American Dream slips out of reach for millennials, study finds

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Rico Johnson says that when he was growing up, he never had to worry about having clothes or getting three meals a day.

His single mother, a human resources director at a San Diego nursing home, made enough to give him that peace of mind.

But Johnson, 33, now makes $12.50 an hour working at a Taco Bell in Richmond, Calif., and he struggles to make his paycheck cover the basics for his 10-year-old twins.

"Things I am dealing with now, (my mother) didn't have to deal with. ... It's heartbreaking," Johnson said. "I feel I am unable to provide my kids with the same opportunity."

His experience is the norm in America, a new study reveals.

Since the 1940s, it has become less and less likely that children will grow up to earn more than their parents, according to a working paper authored by researchers from Stanford and Harvard universities and the University of California, Berkeley, which was released online Thursday.

Children born in 1940 had a 92 percent chance of taking home more income than their parents, the research shows. By contrast, someone born in 1984 — who is 32 years old today — has just a 50 percent likelihood of making more than his or her parents.

Put another way: Only about half of 30-something Americans earn more than their parents.

"Both rich and poor kids are sharing this loss of absolute mobility," said Nathaniel Hendren, an assistant professor at Harvard who co-wrote the study.

It is the first study to offer hard evidence of a trend that dominated the presidential election and helped fuel the election of Donald Trump: The American Dream is more elusive than ever.

Incomes are stagnating for people of all stripes, not just the poor. In fact, researchers found that upper-middle-class Americans saw their chances of earning more than their parents decline the most of any group born from 1940 to 1980.

The report's authors used a database of tax records and census data to link the household incomes of children to the household incomes of their parents, adjusting for inflation.

Of course, people born in the 1950s might have had a better chance at earning more than their parents, who came of age during the Great Depression. But the decline in mobility has persisted, unrelenting, through the 1960s, '70s and '80s.

"This isn't just a Depression effect; this is something that transcends that," said David Grusky, a sociologist at Stanford who co-wrote the paper.

Part of the reason for the stagnation is that the country's economy isn't expanding as fast as it once was. U.S. gross domestic product often grew at more than 5 percent in the postwar years and hit 7.3 percent in 1984. Annual growth hasn't reached 5 percent since then; it was 2.6 percent last year.

Slower growth means there's less new wealth to divide among the people who live and work here.

But the researchers found that even if the nation was growing at the rate that it was in 1940, today's 30-somethings would only be a little bit better off.

If the U.S. were expanding at the rate it was in 1950s, children born in the early 1980s would have a 62 percent shot of taking home more than their parents, compared with the 50 percent chance they actually have.

What's really driving the problem is income inequality, the study found. In the past, new income was spread more evenly across the economic ladder than it is today, when a disproportionate share of the country's gains are going to the very richest Americans.

Inflation-adjusted wages have only inched up for most workers since the 1980s. But the country's highest earners have seen their pay balloon by 35 percent, according to a 2015 report by President Barack Obama's Council of Economic Advisors.

On average, about 80 percent of people in their early 30s would earn more than their parents today if income growth were distributed as evenly as it was in 1940. Making growth more equal would help middle-class people the most. But it would also deeply affect wealthy Americans.

People whose parents are among the top earners in this country would see their likelihood of making that much money increase by more than 30 percentage points, if growth were more balanced.

"Broadly shared economic growth affects rich people too," Hendren said.

Emily Erdbrink has barely started her adult life, and already she feels as if she's playing catch-up. The 23-year-old Hollywood resident graduated from college in 2015 but hasn't found work in her field of study, audio production. She estimates that over the last five years her parents have spent about $250,000 on her tuition and living expenses.

She is considering driving for Uber or bartending and says she only has enough money in her savings to survive another two months without an income.

"It's a little nerve-racking," Erdbrink said. Her mother owns an engineering company and her father is the chairman of the board of a charter school. "I think my parents didn't have a fallback cushion, as I do, so they had to work harder," she said. "There was more of a drive to get money."