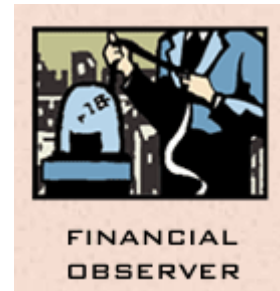


Generation-X: Born Under A Bad Economic Sign

by Lisa Chamberlain

"Surging ... firing on all cylinders ... explosive growth." If the economy were a big-budget Hollywood movie, there would be no shortage of promotional blurbs. Democratic Presidential hopefuls aside, the fastest quarterly G.D.P. growth rate in a generation was greeted by most everyone as long-overdue good news. In October, the Commerce Department reported that the economy had grown by 7.2 percent in the third quarter. By the end of November, that figure was revised upward to 8.2 percent, the biggest jump since 1984.

Ah, 1984. That was when "get a haircut" and "get a job" were common rejoinders. Back then, just about anyone who got a haircut could get a job—one that actually paid the rent and bills, with a little left over to save for a rainy day. This was also before Generation X entered the labor market. For the 50 million Americans born between 1965 and 1980, the economy has been and continues to be a roller-coaster ride, with the exhilarating loop-de-loops—including the most recent optimistic reports on the economy—giving way to what appears to be a long downhill slide. The effects of economic uncertainty for this age group could reverberate all the way from Gen-X's parents to their children and beyond, as care for the elderly will increasingly be paid out of pocket, and the high cost of education is passed down to succeeding generations. Sounds like overstated doom and gloom? Maybe not.



The effects of economic uncertainty for Gen-Xers could reverberate all the way from their parents to their children and beyond.

A combination of factors have been responsible for Gen-Xers' trying past and bleak future. For starters, they were the first generation to graduate from college with enormous credit-card and student-loan debt—just as entry-level wages were dramatically dropping. And when the bubble burst in 2000, Gen-X, compared with other age groups, had the largest percentage of their assets invested in the stock market. Furthermore, as this generation now enters what are supposed to be prime earning years, a jobless recovery has set in and mid-level white-collar jobs are increasingly moving overseas. To top it all off, long-term deficits will balloon out of control as baby boomers sap the life out of Medicare and Social Security, increasing the need to raise taxes.

Downward pressure on wages in the late 80's and early 90's hit recent college graduates hard. That would be the post-matriculation years for the oldest Gen-Xers, the supposed slackers who were so apathetic they adopted "grunge" as a fashion statement—or maybe that was just defensive posturing. According to the Economic Policy Institute, the wage offers of newly hired college grads began to slide in 1985, dropped precipitously in the early 90's and hit a low in 1994. (And these figures don't even include all the people who were forced to take "McJobs.") Entry-level wages didn't rebound to their pre-1985 levels until as late as 1999.

"I graduated in 1992 from UCLA with a degree in English and computer science," said Phil Hopkins, who now lives in New York. "It was the height of the recession then." At the time, Mr. Hopkins felt lucky to have a gig testing pre-*Sega/PlayStation* games like *Zombie Dinos from the Planet Zeltoid*, even though he couldn't live on his meager salary. "Between my rent of \$450 and income of \$625 a month, I was eating so little that when I moved back in with my parents in Texas, I put on 30 pounds. I ran into a time of smashed expectations. Then the Internet happened, and everything seemed great."

"Great" may be a bit of an understatement. With gallows humor, Stephen Weiss, co-author of *Digital Hustlers: Living Large and Falling Hard in Silicon Alley*, recounted his own adventures: "I was at a late start-up called RedFilter. We were all very young. The C.E.O. was 22," he said, laughing, "I was the executive vice president." Mr. Weiss now makes ends meet as a freelance fact-checker and reporter.

"Many of the people who were pioneers [of the dot-com era] graduated in the early 1990's and were profoundly affected by a stagnant economy," continued Mr. Weiss, whose book, co-written with Casey Kait, is an oral history of the tech revolution. "By the late 90's, they were seeing their dreams realized. They were masters of their own universe until it all fell apart. It was devastating. To get to the pinnacle and get pushed off really hurts." Mr. Weiss retreated to a rental in the

Catskills for a year with his girlfriend, and he still doesn't seem to have completely recovered. "There is no more Silicon Alley," he said ruefully.

Better to have loved and lost than never to have loved at all, right? Not unless what you loved was more than your job, but the shirt on your back. According to a *Washington Post* article from 1999, people between the ages of 19 and 35 were the most aggressively invested in the stock market of any generation, which means they also got hit the hardest when the bubble burst.

"I lost between \$60,000 and \$70,000," says one Gen-X investor, who got swept up in the irrational exuberance of the time, even doing a four-month stint as a day trader. "We thought ... we had discovered a money tree," said the Manhattan resident, who asked that his name not be used. "I should have been smarter and more conservative, like my parents' generation, and not doubled-down on every bet. If I had, not only would I not be in debt now, but I'd have a surplus. I quit my job in 1999 to do consulting, and I haven't had a steady paycheck since."

Despite the recent burst of good economic news, the fact is that, depending on who's counting, there are between two and three million people nationwide who haven't had a steady paycheck since the beginning of the last recession. Only 57,000 jobs were added in November, about 250,000 short of the number that need to be created every month in order for George W. Bush to avoid becoming the first President since Hoover to oversee a net loss of jobs during his administration. What's different about job loss during the most recent recession is, again, bad news for Generation X.

Past recessions have almost always hit the youngest workers (16- to 24-year-olds) the hardest, and that was certainly the case during the 1990-1991 downturn, when Gen-Xers were just entering the job market. According to the Center for Economic Policy Research, however, the most recent recession is notable in that it hit 25- to 34-year-old workers equally as hard as younger ones—exceedingly bad news for Generation X considering that this is the start of the prime earning years, when people begin building for the future: getting married, buying real estate and having kids. And it gets worse. In past recessions, most job loss was cyclical (i.e., you got rehired when things picked up). Now, according to two economists with the Federal Reserve Bank of New York, a whopping 79 percent of employees work in industries affected more by structural shifts—which means start brushing up on those burger-flipping skills, because the good jobs are gone permanently. This is a departure from past recessions.

One 35-year-old New York City I.T. worker said he'd been laid off three times, at one point losing a six-figure position at J.P. Morgan. "They outsourced the job to

India, and I had to train the person who took my job. He makes about 10 dollars an hour."

"I graduated in 1992, so naturally I think this is one of the bigger stories of the past decade," says Heather Boushey, an economist with the Center for Economic and Policy Research. "On top of the limited labor market, people who graduated after 1990 were part of a crop of students who have huge student-loan and credit-card debt."

While 28-year-old Duy Lihn Tu's level of debt is above average, his experience is fairly typical. A graduate of Tufts University and the Columbia School of Journalism, he has \$42,000 of student-loan debt and owes about \$25,000 on credit cards. During the boom times, he started his own video and DVD production company—which is miraculously still afloat—but it put him further in the hole when clients started going out of business. "Believe it or not, I feel more secure having my own business," he said. "I'd rather know that I'm going to lay myself off rather than get blindsided by a boss and have security lead me out of the building." When asked about his plan for getting out of debt, Mr. Tu blithely offers the common sentiment that he's just hoping the economy picks up.

"The path you start out on is going to affect you for the rest of your life," says Tamara Draut, director of the Economic Opportunities Program at Demos, a think tank based in New York that has researched debt accumulation among the under-35 crowd. "What we're finding is, young adults are starting out at a major point of debt, which is a very unique occurrence. It's increasingly difficult for people to get a toehold—even the investor class."

Whether or not Gen-Xers are spoiled brats living beyond their means or just trying to get through a roller-coaster economy is a specious argument when it comes to the overall health of the economy. The only thing that kept the past recession from getting even worse was increased consumer spending due to easy credit and historically low interest rates. But with personal and national debt spiraling out of control, eventually the bill comes due, and it's increasingly looking like Generation X will be at the table when the check is delivered.

A certified financial planner in Silicon Valley—whose client base is mostly Gen-Xers—has seen firsthand the effects of the boom and bust. "I'm kind of like their professional mom," says Barbara Steinmetz about her clientele. "They're so intensely focused on short-term goals, they're not planning for the future. They're struggling to peddle faster and harder and end up putting all their money into consumables. They justify it by saying they're very busy."

Just as Gen-X adopted apathy as a defense against a real decline in wages and job opportunities in the early 90's, now they seem to have donned collective blinders as a defense against a highly insecure financial future. But that won't necessarily forestall the inevitable. "Everyone is going to be affected by what's happening now," says Ms. Steinmetz. "When their children are in college and their elderly parents are needing care, the resources to pay for it won't be there."

While there is considerable debate about how projected budget surpluses turned into record deficits, there is virtually no question that the U.S.'s recent reversal of fortune is unprecedented. During the prime earning years of Generation X, the deficit will likely soar beyond \$3 trillion, increasing the pressure to reduce spending on social services for the elderly and raise taxes for everyone. According to *The Wall Street Journal*, by 2030, one of every five dollars of income-tax revenue will be sucked up by Medicare alone, while the cost of education continues to dramatically outpace inflation.

"On top of personal debt and a highly volatile job market, this is the first generation that's going to have much higher expenses when it comes to caring for the elderly," said the CEPR's Ms. Boushey. "Also, there's a drop in the fertility rate because this group is delaying childbearing, because now you need two incomes to sustain a household." Another thing the future holds for Gen-X is a host of unknowns. "There are a lot of social experiments being conducted on this cohort," said Ms. Boushey, "We don't know how it's going to play out in the long run."

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This column ran on page 13 in the 1/5/2004 edition of The New York Observer.

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