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Middle-Out for Millennials

An Economic Agenda for Young Americans

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Introduction and summary

The American economy is not working for Millennials. The generation of young people born between roughly 1980 and 2000—an estimated 70 million individuals—is facing double-digit unemployment rates, low wages, mounting college costs, and crippling student-loan debt. When previous generations were between the ages of 18 and 33, they knew that by working hard and playing by the rules they could eventually achieve a good middle-class life, which meant owning a home, supporting a family, paying for their children's college education, saving for retirement, and even taking a vacation now and then. But for the many Millennials today who are struggling to get by, the dream of a middle-class life is increasingly out of reach. Rebuilding our economy from the middle out—not from the top down—is central to creating an American economy that works for Millennials.

This report outlines six key economic challenges facing Millennials and offers policies to create opportunities for this generation of young Americans by expanding and strengthening the middle class—a middle-out approach. These six key economic challenges are:

1. Creating jobs for young people
2. Promoting good jobs
3. Making college affordable
4. Easing the burden of student-debt repayment
5. Expanding access to postsecondary education and training
6. Improving retirement security

This report does not attempt to tackle every matter of importance to today's young people nor does it discuss every policy that would benefit Millennials. Instead it zeros in on the economic issues that are central to this generation's bottom line, standard of living, financial security, and long-term economic prospects. Furthermore, it offers concrete policy interventions that lawmakers can enact today to create economic opportunities for young people.

Why do Millennials need a middle-out economic agenda? Simply put, the past few decades' experiment in supply-side—or what has been termed "trickle-down" economics—has failed the vast majority of Americans and especially young Americans. For too many years, policymakers in Washington have approached economic policy with the belief that the government should focus its efforts on the wealthy, the so-called "job creators," and that by reducing taxes and regulations on the wealthiest 1 percent, prosperity would "trickle down" to the rest of us.

But trickle-down economic policies have failed the Millennial generation. The unemployment rate for Americans under the age of 25 was 15.6 percent in August, more than double the national unemployment rate.[1] Young people who have jobs are struggling to make ends meet with low wages, nonexistent benefits, and poor job security. At the same time, costs for middle-class basics such as education, health care, and gas have skyrocketed. While college has long been viewed as the ticket to a well-paying job and a middle-class life, the price of a college education for Millennials is more than 1,000 times what their parents paid.[2] Consequently, student-debt levels have ballooned, and young people, crushed under the weight of student debt, are increasingly forced to move back home with their parents,[3] forgoing buying cars and houses[4] and even putting off marriage and children.[5] Faced with these immediate economic challenges, young Americans are not saving for retirement, which poses a serious threat to this generation's long-term financial security.[6]

Moreover, it has become increasingly difficult for young Americans to join the middle class. Bhashkar Mazumder, a senior economist at the Federal Reserve Bank of Chicago, found that starting between 1980 and 1990, a child who is born poor is much less likely to rise into the middle class than a child born before 1980.[7] As a result, the United States now has less economic mobility than other developed countries.[8]

This is because the supply siders had it backwards: A strong middle class is the reason for economic growth, not a consequence of it. This is the determination of new economic evidence documented by Center for American Progress economists Heather Boushey and Adam Hersh in their 2012 report, "The American Middle Class, Income Inequality, and the Strength of Our Economy: New Evidence in Economics."[9] The report finds that a strong middle class promotes good education and skill development, imbuing workers with the high levels of human capital responsible for rising productivity levels. In addition, a strong middle class creates a stable source of demand for goods and services, offering certainty to business investors that there will be a market for their products. What's more, most of America's entrepreneurs and inventors have come from the middle class.[10] Finally, a strong middle class demands good governance, property rights, investments in public goods, and the transparent and trustworthy legal structures vital to a thriving, stable economy. In short, the middle class is the driver of economic growth.

For these reasons, any successful economic agenda for Millennials must grow our economy from the middle out. This means investing in job creation that puts young people to work. It means raising workplace standards so young people starting out at the bottom of the career ladder can earn a decent income, tend to the needs of their families without fear of being fired, and organize for better wages and benefits. A middle-out economy for Millennials means improving college affordability, easing the burden of repayment for student-loan borrowers, and expanding access to successful and cost-effective models of education and training, including apprenticeships. A middle-out agenda for Millennials must include measures to boost retirement security for both Millennials and their parents, whose retirement will create employment opportunities for younger generations.

The recommendations included in this report are a mix of new policies and policies previously discussed at CAP. Some of these policies represent tried and true ideas that are proven to help grow the middle class, while others represent targeted solutions for Millennials in particular. Many are not typically considered "youth issues," but as this report demonstrates, they are critical to Millennials' success. In addition to the discussion here, each of the six challenges will be explored in greater detail in a series of forthcoming reports.

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