Think young people are hostile to capitalism now? Just wait for the next recession.

Conor Lynch

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Though the panic that erupted during the summer months about a potential recession has cooled somewhat since, especially with the impeachment drama taking up most of our collective attention, signs of a looming economic downturn nevertheless remain. Job growth has slowed, levels of corporate and
between 10-year and 3-month Treasury bond yields has been "inverted" for months. The economist Campbell Harvey, whose research showed that the inverted yield curve accurately predicted the last seven recessions, recently said that the indicator is "flashing code red."

"It's not normal. It's something that foreshadows bad times," observed Campbell.

A downturn is probably on the horizon, then, and while it may not be as devastating as the 2008 recession, which threatened to undo the entire financial system, there's a good chance that the public will respond with even more anger and intensity than 10 years ago. The last economic crisis contributed directly to the rise of populism over the following decade, but the next crisis will come squarely within the age of populism. It will also come in an age of extreme inequality and polarization, where capitalism is being questioned and critiqued more than in any other period since the end of the Cold War, especially by the generation that came of age during the Great Recession.

The rise of populism wasn't just a response to the financial crisis and its painful consequences, though. It was a response to the fact that nothing fundamentally changed in its aftermath.
wealth inequality continued to grow out of control, and wages continued to stagnate as billionaires saw their wealth multiply. In other words, the economy "recovered" for those on top, while the recession lingered for everyone else.

In his modern classic, Capital in the Twenty-First Century, the French economist Thomas Piketty suggested that growing inequality in America contributed directly to the country's financial instability. One consequence of increasing inequality, he wrote, "was virtual stagnation of the purchasing power of the lower and middle classes in the United States, which inevitably made it more likely that modest households would take on debt, especially since unscrupulous banks and financial institutions, freed from regulation and eager to earn good yields on the enormous savings injected into the system by the well-to-do, offered credit on increasingly generous terms."

A decade after the crisis, income inequality is the highest it's been in America since the Census Bureau began tracking it over five decades ago. And disparities in wealth are even more extreme. Meanwhile, household debt has exceeded levels seen in 2008, reaching $14 trillion earlier this year. This number is driven largely by student loans and credit card debt, which
although that hasn't stopped the financial class from blaming them for the "sluggish economy." Millennials are reportedly consuming less and saving more, which is causing an "economic imbalance."

"The higher savings rate, we believe, has had disinflationary impact, driving the relatively slow growth and low inflation in this recovery," wrote an analyst for Raymond James, observing that younger people are "saving instead of purchasing like last generation, limiting demand growth."

The fact that millennials are consuming less than their Gen-X and baby boomer elders may indicate a slight cultural shift from the consumerist mindset of previous generations, but the more likely cause is that they simply have less disposable income to throw around. A recent study that surveyed 4,000 American consumers found that, since 1996, the average net worth of consumers under 35 has dropped by 35 percent. This, along with declining real wages, increasing cost of living (home ownership has substantially declined for millennials), and swelling levels of debt, makes the growing millennial hostility towards capitalism perfectly sensible. People "behave more like their income than their age," said one of the study's authors, and just as the American
the 21st century are being proletarianized (or precariatized) and thus embracing socialism.

Coming of age in the midst of the financial crisis and entering the workforce during the rise of the gig economy has given millennials an intuitive understanding of the deep instability and unfairness of our economic (and political) system. A recent survey from Quinnipiac revealed just how divided older and younger Democrats are on capitalism. Forty-four percent of those aged 18-34 supported the "democratic socialist" Bernie Sanders, compared to 22 percent for Elizabeth Warren (who is progressive but "capitalist to her bones") and 9 percent for Joe Biden. On the other hand, 41 percent of those over 65 supported Biden, compared to 26 percent for Warren and an incredible 2 percent for Sanders. The socialist platform of Sanders repels older voters who grew up in the so-called "golden age" of capitalism, while it naturally appeals to younger voters who grew up in the age of neoliberalism and economic crisis. Of course, it's not just about one's personal income or wealth, but the impact that capitalism is having on the future of the planet as well. The 16-year old Greta Thunberg captured well in her UN speech last month: "We
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When the next recession comes, young people and the working class will no doubt be impacted the hardest, and this will only further radicalize their politics. The more they feel that the system is rigged against them, the more they will demand the system itself be overthrown. After the 2008 recession, President Obama and the Democrats effectively saved capitalism from itself; a more radical leadership would fight to replace it with a better system. This time around there may be far more pressure from below to do just that, especially with a more organized left and more class conscious young people.

Politics is situational, and economic and political circumstances have changed drastically over the past few decades — especially since the financial crisis. The baby boomers grew up and spent their
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overtake baby boomers this year as the largest generation in America, and after 10 years of tepid recovery, they will have a real say in how to respond to the next crisis. Don’t expect them to take it quietly.

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