kitchen table level, there's a lot of reason for people to be worried, and they are.

So let's just take a couple of statistics. The first is that income has largely been flat over the last decade. And earnings, which is the amount of money that people get in from work—their salary, their wages—that has basically only increased about 2 percent over the last 10 years. At the same time, almost half of households are experiencing really significant fluctuations in their income over a month-to-month period, or even over an annual period—such that their income and their expenses may not match up from month to month.

These big boosts of income, or drops in income, mean that families have a harder time planning, they have a harder time saving.

And at the same time, then the cost of core needs, especially housing, has gone up. For families who are in the bottom third of the income distribution, if they're renting, their rent now costs about 50 percent of their income. That's huge. That leaves them very little slack to put aside in terms of savings or to be prepared for a financial emergency.

Dan LeDuc: This is basic money in, money out, right? I mean, people don't have quite as much money as wages stay stagnant. But the costs keep going up for just everyday life.

Erin Currier: Right. And we can see that very clearly in our survey. Fifty-five percent of people told us that they're either breaking even every month in terms of their income and expenses, or they're actually spending more than their income. Just one-third say they have any money set aside as savings. And I think all of that is really rolling up into this 92 percent number.

Dan LeDuc: We've been talking about wages and cost of living. What about savings and people being able to plan for their retirement, for their futures?

Erin Currier: Our data show that most households have very little savings or wealth that they could turn to in the case of an emergency. Half could not even replace one month of lost income with liquid savings, and 41 percent couldn't even cover the $2,000 shock that the typical family experiences when they have a financial emergency.

Dan LeDuc: We are at a special time in the nation's history. We have a new Congress, a new president. There is, it seems, a real desire to restore this sort of more traditional view of the American dream. What makes this time, the last two decades, different in history compared to before on this whole subject? There is this real unease, as we were talking about. It seems different now.

Erin Currier: There definitely is unease. There is much, much more of an acknowledgment among individual households, especially those who may have experienced long unemployment, or had a difficulty with paying their mortgage, or maybe even lost their home. This feeling that they did all the right things. They played by the rules. And yet, they don't feel like they're getting their just rewards. They don't feel like the investments that they made are creating more financial security for themselves or their children.

Dan LeDuc: You're talking about something, though, that feels so basic to America—play by the rules, work hard, and everything should be OK. Is there anything special going on in the country now? How recent is this that we're starting to feel this way? Certainly our generations before us didn't seem to feel this way.

Erin Currier: Well, economic mobility, there's no question it's a long-term measure, right? It takes a very long time and lots of generations to really move the needle on economic mobility as a whole. But that said, there are some things that seem different to people now than what used to be the case. One example from our research, we can see very clearly that the people who are most likely to move up the income ladder, move up the wealth ladder, especially relative to their own parents, are those households in which there's more than one earner in the family. So you almost need to have two people working in order to have income mobility, upward mobility. Similarly, the power of a post-secondary education, of having a college degree, is so clear in the data.

And one of the things that we have heard in our focus groups, more than once, is this idea that people feel like that didn't used to be the case. That when they were growing up, a person could have a high school diploma, get a pretty good job earning a solid wage, have a pension, raise a family, and potentially even send those kids to college. They don't feel—most Americans don't feel that that is available to them anymore, that somehow the social pact has changed, in a way.

Dan LeDuc: Let's talk about those focus groups. Because for this kind of research, that's where you really find some of the most interesting things, right? There's real power in surveys and numbers, but it's when you actually talk to people one on one, that's when you start learning what's really on their mind and what keeps them up at night. So what are some of the stories that you heard? What did you learn?

Erin Currier: We conducted a huge nationally representative survey. It has more than 7,000 respondents. And ahead of that survey, we did focus groups in three cities. And we really wanted to use the focus groups to inform our survey, but to get a better sense of how Americans were thinking about their finances. And what we found, overwhelmingly, is the sense of financial anxiety. It permeates across demographic groups, across ages. There's just this sense that people can't necessarily plan, that they're living paycheck to paycheck.

Dan LeDuc: Share a couple of the stories that you heard from—these are like the equivalent of the kitchen table conversation, right? Except that it's happening in a slightly more formal setting, with researchers like you.

Erin Currier: One of the stories that we heard was from a woman whose husband had lost his job. Especially coming off of the Great Recession, a period of joblessness is something that a lot of people can relate to. What they needed to do, in order to make ends meet, was tap into the small amount of retirement savings that they had. This means that they survived that short-term drought and that financial shock, but it really jeopardized their financial security for the long haul.

Another man talked about how his mother passed away, and the funeral expenses were just more than he and his family had planned for. His sister didn't necessarily have a whole lot that she could contribute, and so it really fell to him to manage that financial shortfall. There are other things, too, that are just simple—people planning for kids participating in sports or going to a camp for a week. It doesn't necessarily have to be a job loss or something extreme to really throw people off. There's a clear sense that families are walking a financial tightrope, and it just takes one stiff breeze and they're falling.

Dan LeDuc: One of the things you and I talked about to prepare for our conversation today was, you asked some of the folks to draw pictures of what the American dream meant to them. What are some of the things they shared with you?

Erin Currier: Years ago, when we were working on the economic mobility project, we did focus groups and asked people, "What is the American dream to you?" We really wanted to see if that was even a term that resonated with people. And, almost universally, people drew a picture of a house with a fence and two adults, and maybe two kids, and almost always a dog. And then in the conversation, they went around the room to explain their pictures. And one woman got to her turn and said, "I don't even know why I drew a dog, because I have a cat."

And I think this just speaks to how important the American dream is to our national ethos. We can all picture it. We can all describe it. And the images and the language that people use to describe it is not lofty. It's not about being rich. It's not even really about being middle-class. It's just about being financially secure. It's about being able to sleep well at night, and that doesn't seem like too high of a goal.

Dan LeDuc: You've been using the phrase "economic mobility." So for the folks who are really interested in this subject—and that's why they're listening—let's go a little deeper on what that means. Define it, and explain how Pew has used that phrase and that definition in your research.

Erin Currier: Economic mobility is looking at how a person changes positions along the income ladder, or the wealth ladder, over time and across generations. And we usually look at it two different ways. One way is looking at absolute change in income over time. So if you adjust for inflation, if you adjust for family size, you could take a 40-year-old person and say, do they have higher income right now than their own parents did when their parents were 40 years old? If they do, then they are upwardly mobile. If they don't, they're downwardly mobile.

Another way of looking at it is just whether people are changing positions on the income distribution over time. So that's more of a relative look at mobility. Let's say you take everybody who was born in the bottom fifth of the income distribution. And then, as adults, look to see, are they still in the bottom themselves, or have they moved? And both of these mobility measures are really important. They tell us different things. The one is, absolute mobility is going to tell us about whether people just have more money, pure and simple, in absolute dollars over time. And the relative measure tells us more about this question of equality of opportunity. Is where you were born somehow more powerful than other factors in determining where you, yourself, end up?

Dan LeDuc: One question I didn't want to leave hanging was, to go back to our data point for this episode—which is 92 percent—that means just about everybody. And so that means that it's not just people at the lower end of the income scale who have these concerns—it's people with fairly substantial incomes who are still losing sleep at night.

Erin Currier: You're absolutely right. There's no question that people who have higher income, higher wealth, are going to be less likely to say they're financially insecure than those who are more financially vulnerable in those ways. But still, substantive proportions of people who, on paper, appear quite financially well-off express concern. One of the reasons for that is because very few households actually have liquid savings. We've done research that shows that most households have very little savings or wealth that they could turn to if they experienced a financial shock. Forty-one percent could not even cover the $2,000 that we talked about earlier, the typical family's most expensive shock. So again, even though families might have high income, they also have high expenses.

Dan LeDuc: Everything you've talked about seems to be a really, really broad scope of things. It's not going to mean passing one law; it's not going to mean just changing—creating a new program, right? This is a big job.

Erin Currier: It's really complicated. There is no silver bullet when it comes to promoting economic security and enhancing economic mobility. We have to be willing to take a holistic approach and to think about all of the things that matter for mobility and opportunity, for savings, for financial security. If we just fix savings, it's not going to be the case that suddenly everybody has economic opportunity. So acknowledging that all of these things matter, and they matter simultaneously, requires big thinkers. It requires a willingness to think differently. And I am excited that Pew is on the forefront of these conversations and really challenging people to use the data in the most effective way possible.

Dan LeDuc: You sound like an optimist about the American dream.

Erin Currier: I am an optimist, wholeheartedly. And I think it's because I have seen enough from our public opinion polling, from focus groups, and just from conversations that I've had with other people in the field and family members. I think the American dream is a really important piece of the United States. It's a part of our national ethos. It is something that we strive to, and want to protect, and want to uphold.

Dan LeDuc: Erin, this has been great. Thank you so much.

Erin Currier: Thank you for having me. It's been fun to talk.

Dan LeDuc: And good luck with your continuing work.

And for people who want to know more about that work—Pew's research on financial security—go to pewtrusts.org/afterthefact. That's also where you can learn about our future episodes. And if you like what you've heard, subscribe on iTunes and other streaming services. We'd like to hear from you, too, so write a review and let us know what you think. Thanks for listening to this inaugural episode. For The Pew Charitable Trusts, I'm Dan LeDuc, and this is After the Fact.