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Why millennials are sour on economy

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As Americans become more negative about the state of their society, a number of people have tried to cheer them up by reminding them of the improvements made, both inside their society and out. The Cato Institute's Human Progress project puts out a steady stream of data about improved living standards and social indicators in the US and around the world. Psychologist Steven Pinker writes popular books about the topic. Technologists trumpet the impressive range of new goods that people can buy, while economists remind us that poverty and want are falling rapidly across the world.

And yet, many Americans resolutely refuse to cheer up. Perhaps the problem is partisan politics, and the country's bitter culture war. Perhaps it's the effect of social media, selecting the most negative events and pushing them into our faces 24/7, making bad news seem more common even if it's actually more rare.

But it's also probably the case that people's economic well-being depends on more than just their absolute living standard. Relative performance matters too. Economists have found copious evidence that people's desires can be affected by reference points. In other words, people don't just care about the absolute amount of stuff they have -- they make comparisons.

Pinning down exactly what those comparisons are is no easy task. People might measure their own success relative to that of others in their community, their friends, their family, their city or the country as a whole. They might compare themselves to their parents. They might compare their fortunes to the fortunes they expected to have, or measure their lifestyle relative to what they're used to. Economists must also wrestle with the tricky difference between utility -- a measure of people's desires, which is inferred from their economic behavior -- and happiness, which is measured by surveys.

But despite the confusing maelstrom of theories and studies, there are now enough reasons to think that Americans' rage might be about more than just culture wars. There are many yardsticks by which everything is not so amazing -- not just for the poor, but for much of the middle and even the upper middle class.

First, there's falling mobility. As economist Raj Chetty and others have documented, most Americans used to make more money at age 30 than their parents did, but this is no longer true.

Some of this drop in upward mobility may be due to an increase in post-secondary education, which causes people to delay their careers. But even taking this into account, it's clear that a great many Americans are falling behind their parents. To many in the middle class and upper-middle class, that's going to seem like failure, even if their living standards are relatively high.

An even more important comparison might be to where people thought they were headed. In the 1990s and the early 2000s, wealth seemed to be on an upward trend for everyone. But the housing crash and Great Recession put an end to that illusion, and the partial recovery of housing prices hasn't managed to undo the damage.

Meanwhile, incomes have seen a subtler but longer-term flattening, as a rising trend in the 1980s and 1990s gave way to a series of ups and downs in the 2000s and 2010s.

Interestingly, this trend holds true for high earners as much as for the middle class -- the Center on Budget and Policy Priorities reports that although the income gains of the top 1 percent have far outstripped the rest since 1980, they are now only slightly higher than in the year 2000 when the tech bubble burst.

These numbers probably don't tell the whole story. For the educated classes, many career paths now look increasingly closed off. Law school admissions fell for years, as the market for lawyers contracted (a recent rebound may be the start of a recovery, or it may be a blip). Wall Street jobs are on the wane. The saturation of the academic job market has doctorate holders sleeping in their cars as desperate adjuncts. Even respectable middle-class occupations in government, journalism and teaching are shrinking, or paying less comfortable salaries than before. The carnage in careers for humanities majors might especially help to explain the growing interest in socialism among educated millennials.

It isn't just poor Americans, therefore, who are dealing with thwarted expectations. Educated people from middle-class or even wealthy backgrounds are also feeling the pinch of disappointment, as they fail to live up to their parents' example, as their wealth vanishes before their eyes, or as careers that seemed like an escalator to prosperity suddenly judder into reverse.

And that's a dangerous, volatile situation. A number of historians and social scientists have warned of the social unrest that can result when elites are subjected to sudden, jarring economic disappointment. The middle and upper classes have the resources, the skills, and -- especially if underemployed -- the free time to make lots of trouble for the powers that be. Reminding millennials about progress in China, or fancy new smartphone apps, is unlikely to persuade them to calm down.