Economic Security

One day we got ham and bacon,
Next day, ain't nothin' shakin'.
—Jimmy Witherspoon, from "Ain't Nobody's Business"

For many Americans today, the foundation of the American Dream can be summarized in the words "economic security" and "well-being." A nationwide survey sponsored by the Brookings Institution (2008) queried individuals about their thoughts regarding the American Dream. It turns out that the crux of the Dream was conveyed in the fact that 94 percent of Americans agreed with the statement, "In America, hard work should lead to economic security for your family." There was a strong sense of the importance of this bargain—that the American Dream is about an exchange between working hard, on the one hand, and reaping the rewards of one's efforts on the other hand.

The rewards themselves are largely seen within the context of economic security and well-being. They include a job that pays enough to support a family; being treated with respect for the work you do; owning your own home; having affordable and quality health care; being able to ensure that your children will have the opportunity to succeed; and a secure and dignified retirement. In each of these cases, over 85 percent of Americans felt that these were very important components of the American Dream.

Many of the verbatim responses in the Brookings study reflected these sentiments as well. When asked to describe the meaning of the American Dream, respondents pointed to things such as "keeping your head above water, not worry about going into debt and trying to survive"; "being able to provide for your family's welfare and well-being"; "work hard, get a decent job, have secure health care and benefits"; or "to be able to survive after retirement, to be able to hold on to what I have after I retire."
In many ways, these feelings are a close reflection to those put forth two genera­tions earlier by Franklin Delano Roosevelt. In his State of the Union Address on January 11, 1944, Roosevelt proposed what he called a “Second Bill of Rights.” The president argued that these rights were essential to furthering the fundamen­tal goals of economic security and well-being for all Americans. He noted,

We have come to a clear realization of the fact that true individual freedom cannot exist without economic security and independence. “Necessitous men are not free men.” People who are hungry and out of a job are the stuff of which dictatorships are made.

In our days these economic truths have become accepted as self-evident. We have accepted, so to speak, a second Bill of Rights under which a new basis of security and prosperity can be established for all—regardless of station, race, or creed. Among these are:

The right to a useful and remunerative job in the industries or shops or farms or mines of the Nation;
The right to earn enough to provide adequate food and clothing and recreation;
The right of every farmer to raise and sell his products at a return which will give him and his family a decent living;
The right of every businessman, large and small, to trade in an atmosphere of freedom from unfair competition and domination by monopolies at home or abroad;
The right of every family to a decent home;
The right to adequate medical care and the opportunity to achieve and enjoy good health;
The right to adequate protection from the economic fears of old age, sickness, accident, and unemployment;
The right to a good education.

Roosevelt concluded by noting, “All of these rights spell security. And after this war is won we must be prepared to move forward, in the implementation of these rights, to new goals of human happiness and well-being” (Sunstein, 2004: 242–243). What Roosevelt was proposing in his State of Union address in 1944 was remarkably similar to the desires voiced by Americans today in terms of what the American Dream should reflect.1

President Obama also reflected these sentiments in his 2012 State of the Union address. In laying out his policy agenda, he noted the centrality of “the basic American promise that if you worked hard, you could do well enough to raise a family, own a home, send your kids to college and put a little away for retirement. The defining issue of our time is how to keep that promise alive. No challenge is more urgent. No debate is more important.”

Consequently, for many in this country, a core component of the American Dream can be found in the fundamental compact between hard work and
economic security. Americans are looking for economic well-being and stability during their lives in return for an honest day's work.

This aspect of the American Dream appears to be particularly relevant in today's economic climate. In fact, it is viewed as much more significant than the often mentioned goal of upward economic mobility. For example, the Pew Foundation surveyed American attitudes toward the American Dream in 2011 (Pew Charitable Trusts, 2011). In that survey, 85 percent of Americans reported that “financial stability” was personally more important to them than “moving up the income ladder.” The words “security” and “stability” were frequently brought up as key phrases that were associated with the American Dream within several focus groups in the study.

Paradoxically, one reason for this emphasis may be because of the increasing levels of economic instability found within our lives. Jobs have become more unstable, income volatility has increased, greater numbers of homeowners have been facing foreclosure, and so on, down a long list of risky conditions (Gosselin, 2008). Partially as a result, the dream of economic security is an appealing if increasingly elusive component of a good life.

In our interviews with individuals from various walks of life, we heard much the same. The specific hopes and dreams that individuals possess are premised upon a foundation of economic security and well-being. It is what allows individuals to pursue their passions, which we discussed in the prior chapter, and it is what sustains the hopes and challenges that we will hear about in the next chapter. It is the foundation that allows one to live a fulfilling life.

An Honest Day’s Work

For most people, economic security and well-being are achieved by having a job that provides a decent wage, adequate benefits, and some semblance of stability. This has been viewed as the bedrock of American household economic security during the second half of the twentieth century, and continues to be seen as fundamental to economic well-being today.

The post–World War II version of the American Dream was built upon the abundance of such jobs. Both blue collar manufacturing jobs and white collar professional jobs were seen as providing decent incomes and generous benefits that would allow individuals to support themselves and their families. They served as the bedrock for providing a comfortable economic standard of living, and hence attaining an important component of the American Dream (Cullen, 2003).

The work history of Jim Wilson illustrates this. Jim, 52 years old, was raised in a working class family with six other siblings. As he grew up in the 1960s and 1970s, Jim's father was a member of the International Brotherhood of Electrical Workers (IBEW) and worked in the construction industry. He was able to provide a modest but comfortable lifestyle for his family.
Jim followed in his father’s footsteps by becoming both an electrician and a welder. During the 1990s and 2000s he was employed at one of the two Chrysler auto assembly plants in town. When we sat down with Jim and asked him about the meaning of the American Dream, it was clear that it centered upon the exchange between an honest day’s work, and in return, having a job that would provide for the basic needs of a family. Had he experienced the American Dream?

I have. Without a doubt. I’ve had the American Dream. I’ve lived the American Dream because I was lucky enough and at least found enough discipline to get myself through algebra and welding school so I could get into the IBEW.

Once I got in there, you start understanding what it means to work, and you start understanding that if you want to provide for your family, you can’t be a slacker. There’s no room for slackers. And you go to work, and you work every day, and you do the job to the best of your ability.

Some days are good and you put up 100 feet of pipe, some days are bad and you put up 12 feet of pipe, but you go in every day, and do the best you can, whether it’s putting up pipe or hauling trash on the back of a trash truck.

If you go out and you bust your rear every day, you should be able to earn a decent enough living to provide for a family and to provide for them in a comfortable lifestyle. Maybe not where you live in a mansion and get to go to Paris or France. But maybe your vacation is to Lake Winslow. And that’s all your kids know, but by golly, they have fun when they go and they look forward to it every year. That’s the American Dream.

Jim’s story, however, also mirrors the changing economics for much of America over the past 40 years. By the beginning of the 1970s, the nature of work had begun to change. Median wages for male workers peaked in 1973, greater numbers of jobs were being outsourced (particularly manufacturing jobs), and workers’ benefits were slowly eroding (Fligstein and Shin, 2004; Kalleberg, 2011, US Census Bureau, 2013a). The age of global capitalism was upon us, and with it, rising levels of economic insecurity in the lives of Americans.

Jim eventually wound up being laid off from Chrysler when the automaker shut down both of its major assembly plants in the metropolitan region within the space of two years. Since being laid off, Jim has tried to piece together a living by starting a small roofing company with a close friend and by doing some photography on the side. He is barely able to keep his head above water. He has gone from earning approximately $80,000 a year at Chrysler with full benefits, to barely making $30,000 with no benefits as an independent roofer. We asked Jim whether he felt the American Dream had become harder to obtain than in the past.
I don't even think harder describes it. I think it's near impossible to achieve an American Dream. And they can talk all they want about you just have to pull yourself up by the bootstraps and go out there and work hard and you'll achieve it. It's not so.

You know I really don't think that many people have the opportunities, and I think it's because corporate America has a strangle hold. I'll never be able to provide for my family as a roofing contractor the way working in the IBEW provided. Being a photographer is never going to provide for my family. I wish it would and I was really good, but it's never going to provide for my family the way that working at the IBEW provided.

Jim went on to say,

If we want to get back to what makes this country great and if we want to offer the opportunities for this country to be great again, we've got to remember what made us great in the first place. What made us great was a strong manufacturing base, a decent standard of wage to allow people to work, and if mom didn't want to work or if dad doesn't want to work, you should be able to raise a family on one income.

Like I said, when you look at General Motors as the number one employer and now it's Walmart, and nearly everything in Walmart, probably 80 or 90 percent is made in China, that's the economy we're supporting.

I think the two key ingredients to making our country strong is manufacturing and education, and we've got to quit making out manufacturing and organized labor as the bad guy. And we've got to quit attacking the education system in the United States because that's not the culprits.

The culprits are the greed in Washington and the greed on Wall Street and the greed in the CEO boardrooms throughout this nation putting their profits before their people. I can't imagine there won't come a time when it all comes back to haunt these guys because when they ship all these jobs overseas, nobody is buying their products. I can't even think of all these companies that have declared bankruptcy and laid off all their people because they don't have any consumers coming in to buy their products. I always get back to the manufacturing. We were the economic engine that fueled this nation.

However, it is not only a decline in manufacturing jobs that has been occurring, but an overall decline in decent paying jobs in general. For example, it is estimated that approximately one-third of all jobs in the United States today are low paying; a record number of people are employed part-time although they want to be working full-time; unemployment rates have been at historic
highs; the amount of time spent out of work has hit an all-time peak; more jobs are lacking fundamental benefits; and so on, down a long list (US Bureau of Labor Statistics, 2013). Although the Great Recession since 2007 has exacerbated these trends, they had been occurring slowly over the past 40 years. The result is that it is becoming increasingly harder to achieve economic security through working hard at one’s job. The bargain between economic security and an honest day’s work has become ever more tenuous over time.

Yet it turns out that employed Americans are putting in the most time on the job and are the most productive workers compared to those in countries in the European Union as well as in Switzerland and Japan. A report by the United Nations (2009) showed that US workers lead all others in hours worked during the year and in productivity as measured through average gross domestic product (GDP) per worker. To argue that American workers are not holding up their end of the bargain is simply incorrect. Rather, corporate America has not kept up its side of the bargain.

Illustrative of the hard work that Americans are putting in on the job is Michael Pendleton. His American Dream is also one in which hard work and effort would lead to economic security for himself and his family. Michael, in his late forties and African American, is known to be one of the top salesman for high-end shoes throughout a large department store chain. He has perfected his craft over the years, through hours of hard work. We asked Michael what he hoped people would remember and say about him once he had passed away.

They’re going to say man that guy was driven. They’re going to say, man I wish I had the effort, the work ethic that this guy had. I wish I had that. That’s what they’re going to say about me. Somebody might say he was a mean s.o.b. [laugh] ’cause he wouldn’t let anything get in his way. But they’re going to respect me. They’re going to respect me because I was driven and that I wouldn’t give up. So that’s what they’re going to say.

For Michael, the American Dream is all about the exchange between hard work leading to economic well-being and being able to support and help his family. Not even the racial discrimination that he has seen in his life was going to stop him from accomplishing this.

You can only play the blame game for so long. Anytime you play the blame game, you’re actually a victim. You’re accepting being victimized, and I refuse to accept that. If I had took on “Oh, the white man is holding me back” when I was a youth, you wouldn’t be talking to me right now. You might be talking to me behind some glass or some bars or something like that. I wasn't going to allow that to happen. I wasn’t going to allow it. And you guys might sit up here and say, you know the man too. The man is that invisible force out there, you know what I’m saying? You’ve got to
deal with him too [laugh]. And if you had allowed that to change the way you led your life, we wouldn’t be here talking right now.

Yet Michael also shared with us that it is becoming more difficult to keep up his commissions, given the difficult economic times. Instead of buying two pairs of shoes, his customers may be buying only one pair instead. And given that he is dependent on commissions, the health of the economy has a direct effect upon his overall income. His annual income has fallen from $70,000 to $50,000.

For Jim, Michael, and for many others, the ability to achieve economic security through their place of work has been getting more difficult.\(^3\) This has only reinforced the significance that individuals attach to such jobs as an important vehicle to achieving the American Dream of economic security. Throughout our interviews, individuals repeatedly noted that without enough decent quality jobs, the American Dream of economic well-being was becoming much harder to attain. In fact, approximately three-quarters of our interviewees felt that the American Dream had become harder to obtain than compared with the past. When Americans talk about economic security as fundamental to the American Dream, it is premised on one’s place of work being able to deliver that security in exchange for an honest day’s work.

**Life Course Patterns of Economic Security/Insecurity**

Given the economic changes that have been occurring, and given the rise in low-paying and less stable jobs, to what extent do Americans experience economic security during the course of their lives? Or to put it a slightly different way, how often do Americans encounter conditions of economic insecurity as they make their way across adulthood?

Using five decades of longitudinal data from the nationally representative PSID (1968 to 2009), we estimate the percent of the US population who will encounter various years of economic insecurity between the ages of 25 and 60. This particular period of time (1968 to 2009) roughly corresponds with the fundamental shift that began to occur in the US economy from the early 1970s onward. In a very real sense, we are examining how individuals have been fairing in the age of the new economy of globalization and downsizing.\(^4\)

Four different measures of economic insecurity are used. First, how likely is it that an individual will reside in a household that uses a social safety net or welfare program at some point during the year? Second, to what extent will individuals find themselves in households falling into poverty or near poverty (below 150 percent of the official poverty line)?\(^5\) Third, does the head of household experience a spell of unemployment at some point during the year? And finally, how likely is it that one or more of these events will occur to individuals during the course of a year?\(^6\)
Before discussing the longitudinal results, we first calculated the average percentage of Americans experiencing these different measures of economic insecurity in any given year. The results were that 14.8 percent were using a welfare program, 18.9 percent were in poverty or near poverty, 12.4 percent had experienced unemployment during the year, and 30.6 percent were experiencing one or more of these three measures. Consequently, in a typical year, these are the percentages of Americans experiencing economic insecurity. While far from trivial, when examined over longer periods of time, we shall see that these percentages increase substantially.

In Figure 3.1 we can observe the cumulative likelihood of these events occurring for the US population as they age across the prime working years. As is readily apparent in this figure, economic insecurity is a very real component of the American experience. We can see that the incidence of these events rises rapidly during the early years of the life course and then begins to slow down from the forties onward. By the age of 40, 37.9 percent of Americans have experienced at least one year of welfare use, 46.3 percent have encountered poverty, 54.8 percent have experienced the head of household being unemployed, and 70.3 percent have experienced one or more of these three events. By age 60, the cumulative percentages are 44.8 percent, 54.1 percent, 66.8 percent, and 79.0 percent. Consequently, approximately four-fifths of Americans will experience at least one year of economic insecurity between the ages of 25 and 60.7

![Figure 3.1 Cumulative Percent of American Adults Who Will Experience Various Dimensions of Economic Insecurity](image-url)
In Table 3.1 we look at how often these events take place across the prime working years. The top panel contains the total number of years that these events occur between the ages of 25 and 60, while the bottom panel shows the various consecutive years of occurrence. Focusing on our overall combined measure, 79.0 percent of Americans will encounter one or more years of economic insecurity, 62.3 percent will encounter two or more years, 49.8 percent will experience three or more years, 41.6 percent will have 4 or more years, 34.6 percent will experience 5 or more years, and 16.6 percent will encounter 10 or more years of economic insecurity between the ages of 25 and 60. The percentages of Americans encountering various consecutive years of economic insecurity (bottom panel) is somewhat less than the percentages experiencing various total years of economic insecurity. This is consistent with earlier research by the authors indicating that while the reach of economic distress is quite wide, its grip is less severe. The typical life course pattern is that individuals tend to move in and out of economic turmoil, depending upon the changing conditions in their lives. However, the fact that over one-third of the US population (34.6 percent) will experience economic insecurity in five or more years across the prime working ages is nevertheless eye-opening (see Appendix B for further analyses).

In Table 3.2 we look at the occurrence of economic insecurity over separate 10-year age intervals across the life course. We therefore start the life table analyses at the beginning of each 10-year age interval. In general, research has shown that economic insecurity is somewhat more likely to occur during the earlier and later periods of the prime working years. Nevertheless, we can see that it is a very real threat throughout each of these periods of time, as found in Table 3.2. Consequently, between the ages of 25 and 34, 64.7 percent of

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individuals will encounter at least one year of economic insecurity, 53.3 percent will do so between the ages of 35 and 44, 48.2 percent between the ages of 45 and 54, and 50.3 percent between the ages of 55 and 64. Thus, during any 10-year age period across the prime working years, at least half of the population will experience one or more years of significant economic insecurity. 8

The earlier experiences of Jim Wilson reflect these overall patterns of economic insecurity. Jim had enjoyed a number of years of stability while working at Chrysler, only to find himself encountering periodic income declines as a result of being laid off. The shock of such economic downturns was profound. He talked about those periods of time when he was out of work:

There’s hardly a worse feeling. It was the same feeling I had when they announced they were shutting our plant down. There’s hardly a worse feeling as a male in the United States... I was not prepared at all not to have a job.

When you go home and sit across the dinner table from your family, your wife and your three kids, and every one of them is counting on you to keep you from losing your home and to keep the food on the table and to make sure that they got their school lunch moneys and that they can go to school dressed in decent clothes. To sit across the table from them and say “I got laid off, I signed up at the Union Hall, and they’re saying it’s going to be six or eight months before I get a call.” That’s a horrible feeling because if you have no money in the bank, and you don’t know where your next dollar is going to come from, it really puts you in a terrible spot.

In general, our longitudinal analysis indicates that America is a society whose citizens face substantial economic insecurity at various points in time as they make their way across adulthood. Fully four-fifths of the population will encounter at least one year of significant economic insecurity between the ages of 25 and 60, and 50 percent of the population will do so in three or more separate years across this period of time. Furthermore, during any 10-year period, approximately half of Americans will experience at least one year of economic insecurity.

Our results are consistent with and interesting to compare to a large and unique study done by the International Labour Organization (ILO) that focused
on economic security across approximately 100 countries (International Labour Office, 2004). The ILO created a multidimensional measure of economic security using seven different indicators such as income security, job security, and so on. Of the 31 OECD (Organisation for Economic Co-operation and Development) countries that were measured, the United States ranked twenty-fifth in terms of overall economic security experienced by its citizens.

These patterns may be one of the reasons that so many Americans in recent polling data feel that economic security is essential to the American Dream. Recall that 85 percent of the US population felt that economic stability was more important than income mobility. Many Americans understand firsthand what it is like to experience economic insecurity, and they undoubtedly would like to avoid such an experience in the future. The American Dream has traditionally been viewed as a trade-off in which these economic worries and concerns are largely alleviated through hard work and playing by the rules. The fact that they are not is a cause for concern. As Jacob Hacker writes, “Economic security is vital to economic opportunity, and economic insecurity is one of the greatest barriers between American families and the American Dream” (2006: 9).

**Savings for a Rainy Day**

When economic insecurity strikes, do Americans have enough savings and accumulated economic resources to carry them through such difficult times? This captures yet another dimension of economic security and well-being—possessing a sufficient level of assets and savings that can sustain one’s self and family through a rainy day. Many of the individuals we talked to mentioned this as being an important component of economic security and the American Dream.

The difference between income and savings can be illustrated by the contrast between a river and a reservoir (see Sherraden, 1991). Income can be portrayed as a flowing river. The river may be wide and deep, or narrow and shallow, depending on the size of one’s income. In either case, the water from the river is used to address current needs. Yet one might also decide to divert a part of the river’s flow into a pond or reservoir in order to anticipate future uncertainties in the water supply. This reservoir represents the accumulation of savings and assets.

Now imagine that the river unexpectedly dries up for a period of time. By building a reservoir, our hypothetical river dweller can continue to access water, but for the time being it is drawn from the pond rather than the river itself. Of course, his or her water supply will last only as long as the size of the reservoir and the amount of time that the river remains dry, but assuming that the river resumes its flow, the depleted pond will have served its purpose and can be gradually built up in anticipation of the next dry spell.
The basic question, then, is the extent to which individuals are able to build and maintain such reservoirs during their adulthood. In recent years, it appears that Americans have had a difficult time with respect to their savings behavior (Vyse, 2008). For example, in the 2009 Survey of Consumer Finances conducted by the Federal Reserve, nearly half of households surveyed had less than $3,000 in liquid savings (Boshara, 2011). In addition, 50 percent of Americans in 2009 stated that they probably or certainly would not be able to cope with a financial emergency that would require them to come up with $2,000 in the next month (Lusardi et al., 2011).

Furthermore, we have seen that a number of households have extended themselves beyond their means by leveraging their home equity in order to finance current consumption needs. As Stuart Vyse puts it in his book Going Broke, “The combination of high levels of debt, no savings, and a strained household budget is a formula for disaster. Any sizable jolt, such as illness or loss of a job, can sink the ship, and for an increasing number of Americans, there are more than enough jolts to go around” (2008: 10–11). Consequently, whether Americans have built sufficient levels of savings and assets to protect them against economic uncertainties is a question of vital interest.

We examine this question through a measure called asset poverty. Asset poverty refers to households that do not possess a level of assets that would enable them to remain above the official poverty line for three months should their income dry up. For example, if a three-person household in 2012 had a level of assets below $4,571 (arrived at by taking the annual poverty level of $18,284 for a family of three in 2012, and dividing this by 4), they would be considered asset poor (US Census Bureau, 2013a).

In Figure 3.2, we use net worth as our measure of a household’s assets. Net worth consists of all of your assets (savings, stocks, home equity, etc.) minus your debts (credit card debt, student loan debt, home mortgage debt, etc.). As in our earlier analysis of economic insecurity, we are looking at the cumulative percentages of the population that will experience asset poverty across the life course.9

We examine these percentages for three different cohorts—those born between 1965 to 1969, labeled in Figure 3.2 youngest cohort; those born between 1960 and 1964, labeled middle cohort; and those born between 1955 and 1959, labeled oldest cohort.

Two patterns are apparent. First, for all three cohorts the risk of asset poverty across the life course is substantial. By the age of 40 to 44, 67.7 percent of the youngest cohort will have experienced asset poverty. For the middle cohort that reaches the ages of 45 to 49, 66.8 percent will have encountered asset poverty. And for the oldest cohort, by the ages of 50 to 54, 66.9 percent will have experienced asset poverty. Thus, for all three cohorts, having at least one spell of asset poverty is a very real risk.

However, what this figure also shows is that the risk of asset poverty has been increasing slowly over time. As noted above, while 67.7 percent of the
youngest cohort who reach the age of 40 to 44 have experienced asset poverty, for the middle cohort, the percentage is 61.7 percent, and for the oldest cohort, it is 60.2 percent. Consequently, younger Americans are more likely to experience asset poverty at earlier ages than did older Americans. This is consistent with previous research showing that the risk of asset poverty has been increasing over time (see Appendix B for a more detailed analysis of asset poverty during these time periods, which illustrates that asset poverty has been increasing substantially from 1984 to 2009).

The overall story from this figure is that economic insecurity, as measured through having enough assets to weather a rainy day, is quite high, particularly at the younger ages, and that it has been rising over time. This is consistent with a wide body of research that has examined overall levels of wealth holding among individuals and families. Many American households have not accumulated enough savings and assets to get them through a short period of economic turmoil. The familiar expression of living paycheck to paycheck unfortunately applies to many.

We found similar patterns within our interview data. Approximately half of our interviewees said that they would not be able to economically survive adequately for three months if they were to lose their job. Typical of the responses
for those who replied in this fashion was Sandy Miller, who has been a waitress at a number of restaurants over the last 35 years and had a total of $10 in her savings and checking accounts,

I don't have anything saved up. I mean it's like I said, I'm living day by day. Every time I try to get like a savings going, just something comes up. A bill or something comes up. So I have to take it out of savings to pay this. You know and I've tried.

The House with a White Picket Fence

Just as working at a job, earning a decent income, and having some savings in the bank are fundamental to economic and personal security, so too is another key attribute—that of having a place to call home. It is often what anchors and sustains us through good times and bad. Robert Frost once defined it as “the place where when you go there, they have to take you in.” Of course, a home and a house are not necessarily the same thing. But the idea of owning a house to reside in and raise a family is central to what many people imagine when they think of home. The proverbial house with a white picket fence has been idealized in American mythology as representing safety, warmth, comfort, and security. Indeed, many Americans view it as a “haven in a heartless world.”

When asked what images come to mind in thinking about the American Dream, our interviewees mentioned phrases such as “having a home with the white picket fence,” “of course, home ownership,” “something over your head, your roof, you know,” “a nice house in a safe neighborhood,” “a little home in the mountains with forest around, so you could walk out and sing and have the deer come close and stuff,” or “a nice home, you know, security.”

National survey data also indicate that “being able to afford your own home” is an essential component of the American Dream. In the Brookings survey (2008), 87 percent of Americans felt that this was a core element of the American Dream. Other survey data show similarly high levels of emphasis placed upon the importance of home ownership with respect to the American Dream (Washington Post-Miller Center, 2013).

It is clear, then, that home ownership has been and remains a highly prized status within American society. A house offers security and comfort, provides shelter and stability, determines who one’s neighbors and community will be, and is a key financial asset. Home ownership also resonates with the country’s agrarian origins, in which land ownership was considered a democratic ideal, and the Lockean “pursuit of happiness” was actualized by the right to own and enjoy property.

Not coincidently, this social ideal has been reinforced by federal policies that have encouraged home ownership via income tax codes and public loan
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programs. Beginning with the Homestead Act of 1862, through the GI Bill in the 1940s and 1950s, and continuing with the sizable tax deductions available on home mortgage interest, federal policy has placed a strong emphasis on the importance and rewards of owning a home.

As a result, home ownership is a behavior that would appear central to the notion of the American Dream and economic security. But just how central? In an earlier analysis (Hirschi and Rank, 2010) we examined the longitudinal patterns of home ownership. Remarkably, nearly all Americans will at some point during their adulthood become a home owner. Fifty-six percent of Americans have purchased a home by age 30, 74 percent by age 35, 84 percent by age 45, and 89 percent by age 55. Consequently, the dream of home ownership is a reality for nine out of ten Americans.

However, there is also considerable fluidity in and out of home ownership. Over a 25-year period, 52 percent of American homeowners will lose their home owner status for some period of time. Yet it is also the case that 88 percent of these individuals will return to home ownership within 15 years (Hirschi and Rank, 2010). Such is the allure of owning a home.

One reason that owning a house is so appealing is the importance of having a physical and emotional place to call one's home, mentioned above. But perhaps equally important is that owning a home has been viewed as a reliable economic asset that will grow and increase over time. During the past century, real estate in general, and private housing in particular, have generally seen rising values. This was one of the reasons that so many people were caught off guard with the recent downturn in the housing market. Home values were simply assumed to increase year after year. Indeed, they had been doing so throughout most of the twentieth century.

And yet even with the recent decline in housing values, owning a home remains a valuable asset for the majority of Americans. For the average American in 2011, 25 percent of their total net worth resides within the value of their home (US Census Bureau, 2013b).

In our analysis, for those who were home owners between the ages of 25 and 50, 82 percent had accumulated at least $25,000 in home equity at some point during those ages, 75 percent had accumulated at least $50,000, 41 percent had accumulated at least $100,000, and 12 percent had accumulated at least $200,000 (Hirschi and Rank, 2010). These represent significant levels of equity for a fairly wide percentage of the home owning population. As a result of this and the earlier cited reasons, home ownership is highly sought after.

Consequently, losing one's home on an involuntary basis is perhaps one of the most dramatic events that can seriously shake the social and economic security of a household, while striking at the heart of the American Dream. Beginning with the rise in subprime lending during the 1990s and 2000s, coupled with the 2007 housing market downturn and the Great Recession of 2007 to 2009, millions of Americans have been in danger of losing their homes.
We talked with several people who found themselves precisely in this situ­ation. One such person was Cindy Shaw. When we met Cindy the day after Thanksgiving, she was dangerously close to foreclosure on her home by the mortgage company. A single mother with two children, she was on the verge of tears several times during the course of our interview. She had faced enormous stress during the past month in trying to save her house and protect her children from the nightmare of having no place to call home. She found out three days before our conversation that she had been given a reprieve by the mortgage company and was temporarily out of danger.

Her troubles began when she experienced health problems earlier in the year. As a result, she was forced to cut back her job hours with a federal agency. In addition, her mother and son were experiencing their own health difficulties, which required Cindy's attention. Finally, Cindy's ex-husband stopped paying child support. The combination of these circumstances started her down the road of falling behind on her house payments, as well as maxing out her credit cards at $14,000. At this point, the mortgage company began foreclosure proceedings.

After many frantic telephone calls and misunderstandings, Cindy was able at the last minute to reach an agreement with the mortgage company to prevent the foreclosure. Needless to say, the episode had left a serious emotional scar on Cindy and her sense of security. We asked her about the specific circumstances surrounding the foreclosure proceedings,

I got behind. Everything happened at once. The beginning of the year, I woke up and couldn't walk. Come to find out, I had bulging discs in my back. Then turned around, and I guess from all the anxiety of having too much on me, I thought I was having a heart attack. That turned around. It wasn't my heart.

They said it must be anxiety because like I said, I have everything to worry about—my mother and her health and taking care of her making sure she has her doctor's appointments. Missing hours at work from going to the doctors. Obviously, I had less pay, and then getting laid off on top of it, it was just like boom, boom, boom, one thing right after another. And I fell behind.

She went on to talk about the frustrations of dealing with her mortgage company month after month, "But I know this much, I can't go through it again. I just can't. I mean it's too rough."

Cindy's story has been repeated in countless variations by millions of Americans over the last several years. It brings to light the integral part that a house plays in Americans' sense of well-being and economic security. It is one of the building blocks upon which such security rests. When Americans talk about economic security as being central to the American Dream, home ownership constitutes a vitally important part of that security.
A Cautionary Tale

If economic security and well-being through a good job, decent income, some savings in the bank, and a comfortable home represent important elements of the American Dream, then perhaps acquiring economic riches is even more of a good thing. After all, the goal of significant wealth has long been a part of the rags to riches story. We continue to celebrate the modern-day lottery winners who by good fortune find themselves in the millionaire circle. Likewise, a vast array of books and conference meetings abound each year with advice on how best to make your millions. Surely this must be the dream for many Americans.

Surprisingly, great wealth in and of itself is not viewed by most Americans as a key component of the American Dream. For example, in the earlier mentioned 2009 Pew national survey, of the 12 items that individuals were asked to rate in terms of their relevancy to the American Dream, “becoming rich” was ranked second to last. Only a third of Americans felt that it was an essential component of the American Dream. Likewise, a national survey conducted by Xavier University (Center for the Study of the American Dream, 2011) found that a mere 6 percent of Americans ranked “wealth” as part of their first or second definition of the American Dream. Similarly, within our in-depth interviews, only a handful of individuals mentioned great wealth as a key component of their American Dream.

One reason for this surprising finding can be found in a fascinating interview that we conducted with Robert Greenfield, a renowned family wealth advisor and lawyer. It was the week before Thanksgiving when we first met. Robert greeted us warmly in the lobby of his condominium building with a handshake and two bottles of water. Dressed in a charcoal grey business suit, he had a distinguished yet gregarious demeanor. We talked for nearly two hours in the late afternoon, but had to end early because Robert and his wife were attending a charitable event that night. Fortunately we were able to reconnect several weeks later, after he had returned from an overseas consulting trip with several high wealth families in Australia and Singapore. We took up where we left off in our earlier conversation, this time around a conference table on the seventh floor of his office suite overlooking the downtown cityscape. The insights that Robert shared into the world of great wealth were not what I had expected.

He began by noting that his family had had a long history in dealing with wealthy individuals. His grandfather had been one of the nation’s first income tax lawyers at the beginning of the twentieth century and had started the family business. Robert began his career, like his father and grandfather, in tax law, but later developed his own area of expertise in advising families with significant wealth. He founded Greenfield Worldwide Advisors, a family office that consults with a small number of US and international families of immense wealth. The assets of his clients ranged from $100 million to $3 billion. They
often represented second- and third-generation wealth families, referred to in the business as dynastic wealth.

As we began our conversation, I expected Robert to discuss how these select families epitomized the American Dream, and to convey some of the lavish details surrounding the privileged lives that they lived. Instead, what Robert talked about was the concept of independence from riches. At first glance, the phrase struck me as odd. I was acquainted with the notion of independence from tyranny, and independence from poverty, but not its wealth counterpart.

Yet it turns out that for many of the families with whom Robert consults, their lives were marked by unhappiness and a lack of fulfillment. Their family wealth had become an enormous burden, and in fact, had prevented many of them from realizing or even imagining the kind of lives that they truly wanted to live. The primary concern for many of these families had become how to preserve and/or increase their wealth, rather than asking what the wealth was for. It had served to imprison rather than liberate. Robert related one story after another that touched upon this theme. For example,

There is a culture among wealth holders, which uses words like stewardship, fiduciary, government structures. These are all words of imprisonment.

I’m reminded of this fellow, he was about 80 years old, who had been a client of my grandfather. And he started with nothing. And when we were meeting and talking he had 600 or 800 million dollars. He was talking about his family office structure, and his grandchild, who was going to be the family wealth steward. And we talked, we used all the vocabulary. And all of a sudden I looked at him and I said, “Gus, listen to the words we’re using—government structure, responsibility, stewardship, fiduciary. When you didn’t have two nickels to rub together, and you were talking to my grandfather, and my grandfather said, ‘Gus, in 60 years you’re going to have 800 million dollars, and here are the words you’re going to use.’”

And he started laughing. I said, “What’s so funny?” He said, “Those wouldn’t have been the words I used. The words I would have used would have been freedom, independence, doing what you want to do, getting educated.”

Wealth does that. It ends up imprisoning all of these people. So when we talk about how poor people can’t self-actualize, often rich people can’t.

His strategy with clients is to work with them to decide what they want to do with their lives, and then using their wealth to accomplish that. For Robert, it is always about asking the question, “What is the wealth for?” This may be one of the reasons that so many people in the earlier mentioned surveys did not see great wealth in and of itself as essential to the American Dream. Wealth was properly seen as a tool, rather than as an endpoint. When it is transformed into
So you start with what is the wealth for? I can tell you one of my favorite stories. This was at the Institute for Private Investors in 2008 when everything was collapsing. I went to a cocktail party, and I went up to a woman I knew, who had a billion dollars. And I said, “How are you?” She said, “Terrible! How can you ask how I am? I’m terrible.” And then she just ranted and railed about how terrible she was. And I looked at her and I said, “Well what’s wrong?” She said, “What’s wrong? Don’t you see the markets? My portfolio is down 30 percent!” I looked at her, and I said, “Let me ask you a question. What is it you cannot do with 700 million dollars that you could do with a billion?” And she just got furious and fumed off.

The next woman I went up to, I said, “How are you?” She looked sad, and said, “I’m really not doing very well.” She also had a billion. I said, “Well, what’s wrong?” Well, it turned out her 22-year-old had been diagnosed with terminal cancer. That puts it all into perspective.

But that woman who was miserable because she was down 30 percent, no amount would ever be enough because she never said to herself, “Okay, what’s it for?”

Families of great wealth who have been able to answer the question “What’s it for?” are often able to use their wealth in a fulfilling and productive manner. Robert talked about the obvious examples of Bill Gates and Warren Buffett, but also of many individuals whom he knew and consulted with personally. The key transformation for these families was to see their wealth as a tool that can be used to accomplish a worthy goal, rather than as a goal in and of itself.

Psychological and demographic research on this subject has tended to confirm what Robert has found through his personal interactions with high-wealth clients. That is, beyond a certain basic income level, money alone does not buy happiness or fulfillment. Daniel Kahneman and Angus Deaton (2010) analyzed more than 450,000 responses to the Gallup-Healthways Well-Being Index taken in 2008 and 2009. They found that above an annual income of $75,000, levels of happiness did not increase, nor did individuals experience a reduction of stress and worry with increasing levels of income. However, below $75,000, increases in income had a strong effect on increasing happiness and reducing stress. For those struggling in poverty or near poverty, having more income made a significant difference in overall life quality. This is consistent with the general notion of economic security and well-being that we have been discussing in this chapter, and it is one of the reasons that it is such an important goal with respect to the American Dream. Having sufficient economic resources and security is fundamental to overall well-being. But beyond a certain point, income and wealth become irrelevant to personal happiness and fulfillment.
The psychologist Barry Schwartz introduces another idea as to why this may be the case. It is the notion that what you do with your life is generally much more important than what you have. This idea relates strongly to the aspect of the American Dream that we discussed in the previous chapter: having the freedom to pursue one's passions and interests. In summarizing the psychological research on the topic, Schwartz notes,

And gains in wealth are especially unhelpful if material success is a person's goal, rather than a byproduct of other motivations. Thus people who want to be wealthier and succeed derive little benefit in well-being, while people who become wealthier by accident do benefit. Researchers have also found that what we do has a bigger effect on well-being than what we have. This is in part because we adapt rapidly to what we have, so that the new car, tablet, or smart phone provides a hedonic kick for a disappointingly short time. This is less true for what we do, perhaps because there is so much variety in activities, especially when they are interpersonal, that adaptation is reduced. Our work is a major source of well-being, as long as the work is meaningful and engaging. So is our network of relations with family, friends, and community organizations. (Chronicle of Higher Education, 2012: B4)

This cautionary tale of the dangers of wealth for wealth's sake might also apply to the American behavior of over-consumption. Our economic system has encouraged us all to buy more and more products on an ever moving treadmill of consumption. From McMansions to SUVs, to the latest technologies, the message is that bigger is better, more is better still, and if you can't afford it, then charge it. A film documentary on the American Dream defined the dream largely in terms of over-consumption, and declared that with the recent economic downturn that dream was fading fast. The image was of stampeding shoppers on Black Friday, queuing up for hours in advance, and willing to climb over anyone in order to get the best deals and latest products at Walmart. And yet is this really a part of the American Dream?

We would argue that this perspective seriously misreads the essence of the American Dream. No doubt, over-consumption is a very real component of American society. But survey after survey also indicates that Americans do not see the essence of the American Dream as being about having a bigger and better television set.

Likewise, few people in our interviews discussed the American Dream in these terms. That is not to say that people do not readily seek out consumer products, sometimes beyond their means, but rarely do they define the American Dream in terms of purchasing such products. In fact, one survey found that 88 percent of Americans felt that the culture was much too materialistic, resulting in a number of negative consequences (New American Dream, 2004).

Rather than over-consumption and wealth, it is economic security that most Americans view as fundamental to the American Dream. And economic
security is a much different concept from over-consumption or having riches beyond belief. Economic security is about having the resources and tools to live a comfortable and rewarding life. These are the conditions that allow people to more fully pursue their passions, and to look into the future with hope and optimism in meeting the challenges to come.

Conclusion

What conclusions then can be drawn regarding economic security and the American Dream? First, it is clear that when individuals describe what the American Dream means to them, economic security and well-being are essential components. Individuals frequently bring up the fact that hard work should lead to economic security in one's life and in the life of one's family. This is viewed as an absolutely fundamental part of the bargain of what the American Dream is all about. The specific aspects of economic security include being able to work at a decent paying job with benefits, having some savings and assets built up, being able to provide reasonably well for one's children, owning a home, and retiring in comfort. In our interviews with individuals we heard these themes over and over again. This is also reiterated in national surveys asking individuals what they think are the essential components of the American Dream.

Interestingly, the American Dream of economic security is not about having riches beyond belief. As opposed to many common impressions, having great wealth is actually rated quite low with respect to what individuals feel the American Dream is about (Center for the Study of the American Dream, 2011; Pew Charitable Trusts, 2008; 2009; Washington Post-Miller Center, 2013). Rather, economic security is having the resources and tools to live a comfortable and rewarding life. As one of our focus group participants put it,

Maybe my view is less optimistic than some. I mean some people want to be rich. I think the American Dream is having enough. To be able to have a house, to have a reliable vehicle, to have enough food to put on the table, and maybe, not necessarily, the big vacation every year. But at least to meet your needs without extreme discomfort or worry. I don't believe the American Dream, for the people here anyway, is to get rich and be a tycoon or something.

With respect to being able to achieve long-term economic security across the life course, it would appear to have become more difficult over time. First, a large volume of research has found that since the early 1970s, the United States has been producing greater numbers of low-wage jobs. These jobs are frequently lacking in benefits and are increasingly part-time (Kalleberg, 2011). Median wages for full-time male employees are actually lower today than they
were in 1973 (US Census Bureau, 2013a). Furthermore, the stability of jobs in
general has become more precarious. Likewise, the social safety net has become
considerably weaker over time (Handler and Hasenfeld, 2006).

In addition, as many have noted, over the past few decades there appears
to have been a significant shift of economic risk from employers and govern­
ment onto the backs of individuals and families (Gosselin, 2008; Hacker, 2006).
This, in turn, has also made economic security an ever more difficult goal for
Americans to attain.

Our life course analysis further illustrates the fact that economic risk is quite
prevalent across the prime working years. Seventy-nine percent of the popula­
tion will experience at least one year of significant economic insecurity, and
during any 10-year age period, approximately half of the population will do
so. In addition, approximately two-thirds of Americans will not have enough
assets built up to survive a few months with no income stream, and this risk
appears to have been rising over the past 25 years.

On the other hand, the vast majority of Americans will at some point
become home owners, which is another key aspect of the American Dream of
economic security. Nearly 90 percent of Americans will at some point own a
home. Yet even here there is a considerable amount of fluidity in and out of
home ownership status, as we have seen in recent years.

In our interviews with dozens of individuals, most mentioned the impor­
tance of economic security as an essential component of the American Dream,
and yet many of these individuals also felt that such security, in spite of their
hard work, was becoming harder to achieve. Certainly not all of our respon­
dents felt this way, but for many, it was a common theme. For most Americans,
economic security is a vital piece of what the American Dream is all about.