The percentage of middle-income U.S. households has declined significantly in recent years, leading some economists, policy experts and politicians to argue that the American middle class is in deep trouble — or even disappearing. Globalization, automation and declining union membership have shrunk the manufacturing workforce — historically a bulwark of the middle class — and an increasing share of the nation’s wealth has accrued to the richest Americans. Many experts say achieving middle-class status today is unlikely without a college education and entry into the white-collar work world — a stark turnaround from the booming post-World War II years, when a stable blue-collar job anchored millions of families in a middle-class lifestyle. Still, some experts call fears of a middle-class decline overblown, saying poor Americans who face far tougher conditions are being overlooked. Presidential candidates in both parties are responding to middle-class discontent, with Democrats promising to cut college costs and Republicans proposing changes in the tax code.
THE ISSUES

- Does income stagnation mean the middle class is in decline?
- Would helping the poor also bolster the middle class?
- Can improved education protect the middle class?

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Early Middle Class
Sharp class differences separated pre-industrial American workers.

Government Intervention
New Deal programs offered income and security to millions but excluded blacks.

Economic Boom
Post-world war II manufacturing growth boosted U.S. wages and homeownership.

The Reversal
Automation and outsourcing eliminated millions of jobs beginning in the 1970s.

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THE ISSUES

In only one sentence, Sediena Barry summed up her view that the American middle-class dream has evaporated: “Young people were told, ‘Get an education and work and you’ll get ahead,’ and none of us are.” 1

The 34-year-old office equipment installer in Reynoldsburg, Ohio, outside Columbus, spoke to The New York Times after voting in the most turbulent presidential primary season in decades.

Vote-seeking politicians in both parties have been pounding on the theme that the middle class is embattled. But they didn’t invent the concept of declining economic mobility. A growing number of academic studies, data analyses and scholarly commentary warn that America’s middle class is shrinking, its wealth far outpaced by the holdings of the rich and super-rich.

The central theme emerging from most of this work is that after decades of defining itself as an overwhelmingly middle-class country, the United States increasingly is fracturing into a nation of haves and have-nots. Many analysts fear a vision long shared by a majority of Americans is eroding: that hard work will get anyone into the middle class or from the middle class into the top reaches of society.

“The share of the American adult population that is middle income is falling, and rising shares are living in economic tiers above and below the middle,” the nonpartisan Pew Research Center stated in an extensive 2015 analysis of income trends in the United States. “The hollowing of the middle has proceeded steadily for four decades, and it may have reached a tipping point.” 2

Many scholars — as well as numerous politicians and voters — trace the challenges facing the middle-class to the loss of good-paying manufacturing jobs that defined the post-World War II economic boom but then disappeared as U.S. companies shifted operations overseas or succumbed to foreign competition.

Stephen J. Rose, a research professor at the Center on Education and the Workforce at George Washington University in Washington, says the postwar economic boom continues to shape middle-class expectations, even though the U.S. economy — with its preeminent place in the global economic landscape — has undergone an irrevocable shift.

“We suffer from a political and emotional problem: the 30 glorious years from 1945 to 1975,” Rose says. The postwar economic boom continues to shape middle-class expectations, even though the U.S. economy — with its preeminent place in the global economic landscape — has undergone an irrevocable shift.

Still, while many economic analysts agree the middle class has suffered setbacks in recent years, not all see such a grim picture.

For instance, Pew’s analysis did not include ancillary forms of income, such as employee health care benefits, which other researchers routinely count in assessing middle-class conditions, notes Scott Winship, a policy analyst at the conservative Manhattan Institute for Policy

BY PETER KATEL

Jonah Devorak had been washing dishes and manning the grill at a Cleveland restaurant since he was 16. But his future brightened when he heard about a program at Cuyahoga Community College that trains students for manufacturing jobs. Now he’s a full-time machine operator at Swagelok, a maker of high-pressure valves and fittings.

BY PETER KATEL

wage countries and the growth of job-killing automation.

“Europe needed us to provide a lot of capital goods to them,” he continues. “Unionized and blue-collar workers with low education and fairly low skills were getting fairly good middle-class wages. That was not sustainable. No one wants to say that out loud, but that’s the bottom line.”

Pew’s analysis highlights many of the factors that led to that stark bottom line:

• The share of adults in middle-income households fell from 61 percent of the population in 1971 to 50 percent in 2015. For the first time, they were outnumbered by those in lower- and upper-income tiers. The share of overall household income among middle-income families has declined from 62 percent in 1970 to 43 percent in 2014. On the other hand, wealthy households — representing only about one-fifth of the adult population — earned almost half the nation’s household income.

• The gap between rich and poor has widened. In 2015, 20 percent of American adults were in the lowest-income tier, compared with 16 percent in 1971. On the opposite side, the share of adults in the highest income tier has more than doubled during that period, from 4 percent to 9 percent. 3

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For instance, Pew’s analysis did not include ancillary forms of income, such as employee health care benefits, which other researchers routinely count in assessing middle-class conditions, notes Scott Winship, a policy analyst at the conservative Manhattan Institute for Policy.
The number of U.S. manufacturing jobs fell from about 19 million in 1979 to 12 million in 2015, as companies increasingly automated factories or outsourced work to countries with cheaper labor. Once a major source of middle-class income, manufacturing jobs declined most rapidly after 2000 as U.S. manufacturing productivity increased, reducing hours for factory workers, while competition from foreign countries weakened demand for U.S.-produced goods.


A middle-class identity. That included blue-collar workers, who enjoyed homeownership, steady, well-paid employment and the possibility that their children would go into even better-paid white-collar work. In today’s world, however, an economic — and resulting cultural and political — divide is opening between working-class Americans and those in the middle class.

Scholars say that division shows up most clearly in differences between those with and without college diplomas. “The sharpest class division is between people with four-year college degrees and everybody else,” says Andrew J. Cherlin, a sociologist at Johns Hopkins University in Baltimore. “They wait to marry to have kids, their divorce rates are going down. People without degrees marry in much smaller numbers and have a much larger proportion of kids without marriage; you used to see that just among the poor.”

That social distinction accompanies significant income differences. The earnings of college-educated workers consistently outpace those without bachelor’s degrees. In 2013, according to the latest available statistics, median earnings for those with bachelor’s degrees — $48,500 a year — amounted to $18,500 more than the earnings of high school graduates. 

But many ordinary Americans do not view a college diploma as a middle-class credential. An overwhelming 89 percent of respondents to a Pew survey this year said the first requirement for being considered middle class is a secure job. Only 30 percent said a college education is a necessity.

Even so, Jacob Hacker, a political scientist at Yale University in New Haven, Conn., says the upper-income tiers of the college-educated middle class also are feeling uncertain about their future. “They’re more likely to switch jobs and have to balance work and family, to deal with health care costs, education costs and housing in particular,” he says. “Even if they feel relatively secure at the moment, they know they’re going to have to put their kids through college, to save to own a home.”

That uncertainty is well founded, some experts say. “Incomes are growing more slowly” in the middle class, says Lane Kenworthy, a sociologist at the University of California, San Diego.

And even though the economy is recovering from the housing crash and ensuing 2007-09 recession, the youngest college graduates are still seeing their
earnings decrease, according to data compiled by the Economic Policy Institute, a liberal think tank in Washington. Average hourly wages, inflation-adjusted, for college graduates age 21-24 have fallen from $18.41 in 2000 to $17.94 in 2015. What's more, according to a survey by Harvard University's Institute of Politics, 73 percent of current college students expect to have trouble finding a job when they graduate. 

As young adults continue to face struggles, they appear to be responding to political messages aimed at middle-class voters. Many young Democrats — including Barry, the office equipment installer in Ohio — have been flocking to Democratic presidential candidate Bernie Sanders, who pledges to "rebuild the American middle class." He has called for curbs on the growing concentration of wealth in the hands of the ultrarich and an end to foreign trade deals that cost American jobs. By mid-March, Sanders had won 1.5 million youth votes in the Democratic presidential primaries and caucuses — more than twice as many as his Democratic competitor, Hillary Clinton.

Clinton and GOP front-runner Donald Trump, along with other Republican candidates, also are campaigning hard on the issue of middle-class economic prospects and income disparities. Clinton now opposes the Trans-Pacific Partnership free trade agreement, citing its potential to harm American workers. And Republican Sen. Ted Cruz of Texas is pitching a 10 percent flat tax as a way to counter a situation in which "Washington pads Wall Street's pockets" through tax loopholes.

Even some experts who view middle-class anxieties as well-founded argue that the political system is capable of resolving them. "The big if is [whether] we can get our political system moving," says Hacker. "Our standard of living encompasses a lot more than income, and I believe we have enormous potential in providing income security, access to high-quality health care’ and other things the middle class worries about."

Analysts on the left are more pessimistic, saying growing middle-class discontent reflects a coming to terms with reality. "Your kids are not going to do better than you, and their opportunities, unless they're born into money, are very, very poor," says Alan Nasser, a professor emeritus of political economy at Evergreen State College in Olympia, Wash. "I can't imagine this wouldn't produce a significant change in consciousness."

As economists, politicians and average Americans discuss the future of the middle class, here are some of the questions being debated:

**Does income stagnation mean the middle class is in decline?**

In a flood tide of political rhetoric, scholarly books and journalism about the nation’s changing economy and the growing disparity in America’s wealth distribution, the single most explosive concept for middle-class Americans is the idea that they are an endangered species.

But experts disagree over whether the middle class is shrinking, in large part because the term “middle class” is partly an economic concept and partly a social one. In its recent report, Pew took the economic approach, defining middle-income households as those with income amounting to two-thirds to double the national median. For a three-person household, that works out to about $42,000 to $126,000 a year, in 2014 dollars. Based on three-person households. Income does not include employers’ contributions to health insurance, Medicare and Medicaid benefits, investment income and pensions.

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**U.S. Income Gap Widening**

Median earnings of upper-income households rose to nearly $175,000 in 2014, up 47 percent since 1970 after adjusting for inflation. Earnings of middle- and lower-income households rose 34 percent and 28 percent, respectively, during the period. Incomes of all three groups fell since 2000, but middle- and lower-income households saw larger declines than wealthier ones.

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Some experts not affiliated with Pew agree that a variety of data support the report’s conclusion. “The share of Americans with incomes in what we might call the middle has been decreasing,” says Kenworthy of the University of California.

And results from a 2015 Gallup Poll were remarkably similar to Pew’s: 51 percent of Americans categorized themselves as middle or upper-middle class — a sharp decline from the 61 percent, on average, who had labeled themselves as such in 2000-08. 15

That data may not be definitive. The respected General Social Survey, run by NORC at the University of Chicago (and which also asks respondents if they are lower class, working class or upper class), shows that the share of Americans describing themselves as middle class has been at roughly its most recently recorded level, 42 percent for 2014, since 1990.

However, Noah Smith, a finance professor at Stony Brook University in New York who analyzed the Gallup data, concluded that the Gallup results appear to show an anxiety rooted in hard financial reality. “Even if your family makes $180,000 a year, well above the national median, it might be hard to think of yourself as upper-middle class if you could be fired at any time, or one medical emergency could send you into bankruptcy.” 16

Different ways of measuring income can lead to different conclusions about the size and condition of the middle class. Using CBO’s methodology of including Medicare, investment income and pensions, Winship, of the Manhattan Institute, concluded that middle-class households have grown 35 percent more prosperous since 1979. 17

Income growth for the middle class “is much smaller than growth at the very top,” Winship acknowledges, “and smaller than what growth was for the middle in the ’50s and ’60s, but we are significantly better off.”

Winship argues that those in the middle class have less reason to worry about potential job and benefits losses than they seem to think. “These are real anxieties,” he says, but in surveys, “about the same share of people” say they fear dying in airplane crashes or becoming victims of crime or terrorist attacks as say they worry about losing their jobs and benefits.

Kenworthy says income stagnation may be more important than the shrinking size of the middle class. Statistics from the Economic Policy Institute show a near-absence of growth in middle-income earnings between 1979 and 2013, compared with what higher-income earners made. Middle-class wages rose 6 percent during that period, while compensation for highly paid workers jumped 41 percent, the institute found. 18

“Household income has been going up, but very slowly,” Kenworthy says, and that’s only because “more and more households have added a second earner.”

Still, says Rose of George Washington University, earnings data not only exclude employer-paid benefits, but they also fail to account for smaller household sizes and rising living standards. “We have bigger houses, better cars; we eat out more,” he says. “And we’re living longer.” Indeed, for the U.S. population overall, life expectancy rose from about 71 years in 1970 to 79 in 2013. 19

Rose acknowledged that a rising mortality rate among lower-earning Americans in blue-collar jobs reflects a grimmer reality for people who may once have considered themselves, or their parents, as middle class. (See sidebar, p. 326.)

“I’m not saying there’s no pain and anxiety,” he says. “If sons and daughters tried to follow their parents into factories, they were really in bad shape. But people who work in offices, including education and health care, do OK. And what do you see when you’re in Albuquerque or Baltimore or Denver? You don’t see factories. You see offices and health care and educational facilities.”

Experts, such as Cherlin at Johns Hopkins University, also find that wages for those with bachelor’s and advanced degrees are falling. “During the ’70s, ’80s and ’90s, the wages of college-educated workers went up,” he says, drawing a contrast with today’s situation. But data from 2000 to 2014, the most recent figures available, show median annual earnings of male bachelor’s degree holders fell — from $67,470 to $60,933. And those with doctorates saw a drop from almost $98,000 in 2000 to about $92,000 in 2014. 20

Cherlin speculates that bachelor’s degrees may have become an inadequate credential for middle-class status. “You have to wonder, as the economy becomes more automated and computerized, whether college graduates will have trouble achieving their economic dreams.”

Since the rise of automation in workplaces of all kinds in recent decades, employment in so-called middle-skill jobs — including sales, office and administrative work — has fallen from 60 percent of the workforce in 1979 to 46 percent in 2012. 21

But fears that highly advanced automation software may eliminate even upper-middle-class jobs that require considerable analytical capabilities — such as financial analysis — are largely unfounded, says David Autor, a Massachusetts Institute of Technology economist considered an authority on automation’s effects.

“The pressure of automation on labor forces is likely to be more downward than upward,” he says. “More autonomous vehicles, more dexterous robots are doing more labor-intensive tasks. Automation replaces some high-skilled workers, but often complements them as well, as with robots that doctors work with.”

Would helping the poor also bolster the middle class?

Overall, the U.S. economy is recovering from the 2007-09 recession, with unemployment falling to 5 percent this year — about half what it was in 2009 at the height of the recession. For those with bachelor’s degrees or higher, unemployment was 2.5 percent by the
end of 2015, a year in which nearly 2.7 million jobs were created. 22

But the poverty rate for 2014 is 14.8 percent — representing 46.7 million people — up from 12.2 percent in 2000 and barely changed since 2010. 23

Given those statistics, many policy experts say focusing too much on the middle class ignores the plight of the poor. “The safety net should be limited to people who are truly indigent, as opposed to being spread around in a way that metastasizes into middle-class entitlements,” Arthur Brooks, president of the American Enterprise Institute, a conservative think tank, said during a panel discussion with President Obama last year.

His argument echoed a long-standing conservative view that Medicare and Social Security should be “means-tested” so rich people do not benefit. Liberals say if such programs were means-tested, they would lose their broad public support because they would be seen as anti-poverty programs. 24

Low-wage workers have been urging local and state governments to raise the minimum wage to $15 an hour, which some say would also push up wages of higher-earning employees, thus expanding the middle class. A growing number of cities and two states — New York and California — have approved or are in the process of enacting such laws. 25

But debates over whether to focus on helping the poor or the middle class have roiled Democrats in recent years. In late 2014, Democratic Sen. Charles Schumer of New York criticized the Obama administration and liberal Democrats for pushing the Affordable Care Act in 2010, arguing that it benefited mostly the poor because most middle-class Americans have insurance through their jobs. At that time, he said, the Democrats should have “continued to propose middle-class-oriented programs.” 26

Nevertheless, Winship of the Manhattan Institute says government initiatives focusing on the middle class would siphon resources more urgently needed by the poor.

“To focus too much on the perception that the middle class is in decline is bad for poor people,” he says, citing a Department of Agriculture survey showing that 20 percent of U.S. households are worried that their food will run out before the end of the month. 27 Programs should focus instead on improving the standard of living and upward mobility of the bottom fifth of the income scale, he says.

But political will is not focused on the poor, says Anthony P. Carnevale, an economist and the director of Georgetown University’s Center on Education and the Workforce. “It is morally repulsive, but the poor are not in the game,” he says. “They have been disappeared in America. Strengthening the middle class is the mantra.”

The most recent major government action directed at poor families, Carnevale says, was the 1996 welfare reform law, which included job training. 28 But its beneficial effects vanished when the job market tightened in the early 2000s. “When there is no surplus, the poor get nothing” because they have no political leverage, he says. “I think that, in the end, doing something for the poor well. Over time, “people who play by the rules can get hurt,” Rose says, “but they also can win.”

Some experts, including Kenworthy of the University of California, say some programs designed to aid the middle class would also help the poor.

“For example, if we were to put in place a good-quality universal early-education system, along the lines of what Sweden and Denmark do, with some user fee or co-payment,” Kenworthy says, would produce “a real increase in living standards” for both poor and for middle-class families.
Early-childhood education is a longtime liberal anti-poverty solution. Advocates cite studies showing that early education improves the earnings of adults who attended as children. Studies in Tulsa, Okla., and Boston calculate that poor children would earn about $3 more for each dollar spent on their early education. 30

But some conservatives, most recently in Tennessee, cite studies showing that early education makes little difference in the long run. 31

Can improved education and training protect the middle class?

Statistics show that higher education pays off. Men with bachelor’s degrees earn $900,000 more in median lifetime earnings than male high-school graduates, and women $630,000 more. For those with graduate degrees, the differential amounts to $1.5 million for men and $1.1 million for women. 32 Associate’s degree holders earn $798 per week — $120 more than high-school graduates. 33

Questions remain, however, about what type of higher education — and in which fields — best prepares a student for the present and future economic climate. A growing number of experts say a student’s training should be geared toward new technological advancements.

“Are your skills a complement to the skills of the computer?” asked Tyler Cowen, a professor of economics at George Mason University in Fairfax, Va. “If so, your wage and labor market prospects are likely to be cheery.” 34

In his book *Average Is Over*, Cowen warns, “Lacking the right training means being shut out of opportunities like never before.” The highest earners, usually those with advanced postsecondary degrees, “are earning much more,” he adds. But all science and technology degrees are not automatically valuable, he writes, arguing that a trained marketer likely will do better than, say, an astronomer. 35

Still, machines may replace a variety of careers. A 2013 study by two technology specialists at the University of Oxford in Britain estimated that 47 percent of all U.S. jobs are at high risk of being replaced by robots or other technologies in the next 20 years. 36

But while fear of automation builds, others say demand remains high in certain jobs that do not require college or postgraduate degrees. “We might train some high-school graduates for mid-level jobs that are still around and might be growing — medical technicians, who run X-ray machines and medical devices; [and] there are factory jobs that require knowledge of computer-controlled machinery,” Cherlin says.

However, the need for such vocational training, much of which can be done at community colleges, poses a policy question. “Do we give up on the dream that every young adult should have a four-year college degree, and pour resources into community colleges?” Cherlin asks. He and others favor a community college-based strategy, on the grounds that not all students will make it through a four-year college, which is also far more expensive. 37

Winship of the Manhattan Institute rejects the argument that college is becoming unaffordable. “The cost of higher education and increases in student indebtedness have definitely led a lot of people to worry that pathways to the middle class are blocked off,” he says, “but that is not reflected in rising graduation rates” at American colleges. Graduation rates at four-year colleges have increased, though modestly, from about 58 percent for those entering in 2000 to 59 percent for those students entering in 2006. 38

And undergraduates typically accumulate far less debt than graduate students, Winship notes. In 2011-12, the most recent years for which figures are available, 30 percent of bachelor’s degree graduates owed no debt, 10 percent owed less than $10,000 and 18 percent owed less than $30,000. By contrast 54 percent of professional, doctor-level degree graduates owed $120,000 or more. 39

Worries over debt are “misplaced,” Winship says. “People who get a degree and come out with $20,000 to $30,000 in debt — that is not nearly as big a problem as people who drop out and have $10,000 to $20,000 in debt.”

But Rose of George Washington University argues that the education issue
goes deeper than acquiring diplomas. The dropout rates for students seeking bachelor’s degrees reflect the failure of high schools to prepare graduates for college work, he says. “What we’re talking about is people who don’t have skills” that enable them to succeed in college.

Consequently, he says, the most urgent task is to expand the community college system. “Otherwise we will force more people into the four-year system, in which a small number will find themselves and thrive, and another group will make it through because they’re at colleges with very low standards.”

And even those like Cowen, who advocate education and training geared specifically toward new technologies used in today’s workplaces, say the educational infrastructure is nowhere near ready for the task.

“That takes a full generation,” Cowen says. “It’s a slow process. We don’t even have teachers trained to do that much training. We’re starting, but I wouldn’t say we have started in a big way.”

**BACKGROUND**

**Early Middle Class**

Even before the Civil War, long before the modern emphasis on the United States as a middle-class country, at least one writer was already celebrating the American middle class as the embodiment of national ideals.

“The most valuable class in any community is the middle class — the men of moderate means,” poet and journalist Walt Whitman wrote in a Brooklyn newspaper editorial in 1858. 40

During that era, according to sociologist C. Wright Mills, a scholar of the U.S. class system, “the middle class was so broad a stratum and of such economic weight that even by the standards of the statistician the society as a whole was a middle-class society.” Mills counted professionals, self-employed manufacturers and independent farmers as members of the middle class. 41

But Mills may have painted too romantic a picture, ignoring sharp class differences within the working population, with wage workers on one side and far-better-paid professionals and bosses on the other, according to economics professor Robert J. Gordon of Northwestern University in Evanston, Ill. If middle class in the 1870s meant a household that employed a servant — a standard definition — then the middle class accounted for only 15 percent of households and the rest were working class, writes Gordon. 42

The period between the 1870s and America’s entry into World War I in 1917 was also marked by the excesses of what is known as the Gilded Age, when industrialists such as Andrew Carnegie, John D. Rockefeller and Cornelius Vanderbilt built immense fortunes by monopolizing the steel, oil and shipping industries. Wealth was concentrated at the top of the socioeconomic ladder: By 1917 the top 1 percent of earners received more than 40 percent of the national income. Today, that percentage is even higher, leading many experts to call this America’s new gilded age. 43

Gilded Age excesses gave rise to the Progressive movement of 1900 to 1920. Led by members of the upper class and of the still relatively small professional middle class, the Progressives were outraged at big-business domination of the economy and politics. One of the movement’s major champions, President Theodore Roosevelt, railed against the power of the industrial monopolies, or trusts, and used the Sherman Anti-Trust Act to break up the Northern Securities Corp., a holding company of railroads. 44

Overall, the movement succeeded in imposing regulations on factories that improved worker safety and limited work hours of children and women. But most attempts to impose major curbs on big business failed, given the strength of the interests involved. And when the Progressive era had run its course, by 1920, it was followed by the “Roaring Twenties,” when wealth was celebrated and regulation of business weakened. 45

**Government Intervention**

The Great Depression, preceded by a catastrophic stock market crash in 1929, ended the hopes and dreams of vast numbers of Americans. Millions of savings accounts were wiped out when more than 10,000 banks failed. 46

By 1933, more than 25 percent of the workforce was unemployed. 47

After taking office in 1933, President Franklin D. Roosevelt initiated a series of laws and programs known as the New Deal, designed to rescue millions of unemployed Americans devastated by the Depression. New Deal innovations included the Social Security system; legislation authorizing and regulating collective bargaining; and federal employment in public works of all kinds. The Works Progress Administration (WPA) — which sent jobless workers across the country to build and repair bridges, roads, parks and other public facilities — employed 8.5 million Americans during its eight-year existence, which ended in 1943. However, in a political compromise with segregationist Southerners in Congress, African-Americans were excluded from major New Deal programs in the South. 48

After World War II, the Servicemen’s Readjustment Act of 1944 — better known as the GI Bill of Rights — authorized federal benefits, including tuition for college or trade school, low-cost home mortgages and business loans, to 12.4 million veterans — about 78 percent of all those who served. 49 The legislation was designed to — and did — create a bigger, more financially secure middle class.

“The increasing share of the population with high school diplomas and then college degrees helped pave the way for a transformation from a working-class society before World War II to a middle-
class society afterward," Gordon writes, expressing a virtually universal view. 50

Some 5.6 million veterans attended trade schools or took on-the-job training in fields such as auto and radio repair, accounting, construction trades, cooking, flight training and other work. As a result, the bill expanded the service sector of a diversifying economy. 51

However, some local administrators, following racist practices common at the time and unwilling to empower African-Americans, denied GI Bill benefits to black veterans. The long-term effect was to severely limit the formation of a black middle class at a time when the white middle class was expanding. 52

The early postwar period was also marked by an economic boom that made the United States the envy of other countries. The nation's GNP more than doubled from $200 billion in 1940 to more than $500 billion in 1960. The United States had three-quarters of the world's investment capital and two-thirds of its industrial capacity. 53

A biology class meets at Massasoit Community College in Brockton, Mass. Many jobs that will be in demand in the future, such as medical technician, don't require four-year college degrees, prompting policymakers to ask whether every young adult should have a four-year degree.

Economic Boom

Some of America's postwar economic advantages dated back to war production in a country that, unlike war-ravaged Europe and Asia, suffered no battles on its soil (with the exception of the 1941 Japanese attack on Pearl Harbor).

For instance, thanks in part to the expanded wartime manufacture of tanks and other vehicles, American automakers could produce far more cars after the war. They sold 9.1 million cars and trucks in 1954, compared with only 4.7 million in 1941. The vast expansion of the national automobile fleet helped stimulate GDP and income growth. Thanks to the latter, ordinary working families could own more than one car — an advantage previously confined to the wealthy. 54

Construction of the Interstate Highway System (begun in 1956), which allowed faster and easier shipping, accounted for a 31 percent jump in productivity during the 1950s. Northwestern's Gordon writes that 32 of 35 industries benefited from lower costs because of transportation improvements. 55

Meanwhile, the housing market exploded, in large part because of federally backed mortgages under the GI Bill. By 1955, 57 percent of U.S. households owned a home — up from 41 percent in 1940 — strengthening the connection between homeownership and middle-class status. Middle-class Americans came to view homeownership "as an inalienable right," one scholar has written. 56

By the mid-1950s, households in the top 1 percent of the income distribution spectrum held about 10 percent of the nation's income — down from nearly 24 percent in 1928, the year before the Great Depression. And during the period from 1947-79, average overall hourly compensation rose by about 100 percent. 57

The Reversal

As far back as 1962, sociologist Mills was warning that mostly middle-class office workers — those earning salaries rather than hourly wages — were vulnerable in ways that the early 19th-century middle class was not. 58

By the late 1970s, Gordon and others write, the earnings of those in the middle (and bottom) of the earning scale were being held down by the growing practice of outsourcing jobs and increasing automation, which also reduced the number of jobs. These were coupled with a steep decline in labor union power.

By 1981, 26 percent of the cars, 25 percent of the steel and 60 percent of televisions and consumer electronics sold in the United States were imported. 59

The decline of American manufacturing gave rise to the term Rust Belt to describe the Midwestern region where factories were shutting and well-paying manufacturing jobs were disappearing. 60 Steel industry employment, for instance, declined from more than 1 million in 1970 to 630,000 in 1990. 61

The 1980s and early '90s also saw the advent of the personal computer age, which would transform office work and communications. Desktop computers came into homes and offices, and users began connecting to networks over phone lines. Email began replacing business letters. And computers put powerful search and analytical capabilities into millions of hands.

Continued on p. 324
1760-1920 Colonial and post-independence middle class make up majority of the non-slave population.

1760 Seventy percent of free Americans — farmers, craftspeople and professionals — are considered middle class.

1870 As the country industrializes, class distinctions sharpen, with professionals and business owners accounting for 15 percent of U.S. households.

1920 New consumer credit industry enables purchases of appliances and other consumer goods.

1929-1944 Great Depression devastates U.S.

1929 Stock market crash precedes a widespread financial system failure.

1933 About one-quarter of the nation’s workforce — 15.5 million people — are unemployed as Great Depression reaches bottom. . . . President Franklin D. Roosevelt’s New Deal authorizes labor organizing and collective bargaining and spurs massive government employment in public works.

1941 United States enters World War II, begins to expand industrial capacity for vital war materiel.

1944 GI Bill helps pay for college and vocational education and provides home mortgages and business loans for more than 12 million veterans.

1947-1981 U.S. economy soars; home and car ownership mark middle-class status.

1947 Average hourly compensation for workers begins steady increase.

1954 U.S. auto industry sells 9.1 million cars, nearly double the 1941 total.

1955 Fifty-seven percent of U.S. households own their homes, up from 41 percent in 1940.

1956 U.S. Interstate Highway System construction begins, leading to declines in shipping costs.

1959 At Moscow debate with Soviet Premier Nikita S. Khrushchev, Vice President Richard Nixon touts products available to U.S. steel-workers.

1962 Columbia University sociologist C. Wright Mills warns that middle-class office workers are losing economic independence that early 19th-century middle class enjoyed.

1982-Present Continuing globalization, outsourcing and digital innovation cause disruptive economic change, sparking intense political debate.

1982 Personal computers become commercially available.

1990 American steel industry employment falls to 630,000 from more than 1 million in 1970.

1994 Amazon, which will cause huge job losses in retail and other industries, is founded.

2006 Leading economist estimates that up to 42 million service-sector jobs face potential offshoring.

2007-2009 Major recession pushes unemployment rate to 10 percent. . . . Long-term unemployed include educated, skilled workers.

2011 “Occupy Wall Street” movement reflects growing debate over economic disparity in American society.

2013 Economist Thomas Piketty’s Capital in the Twenty-First Century intensifies debate over fate of middle class.

2015 Pew Research Center concludes the middle-income population is shrinking. . . . Princeton University economists document death rate increase among lesser-educated whites. . . . Young college graduates’ hourly pay (inflation-adjusted) is $17.94 an hour, down from $18.41 in 2000.

2016 Presidential primary candidates from both parties attack U.S. trade policy for allegedly eliminating U.S. jobs.
Recession Underscores Black-White Economic Gap

**Bulk of African-American wealth tied up in homes.**

The brutal recession of 2007-09 and its aftermath spurred many Americans to talk about class distinction, but the crash and recovery also is a story about race.

Black households lost 40 percent of their wealth, on average, from 2009 to 2011, when recovery from the recession was beginning. During the same period, the median loss among white households (excluding home equity) dwindled to zero. 1

Much of that disparity stems from the different natures of black wealth and white wealth. The Social Science Research Council, a New York-based organization of academics in sociology and related fields, examined the racial dimensions of the recession and recovery for the American Civil Liberties Union. It noted that black home-owning households depended on the values of their homes for their wealth to a greater extent than whites.

In 2007, home equity accounted for 71 percent of the total wealth of the typical black homeowner. 2 For white homeowners, home equity made up 51 percent of wealth. 3 That difference partly explains why median wealth — excluding home equity — was $14,200 for blacks and $92,950 for whites in 2007. 4

Some experts conclude that this gap in resources is due, in part, to a history of housing discrimination, in which many minorities were denied mortgage loans or were required to pay higher loan rates than those charged to whites. A boom in mortgage lending that began in the 1990s eventually triggered the recession, underscoring the legacy of that discrimination, in the view of some experts. 5 A disproportionate percentage of blacks, as well as Latinos, held “subprime” mortgages, which carried higher interest rates because subprime borrowers were perceived to be at a higher risk of defaulting. 6

“Before the subprime boom, black borrowers were more likely to be denied loans overall,” wrote sociologists Jacob S. Rugh, now an assistant professor at Brigham Young University, and Douglas S. Massey, a professor at Princeton University. “During the boom, minority borrowers’ underserved status made them prime targets for subprime lenders who systematically targeted their communities for aggressive marketing campaigns.” 7

Rugh and Massey said data showed that subprime mortgages went disproportionately not only to black and Latino borrowers but also to non-college-educated borrowers. 8

Among blacks, as among whites, a college degree increasingly is seen as the dividing line between middle class and working class. Karyn Lacy, a sociology professor at the University of Michigan in Ann Arbor, who wrote a book based on fieldwork in black communities in the Virginia and Maryland suburbs of Washington, D.C., argues that the black lower middle class is more accurately described as working class. 9 Its members earn $30,000 to $49,000 a year in jobs that don’t typically require a college degree.

“Most of the rewards associated with a middle-class lifestyle, such as a safe neighborhood, quality public schools or job security are merely wishful thinking for this group,” Lacy wrote in 2012. 10

Overall, African-Americans are poorer than whites, with black median household income at $35,398 in 2014, compared to $60,256 for white non-Hispanics. But 11 percent of black Americans earn $100,000 to $200,000 a year, and 1.6 percent earn $200,000 a year or more — putting both those groups within the upper middle class. 11

Lacy urges that the continuing plight of many black households not lead to an overly generalized conclusion that the entire black middle class has been economically devastated over the past nine years.

Now doing research in Atlanta, Lacy says, “Here you have athletes, stockbrokers and even some Fortune 500 corporate executives in a nice house in a decent neighborhood. The house is a true asset for the family.”

But the recession also diminished the value of these homes. “You can’t just buy a house in the neighborhood,” Lacy says. “The house is a true asset for the family.”

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* Home equity is a home’s fair-market value minus any debt outstanding on the property.

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**Continued from p. 322**

The computer revolution eliminated jobs or enabled them to be moved overseas. With the emergence of the Internet and instantaneous global connections, companies began to shift tasks such as accounting, document search and medical image interpreting to English-speaking countries where labor was cheaper.

As the Internet rapidly expanded and the benefits of digital technology seemed limitless, a stock market frenzy took hold, with shares in virtually any Internet startup skyrocketing in value. The “dot-com bubble” burst on March 11, 2000. Within a month, the total value of all shares traded on Nasdaq, the main tech stock market, had plummeted by almost $1 trillion. 62

A recession followed, spurred by further declines in manufacturing. Those in the middle-earnings group took the hardest hit — with 1.3 million job losses in 2001. 63 Although the recession officially ended after eight months, economist Jared Bernstein, later the chief economic adviser to Vice President Joseph Biden, warned in 2003 that the recovery was a jobless one, with 2.1 million fewer private-sector jobs than existed in 2000. 64

Worries about labor market changes persisted as technological advances enabled employers in a growing variety of fields to “offshore” services to contractors abroad. Economist Alan S. Blinder of Princeton University, a former vice chairman of the Federal Reserve, estimated in 2006 that offshored service-sector jobs eventually could number two to three times the 14 million manufacturing jobs that existed at the time. 65

In the next few years, worries about foreign competition took a back seat to fears over possible collapse of the entire economy, as a plunge in housing prices sparked the 2007-09 recession, in which 8.7 million jobs were lost. 66 Joblessness peaked at 10 percent in
owners couldn’t make their mortgage payments. For the 30 preceding years, administrators and Congress had left financial institutions to mostly supervise themselves, relying on the self-correcting nature of the markets.

But in 1999, Congress weakened the 1933 Glass-Steagall Act, a major law governing the financial industry. The 1999 action allowed banks to engage in commercial activities, such as insurance and investment banking, which previously had been forbidden. Many experts say weakening Glass-Steagall contributed to the mortgage crisis by allowing banks to become “too big to fail.”

“The financial industry itself played a key role in weakening regulatory constraints on institutions, markets, and products,” said the 2011 report of the bipartisan National Commission on the Causes of the Financial and Economic Crisis. In 1999-2008 alone, Wall Street firms spent $2.7 billion lobbying Congress and more than $1 billion on campaign contributions, the panel noted.

The effects of the financial crisis were long-lasting, especially for the middle class. By late 2010, nearly 6.7 million jobless Americans were considered “long-term unemployed.” And many of these long-term jobless were skilled workers who had earned middle-class salaries.

Anger over Wall Street firms’ role in creating the mortgage crisis prompted the “Occupy Wall Street” movement, which began in New York City and spread nationwide in 2011. The move-
Rising Death Rates Signal Troubled Middle Class

Some despairing whites turn to alcohol, drugs.

For decades, death rates fell throughout the industrialized world as health habits and medical care improved. Lately, that trend has reversed — but only in one country, the United States, and only for middle-aged whites with a limited education.

From 1999 to 2014, the death rate for non-Latino whites with a high-school education or less shot up by 13.4 per 100,000, a jump of more than 20 percent. In the two decades before the spike, the mortality rate for all white Americans had fallen by nearly 2 percent a year, in line with the average rate of decline in other wealthy countries. The findings emerged from an analysis of Centers for Disease Control and Prevention and Census Bureau data by Princeton University economists Anne Case and her husband, Angus Deaton, last year's winner of the Nobel Prize in economics.

Case and Deaton's alarming study made headlines. The immediate causes of the new trend were as troubling as the rise in death rates itself: drug overdoses, alcoholism, suicide and two illnesses associated with drug or alcohol abuse: chronic liver disease and cirrhosis. Not coincidentally, mortality rose hand in hand with a massive increase in prescriptions for opioid painkillers — chemical cousins of morphine and heroin — and an associated surge in heroin use in predominantly white regions, especially New England.

Andrew Gelman, a professor of political science and statistics at Columbia University, questioned some of the Case-Deaton data analysis. He and a colleague didn't find an increase in the overall death rate for middle-aged whites — though they did find that they were doing worse in mortality than their counterparts in other countries. And those who are facing an increase are not men, Gelman said: "Actually, what we see is an increasing mortality among [white] women aged 52 and younger." That trend, he said, is geographically limited to the South and Midwest. Gelman did not examine the regional discrepancy or any possible reasons for the female death-rate increase that he found in his analysis.

Deaton and Case stood by their analysis. But they acknowledged that some explanation was needed that went beyond specific causes of death. "Ties to economic insecurity are possible," Case and Deaton speculated. "Many of the baby-boom generation are the first to find, in midlife, that they will not be better off than were their parents." 4

Deaton, who also studies global poverty, told the Council on Foreign Relations, a New York-based foreign-policy think tank, that he sees in the mortality spike the effects of a decline in manufacturing, a byproduct of globalized trade and automation. "These are the people who used to have good factory jobs with on-the-job training," he said. "These are the people who could build good lives for themselves and for their kids. And all of that has gone away." 5

But Lane Kenworthy, a sociology professor at the University of California, San Diego, argues that the mortality data do not support that hypothesis. Notably, the death-rate increase was higher before the 2007-09 recession — when economic conditions worsened — than after it began, he noted in a blog post.

Kenworthy argues that, without a statistical analysis, the opioid boom alone could account for the death-rate increase.

Reflecting growing public indignation over such disparities, the Securities and Exchange Commission voted last year to require most public companies to report on their CEO-employee pay ratio.
though he acknowledges that there could well be some connection to economic dislocation. "It is more likely that since around 1980, there has been a sizable segment of the American population who felt insecure or struggled economically but weren't addicted to pain relievers or heroin, or overdosing or killing themselves intentionally, until there was a change in the distribution of pain relievers," he says. "If all these people were happy with their lives, there might be some increase in addiction, but not enough to change the direction of the mortality rate."

Other scholars squarely defend the Case-Deaton hypothesis, arguing that changes in the class structure could well explain a sense of alienation among middle-aged white workers. The children of fathers whose working-class incomes provided a comfortable, secure existence have seen the economic environment change, says Andrew J. Cherlin, a sociology professor at Johns Hopkins University in Baltimore. And these workers, if they lacked college degrees, weren't prepared for the transformation.

"They thought they could be prosperous like their parents," he says. "College-educated people, I think they are doing just as well. It's the non-college-educated, especially whites, who feel correctly that they are not able to live up to the standards of their parents' generation."

Deaton told the Council on Foreign Relations that anguish could come not only from people's memories of their parents' generation, but also from a view of their own children's future.

"One of the things that would really make you despair in middle age is not only if you were not going to be better off than your parents," said the economist, who grew up in a coal-mining family, "but if you thought your kids were going to be even worse off than you were going to be and if the kids are turning to drugs and all of that too. I think that would make me despair." 7

— Peter Katel

4 Case and Deaton, op. cit., p. 4.
6 Lane Kenworthy, "Is economic insecurity to blame for the increase in deaths among middle-aged whites?" blog post, Nov. 5, 2015, http://tinyurl.com/h78jqx.

CURRENT SITUATION

Student Debt

Experts agree that getting the best education possible is the wisest investment young people can make. But some experts say the deck is stacked against low-income students, effectively making it harder for them to earn what is becoming an essential middle-class credential.

Low-income students are held back by the high cost of four-year degree programs and fear of graduating with an untenable amount of college debt. Total outstanding student debt reached a staggering $1.3 trillion last year, about 11 percent of which was delinquent or in default for at least 90 days. Borrowers owing half of the total have sought to postpone payment.

Definitive explanations for skyrocketing college debt are hard to come by. Experts at the Brookings Institution say tuition increases do not explain all of the ballooning debt. Net tuition — the amount after deducting financial aid — increased 12 percent in 2002-2012, while total student debt increased 77 percent. And enrollment increases are not large enough to explain debt growth, the think tank analysts said.

Brookings researchers Michael Greenstone and Adam Looney said students seem to increasingly be relying on loans to finance higher education, possibly because of the recession’s negative impact on family finances.

Recently, the growth in college debt has been slowing. And, counterintuitively, borrowers who default owe less on average than borrowers in good standing, which could reflect lower earnings in some students’ post-college careers. The average debt was $22,550 in 2014, while the average debt of those in default was $14,380.

Democratic presidential candidate Sanders vows to end tuition at all public colleges and universities. Clinton has a similar but somewhat more complicated plan, in which students would not pay tuition but their parents would have to pay some college costs.

And President Obama is proposing a plan that would provide free com-
Community college tuition for low-income students who attend classes at least half time and maintain at least a 2.5 grade point average. The federal government would pick up 75 percent of the tab and states the remainder. 81

Low-income students are more likely to earn certificates or associate degrees, which can be completed in fewer years, according to Sandy Baum, a senior fellow at the Urban Institute think tank who specializes in higher education finance, and Martha C. Johnson, a research associate there. 82

The financial barriers to bachelor’s and postgraduate degrees have racial and ethnic, as well as class, dimensions. According to an analysis by Demos, a liberal think tank, 81 percent of black students at public institutions — and 86 percent at private colleges — must borrow money to pay for tuition, compared with 63 percent and 72 percent, respectively, for whites. The same study concluded that middle-class black and Latino students are having the hardest time making student loan payments. For those at the bottom of the middle class, the hardship of college loan payments threatens membership in the middle class. 83

Because of the high indebtedness rate for black and Latino students, they drop out of college owing money at a far higher rate than white students. Thirty-nine percent of black borrowers drop out, compared with 29 percent of white borrowers.

“And despite bipartisan rhetoric around closing attainment gaps among students of color and low-income students,” wrote Mark Huelsman, a senior policy analyst at Demos, referring to the disproportionately low share of minority college students, “we have created a system in which more underrepresented students take on debt and drop out.” 84

Proposed Solutions

Obama’s latest proposed budget contains plans designed to boost employment in high-skilled, so-called middle-class jobs.

The budget would provide $75 million for the proposed American Technical Training Fund, which would expand tuition-free job training in fields such as manufacturing, health care and information technology. 85 But it is unlikely the fund will see the light of day. Congressional Republicans, who control both the House and Senate, have announced they won’t even hold hearings on Obama’s proposed budget. 86

But another Obama budget proposal — to supplement the wages of displaced manufacturing workers who take lower-paying service jobs by providing them up to $10,000 over two years — conceivably could get Republican support.

“The idea of targeting financial support to people who, especially later in their careers, are choosing between going back to a lower-wage job or potentially ending up on disability or something else — it’s a win-win to have them in the workforce,” said Oren Cass, a senior fellow at the Manhattan Institute and former domestic policy director for 2012 Republican presidential nominee Mitt Romney. 87

Obama’s plan to shore up the middle class and enlarge gateways to enter it takes a less ambitious approach than that of Sanders, who calls for spending $1 trillion over five years to rebuild roads, bridges, water systems and other infrastructure. “If we are truly serious about reversing the decline of the middle class, we need a major federal jobs program which puts millions of Americans back to work at decent paying jobs,” Sanders said last May. 88

Sanders is dueling Clinton on whose proposals would best help the middle class. She argues that his recommendations, which include expanding Medicare to cover all Americans, would raise middle-class taxes, which she vows not to do. She defines the middle class as individuals earning less than $200,000 a year and couples earning less than $250,000. “We need to give middle class families a break, not a tax increase,” said Jake Sullivan, a senior Clinton adviser. 89

Clinton’s definition of middle class has raised considerable criticism among liberal Democrats. “But under Mrs. Clinton’s pledge, some of the well off [are] lumped in for receiving a boost,” Bryce Covert, economic policy editor at

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Capitalism does not normally produce a middle class. The middle-class myth is based on the “golden age” of 1949 to 1973. During that period, the income of one breadwinner bought many families a house, an automobile, a plethora of durable goods, higher education for the kids, health care and sufficient savings for retirement. This suggests that hard work earned a desirable standard of living as a reward — namely, the wage — for that work. But the wage of the breadwinner has never been sufficient to enable the benefits touted in the single-breadwinner story.

The “American dream” was achieved by initiating a bubble in consumption, encouraging households to augment their buying power by taking on increasing debt. In 1946, the ratio of household debt to disposable income stood at 24 percent, by 1950 at 38 percent, by 1955 at 53 percent, by 1960 at 62 percent, and by 1965 at 72 percent. The stagnation of real wages that began in 1974 pressured households to further increase their debt in order to maintain desirable living standards, pushing the ratio of debt to disposable income to 77 percent by 1979. Then the median wage began, in 1974, a long-term decline persisting to this day. By the mid-1980s, the ratio began a dangerous ascent, from 80 percent in 1985 to 88 percent in 1990 to 95 percent in 1995 to more than 100 percent in 2000 and 138 percent in 2007.

Rising debt was necessary not merely to purchase more consumer “toys,” but to meet growing housing, health care, education and child-care costs. With soaring health care costs the leading cause of personal bankruptcy, mounting debt was necessary for most workers to stay out of poverty. Middle-class status was bought at the expense of addiction to debt.

If “middle class” connotes material security based on income from work, absent unsustainable debt addiction, there has never been an American middle class.

The debt bubble was unsustainable, and it climaxed in the debacle of September 2008, when the housing bubble finally burst. Since then, we have witnessed rising and record inequality and the further hollowing out of middle-income jobs. The bubble burst and it is evident that the middle class has shrunk. The signs are everywhere: a surge in women’s claims for Social Security, a family ripple effect, a rise in the number of these men who are not interested in work statistically accounts for the entire drop in labor-force participation over that period.

Claims that the middle class has shrunk use a threshold for the middle that rises as the country grows richer. They also conceal the fact that most of the “shrinking” is due to an increase in the share of Americans with enough money that they are better off than the “middle class” as it is defined in these analyses. The Congressional Budget Office, Congress’ nonpartisan budget analysts, and other sources show the middle fifth of American households richer by one-third compared with 1979 — by $15,000, according to the CBO. The middle class is far richer than its counterpart from that era, and tomorrow’s will be richer than today’s.

Over the long run, hourly pay has risen in line with productivity growth. Median pay among male workers stagnated during the 1980s and early ’90s. But that was a historical adjustment that gradually whittled away the unfair premium that male breadwinners received in earlier decades because married women were discouraged from working. Pay among female workers increased with productivity growth, and since the boom of the 1990s, male and female pay levels both have risen with productivity gains.

Some commentators focus on relatively low labor-force participation rates to argue that the unemployment rate no longer captures the weakness of the labor market. But much of the decline in labor-force participation is due to rising school enrollment and the retirement of baby boomers. And much of the rest of it is voluntary. Fewer than 40 percent of men aged 25 to 54 who are out of the labor force tell government surveyors they want a job, and the rise between 1979 and 2006 in the number of these men who are not interested in work statistically accounts for the entire drop in labor-force participation over that period.

Finally, economic mobility rates have held steady even as inequality has risen and family disruption increased. While the income growth rates of the mid-20th century have not returned, the American middle class is far richer than its counterpart from that era, and tomorrow’s will be richer than today’s.

Is the American middle class in permanent decline? It’s not even temporarily so. Seven years from the darkest days of the Great Recession, the American economy has almost fully rebounded to the considerable health it previously enjoyed. The unemployment rate is below 5 percent, not far from where it was before the recession started. Median hourly wages are back to their historical peak in 2007. Median annual household income also is nearly at its historic high.

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At Issue:

Is the American middle class in permanent decline?

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The rest of the state, where the cost of living is lower. 95

politan area and a $12.50 minimum for California signed into law the first statewide $15-an-hour minimum, and
June, Democratic Gov. Jerry Brown of California, and by 2018 in New York City, with the lower wage required elsewhere in the state by 2021. 96

Before California and New York acted, at least 14 cities and counties had already adopted the $15 minimum. 97 Many experts are unsure how the higher minimum wages will affect other wages. “It’s very unclear how that’s going to stack up,” said Ben Zipperer, an economist at the Washington Center for Equitable Growth, a research and grantmaking organization. 98

Some advocates argue that raising the minimum to $15 would push other wages further up, expanding the middle class. “A policy that can shore up the middle class will also reduce income inequality and serve as a foundation for job creation,” wrote Oren M. Levin-Waldman, a professor of public policy at the Metropolitan College of New York. 99

Others, like Charles Fay of Rutgers University’s School of Management and Labor Relations, say employers instead will just give smaller wage increases across the board. “There’s a decreasing increase so that you can maintain equity across the different wage levels,” he said. 100

Cruz proposed a 10 percent flat tax on income, plus a consumption tax. That would give high-income taxpayers a 29.6 percent tax cut, according to the Tax Policy Center, and a 3.2 percent cut for middle-income households. 92

For all the attention politicians are devoting to taxes, a bipartisan team of analysts from Brookings has concluded that raising taxes on the wealthy would produce “exceedingly modest” results in reducing income disparities overall. 94

A less complicated idea is to raise the minimum wage to $15 an hour — more than double the current federal minimum of $7.25 an hour. In early June, Democratic Gov. Jerry Brown of California signed into law the first statewide $15-an-hour minimum, and Gov. Andrew Cuomo of New York, also a Democrat, enacted a $15-an-hour minimum for the New York City metropolitan area and a $12.50 minimum for the rest of the state, where the cost of living is lower. 95

Both new minimum wages will be phased in, reaching the top level by 2022 in California, and by 2018 in New York City, with the lower wage required everywhere else by 2021. 96

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OUTLOOK

Slower Growth

In a much-discussed new book, economist Gordon of Northwestern University argues that whatever the fate of the middle class, it will not be vastly expanded by a new era of massive economic growth like that triggered by life-transforming innovations in the 1870-1970 era.

Revolutionary changes, such as universal electricity, water and sewer service, paved highways and air travel, are unlikely to be equaled in the foreseeable future, he contends. 101

“I am not predicting zero growth” in the economy, Gordon says. Citing recent advances in oil and gas drilling and other technological developments, he says, “I’m not saying we are not going to invent anything; there is plenty of room for fracking, 3-D printing, autonomous cars. But each of these innovations is evolutionary rather than revolutionary.”

Nasser of Evergreen State College agrees with Gordon. “U.S. long-term growth has always been associated with things like the steam engine, railroads, electricity, automobiles, suburbanization, which transformed the country’s whole way of life,” says Nasser, author of the forthcoming book United States of Emergency: American Capitalism and its Crises. “The more you think about it, the more intuitively improbable it is that any economic system could generate large-scale transformations of that kind ad infinitum.”

As for the middle class, Gordon says it will likely be smaller, barring a change in how the fruits of slow growth are distributed. “With the rise of inequality, . . . already slow growth in the income available is being siphoned off into the top 1 percent, leaving less for everyone else to share.”

Hacker of Yale says political changes could lay the groundwork for greater economic growth and for ensuring that the middle class shares in whatever growth occurs. For now, “We are not making the kinds of investments we would need to make in order to have growth like we used to have. Are we putting the kind of money we need to in infrastructure, early-childhood education, research and development?” he asks rhetorically.

And as automation requires fewer workers to produce more goods and services, Nasser says, private business won’t be motivated to maintain high employment. The solution, he says, is “direct government employment” in activities such as infrastructure reconstruction and repair. The alternative, he says, is “long-term imposed austerity, with an increase in social disorder, burglaries, robberies, psychological depression [and] disillusion with government.”

But Winship of the Manhattan Institute argues that technological innovation promises significantly more growth than
Gordon forecasts, while acknowledging that there will be less need for labor. “I see a future where things are going to get quite a bit cheaper,” he says. “People won’t have to work as long for the same standard of living.” However, he adds, “We do need to be concerned about people at the bottom who have few marketable skills.” But that is not to say that there are no possibilities. Workers must “look ahead and think imaginatively about jobs that will be created in the future for even people with relatively few skills.”

Journalist James Fallows, who spent three years visiting small cities in overlooked parts of America, writes that many small towns are undergoing “a process of revival and reinvention that has largely if understandably been overlooked in the political and media concentration on the strains of this Second Gilded Age.”

He found that many places considered backward and isolated are producing more innovation than the big coastal cities thought to attract talented and innovative young people. But whatever the future of fly-over country innovation, and regardless of whether Gordon is correct about a lower-growth future, says Kenworthy “the process of revival and reinvention that has largely if understandably been overlooked in the political and media concentration on the strains of this Second Gilded Age.”

If that growth had been evenly distributed, “we would have good income gains for the middle class, so much so that I don’t think we’d be having this conversation.”

Notes


3 Ibid., pp. 4-5.


5 “The American Middle Class is Losing Ground,” op. cit., p. 6.


10 For background, see “U.S. Trade Policy,” CQ Researcher, Sept. 13, 2013, pp. 765-788.


12 “The American Middle Class is Losing Ground,” op. cit.

13 Ibid., p. 6.

14 Ibid., p. 5.

15 Frank Newport, “Fewer Americans Identify as Middle Class in Recent Years,” Gallup, April 28, 2015, http://tinyurl.com/j6hrrza.


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FUTURE OF THE MIDDLE CLASS

Peter Katel is a CQ Researcher contributing writer who previously reported on Haiti and Latin America for Time and Newsweek and covered the Southwest for newspapers in New Mexico. He has received several journalism awards, including the Bartolomé Mitre Award for coverage of drug trafficking from the Inter-American Press Association. He holds an A.B. in university studies from the University of New Mexico. His recent reports include “Police Tactics” and “Central American Gangs.”

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About the Author

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For background, see David Hosansky, “Community Colleges,” CQ Researcher, May 1, 2015, pp. 385-408.


For background, see Peter Katel, “Racial Conflict,” CQ Researcher, May 1, 2015, pp. 385-408.


Ibid., Kindle edition.


Wysong et al., p. 22.


55 Ibid., pp. 3, 21-22.


61 Cherlin, Love’s Labor Lost, op. cit., p. 122.


66 For background, see Marcia Clemmitt, “Mortgage Crisis,” CQ Researcher, Nov. 2, 2007, pp. 913-936.

67 For background, see Marcia Clemmitt, “Mortgage Crisis,” CQ Researcher, Nov. 2, 2007, pp. 913-936.


70 For background, see Thomas J. Billitteri, “Middle-class Squeeze,” CQ Researcher, March 6, 2009, pp. 201-224.


FOR MORE INFORMATION


Center on Education and the Workforce, Georgetown University, 3300 Whittehaven St., N.W., Suite 3200, Washington, DC 20007; https://cew.georgetown.edu/. Conducts research on the relationship between academic training and career planning.

Manhattan Institute for Policy Research, 52 Vanderbilt Ave., New York, NY 10017; 212-599-7000; www.manhattan-institute.org. Conservative research organization that questions whether the middle class is endangered.


81 Ibid., p. 2.
96 Ibid.
103 Ibid.

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Books

Cowen, Tyler, Average is Over: Powering America Beyond the Age of the Great Stagnation, Dutton, 2013.
A George Mason University economist argues that because of technological changes, highly educated and imaginative individuals are becoming more valuable in the job market, but those considered ordinary are less in demand.

In a much-discussed study, a Northwestern University economist contends that the age of inventions that transformed daily life is over for the foreseeable future.

Political scientists from Yale (Hacker) the University of California, Berkeley (Pierson) effectively predicted the current furor over inequality and the problems facing the middle class.

The African-American middle class — often portrayed as a single bloc — actually is divided by occupation, lifestyle and goals, much like the American middle class in general, a University of Michigan sociologist writes after conducting research in suburban Washington, D.C.

A collection of studies presents a picture of middle-class families whose finances are threatened by necessities such as higher education and medical expenses.

Articles

A political reporter uses a Pew Research Center report on the decline of the middle class to explain the current Republican presidential frontrunner's appeal.

An African-American political analyst argues that viewing the entire black population as poor fosters biased policies that keep the black middle class from expanding.

An economics writer reports on researchers dissenting from conventional wisdom on the condition of the middle class.

The success of new analytical software on Wall Street may spell the end of many high-paying jobs there, a financial journalist reports.

A labor reporter describes the effects of companies’ growing use of freelance contractors.

Journalists report that President Obama’s most recent proposed budget attempts to extend a hand to middle-income households.

Reports and Studies

A nonpartisan think tank finds that middle-income Americans are no longer in the majority and the middle class is losing ground financially.

Researchers conclude that, despite overall economic recovery, the recession of 2007-09 continues to affect millions of households.

Researchers at a liberal think tank present data showing that most Americans are not advancing under current economic conditions.

A labor economist shows that middle-income wages have increased, though at a lesser rate than for the wealthy.
African-Americans


Many black residents of Prince George’s County, Md., the highest-income majority-black county in the country, have struggled to recover from the 2007-09 recession and face high mortgage payments from predatory lending in a declining housing market.


Many of the activists leading the Black Lives Matter movement are members of a new black middle class and are working to address economic disparities of lower-income black peers, says a professor of African-American studies at Harvard University.


The proportion of black households in Chicago earning $100,000 or more annually has declined since 2000, due in part to the flight of many young, educated black families to lower-cost Southern cities, experts say.

Income Inequality


The share of national income for the top 1 percent of U.S. households fell by 3 percent in 2013, but middle-class households did not expand their share of national income.


Low-income students in areas with high income inequality are more likely to drop out of high school than students in areas with less inequality, according to a study by economists from the University of Maryland and Wellesley College.

Student Debt


Many U.S. parents with college-age children are still paying off their own student loans, and Generation X adults with student debt have saved about one-fifth as much money for their children’s college expenses as those without student debt, according to a report by the Pew Charitable Trusts.


Student loan borrowers in predominantly African-American and Hispanic middle-class communities have more past-due loans than those in white middle-class neighborhoods.

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