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The Costs of Living

Picture this. You are with your wife (or husband), newly married and you want to do something nice for them. You start to book a nice vacation for your honeymoon. The good ole calculator comes out and finances start to get jotted down. Not enough money in the bank account for your honeymoon. Why? Rent is due. It's an all-time high while increasing each month. Can't possibly pull out a loan for a down payment on a house, those prices are even higher compared to rent. What are you supposed to do? Fast forward a couple weeks and you are in a cold dark room. Surprise! You moved into your parents' basement, and you brought your wife! You tell them it'll only be for a couple of weeks at max. Fast forward those 2 weeks and boom, still in the basement. Your parents say "it’s okay, we understand. Stay as long as you need." They are lying. You make a plan to scrounge up enough money to move out. A month or two goes by and you finally move out. You found a small 2-bedroom apartment that is charging a decent price! Uh oh, it's in a sketchy neighborhood that is also far from work, which means longer commutes. Guess what? Gas prices have also skyrocketed recently, so you have even less money for you and your wife! As terrifying as the story can be, it's not at all fantasy.

Before we get into the implications and consequences that the recession during the Covid-19 pandemic brought, I’ll ask you a series of questions. Why are young adults today living with their parents more than ever before? Are we in a generation of lazy people who aren't willing to work and live on their own? Or has economic greed and decades of unmonitored capitalism failed us? I, like many other young adults in the world today, are living with their parents. Some parents are kind enough to let their kids stay at home during college or until they get out on their feet. Others aren't as fortunate. We live in a world where we are taught to work hard, get an education, and reap the rewards from that hard work. But what happens when the rewards are unobtainable due to employers not paying fair wages? Or real estate firms padding their bottom dollar by raising the costs of housing. Gone are the days of single income households and the lifestyle that came with it. Even with a dual income, young adults are struggling to make ends meet. What can these young adults do to get an edge over these hard times? The rich say to take the bus, drink less Starbucks, work from home, cancel Netflix subscription, and cook home meals rather than fast food. Pretty distasteful to hear that in order to afford a living, you have to cut out the small things in life that bring people happiness.

Imagine this. It's 2012, 4 years have passed since the housing crisis of 2008, and you have saved up some money. You start to do house searching and find one you like that is also within your price range. You put up a hefty down payment of $16,000, which is 10% of the total home. A price that low is near impossible to find nowadays in the year 2022. Why is a price of $160,000 hard to find you might ask? A startling statistic from Sharon Parrott and her team at CBPP (Center on Budget and Policy Priorities) has the answer for you. In 10 short years the average cost of a home has skyrocketed from $160,000 in 2012, to an enormous $386,000 in 2022 (Parrott). A $225,000 or 141,25% increase in value over 10 years. Those lucky few who purchased a home in 2012 more than likely have a massive equity 'balloon' waiting to be claimed. Most families haven't cashed in on this balloon though, and there's a good reason why. Say you do sell your home to someone willing to pay the outrageous price, where are you going to go? If you don't have a second home to live in, you are now stuck in the same position the buyer of your home was in. Another statistic is discovered that has to do with supply of homes. In the same 10 years that houses skyrocketed in price, the supply of houses on the market dropped from 2.7 million homes down to 1.38 million (Parrott). Not only is it harder to buy a home in 2022, but it’s also more difficult to find a home worth purchasing. So far, I’ve explained that life is more difficult, housing and rent have increased in price ten-fold, and gas prices are going up. What else could go wrong? Russia invades Ukraine. I won’t talk much on it, just know that it effects fuel costs and lowers morale. What I will talk about though are the inflation rates throughout Covid and beyond.

Reade Pickert, a journalist employed by Bloomberg to keep up with and document economic changes brought in by covid-19. In his article, Pickert investigates the “39-Year High of 7%” consumer price inflation that the United States is facing. One of the reasons behind the high inflation rates are tied to desperate businesses trying to fill open positions by increasing pay to attract and retain workers, specifically at the lower end (Pickert). This tactic used by businesses have pros and cons. The positive side of the conversation is that people are getting jobs and are being paid well. The problem with this is that it’s a short-term solution. The increase in money being dispersed into the economy leads to more people spending. Goods are consumed at a faster rate and in turn things become more expensive. When things become more expensive it trickles down and leaves the poor in a worse spot. It’s a vicious cycle that can endlessly loop if handled poorly.

Young adults are beginning to struggle in today's economy and major decisions such as getting married and having kids is quickly getting pushed onto the side burners. The consequences of postponing key events such as marriage and kids go further than you might initially think. Mark Mather, the vice president of U.S. programs at PRB, who has 20+ years of experience working in 2020 census, child well-being, household and family structure, inequality, poverty, and much more. Mark talks about how even before the crisis that is Covid-19, young Americans were postponing key life events such as having children and getting married. He explains how as time has gone on there has been a general decline in marriages, as well as a growing gap between marriages consisting of greater education vs less education. Potentially related but otherwise seen as a general decline, Mather explains, “The economic impact of the coronavirus may cause more young adults to postpone births, leading to further declines in birth rates, especially among women under age 30.” Mather continues with, “In midlife, they earn less (while working more), are less likely to be married, are more likely to be childless, and are more likely to die prematurely compared with young adults who enter the workforce during a healthier economy.” What Mather is trying to explain is that joining the workforce during a recession creates a long-lasting negative impact on workers and their families.

Throughout this paper I’ve gone through and explained how young adults are struggling in today’s world. The massive rise in housing costs leading to more renters which leads to higher rent costs. Inflation rates have increased, followed by gasoline jumping in price. All of this compacted on the tail end of a global pandemic. What happens when it becomes too much to handle? For some it means moving back in with your parents, others it means postponing life events such as marriage and kids. The questions on everyone’s mind right now. What do I do? When will it get better? Where do we go from here? How do we fix these problems? And to that I respond, I don’t know.

Sources

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Target Audience

The goal for this assignment was to aim for young adults ages 18-26. This demographic is where most young adults struggle with finances and choosing between college and their career. This is also the group where most major life decisions such as buying a house, getting married, and having kids is thought about. Based on what is supposed to happen with current economic projections, this demographic is more likely to delay their major life decisions due to financial problems. Life is rough right now for a lot of people. A global pandemic followed by the highest inflation rates in half a century creates problems. My goal is to shed light onto these problems so the demographic can learn about them. I went with a more humorous approach with deadpan sentences to match the feeling of the world right now. It can be hard to put on a smile and go to work, school, or any other responsibility we have. Young adults are being presented with a harsh reality. For some it means giving up on their dreams because of the living costs. A point hinted at but not directly mentioned is how students are dropping out of college due to these expenses. They can’t add student loans on top of everything else. I’m afraid of what the future will look like for my generation and the future generations. Postponing key life events such as marriage and kids lead to less development and a higher reliance on your parents. Think China, although some of their issues come from the gender limit.