

Twice Around Podcast  
Episode #2 Is the American Dream Dead?  
Transcript

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Male: I'd say definitely freedom. To me, that's the American Dream.

Female: I don't know. I mean, I never really wanted the American Dream.

Male: Owning a home, getting career advancement. I think if you put in some hard work, you can make things happen for yourself.

Male: I'd say the variety of cultures, everybody just living together and trying to understand everybody.

Male: I'm originally from Romania, moved here a few years ago. The best possible situation you can imagine, and I would never have it anywhere else.  
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Female: You're listening to Twice Around.

Male: Twice Around ...

Female: ... where we take a second look ...

Female: ... at the beliefs that shape us.

Male: Brought to you by the Federal Reserve Bank of San Francisco.

Mary: Hi. I'm Mary ...

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Jody: ... and I'm Jody. Now today, we want to talk about the American Dream.

Mary: Before we begin, we want to start by talking about our own preconceived notions. The show Twice Around is about taking a second look at the beliefs that shape us or the ideas we come in with. Jody and I had some pretty strong ideas about what the American Dream meant, and neither one of our views was the views of the people we interviewed. Jody, what was your view of the American Dream?

Jody: I feel embarrassed about this. Freedom and opportunity didn't really come to mind, but I loved it when we heard that. I think for me it was more about my career success, and materially doing better. I think the idea of better than my parents somehow. That was my view of it. Now as it turns out, I'm not going to do better than my parents. I think that's been a belief that I've had that that's what the American Dream means.  
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Mary: For many, it does mean that. I mean, if you look it up on Google, you'll often see each generation does better than the next or individuals climb the economic ladder. They get a better relative economic position than their parents had. I think that's what I thought about when I thought about the American Dream is my family is down in the lower  
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portion of the income distribution, and I wanted to climb that economic ladder. That relates vaguely to career achievement and freedom and opportunity, but not as closely as I might have thought before we started interviewing those people on the street.

Jody: Right. You know the one that was interesting was the young woman that said that she was hesitant about it, but she basically said she wasn't that interested in achieving the American Dream.

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Mary: One of the things that struck me about what she said, and we didn't have this on the recording in the beginning, but she said she wasn't that interested in a white picket fence and a house. I thought when I heard that, "Oh, maybe she had a pretty narrow view of what the American Dream meant," because she thought she had to have a white picket fence and a house as supposed to travel all over the United States, and do different things, and live in different places. What we heard from a lot of the people we interviewed was that the freedom to do whatever you want to be yourself was much more of the American Dream to them.

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Jody: One of the things that I'm curious about as you said if you Google it, you're going to find something about each generation doing better than the next. We live in a very advanced economy. I think it's been from an economics perspective maybe not easy, but really expected that you could do better than your parents in each successive generation. As an economy advances and grows stronger and stronger, is it really even realistic to think you're going to do better than your parents? I just wonder if it's even possible.

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Mary: Well, it is possible, and we certainly see it in the data. I went down to check the data because that's what I like to do.

Jody: Because that's what you do.

Mary: That's what I do. When you check the data, it is true that each generation of people, group, does better than the last generation in absolute terms. We have more income, higher standard of living, et cetera. The gains that we get from generation to generation are smaller and smaller because we're wealthier and wealthier. I've often wondered whether people were going to get frustrated a little bit, and say, "Well, the American Dream is not there for me because I'm not able to make the big income gains that my parents made over their parents."

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What I took away from the interviews was that people were probably broadening what they thought of as the American Dream. It wasn't just staying near alley. It was broadening out to include other things that hadn't previously been articulated perhaps.

Jody: Right. This idea that if the economy is doing well, I'm going to do well, but if the economy is suffering, then it's going to be more difficult to do all. I'm wondering how much of what we heard, I mean, we're sitting here in the Bay Area, and there's a lot of opportunity here. The messages that we heard from those young people that we talked to here, would that be different do you think if we were some place else in the country?

Mary: I travel a lot throughout the United States. I come from the Midwest, where my siblings all are. I would say that the experience on the streets of San Francisco seems quite a bit more optimistic about the opportunities. Many of the people we talked to were working in the tech sector, and moved maybe from a different country or a different part of the United States, and they had taken advantage of the big gains in tech, and so they were really living this opportunity.

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In parts of the Midwest where the jobs are not as high-paying, they're not as available, and people do feel little less optimistic about their future, I think the American Dream perhaps isn't as bright and shiny as it was when we were out interviewing on the streets of San Francisco.

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Jody: Right. I think that's a really important point. It makes me think about how fixed is this idea of the American Dream versus it being a dynamic idea.

Mary: I was thinking about what you want in life, and what are your tastes or preferences. As economists we are taught to write down a utility function we call it, so that we can maximize our happiness over this utility function or anybody's happiness. What goes into this utility function are the things you care about. For some people, it might be family or making a career path. For some, it might be the ability to reinvent themselves over time. For others, it could be being able to participate in outdoor activities.

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You can imagine anything you like to do during your day or in your life fits into this utility function, which can change as you age. I mean, it has an important life cycle component. I know my utility function looks different today at my age, my age now than it did when I was in my 20s or 30s. I'm guessing that can be the truth for our generation to generation.

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Let's get out of the econ 101 textbook for a moment, and think not of the literal definition of utility. I'll give you a lot of math and symbols. Let's think about really what we're talking about. What I'm talking about when I say this is that you want to maximize your happiness, "Maximize your utility," economists would say. What we want in that equation are the things that are going to be important to you, so that we can maximize happiness over them.

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For you, it might be, "I want to have a really vibrant career path. I want to be able to have a home in Idaho where I can go and visit my family. I want to do whatever." For me, it's I want to have my painting studio. I want to have a good job. I want to spend time with my partner, and I want to make a contribution doing something that I love. All of those things go in the utility function, and that utility function is I just described it would be broader than just income.

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Jody: I said earlier that my view of the American Dream was that somehow I'd be better than my parents. Well, my parents have a farm.

Mary: Would you trade places?

Jody: Yeah. Would I stay in the farm? Farmers work hard. There's a lot of uncertainty.

Mary: We work hard at the Fed.

Jody: Yes, we do, but there's a lot of uncertainty being a farmer. Even though I may, from an economic perspective, have more as a farmer than I am as an educator here at the San Francisco Fed, I wouldn't want it. I mean, what I've done is I've made some trade-offs that match up with what I value.  
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Mary: I just talked to my nephew who just started his first semester in college in Missouri, in one of the state schools. He went in wanting to be a math teacher. He's finishing his first semester. He called me up. We text back and forth actually, mostly. He was asking me, "Is a math teacher a good career? It's what I really want to do, but I know it doesn't pay very much many times." I actually talked to him about this utility function concept.  
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I said, "Well, it depends on what you want with your life. If you really want to teach math, you have to realize that you're probably going to have a smaller home than people who want to work in the stock market. That's okay if the things that matter to you are teaching math, and you don't actually care about having the biggest home around the block or something of that sort."

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Jody: It seems like this generation might have a different utility function than previous generations, our generation, for example. I'm wondering if that's just a product of them being young and the next generation coming up or if that's about the circumstances at which people grow up in.

Mary: As we talk more and more about this, I'm wondering whether that's even too simplified. That really what's happening is that people of all generation, you and me are less compared to others. We all have different utility functions. Then even though that we're roughly the same age, but then younger people have very different utility functions because they also are being influenced by growing up in a different time period, having different access to technology or diversity or different kinds of people than we had when we were growing up. I mean, I didn't live in Missouri until I was 15.  
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Jody: Right, and did you have the internet?

Mary: No. The internet was not invented for any listeners who wonder about that. We weren't using an abacus, but we were not using the internet.

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Jody: Young people now have got technology. They have access to so many different things than you and I had, whether that you're in Missouri or not. The impact that it does have on what they value, and I hear about millennials in particular that people really value and want to consume leisure time than having this work-life balance. When we think

about the American Dream and how it's different for different people, there are people who are making decisions, they're choosing. In order to have more leisure time, you have to give something up.

Mary: Usually income.

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Jody: This idea that every generation needs to do better than the previous, this idea of I'll do better than my parents.

Mary: You mean by better, economically better because I guess that's where I'm pushing back on this better concept that to myself pushing back on it because it could be they're doing a lot better. They're just not making as much money.

Jody: I think for me, I had this narrow view of the American Dream that it was about something material. What we're talking about now, and we heard it in those with the people that we interviewed on the streets about opportunity, freedom, having decision making ability, making choices that there's something to that.

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Mary: Sure. I think that it's not surprising. I would be surprised if it was surprising to our listeners that people value those things because I think we all value them. What I'm interested in is why we don't include them more in our goal setting. If you think about-

Jody: At least just acknowledging them.

Mary: Yes. If you think about the American Dream, how do you achieve it, broadening our perspective of it, and maybe these young people we interviewed helped us broaden our perspective more than we're helping people broaden theirs. I think it's really a good lesson is that when you really have to go to the core of what you're thinking about, you itemize things you want that have very only tangential relationships to income. Income is important, but other things are important too.

[00:12:00] Thinking about whether we in our society are guaranteeing those, and many people were not, so you want freedom, you want a feeling of safety, you want to have autonomy, you want to be self-determined, self-directed, you want to be treated equally. All of these things are societal utility functions, and are in our society's utility function. Individuals might want those too.

Jody: Is there anything that is preventing our society from having all those things?

Mary: Well, I'm reflecting on that just here as we talk. I do worry. I've given talks about my concerns over this that we have to provide empirical evidence that the American Dream is not just a dream. It's actually a reality. I've used the idea that you have to be able to guarantee that people can be self-directed, they can have opportunities to be educated, et cetera. When you think about our society, we also have to protect the rights we've won for equality and other things.

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[00:13:00] Thinking about protecting the opportunities for diverse groups of people. One of our people we interviewed on the street talked about the diversity of ideas. That's something we ... We can't just a victory declare, we actually have to maintain that commitment to provide that equality of education, equality of opportunities as people grow older. Those are all things that I think would if we don't actively maintain them could tear the fabric of the American Dream.

[00:13:30] We're winding down toward the end of the time we've put together to talk about these issues. I'm reminded of something you asked me a couple of weeks ago, Jody, as we're preparing for this episode, which is does each generation of people just acquire another thing that they care about and add it on to the things that their parents care about, so that there's ever-increasing needs to meet before you've reached the American Dream.

Jody: Yes, or this idea that in order to do better than your parents, you have to acquire more things than your parents had. Is that essentially what we were talking about?

Mary: Right. That could be now you have to acquire a [inaudible 00:13:48] you have to acquire a farm or not the farm, but an economic wellbeing that's as high as theirs, and opportunities and leisure, and all the kinds of things they didn't have. That reminded me of another piece of work I'm doing for myself right now, which is to read some things on how people grow in their careers. If you really want to be successful in your career, you have to use what they call the transformation triangle.

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[00:14:30] Every month or year, you have to think about what things do you want to keep, what things do you want to let go of, and what things do you want to acquire. I tend to be a kind of person who acquires and doesn't let go. I also keep a lot of things. Then I was getting ever more pressed. It really is about continually throughout your life rebalancing what you care about. Things you might have thought about when you were younger you let go, and now you're going to acquire something different. Do you think we're hearing that among young people that they're really making these trade-offs?

Jody: Oh, I do, and I think that's a really wonderful model. The idea that the things they want to keep are those things like freedom and opportunity. We heard that expressed really eloquently by many people. I think that resonates both with you and I. That's what we want to keep, but there's some things we want to acquire. We heard that from the young people that there've been a lot of research on what millennials are interested in, and having time with friends and family is super important, and having more leisure time, and having a good work-life balance. Those are things that this generation wants to acquire. Then the thing that's interesting to me and that surprised me is what they're willing to let go off seems to be that material part of the equation.

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Mary: Well, technology also makes it easier in a world where you have Uber, you don't need to have a car as much as you do when we were growing up. I think it's this combination of technology, preferences of generations, the wealth of our nation. They all come together to basically set the stage for whatever the American Dream is. The thing that I mainly takeaway from this episode and from our conversations about this is something I really learned is that I thought the American Dream was a static concept. We're thinking

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about how to go over those goal posts again and again and again.

[00:16:00] What I've learned from doing this episode is that the American Dream is a living breathing entity. It changes in its shape by the people who come up in every generation. There's a little bit of a torch passing from generation to generation, so that we keep a core value that is opportunity, is freedom, and basically is a sense of being able to be self-determined.

Jody: I know I couldn't agree with that more, Mary. I love being able to have this conversation with you. I think I've arrived at a place where I feel pretty positive and optimistic about where we're headed based on the young people that we know were coming up, and every generation that comes up because they are keeping those core values. There's a torch that gets passed, but they're also creating something new. They'll be part of that American Dream, and that will be exciting to see what that looks like.

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Mary: Thanks so much for joining us today on Twice Around.

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Jody: Now, if you'd like to learn more about the research behind this episode on the American Dream, be sure to check out our show notes at [twicearound.org](http://twicearound.org).

Mary: If you liked what you heard today, be sure to subscribe to the show on iTunes, Stitcher or Tunein.

Jody: We'll be back next week taking another look at the beliefs that shape us.

Mary: See you next time.