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The Disappearing Middle Class: Implications for Politics and Public Policy

Trevor Richard Beltz
Claremont McKenna College

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CLAREMONT McKENNA COLLEGE
THE DISAPPEARING MIDDLE CLASS: IMPLICATIONS
FOR POLITICS AND PUBLIC POLICY

SUBMITTED TO
PROFESSOR FREDERICK LYNCH
AND
DEAN GREGORY HESS
BY
TREVOR RICHARD BELTZ

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INTRODUCTION

“We are unsettled to the very roots of our being. There isn’t a human relation, whether of parent and child, husband and wife, worker and employer, that doesn’t move in a strange situation...There are no precedents to guide us, no wisdom that wasn’t made for a simpler age. We have changed our environment more quickly than we know how to change ourselves.”¹

—Walter Lippmann, 1914

America is divided. The income inequality gap between the richest and the poorest citizens has been widening for years: “since 1993, more than half of the nation’s income growth has been captured by the top 1 percent of earners, families who in 2008 made \$368,000 or more.”² In addition, the top one percent of families in America, in terms of wealth, now hold more wealth than the bottom 90 percent. The widening gap can be attributed to the ever-rising income levels of those at the top, while the average American’s income has remained relatively stagnant. As costs for family essentials—such as housing, health care, and education—continue to rise, maintaining the lifestyle of a middle class American becomes more difficult.

But what does being middle class mean? The majority of Americans define themselves as middle class, regardless of their wealth. The number of Americans that

affiliate with the middle class alludes to the idea that it cannot be defined simply by level of income, number of assets, type of job, etc. The middle class is a lifestyle as much as it is a group of similarly minded people, just as it is a social construct as much as it is an economic construct. Yet as the masses fall away from the elite, and changes continue to reshape the occupational structure of the job market—due to globalization in a technological age; many have begun to question whether or not the middle class—and, by extension, the American way of life—will be able to survive.

This thesis will examine the validity of such concerns as well as provide possible solutions to the problem. The first part of the paper will look at the class structure in America during the nineteenth and twentieth centuries. The second part will provide the reader with a model of the current middle class. The third part will analyze the factors that are changing the American middle class. The fourth part will look at current projected outcomes as well as possible policy solutions. And lastly, the fifth part will discuss the implications for the future of the middle class.

¹ Don Peck, *Pinched: How the Great Recession Has Narrowed Our Futures and What We Can Do About It* (New York: Crown, 2011), page 6.

² *Ibid.*, 6.

CHAPTER 1: THE AMERICAN CLASS SYSTEM IN THE NINETEENTH AND TWENTIETH CENTURIES

“The native American, like the alien immigrant, conceives the better future which awaits himself and other men in America as Fundamentally a future in which economic prosperity will be still more abundant and still more accessible than it has yet been either here or abroad ... With all their professions of Christianity their national idea remains thoroughly worldly ... The Promise, which bulks so large in their patriotic outlook, is a promise of comfort and prosperity for an ever increasing majority of good Americans.”¹

—Herbert Croly

A HISTORY OF THE AMERICAN CLASS

The class structure in America has changed greatly since our country came into being in the late eighteenth century. At the turn of the nineteenth century, stratification was evident among the classes, but inequality was largely nonexistent. The estate-holding upper class, the founders of the country, held more wealth than a large portion of the populous; yet the people who did not hold the nations wealth still had opportunity; “the land was occupied by men whose absolute individualism involved an absence of traditional fetters, and who, unhampered by the heirlooms of feudal Europe, were ready and eager to realize the drive toward capitalism.”² A substantial proportion of Americans owned and worked their own land, growing just enough to support a family. Today,

farmers and farm laborers are not quite as populous amongst American workers; in fact, they make up less than three percent of the work force.³ Over time, the occupational structure of the labor force changed in accordance with technological advances and the evolution of America from an agricultural society to what it is today.

Agriculture continued to be the main employment opportunity for most Americans, more specifically for the middle class, as the United States government acquired more and more land across the continent. In the first half of the nineteenth century America acquired more than two million square miles of territory, nearly tripled the size of the country.⁴ In order to populate the newly acquired territories to the west, the federal government passed the Homestead Act of 1862, which “provided 160 acres of free public land to settlers who would live on it and improve it for at least five years.”⁵ The Act quickly populated the west, creating opportunities for Americans to own property and make a living off of it. This shift delayed major urbanization in the east, but set the stage for more major urbanization in the west once migrants had settled. By 1870 there were roughly 12.9 million people in the workforce, 53 percent of which were farmers and farm laborers; the next largest occupational sector was made up of operatives—such as butchers, manufacturers or delivery people. Furthermore, approximately three quarters of the country’s population lived in rural areas—defined as having fewer than 2,500 inhabitants.⁶

Sociologists Robert S. Lynd and Helen Merrel Lynd wrote two books about their study of the community and structure of Muncie, Indiana in 1890, 1924 and 1935. Before the turn of the century, the Lynds observed that 70 percent of the population worked with objects and 30 percent worked with people, and that this division separated the culture of

the town. Most people in the town were more or less self-sufficient and earned whatever the effort they put into work was worth.⁷ Leading up to this point, many Americans had little use for standardized currency due to the fact that they could trade for almost any necessity they did not produce by themselves and secondly because the value of the dollar fluctuated so often as a result of a new gold discovery. But as manufacturing grew to be a more dominant trade, the same level of self-sufficiency was no longer attainable and thus more emphasis was put on the use of currency.

At the turn of the century, led by Eli Whitney's invention of the cotton gin, the industrial revolution took hold in urban America. "Factory production, limited before the Civil War to the textile mills of New England, spread across the country and created a modern industrial working class."⁸ The introduction of a new industry created another tier in the American class system, separating the middle class into farm workers, industrial workers and skilled labor workers. Immigrants were hired to the manual-labor intensive industrial positions, while native-born Americans took jobs as skilled laborers and supervisors. The new middle class was comprised of the American-born industrial workers, who were paid higher wages as a result of newly founded child labor laws. They saw their pay increase even more as a product of the breadwinner systems, "which paid married fathers more than unmarried, childless men."⁹ Beyond just wages, the industrial revolution opened the door for unskilled laborers—many of them immigrants—to make their own way in the world. The traditional master-apprentice relationship was nearly shattered, and as a result the distinction between skilled and unskilled jobs became harder to discern. With little practice, a new employee could out produce someone who had been working in the same trade for years. The Lynds found many differences along the same

lines in Middletown when they revisited in 1924. They found that the master craftsman carried less influence due to more advanced machinery. The Lynds also observed a change in the use of currency. On their first visit, they found that many families were self-sufficient and made many of their own clothes. On their return, however, they found that life orbited much more around the commercial market and often used lines of credit as opposed to cash.¹⁰

Upon their third visit, in 1935, the Lynds found an extremely stratified social and economic class structure. The gap between worker and manager had widened tremendously and a complicated and blurred class system had unfolded. The leaders of the city consisted of the families that started the few major industries that supported the area, setting the stage for their future generations to continue to rely on the industry's fortune. This was similar all over the country; new industries inflated income for the upper classes while new immigrants worked their factories at the bottom of the class system for little to no pay¹¹. The country was still trying to recover from the Great Depression while the rich kept getting richer. "By the mid-1930s, average incomes had dropped by almost a third, and unemployment approached 25 percent."¹² Franklin Delano Roosevelt's New Deal legislation put money into employment and welfare initiatives which kick started the economy back to its pre-depression productivity. Compared to the original analysis of the Lynds, where in 1890 the majority of people worked with objects as opposed to with people, the focus of jobs had shifted to be quite the opposite by then. "The major shifts in occupations since the Civil War have assumed this industrial trend: as a proportion of the labor force, fewer individuals manipulate things, more handle people and symbols."¹³ This new breed of class had a very high percentage of white-

collar workers, compared to the previously similar classes of the past that consisted of a higher percentage of blue-collar workers.

THE SHIFTING MIDDLE CLASS

By 1940 the number of self-employed entrepreneurs had dwindled to roughly one fifth of the population—compared to nearly four fifths in the early nineteenth century. The rest of the population worked for the two to three percent of the population that held almost half of the private property in the United States.¹⁴ America had shifted to a nation of employees, working for a salary or hourly wage. No longer did simply owning property clinch a middle or upper class lifestyle, it shifted to a new area of the labor market: occupation. This change led to a dramatic expansion of white-collar occupations. A factor involved with this shift is explained by C. Wright Mills in his book, *White Collar*:

The organizational reason for the expansion of the white-collar occupations is the rise of big business and big government, and the consequent trend of modern social structure, the steady growth of bureaucracy. In every branch of the economy, as firms merge and corporations become dominant, free entrepreneurs become employees, and the calculations of accountant, statistician, bookkeeper, and clerk in these corporations replace the free ‘movement of prices’ as the coordinating agent of the economic system.¹⁵

Previously the economy was made up of small entrepreneurs, however with the industrialization of America at the turn of the century, the big businesses and corporations rose from innovation. In turn, businesses found a need to hire more employees in order to manage the growing reaches of their companies.

The United States entered World War II in the early 1940s; unemployment was almost nonexistent, and the people who didn't have jobs, or had low paying jobs, moved along with the total war economy to work for the military building ships, making uniforms, or other jobs under the blanket of the wartime industry. "The United States emerged from World War II as the only industrial power that had been left relatively unscathed and was thus in the best position to profit from demand for manufactured goods both at home and abroad."¹⁶ This caused a boom all across America; men coming home from the war could go to school, and newly high-wage jobs allowed people with limited education to buy homes, cars and a middle class lifestyle. "In 1949, as the postwar boom gathered steam, only a fifth of families were in the lowest earnings quintile, or the lowest 20 percent."¹⁷

The new class structure of the mid-twentieth century, according to C. Wright Mills in his book *White Collar: The American Middle Class*, was defined mostly by occupation, and furthermore by the factors that contributed to such occupations: class, status, power, skill and function.¹⁸ Each position in an industry required a certain skill, which in turn fulfilled a specific function in that industry. Skill and function in a given industry defined status for an individual. Combined, these three factors—skill, function, and status—made up an individual's power in their given class. The main division of the middle class in the 1940s and 1950s was between white-collar workers and skilled wage workers. With regard to property, the two divisions were more or less on an equal playing field; each had access to a stable job, cars, and home ownership. However, white-collar workers earned more and thus saw themselves as higher up the ladder economically as well as socially. "The three largest occupational groups in the white-collar stratum are

schoolteachers, salespeople in and out of stores, and assorted office workers. These three form the white-collar mass.”¹⁹ The introduction of the mega-department store brought new meaning to the salesman. Operating in the “Great Salesroom” or the “Biggest Bazaar in the World,”²⁰ the salesman worked on the floors of Macy’s and other similar stores as a miniscule piece of the corporation.

Well-paid industrial workers held the majority of the middle class jobs until around 1950, when factory production efficiency reached a point where fewer workers could achieve the same output. At the same time, the percentage of white-collar workers finally surpassed the number of blue-collar workers, creating the initial shift towards a postindustrial society. “The net result of these changes has been to move employment out of sectors that require large numbers of blue-collar production workers and into those that depend more on white-collar or service workers.”²¹ The number of these types of jobs has continued to increase to modern day, just as the number of blue-collar jobs has continued to decline.

“Whereas the second American middle class was founded on high wages for workers in the industrial sector, the third American middle class was founded on the supplementation of wage income by government benefits that collectively constituted a ‘social wage.’”²² Government benefits included entitlement programs such as Social Security, Medicare, as well as the GI Bill. Additionally, it included private-sector benefits such as employer-provided healthcare. The construction of the interstate-highway system also did its part to create a large number of working-class jobs. Such programs and initiatives “ensured that the elderly were protected, higher education was increasingly within reach of all, and the business sector had the modern infrastructure needed to

prosper.”²³ The economic boom of the mid twentieth century, a result of postwar affluence and the lack of global competition, helped substantially narrow the inequality gap between the rich and poor that amassed in the 1920s.

Unhindered economic growth continued until the early 1970s. Up until this point, the Bretton Woods monetary system—which established an international monetary order in 1944—relied on the supply of gold for global exchange rates. In 1971, however, President Richard Nixon terminated direct convertibility of gold because the U.S. government could no longer afford to keep enough gold in reserve to back every U.S. dollar in circulation. Shortly thereafter, America experienced new globalized competition for the first time: “oil and food prices spiked; Japanese automobile imports began to challenge the Big Three automakers; and inflation soared.”²⁴

President Ronald Reagan, instead of focusing on the increased competition abroad, implemented plans to “slash taxes, reduce government programs like energy research and social insurance and generally adhere to a free-market course.”²⁵ These initiatives began to unravel the gains America received from social wage programs in the previous twenty years. More importantly, they failed to address the acceleration of globalization that was rapidly encroaching on U.S. industries. Beginning in the 1970s, a growing number of U.S. corporations “started to transfer production jobs and certain service jobs to low-wage workers abroad. This process accelerated through the 1980s and 1990s, as the demise of communism and the rise in many Third World countries of export-oriented development strategies greatly enlarged the global market for both skilled and unskilled labor.”²⁶ The result was twofold: it decreased the cost of various imported consumer items; and it “destroyed jobs—and undermined the bargaining power—of

workers in sectors from automobile production to back-office services.”²⁷ Even if the government had protected workers from foreign competition, “an ever growing number of manufacturing and service jobs would still have been eliminated by technological innovations...”²⁸

Technological innovations through the twentieth century and up until modern day have further stratified blue-collar workers from the newly defined middle class by limiting jobs available and requiring higher skill levels. Global communications and informational technology also create jobs demanding higher education and skill. Another substantial change in the occupational structure of the middle class has been the ability to start a business. Technology provides small business owners with many tools to succeed on their own.

Although the jobs in the work force with the most workers have changed dramatically over time, the middle class continues to evolve with each new innovation. One job type may have the most workers employed in the work force, but that does not necessarily define the middle class. The median income level, lifestyle and/or familial structure are the features that will continue to define America’s middle class – adjusting accordingly.

¹ Michael Lind, “Are We Still a Middle-Class Nation?” *The Atlantic Monthly* 293, no. 1 (January/February 2004), <http://www.theatlantic.com/past/docs/issues/2004/01/lind.htm> (accessed March 23, 2012).

² C. Wright Mills. *White Collar: the American Middle Classes*. 50th anniversary ed. New York, N.Y.: Oxford University Press, USA, 2002. Page 4.

³ Lind.

⁴ Ibid.

⁵ Ibid.

⁶ Dennis Gilbert, *The American Class Structure in an Age of Growing Inequality*, 8th ed. (Los Angeles: Sage Publications, Inc, 2011), 45.

⁷ Ibid., 42.

⁸ Ibid., 47.

⁹ Lind.

¹⁰ Gilbert, 43.

¹¹ Jeffrey Sachs, "Why America Must Revive Its Middle Class," *Time*, October 10, 2011, 30-32.

¹² Mary H. Cooper, "Income Inequality: Are Poor Americans Falling Further Behind?" *The CQ Researcher* 8, no. 15 (April 17, 1998): 347.

¹³ Mills, 65.

¹⁴ Ibid. 63.

¹⁵ Ibid. 68-69

¹⁶ Cooper, 347.

¹⁷ Ibid., 348.

¹⁸ Mills, 70-71.

¹⁹ Ibid. 64.

²⁰ Ibid. 166.

²¹ Gilbert, 55.

²² Lind.

²³ Sachs.

²⁴ Ibid.

²⁵ Ibid.

²⁶ Lind.

²⁷ Ibid.

²⁸ Ibid.

CHAPTER 2: CONTEMPORARY MAPPINGS OF THE AMERICAN MIDDLE CLASS

“What, then is the American, this new man? ... Wives and children, who before in vain demanded of him a morsel of bread, now, fat and frolicsome, gladly help their father to clear those fields, whence exuberant crops are to arise to feed and to clothe them all; without any part being claimed, either by a despotic prince, a rich abbot, or a mighty lord ... From involuntary idleness, servile dependence, penury, and useless labor, he has passed to toils of a very different nature, rewarded by ample subsistence. This is an American.”¹

—Hector St. John de Crèvecoeur

There are many opinions regarding the correct method of defining just what constitutes being a part of the middle class in the United States, but the many have a closed mind on its definition. The middle class is not defined simply by annual income, type of housing, or lifestyle choices; it must be viewed more holistically than that: “Members of the middle class tend to be defined more by their values, expectations, and aspirations than their income level although income may constrain the manner in which some of their aspirations can be realized.”² Being part of the middle class is a lifestyle more than just statistical categorization; it is the attitude by which members see

themselves. The most important variable in defining and measuring the concept “middle class” is how people identify themselves.

The Pew Research Center, which is a “nonpartisan ‘fact tank’ that provides information on the issues, attitudes and trends shaping America and the world,”³ published a report in early 2008 that analyzed a phone survey regarding class in America and how respondents viewed their place in the social class hierarchy. The survey asked respondents to place themselves into one of five socioeconomic classes: upper class, upper-middle class, middle class, lower-middle class, and lower class. More than half classified themselves as middle class. This statistic suggests that, whether or not these individuals have a specific definition of what middle class is, they share some sort of common feeling as to the social and/or socioeconomic position they hold in America. The self-defined middle class is half male and half female; the majority is between 45-65 years of age (33 percent) while 29 percent are between the ages of 18-34. Nearly half of the class has a high school diploma or less while 24 percent have completed some college and 27 percent are college graduates. 46 percent of the class lives in the suburbs while 36 percent lives in the city and 18 percent in rural areas.⁴

Most analyses of social classes look at income as the sole defining characteristic for affiliation. However, to support the idea that the middle class is a social construct as much as it is an economic construct, the Pew Research Center found that respondents who classified themselves as middle class had a range of family income from less than \$19,999 to \$150,000 or more (Figure 2.1). The median family income in the study was roughly \$52,285,⁵ but that still leaves wide outliers on both sides. The study found that families with incomes under \$30,000 were disproportionately older Americans and young

adults,⁶ groups with lower incomes but equally lower expenses. Retirees living off of retirement programs fall into this category as well as recent college graduates supporting only themselves. The median family income of people ages of 18-29 was \$38,493 and the median family income for those 65 and older was \$35,512. The age range earning the most money was ages 30-49, earning a median family income of \$65,529.⁷ Individuals who were employed had the highest income, which is no surprise, at \$60,121, while people who were retired or not working had incomes just below \$40,000.⁸

Middle Class Incomes	
Percentage of middle class with family incomes of...	
	Middle class
	%
Less than \$19,999	12
\$20,000-\$29,999	9
\$30,000-\$39,999	9
\$40,000-\$49,999	11
\$50,000-\$74,999	18
\$75,000-\$99,999	14
\$100,000-\$149,999	8
\$150,000 or more	4
Don't know/Refused	15
	100
Number of respondents	1276
Note: Based on respondents who identified themselves as belonging to the middle class.	
PewResearchCenter	

Figure 2.1. Income Distribution of Middle Class Identifiers. Reproduced by permission from The Pew Research Center, *Inside the Middle Class: Bad Times hit the Good Life*, pg 31.

To be able to fully understand the stratification of income in the middle class, it must be linked to occupational distribution. In the Pew study on middle class, respondents were grouped into three occupational tiers: “managers and professionals, non-professional good jobs (such as supervisors, craft workers, technicians, police officers, firefighters, and clericals), and less-skilled jobs (such as factory operatives, sales clerks, wait staff, personal service workers, and laborers).”⁹ Of the self-defined middle class respondents, 45 percent had managerial or professional jobs, 23 percent had good non-professional jobs, and 29 percent had less-skilled jobs.¹⁰ As age increased, the percentage that had less-skilled jobs decreased while the percentage that had managerial and professional jobs increased. Similarly, as educational level increased, the percentage that had less-skilled jobs decreased while the percentage that had managerial and professional jobs dramatically increased.

In 2009 it was reported that the economy had lost over eight million jobs since the recession began; however some occupational sectors managed to grow. Categories with notable growth included: Home Health Care Services, up 10.8 percent; Federal Government Except Postal Service, up 9.3 percent; Oil and Gas Extraction, up 7.4 percent; Pipeline Transportation, up 6.7 percent; Outpatient Care Services, up 4.6 percent; and Computer Systems Design and Related Services, up 3.4 percent.¹¹ A major theme to take away from this list is the increase in health care jobs, contributing to the rising costs of federal medical coverage programs such as Medicare and Medicaid.

Another Pew study took the 53 percent of respondents who identified themselves as middle class and

subcategorized them into four separate middle classes: the top of the class, the struggling middle, the satisfied middle, and the anxious middle (Figure 2.2). “Each is different from the others in its attitudes, outlook and financial circumstance—sometimes in ways that defy traditional stereotypes of the middle class.”¹²

The top of the class represents 35 percent of the middle class (Figure 2.2) and 19 percent of all adults in the study, making up the largest portion of the middle class. This subcategory is defined as being healthier, wealthier and better educated than the rest of the middle class; “Fully four-in-ten are college graduates (41 percent) and another 29

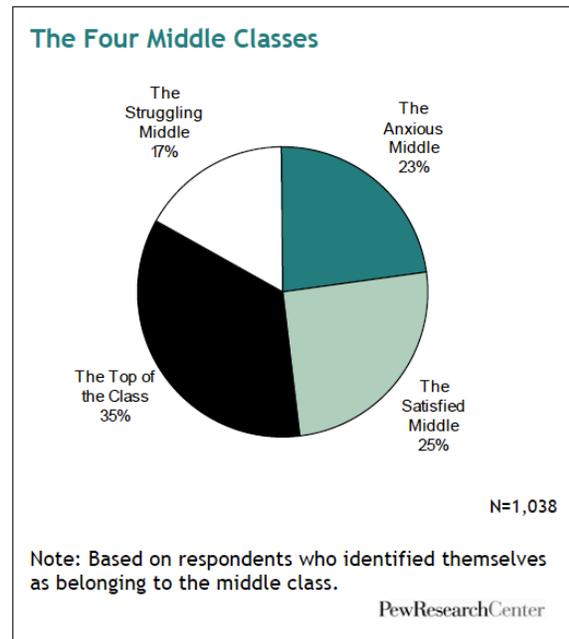


Figure 2.2. Middle Class Distribution into the Four Middle Classes. Reproduced by permission from The Pew Research Center, America's Four Middle Classes, pg 1.

percent attended college. Nearly a third (32 percent) have family incomes of at least \$100,000 a year and almost two-thirds earn \$75,000 or more. Virtually every member of this group earns at least \$50,000 a year.”¹³ 79 percent are white, non-Hispanic and 69 percent are married—the highest percentage of any of the other three classes; additionally, it is the only class that has more males than females—56 percent are males, 44 percent are females.¹⁴ Not only is this class the highest paid, but they are also the most financially secure: “Nearly nine-in-ten (86 percent) has an IRA, 401k or similar kind of retirement account, again tops of the four groups.”¹⁵ The top of the class lives comfortably as the highest paid, the most educated, and the healthiest class of the four, and in turn they also are the most comfortable with their quality of life as well as financial situations. “These middle class Americans feel firmly in control of their lives and reject the view that fate rules their destiny; fully three-quarters disagree that success in life is beyond one’s control, the largest proportion of any of the four groups.”¹⁶

The anxious middle class makes up 23 percent of the middle class (Figure 2.2) and 12 percent of all adults in the survey. These Americans are squarely in the middle of the middle class in virtually every way. “Members of this group aren’t the wealthiest or the least affluent of the four groups, nor are they the oldest or the youngest group. In terms of education, too, they come closest to the median for the middle class as a whole. In fact, on most key measures of social standing they fall comfortably and consistently in the middle.”¹⁷ Gender is split almost evenly, with 51 percent women and 49 percent males; 73 percent are white, non-Hispanic, 10 percent are Black, and 11 percent are Hispanic; 30 percent have graduated college and 60 percent have completed at least some college; and everyone earns more than \$30,000 per year in family income, a third of

which earns more than \$75,000.¹⁸ “They are the most likely to be employed full time (76 percent) and the least likely to be retired (5 percent). Fully two-thirds are married compared with about half of the middle class as a whole.”¹⁹ In many ways, the anxious middle class closely compares to the top of the class—most people are working, most own their own homes, and they earn the highest family income; but they have expressed overall dissatisfaction with their situations. 87 percent had to cut back on household spending, 24 percent had trouble getting or paying for medical care, and 23 percent had problems paying rent or mortgage.²⁰ Next to the struggling middle class, the anxious have experienced the most economic problems in the past year and are not optimistic that the situation will improve any time soon.

The struggling middle class makes up 17 percent of the middle class (Figure 2.2) and 9 percent of the total population; it is the smallest of the four classes. “Women significantly outnumber men in this group and minorities are disproportionately represented, though whites still constitute the majority of the Struggling Middle”²¹: 63 percent are female; 20 percent are Black, non-Hispanic and 19 percent are Hispanic; additionally, this class has the largest portion of non-citizens (14 percent) and adults born in another country (21 percent) compared to the other three classes.²² Less than a quarter of the class is married (23 percent)²³, which means most of these families are single-earner households. With 35 percent of the group under the age of 30, one would expect their conditions to improve, however they are also the least educated of the middle classes—8 percent are college graduates, 31 percent did not graduate high school, and 45 percent did not attend college after high school—which does not bode well for upward mobility.²⁴ The lack of finances is a defining characteristic of the struggling middle class:

fully 30 percent have family incomes of less than \$10,000, and nearly six-in-ten have total family incomes of less than \$20,000 a year. No one in this group earns more than \$50,000.”²⁵ Lastly, this is the only group of which the majority does not own their own home (34 percent); instead, 59 percent rent, which is more than double the average for the middle class as a whole (of the entire middle class 69 percent own a home and 26 percent rent).²⁶

The satisfied middle class secures 25 percent of the middle class (Figure 2.2) and 12 percent of all adults. “The optimism of youth and the contentment that comes with old age together define this group and make them distinctive from the other three middle class groups analyzed in this study.”²⁷ With 31 percent between the ages of 18-29 and 34 percent ages 65 or older, this class is content due to a long, optimistic future, or the relaxation and simplicity of retirement. The age distribution explains, to an extent, the pattern in education: 56 percent have a high school diploma or less, while only 15 percent have graduated college. Those 65 and older likely graduated college and worked for a number of years at a low-skill medium-wage jobs, while those ages 18-29 are either in college or are seeking jobs at their leisure in the *funemployment*¹ stage of the twenty-something’s occupational career. “Even though they rank third out of the four groups in terms of median family income—the older people because they disproportionately are living on fixed incomes, the young because they’re still a decade or two from their peak earning years – nearly half (47 percent) say they’re living comfortably compared with 39 percent of all middle class Americans.”²⁸ Not surprisingly, 63 percent are not married, due to their youth or outliving a spouse—which also explains the majority of the class

¹ A period of time when an individual is not seeking employment, and enjoying free time

being female (55 percent); women, on average, live longer than men.²⁹ The satisfied middle class lives comfortably in regard to meeting expenses as well as optimistic view of the future. “For older members of the Satisfied Middle, these views may reflect the contentment that comes after a long and successful life, while for the younger members of this group, the survey suggests these views reflect the confidence and optimism of young people.”³⁰

The Pew Research Center’s study of the four middle classes provides insight into the self-defined middle class. It separates the wide array of middle class members into smaller, more appropriate classes within the middle class as a whole. The study summarizes the analysis with a brief overview of the findings:

Taken together, this statistical typology of the four middle classes paints a nuanced picture of the American middle class and those who claim membership in it. Rather than being demographically and culturally monotonic, America’s middle class is an amalgam of distinct groups that share different outlooks on life and life experiences, a blend of young and old, black, white and Latino, optimists and pessimists, achievers and dreamers, those who are barely hanging on to the Middle Class Dream and those who are living it fully.³¹

This supports the idea that, while similar in many respects—namely identification with the stereotype of the middle class—the self-defined middle class is a varied group.

In spite of the differences in income and economic standing, the middle class is very similar regarding aspirations and priorities; these might include: “economic stability, a better life for one’s children, and a current lifestyle that allows for a few creature comforts.”³² Such aspirations are at the heart of the American dream. The stereotypical ‘American Dream Family’ owns their own home, has more than one car, can afford to send their children to college, has access to healthcare and benefits, and has spare time to vacation or simply has free time in general. “Middle class life is, to a large extent,

measured by housing, and the purchase of a house in the suburbs is, for many families, an emblem of achievement—signifying fully-adult status, economic security, and some measure of prosperity.”³³ About seven-in-ten middle class Americans are homeowners, most of which regard their home as their most important asset as well as the key element to their middle class lifestyle.³⁴ Not surprisingly, home ownership in the middle class is closely tied to family income, age, marital status and family size: “More than eight-in-ten middle class Americans earning \$100,000 or more own their own home, compared with barely half of those who make less than \$50,000. Nearly nine-in-ten middle class married couples with minor children own their own homes, compared with about two-thirds of all single adults without children.”

The image associated with middle class homeownership is perfectly illustrated by David Brooks, a columnist for *The New York Times*, in his article series: *Patio Man and the Sprawl People*. The first part of the series follows a stereotypical suburbanite, dubbed ‘Patio Man,’ through his seemingly cookie-cutter life in a fast-growing suburb referred to as a Sprinkler City.³⁵ In the early aughts, when the article was written, sprinkler cities were suburbs mostly in the South and West near major cities. Out of the hustle and bustle of city life, the suburban homes are newer, larger and less expensive than many areas close into the city, which draws Patio Man into the equation. The other main point of the article addressed the tendency to move to a newer suburb just for the sake of moving: “Sprinkler city immigrants are not leaving cities to head out to suburbia. They are leaving older suburbs—which have come to seem as crowded, expensive, and stratified as cities—and heading for newer suburbs, for the suburbia of suburbia.”³⁶ It becomes a perpetuating cycle: families move to a suburb, then when poor immigrants and rich

professionals take over the area the shops and stores and, by extension, culture changes—signaling the need to move to a newer suburb.

The level of life satisfaction portrayed by Patio Man may be exaggerated, however; increased urban sprawl often results in increased commute time because suburbs are so far away from downtown epicenters. “Over the years economists have consistently found that a short commute is one of the more important keys to happiness; few things affect general life satisfaction more than commuting time.”³⁷ The Pew study found stratification amongst the middle class with regard to quality of life and general outlook on life. The majority of respondents (36 percent) rated their present quality of life as medium, however when categorized by income level, the study found quality of life to be closely correlated to the class they placed themselves in. Those with a family income over \$100,000 were much more inclined to rate their quality of life as high; and not surprisingly the inverse was true for those with a family income under \$30,000. What was surprising, however, was the optimistic outlook on their current situations as well as futures: except for respondents sixty-five and older, a majority of every demographic categorization of those who defined themselves as middle class stated their life was better than it was five years ago. Additionally, the majority of respondents—again, save for those sixty-five and older—thought their lives would be better five years in the future.³⁸ The reality is, unfortunately, that a middle class lifestyle is increasingly harder to maintain. This becomes evident when analyzing the priorities set by middle class families. The Pew study reported over two thirds of the self-identified middle class listed ‘having free time’ as a very important life priority—above having children, a successful career, and being married.³⁹ The simple answer is that free time has the most appeal to

those with the least amount of it. It also alludes to the idea that, in spite of present life quality, the middle class feels burdened, or squeezed, and might not be able to achieve the style of living they always thought was promised to them.

¹ Michael Lind, “Are We Still a Middle-Class Nation?” *The Atlantic Monthly* 293, no. 1 (January/February 2004). <http://www.theatlantic.com/past/docs/issues/2004/01/lind.htm> (accessed March 23, 2012).

² Middle Class in America. Report. Washington, D.C.: U.S. Department of Commerce Economics and Statistics Administration, 2010. pg 4.

³ *Inside the Middle Class: Bad Times Hit the Good Life*. Report. Washington, D.C.: Pew Research Center, 2008. Page 4.

⁴ Ibid., 29

⁵ Ibid., 20.

⁶ Ibid., 32.

⁷ Ibid., 30.

⁸ Ibid.

⁹ Ibid., 68.

¹⁰ Ibid.

¹¹ Floyd Norris, “Where the Jobs Are,” *New York Times*, November 6, 2009.

¹² Morin, Richard. *America's Four Middle Classes*. Report. Washington, D.C.: Pew Research Center, 2008. Page 1.

¹³ Ibid., 5.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Ibid., 6.

¹⁷ Ibid., 7.

¹⁸ Ibid., 8.

¹⁹ Ibid., 9

²⁰ Ibid., 10.

²¹ Ibid., 11.

²² Ibid.

²³ Ibid., 12.

²⁴ Ibid.

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid., 14.

²⁸ Ibid.

²⁹ Ibid., 15.

³⁰ Ibid., 14.

³¹ Ibid., 3.

³² Middle Class in America, 4.

³³ Don Peck, *Pinched: How the Great Recession Has Narrowed Our Futures and What We Can Do About It* (New York: Crown, 2011), page 84.

³⁴ *Inside the Middle Class: Bad Times Hit the Good Life*, 24.

³⁵ David Brooks, "Patio Man and the Sprawl People," *The Weekly Standard*, August 12, 2002.

<http://www.weeklystandard.com/print/Content/Public/Articles/000/000/001/531wlvng.asp> (accessed April 21, 2012)

³⁶ Ibid.

³⁷ Peck, 89.

³⁸ Ibid., 38-40.

³⁹ Ibid., 53.

CHAPTER 3: FACTORS IN TRANSFORMING THE AMERICAN MIDDLE CLASS

“American business is about maximizing shareholder value. You basically don’t want workers. You hire less, and you try to find capital equipment to replace them.”¹

—Allen Sinai

TECHNOLOGY

There are many explanations and analyses as to what has caused and what currently causes the shift of the American middle class. Everything eventually points to the fact that the flattening of the world—the increase in globalization—has reshaped the lives and lifestyles of middle class Americans. C. Wright Mills unknowingly foreshadowed this shift when he described the birth of his ‘new middle class’: “The situation of the new middle class, reflecting conditions and styles of life that are borne by elements of both the new lower and the new upper classes, may be seen as symptom and symbol of modern society as a whole.”² As such, the relatively new, and ever growing, global economy is directly affecting the makeup of the middle class.

Rapid technological advancements at the end of the twentieth century brought the United States out of the industrial age and transformed it into a post-industrial society. Unfortunately for many middle-wage earners, this meant automation in factories, which

in turn meant there was a sharp decline in the market for unskilled workers. And “as the U.S. economy shifts away from basic manufacturing and towards high-technology and service industries, the number of mid-level jobs will decline.”³ The stratification of the wage-wage worker had existed long before that, but the decline of wage-setting institutions created a hole in the middle class by opening jobs up to competition. No longer were workers shielded from market forces. Those formerly propped up by union wages had the ability to maintain a similar lifestyle as white-collar workers did, but the turn away from collective bargaining agreements raised earnings for unskilled workers which created competition at a previously wage controlled position.⁴

Technological advancements in productivity have greatly improved the lives of the majority of Americans. Ever increasing efficiency in automation and manufacturing continues to drop prices for many consumer items. However, Michael Lind suggests that “this kind of productivity growth threatens the middle class in three ways: by raising the costs of certain labor-intensive services necessary for a middle-class lifestyle; by changing the occupational structure; and by increasing inequality.”⁵ He goes on to explain that by lowering the prices of manufactured goods, the price is likely to go up in another area, namely labor-intensive services such as nursing or teaching. This point makes some sense, however the other two could use some unpacking. Technological advancements flattened the world by making global communication possible, which created a global market. Sure, countries had traded for centuries, but the new global marketplace created the opportunity for expansion. “With globalization, the average U.S. worker is exposed to much more competition and job insecurity. As the world becomes more globally interconnected, jobs become more mobile.”⁶

The point Lind might be alluding to is that what is good for businesses and corporations is not necessarily beneficial to the middle class American. “Capital and technology are mobile; labor isn't. American workers are located in America. And this is a country with one of the highest wages in the world, because it is one of the richest countries in the world.”⁷ The immobility of labor makes it very difficult for the American middle class worker to benefit from globalization in the same way that multi-national corporations do.

The most influential technological innovation to date was the creation of the Internet. At the turn of the century, as a result of the dot-com bubble, there was a “massive installation of undersea fiber-optic cable and bandwidth...that has made it possible to globally transmit and store huge amounts of data for almost nothing.”⁸ Continued progress has allowed for faster communication, more advanced software, and ever expanding software applications. Specifically pertaining to the global job market “is the convergence of a variety of software applications—from e-mail, to Google, to Microsoft Office, to specifically designed outsourcing programs—that, when combined with all those PC's and bandwidth, made it possible to create global ‘work-flow platforms.’^{2,9}

OUTSOURCING

² A work-flow is a series of operations that seamlessly transition from one to the next to accomplish a larger task.

It is commonplace for a company to move a given operation to another country because everything can be accomplished at a cheaper price. Being one of the richest countries in the world, America also has one of the highest standards for wages because the cost of living is so much higher compared to much of the world. The increased costs of living cause Americans to continually bargain for higher wages. Whereas in developing countries with global corporate operations, workers earn their normal wage if not more, it just happens to be a fraction of what Americans expect to earn. “All the major multinational companies in America are outsourcing jobs for approximately one-third to one-fourth the American wage. Sadly, the American workforce has become a disposable workforce, under the guise of competition, efficiency, and supply-demand curves.”¹⁰ However, as the global economy continues to expand, it is the smart move for such businesses. Companies “are not ‘outsourcing’ jobs. That word makes little sense anymore. They simply invest in growth areas and cut back in places where the economy is weak.”¹¹ In wake of the great recession, America has little demand when compared to other markets. Unfortunately, this has quite the impact on life in America.

This recent trend has reshaped the job market in the United States by automating and ‘outsourcing’ positions previously held by middle-wage earners, thus causing a polarization of American job opportunities. The progression usually leads one of two ways: toward a professional or technical occupation held by educated individuals, or toward a service occupation.¹² Each pole has experienced a fair amount of growth in the past few decades. Globalization is essentially cutting out the middle-wage professions in America and moving them abroad. Dennis Gilbert, author of *The American Class Structure and Growing Inequality*, bluntly summed up the growing disparity: “The new

economy (in both goods-producing and service-producing sectors) makes winners out of workers with advanced education and skills, and makes losers out of those who lack such training.”¹³

As technology increases, the number of jobs able to be outsourced increases as well. In other words, “the outsourcing of jobs is now affecting middle-class and white-collar employment as such jobs increasingly include the engines of the knowledge, technological, and digital economy.”¹⁴ Gone are the days where companies cut costs, and in some fields expand, by only moving manufacturing jobs abroad; multinational businesses are beginning to move white-collar, educated jobs overseas as well. In Thomas Friedman’s Op-ed for the New York Times in 2004, he explained the global application and possibilities of a global work-flow platform:

These work-flow platforms can chop up any service job -- accounting, radiology, consulting, software engineering -- into different functions and then, thanks to scanning and digitization, outsource each function to teams of skilled knowledge workers around the globe, based on which team can do each function with the highest skill at the lowest price. Then the project is reassembled back at headquarters into a finished product.¹⁵

This practice allows any worker in the world to contribute their knowledge and talents to the global market. Unfortunately, that means fewer white-collar jobs for middle-class America. In today’s winner-take-all society, heads of multinational companies simply write it off as cost efficient to exchange American work for cheaper foreign work: “if the transformation of the world economy lifts four people in China and India out of poverty and into the middle class, and meanwhile means one American drops out of the middle class, that’s not such a bad trade.”¹⁶

HIGHER EDUCATION

One thing is clear about the new global economy: education is the key to success. A possible reason for such dramatic polarizations in the job market is the lack of higher education. The Pew Research Center found that of the respondents who identified themselves as middle class, only 27 percent had graduated college while 48 percent had a high school diploma or less.¹⁷ For those without higher education, wages have remained largely stagnant over the past decade, which puts the middle class in a bit of a squeeze due to the constantly increasing cost of living. However, the solution is more complicated than to simply go to college.

The price of college has been on the rise for years: “The average annual cost of tuition and fees at a four-year private university this year is \$28,500—a 15 percent increase from five years ago, according to the College Board. The cost at a four-year public college for in-state residents has risen 28 percent to \$8,244.”¹⁸ Furthermore, 123 schools now charge over \$50,000 per year for tuition, room and board.¹⁹ With costs of college taking up a large portion of

most middle class annual incomes, many families simply cannot afford to pay that much. Figure 3.1 illustrates the enormous gaps between income quartiles. “In 2000, for example, 75 percent of 18- to 24-year-olds from families in

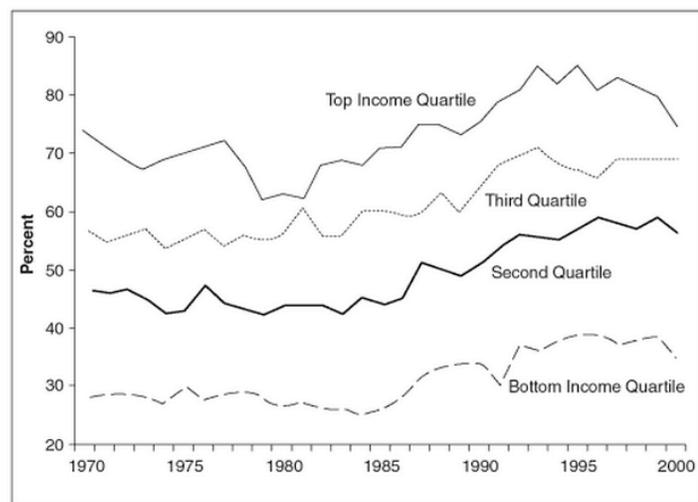


Figure 3.1. College participation by income quartile, 1970-2000. Reproduced by permission from Dennis Gilbert, *The American Class Structure in an Age of Growing Inequality*, page 152.

the top income quartile (highest 25 percent) were currently enrolled in or had completed a year or more of college. For the bottom quartile, the figure was 35 percent.”²⁰

Although achieving some form of higher education is increasingly more important, the type of education is almost equally important. “The American system of higher education is stratified according to the quality of the education provided and the particular career preparation emphasized, and the academic hierarchy is paralleled by the stratification of students’ families.”²¹ Figure 3.2 shows the distribution of socioeconomic status to quality of institution.

Percent of Incoming Students	Student Family SES				
	Selectivity	Top 25%	Second 25%	Bottom 50%	Total
	<i>4-Year Colleges</i>				
9	High	74	16	10	100
32	Middle	39	34	27	100
13	Low	33	30	37	100
46	<i>Community Colleges</i>	22	28	50	100
Total: 100					

Figure 3.2. Socioeconomic status and college selectivity, 2004. Reproduced by permission from Dennis Gilbert, *The American Class Structure in an Age of Growing Inequality*, page 152.

Students from the bottom two socioeconomic quartiles made up 10 percent of the incoming students at the most prestigious colleges. That percent increased as the quality of the school decreased. The table shows that 50 percent of students from the bottom half of the socioeconomic ladder enrolled in two-year community colleges, many destined to drop out in order to support themselves or enroll in two-year trade schools. On the flipside, 74 percent of students in freshman classes in the top tier colleges are from the top 25 percent of socioeconomic families.²² So somewhere in between, lay the middle

class, with access to college, but not nearly the same level of accessibility as the upper or upper-middle classes.

In the past, a college degree was the golden ticket to a high paying salary, and a stable, successful career because “college graduates were in short supply so that the ratio of professional and managerial jobs was in greater demand than the supply of graduates.”²³ In other words, businesses couldn’t hire enough college graduates. In 1952, there were not many jobs or many graduates (comparatively speaking); only 7.9 percent of the workforce had college degrees leading to a ratio of 2.33 college-level jobs available per graduate.²⁴ By 1974, the baby boomer generation had just graduated college; there was an instant rise in graduates in the workforce that college level job creation could not keep up with the sheer number of grads, which reduced the ratio of jobs to workers to 1:6.²⁵ At the turn of the century, the supply-demand for college graduates flipped: “more than 30 percent of the twenty-one to twenty-five age cohort had four or more years of college and jobs for college graduates was -1 job per 5 to 10 applicants...”²⁶

Access to higher education is becoming more difficult and more expensive to obtain; however what’s worse is that the benefit of having a college degree is in decline. Graduates who received a four-year college degree, but nothing beyond that, have seen opportunities diminish. For those with a four-year degree “opportunities have been less good, wage growth has been less good, the recession has been more damaging. They’ve been displaced from mid-managerial or organizational positions where they don’t have extremely specialized, hard-to-find skills.”²⁷ A four-year degree is expected and required for the vast majority of middle- to higher-income jobs. “In many ways, a bachelors

degree has become the equivalent to what a high school degree used to be: the bare minimum for competing in the economy. As a result, a master's degree is becoming the new bachelor's degree."²⁸

FAMILY DYNAMICS

A recent trend that has become increasingly more prevalent is the deteriorating family structure. More specifically, the idea of marriage. Since 1960, the percentage of married Americans has decreased by twenty percent (from 70 percent down to 50 percent).²⁹ The societal view of marriage has changed greatly since the mid twentieth century: people “are more likely to live with partners without marrying them, to have their partnerships and marriages break up, and to have children outside of marriage.”³⁰ So what has changed? Marriage used to symbolize the final gate to full adulthood, the achievement of a life of your own. Today, couples are waiting longer to seal the deal. Fresh out of college, most twenty-somethings have a hard time finding a job, let alone one with security that could support a family right off the bat. Instead, the more likely route these days is to get a decent job and attempting to achieve stability before they commit to sharing a life with someone else. Furthermore, couples are waiting longer to get married because they want to be absolutely sure of what they are getting themselves into. It is very common to live with a significant other before getting married. Although that is true over society as a whole, the type and style of marriage relationships varies greatly amongst different classes. According to the survey done by the Pew Research Center, only 53 percent of the self-identified middle class is married.

Another aspect to the changing marriage patterns is the role spouses play in a relationship. Dennis Gilbert, in his book *The American Class Structure in an Age of Growing Inequality*, explained a study done by Lee Rainwater where he separated marriages into three types of relationships: Joint relationships, characterized by strong companionship with household duties shared between spouses; segregated relationships, characterized by differing levels of household involvement and separate spousal friend groups; and intermediate relationships, which settle in between the other two types.³¹ Rainwater found that higher-class couples tended to have more joint relationships, whereas the lower-class couples leaned more towards intermediate and segregated relationships. This might suggest that certain economic stresses carry over into the home.

One such stress facing an increasing number of families is the two-income trap. As a result of rising living expenses, very few American middle class families can afford to have a stay-at-home parent. To cover increasing costs, both spouses must work as opposed to having only one breadwinner. If one of them loses their job for any reason, they are down half of their normal family household income. The percentage of women in the workforce rose to 71 percent in 2008 (from 47 percent in 1975), making it an expectation in today's society for women to have a job when married.³² The sources of the trap stem from over extension and a relative increase in expenses compared to previous generations.

The Great Risk Shift, a book by Jacob S. Hacker, explains why Americans have so much trouble with two incomes in a family: "To most families, a second income is not a *luxury* but a *necessity*..."³³ The reason behind the original shift toward women working a job in a marriage, in addition to their husbands, no longer holds true. Families saw a

second income as a great supplement to the main breadwinner's current income, however as the two-income family became more common and necessary, families forgot about using it as supplemental money and relied on it instead. The average earnings of a two-income family does not even compare to earnings of single-income families of the past, "and yet, once they have paid the mortgage, the car payments, the taxes, the health insurance, and the day-care bills, today's dual-income families have *less* discretionary income that the single-income family of a generation ago."³⁴

In addition to losing one of the two incomes in a two-income family, another major cause of the two-income trap stems from unregulated lending. Unlike any previous generation, Americans today have the ability to draw down an extreme amount of debt. For the previous generation, debt was almost a nonissue because the average family simply couldn't borrow that much: "high-limit, all-purpose credit cards did not exist for those with average means."³⁵ America has been a consumer economy for more than half a century, but recently the trend has increased that much more, allowing credit companies to take advantage of people who will buy on credit without the means to pay it back. In addition to unregulated lending, "prices of three big expenditure items – housing, health care, and college – have gone up faster than incomes. These factors make attaining a middle class lifestyle harder today than it was a decade ago."³⁶ However, the problem does not stop there. In order to make ends meet many Americans have taken on more debt by leveraging their assets. "The median debt-to-income ratio for middle income adults increased from 0.45 in 1983 to 1.19 in 2004."³⁷ Thus, the middle class is characterized by having a relative increase in net worth, but many are over encumbered with debt, often as a result of trying to keep up with neighbors and societal norms.

The bottom line is too many Americans spend more than they make, and/or don't save enough. Hacker questions what should have been cut from the family's budget, emergency room costs? Paying for kids various expenses? Not buying food in order to pay the visa bill? Yet all of these things come after the fact, the reason to save should be to have the ability to pay off minor monetary emergencies, but a family that spends too much to begin with isn't able to save anyway. However, sometimes it is not that simple. Jacob Hacker explains the growing insecurity that is creeping into many facets of American life: "Our incomes rise and fall more sharply, our health care is less secure, our pensions put more of the risk and responsibility on us, our public programs of insurance have grown more threadbare, and our jobs and our families are more financially perilous."³⁸ All these factors add up to a very uncertain future and are treacherous to obtaining and maintaining a middle class lifestyle.

HOME OWNERSHIP

Before the housing market collapse, middle class Americans relied heavily on home ownership to achieve and maintain a middle class lifestyle—largely due to incomes remaining relatively stagnant over the past two decades. During the housing bubble, homeowners saw their house values skyrocketing and had come to rely on it as a catalyst to upward mobility. In *Pinched*, Don Peck provides a summary of the lead up to the market crash:

From 2000 through 2006, real home prices rose by almost 90 percent nationally; in particularly effervescent markets such as Las Vegas, Phoenix, Tampa, and Miami; values more than doubled. Home buyers—more than 50 million of them over the same span—chased those returns eagerly, spending 34 percent of their disposable income on housing, on average, by 2006. Relaxed credit standards both expanded the pool of buyers and allowed them to put little money down,

enabling bigger and more-leveraged home purchases. In 2005, nearly one in four mortgages was an interest-only adjustable-rate loan. In 2006, 20 percent of all new mortgages were subprime, up fourfold since 1994.³⁹

Almost instantly, families saw their house change from a key to a better life into a financial burden. In 2011, one in four homeowners was still underwater; and one in seven was squatting in their home during the time between foreclosure and eviction.⁴⁰

The financial burden is immense on many families, to say the least. However, when the market crashed, families did not just lose their home or their finances, they also lost the dream they thought they had bought into. The decision of buying a home is rarely just about the home itself, buyers also look for good neighborhoods, good schools, and a place where they could envision themselves settling down. Post-crash America has made it increasingly difficult for members of the middle class to progress. Families are tied down by depleted savings accounts and unable to relocate for better work due to houses they could not afford to sell. Peck relayed a story about a housing development he visited near Tampa after the crash that spoke of changes to the neighborhood demographic. After houses were foreclosed upon, the housing development couldn't even find renters that could afford to live there. The only way to make money at that point was to take in voucher 8 recipients—low-income individuals that might otherwise live in low-income project housings—that in turn attracted criminals, drug addicts and gang members to the neighborhood.⁴¹ Thus, families that could not sell their houses were forced to live in a neighborhood that was unsafe and rapidly degrading even after the market crash. “And so, for the foreseeable future, it looks likely that millions of American families who had imagined themselves to be economically successful and upwardly mobile will be both

metaphorically and physically stuck, rooted in places that they did not anticipate and do not welcome.”⁴²

¹ Dennis Gilbert, *The American Class Structure in an Age of Growing Inequality*, 8th ed. (Los Angeles: Sage Publications, Inc, 2011), page 41.

² C. Wright Mills. *White Collar: the American Middle Classes*. 50th anniversary ed. New York, N.Y.: Oxford University Press, USA, 2002. xx.

³ Robert Lawrence, “Sectoral Shifts and the Size of the Middle Class,” *The Brookings Review* 3, no. 1 (Fall, 1984): 3.

⁴ Gilbert, 65.

⁵ Michael Lind, “Are We Still a Middle-Class Nation?” *The Atlantic Monthly* 293, no. 1 (January/February 2004). <http://www.theatlantic.com/past/docs/issues/2004/01/lind.htm> (accessed March 23, 2012).

⁶ Allan Ornstein, *Class Counts: Education, Inequality, and the Shrinking Middle Class* (Lanham, MD: Rowman & Littlefield Publishers, 2007), page 178.

⁷ Fareed Zakaria, “How to Restore the American Dream,” *Time*, Thursday, Oct. 21, 2010. <http://www.time.com/time/magazine/article/0,9171,2026916,00.html> (accessed April 8, 2012).

⁸ Thomas Friedman, “Small and Smaller,” *New York Times*, March 4, 2004.

⁹ Ibid.

¹⁰ Ornstein, 143.

¹¹ Zakaria.

¹² Ibid.

¹³ Gilbert, 252.

¹⁴ Ornstein, 177.

¹⁵ Friedman.

¹⁶ Don Peck, *Pinched: How the Great Recession Has Narrowed Our Futures and What We Can Do About It* (New York: Crown, 2011), page 114.

¹⁷ *Inside the Middle Class: Bad Times Hit the Good Life*. Report. Washington, D.C.: Pew Research Center, 2008. Page 29.

¹⁸ Annamaria Andriotis, “College Coffers Are Filling Up, But Costs Are Slow to Come Down,” *Wall Street Journal*, February 7, 2012.

¹⁹ Rachel Louise Ensign, “College Math 101: Calculating the Real Cost of Attending,” *Wall Street Journal*, March 25, 2012.

²⁰ Gilbert, 149.

²¹ Ibid., 150.

²² Ibid., 151.

²³ Ornstein, 179.

²⁴ Ibid.

²⁵ Ibid.

²⁶ Ibid.

²⁷ Peck, 34.

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- ²⁸ Tamara Draut. "The Growing College Gap," in *Inequality Matters: the Growing Economic Divide in America and Its Poisonous Consequences*, ed. James Lardner and Jim Lardner (New York: New Press, The, 2006), 99.
- ²⁹ Belinda Luscombe, "Who Needs Marriage? A Changing Institution," *Time*, 9/18/2010
- ³⁰ Andrew J. Cherlin, *The Marriage-go-round: the State of Marriage and the Family in America Today* (New York: Knopf, 2009), page 160.
- ³¹ Gilbert, 111.
- ³² *The Decline of Marriage and Rise of New Families*. Report. Washington, D.C.: Pew Research Center, 2010. Page 68.
- ³³ Jacob S. Hacker, *The Great Risk Shift: the Assault On American Jobs, Families, Health Care, and Retirement and How You Can Fight Back* (New York: Oxford University Press, USA, 2006), page 91.
- ³⁴ Elizabeth Warren and Amelia Warren Tyagi, *The Two-Income Trap: Why Middle-Class Mothers and Fathers Are Going Broke* (New York: Basic Books, 2003), page 8.
- ³⁵ *Ibid.*, 126.
- ³⁶ Middle Class in America. Report. Washington, D.C.: U.S. Department of Commerce Economics and Statistics Administration, 2010. pg 1.
- ³⁷ *Inside the Middle Class: Bad Times Hit the Good Life*, 6.
- ³⁸ *Ibid.* 165.
- ³⁹ Peck, 85.
- ⁴⁰ *Ibid.*, 86.
- ⁴¹ *Ibid.*, 83.
- ⁴² *Ibid.*, 91.

CHAPTER 4: IMPLICATIONS FOR PUBLIC POLICY

“This law, too, represents a cornerstone in a structure which is being built but is by no means complete. It is a structure intended to lessen the force of possible future depressions. It will act as a protection to future Administrations against the necessity of going deeply into debt to furnish relief to the needy. The law will flatten out the peaks and valleys of deflation and of inflation. It is, in short, a law that will take care of human needs and at the same time provide for the United States an economic structure of vastly greater soundness.”¹

—President Franklin D. Roosevelt, signing the Social Security Act

BACKGROUND

The federal government has played a major role in the growth of the middle class. Michael Lind goes so far as to claim “each of America’s successive middle classes has been artificially created by government-sponsored social engineering—a fact that is profoundly important for us to admit as we think about the future of middle-class America.”²

The government played a pivotal role in populating the western United States and in creating a mass agricultural middle class by dividing up vast quantities of cheap farmland for settlers who would move west. It also subsidized the building of the transcontinental railroad, allowing easier access to the new territories. In the twentieth century the government introduced wage income supplementation, which established social security, retirement benefits, unemployment benefits, and welfare programs for Americans. Today, social security is the largest expenditure in the federal budget. After WWII, the government passed the GI bill, which provided returning war veterans the opportunity to go to college, in addition to unemployment compensation. During the 1960's, the Kennedy and Johnson administrations created "the food stamp program for low-income families, which reduced malnutrition and simultaneously helped farmers; Medicare, guaranteeing health insurance for the elderly; and Medicaid, providing health insurance to the poor..."³ Lastly, the government provides public education paid for by American taxes. Such programs gave the lower-middle class, and middle class American families a leg up in society, in order to stay out of poverty and continue to contribute to society. The government realized that drastic steps were needed in order to preserve the working structure of America.

CURRENT TRENDS WITHOUT POLICY MODIFICATION

In 1930, the average household size in the United States was 3.67; according to the first wave of data from the 2010 census—on 12 states and the District of Columbia—the current average household size is 2.63.⁴ Part of this trend is attributed to the baby

boomer generation becoming empty nesters, but a larger part is due to increasing financial pressure on the average American family. When the average child in the United States costs his or her parents about \$286,050 before college, it is no surprise that a child, let alone more than one, is a financial burden to families.⁵ Another factor drawing on the average household size is the decline of traditional family households: living alone longer, waiting to get married until later in life, or being a single parent as a result of divorce or childbirth out of wedlock. The constant financial burden of parents throughout the child's life effects the direction they will take as they grow up. It is more likely for a child to end up in the same socioeconomic class as their parents than move upward, largely due to the level of access to higher education, the higher the families socioeconomic level and level of education of the parents, the higher likelihood their children will attend college.

Without implementing some sort of policy, the inequality of higher education as well as access to higher education will continue to increase and further stratify socioeconomic classes. The inequality of higher education begins with its accessibility: “about 70 percent of today’s high school graduates attend college. But that impressive-sounding figure glides over the increasingly hierarchical structure of American higher education.”⁶ Wealthy families send their children to elite private universities, middle class families send their children to state schools, and many minority and lower-income families send their children to community colleges. This is, of course, assuming that families have the capital to afford the education. On top of this, wealthier families have the ability to send their children to private college preparatory schools that give them the tools to be admitted into and succeed at top tier colleges. That is not to say public

education cannot provide a good education to the masses, however it is not as beneficial as one from a preparatory school. Although “the American system of higher education is so big and varied that it provides broad opportunities for youths from lower- and middle-class families to prepare themselves for careers that raise them above the level of their parents,”⁷ it is also quite effective in solidifying the upper class.

“The paradox facing young adults today is meeting the demand for more credentials in a context of declining financial-aid support and skyrocketing tuition.”⁸ Many high school graduates who have the qualifications to attend a top-tier institution have been forced to settle for a lower quality college education due to lack of finances, the future burden of student loans or the lack of federal aid. This translates to students not receiving the education they want or have the ability to achieve. “The federal aid system has failed to address two major trends in higher education: more students going to college and rising tuition costs.”⁹ Tuition has risen much faster than the average family’s income, meaning that more students need financial assistance; yet due to the federal government’s lack of priority on financial assistance, aid is spread over a greater number of students. A major contributor to the affordability crisis at hand was the increase in merit scholarships: “over the last decade, both state governments and colleges themselves have shifted their aid dollars toward merit-based awards, rather than need-based.”¹⁰ The problem with this shift is that merit money usually goes towards families that can already afford college tuition.¹¹ In turn, many lower-income students who rely on grant aid will instead enroll at a community college, or none at all.

Unfortunately, education is not the only area of American society in desperate need of restructuring. Access to higher education affects America in the long run, but in

the short run—on an individual level—the healthcare debate is a front-runner for middle class life. The main issue for many Americans—namely those in the lower- to middle-classes—is accessibility. “It is a disgrace that a country with our resources continues to deprive 46 million low-income wage earners of health insurance and deprive tens of millions of others of adequate health insurance.”¹² The purpose of insurance is obviously to provide protection to families so that in case of a medical emergency they are not left bankrupt. The problem is, insurance companies are in it for profit, not for the well being of Americans. While they sell health benefits to the average person, they are also trying to limit costs and maximize profits; one way to achieve this is to continually increase premiums. Another tactic used by insurance companies is to “erect a host of confusing and complex codes and jargon to slow down and limit patient reimbursement for legitimate expenses.”¹³ In other words, customers are encouraged to either give up or not even file a claim.

Due to increasing costs of coverage, many employers are reducing the health benefits provided to employees. The result is a decrease in overall coverage, an increase in out-of-pocket costs, and an increase in uninsured Americans. “About forty-five million Americans, or nearly 18 percent of the nonelderly population, were uninsured in 2003—up from forty million in 2000...Of the uninsured, twenty-six million were full-time workers and 56 percent of those were poor or near poor.”¹⁴ For those who are uninsured, access to care becomes increasingly problematic; those without insurance are less likely to receive care as well as less likely to seek it. Even with access to Medicaid, many communities in inner-city neighborhoods or rural areas “have too few providers generally or too few who will care for low-income people with or without insurance.”¹⁵

There is no doubt that lack of access to and coverage from programs like Medicare and Medicaid is hurting the middle and lower classes, the bigger issue however, is the cost of it all. The combination of rising medical costs and the increasing average American's lifespan will only continue to increase funding costs for such programs. "The big safety net programs—Social Security, Medicare, and Medicaid—represented 42 percent of federal spending in 2005. Based on demographic data and current rates of spending, by 2030 there will be no money left for any other human services, for parks, veterans benefits, environmental protection, highways and infrastructure, etc."¹⁶ Even with the large amount of federal spending going towards these programs, there is never enough money to support the people it is meant to support.

The Social Security Act of 1935—which created Social Security, Medicare, and Medicaid among other programs—was intended to provide benefits to those in need, namely to retirees with no occupational income and those below the poverty line. It has proved effective to this day: "40 percent of the elderly were kept out of poverty in 1999 by Social Security, and almost 50 percent of their medical bills were paid for by Medicare;"¹⁷ "Social Security currently provides 90 percent or more of total income to over one-third of all elderly households."¹⁸ The problem with such programs is they were not created to be able to support the current—and increasing—number of retirees. According to the 2010 Census, the current population of Americans 65 years and older is 40.3 million, which accounts for 13 percent of the U.S. total population; there are roughly five times as many seniors as there were in 1935.¹⁹ More beneficiaries means higher Social Security costs; "the employment tax on wages has increased from \$3,000 in 1950 to \$87,000 in 2003, a twenty-nine-fold increase."²⁰ Yet Social Security is still heavily

relied on by many Americans and reliance will continue to grow as pension coverage declines and the cost of family life continues to rise.

Pension plans are in decline because of the split between traditional, guaranteed plans and individual, nonguaranteed plans. “A traditional retirement plan promised a specific monthly benefit, in some cases an exact dollar amount, based on years of service and salary.”²¹ The traditional plans have been all but replaced with 401(k)s, IRAs and Keoghs, which “rely on worker contributions and individual stock market choices, rather than on employer contributions and pooled investments.”²² What this means for America is that workers must, in essence, fund their own retirement. However, many families only minimally participate, if at all, due to rising costs of family essentials like child care, housing, education and healthcare.²³

RECAPTURING THE AMERICAN DREAM

It is clear that the middle class lifestyle is becoming increasingly difficult to maintain; without change inequality will continue to stratify the upper class and everyone else. “To be effective, any potential remedies must alleviate the worst symptoms of the current weakness and also confront the problems that lie beneath them.”²⁴

A broad, overarching change that needs to take place in America is the habit of consumption. America needs to change from a society that consumes to a society that invests.²⁵ This idea can and should be applied to many aspects of society. First and foremost is an investment in people. Part of the reason America became a global leader was a result of attracting immigrants: students from across the globe come to the country

to learn and grow at top institutions and exit as highly educated professionals. “After training the world’s best and brightest—often at public expense—we don’t find ways to make sure they stay here by giving them a green card but rather insist that they leave and take their knowledge to another country, where they will invent, inspire, build and pay taxes.”²⁶ America was built on attracting immigrants to a better life with promises of freedom and upward mobility; instead, the recent trend has been to turn people away to be successful in their own country.

In a domestic context, changes need to be made to allow greater access and affordability to higher education for the average American. The level of emphasis employers, and society for that matter, place on higher education is ever increasing; without reducing the barriers families and students face to get an education, the current trend of education inequality will continue. Quality of institution aside, rising tuition costs are an ever-increasing burden for students entering college just as student loans are for graduates. The average interest rate for student loans is around 10 percent; with tuition costs reaching upwards of \$200,000, debt from student loans is enough to keep graduates tied down for years to come. Beyond that, those who decide that several thousands of dollars of accumulated debt before age twenty-five is not worth it, settle for community college. States need to think of ways to reduce burden of college debt for college students and families to allow access to higher levels of education. A possible solution would be to require banks to “tie [students] to a lower index, such as the ten-year treasury note, which in 2006 hovered around 4.5 percent. A loan for 125 to 150 basis points above the ten-year Treasury note would yield a 5.75 to 6.0 percent rate of interest, which is a fair profit for financial institutions. These rates are obviously lower than the

crippling rates of 10 percent currently offered.”²⁷ This would dramatically lower debt for graduates as well as sway students toward a four-year degree at a better school.

Historically, the blue-collar wageworker with only a high school diploma could achieve a middle class lifestyle similar to the college graduate. However, with increasing importance placed on receiving a college degree, the have-nots have been forced into lower-wage jobs with little chance of socioeconomic upwards mobility. “As we continue to push for better K-12 schooling and wider college access, we also need to build more paths into the middle class that do not depend on a four-year college degree.”²⁸ One approach would be to develop more career academies, or to rehabilitate trade schools. Career academies are “schools of 100 to 150 students, within larger high schools, with a curriculum that mixes academic coursework with hands-on technical courses designed to build work skills.”²⁹ Students receive an education as well as work experience, which transitions them into the working world.

Similar career tracks could be achieved through expansion of apprenticeship programs. These programs—which are often affiliated with community colleges—provide a college education as well as skills outside of a traditional classroom and direct students toward a wide variety of working-class careers. “The path to good jobs for the future is surely to expand apprenticeship programs substantially so industry can find the workers it needs. This would require a major initiative, a training triangle in which the government funds, the education system teaches and industry hires...”³⁰

In order to pay for initiatives such as apprenticeship programs, however, the government needs to curtail spending in other areas—namely in safety net entitlement

programs. A major factor in the rising cost of Medicare is that it controlled by private sector businesses: prices are certain to be higher if decisions are made by big businesses; they exist to make money—coverage as well as monetary strain placed on the government have never been a concern. “Reform has never been a priority of big business, it is time for the American public to understand that health is part of the human services sector, along with education, unemployment insurance, welfare, etc., and should be the responsibility of the public sector.”³¹ As for Medicaid, the government needs to consolidate into “a single government-financed health program incorporating Medicaid into the system and thus eliminating the fifty different plans that now exist.”³² Although ObamaCare is supposedly going to lower projected spending on Medicare, it further muddled the debate by requiring uninsured families to purchase minimum health care coverage or pay a penalty. Part of the act was meant to provide health insurance to those who had seen reducing health benefit coverage by employers while simultaneously removing some of the liability on the business sector. Allan Ornstein, author of *Class Counts: Education, Inequality and the Shrinking Middle Class*, places the health care debate in the hands of the government and the rich: “the federal government needs to sort out the relationship between employment, health care, and the American people. One way for increasing business profits, jobs, and the health of the economy is to shift the healthcare responsibility onto the government or taxpayer who can afford the heavier burden.”³³

The other federal safety net draining the federal budget is Social Security. In order to combat the rising costs, resulting from the increase in senior citizens, the government needs to form a policy that reduces the number of people it provides benefits to. One idea

would be to “delay benefits until age sixty-eight for new retirees, saving about 5 to 10 percent of the cost for Social Security.”³⁴ Although this would be heavily attacked by the American Association of Retired Persons (AARP), it would dramatically reduce overall spending—in part due to the increased likelihood of death. Another solution, which would be equally as controversial, would be to “reduce Social Security benefits for those people with private pensions—Keogh plans, 401(k) plans, IRA plans, etc. that are valued at more than say \$1.5 million (in 2006 dollars) at the time of retirement.”³⁵

The alternative to reliance on Social Security for retirement income is reliance on some form of pension plan. For many Americans, however, that translates to reliance on a personally funded retirement plan. “With traditional retirement plans being eroded, one strategy is to require all companies listed on the stock exchange that show profits for the year to increase Social Security taxes or pension contributions for the benefit of their workers.”³⁶ This would obviously cost the companies more money, but it would provide incentives for employees to work harder toward the continued success of the company.

Employed Americans may not have the same access to healthcare benefits or retirement plans, but what they do have is a job. In 2010, there were nearly 15 million unemployed Americans, a 3.8 percent rise in the unemployment rate since 2008.³⁷ As the economy begins to recover and people find new jobs, a demographic becoming increasingly undesirable is the long-term unemployed—those who have been unemployed for over two years. Companies are not interested because they have most likely lost skills in the working world. “We should consider offering aggressive wage subsidies to employers who hire the long-term unemployed, making them extremely cheap to hire for, say, a year before the subsidy is withdrawn.”³⁸ This provides an

incentive to help long out of work individuals redevelop work habits and job skills. Even if the company decides not to continue employment after the subsidy is over the worker will still have recent work experience. A subsidy program that should be implemented for Americans who are somewhat recently unemployed in some form of is a wage insurance program. This type of program “kicks in when unemployed people find a new job that pays less than their old one, making up part of the difference—say, half—for a couple of years.”³⁹ This would make the transition to a smaller income slightly less traumatic financially. Additionally, it provides incentive to unemployed workers to accept a lower paying job more quickly and in turn continuing the reemployment of America.

With continually increasing employment—however slight—Americans are slowly beginning to piece their lives back together. Yet a pillar of middle class American life that has holding families down is home ownership. “As Americans have seen the values of their homes rise over the past two decades, they have increased the size of their debt. This is especially true for those in the middle income group.”⁴⁰ When the housing crisis hit, the families who did not lose their house were financially tied to it because of the amount of debt taken out. Families are not able to move elsewhere—to a cheaper and possibly more lucrative area, job wise—because of the frozen housing market. “In the short run, the government should do everything it can to get the housing market running smoothly again, so that houses can change hands faster and their real values within each community can be more confidently established.”⁴¹ Another part of the solution for the long run would be to cease policies that encourage homeownership over renting which would help eliminate the incentive to overinvest in houses. This impedes on a central piece of middle class life, but it could help Americans get back on their feet.

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- ¹ “Franklin Roosevelt's Statement On Signing the Social Security Act,” Franklin D. Roosevelt Presidential Library and Museum, <http://docs.fdrlibrary.marist.edu/odssast.html> (accessed April 22, 2012).
- ² Michael Lind, “Are We Still a Middle-Class Nation?” *The Atlantic Monthly* 293, no. 1 (January/February 2004). <http://www.theatlantic.com/past/docs/issues/2004/01/lind.htm> (accessed March 23, 2012).
- ³ Dennis Gilbert, *The American Class Structure in an Age of Growing Inequality*, 8th ed. (Los Angeles: Sage Publications, Inc, 2011), page 218.
- ⁴ Haya El Nasser and Paul Overberg, After 50 Years of Decline, Housing Size Is Growing, *USA Today*, May 5, 2011. http://www.usatoday.com/news/nation/census/2011-05-04-Census-Households-Demographics_n.htm (accessed April 17, 2012).
- ⁵ Lauren Sandler, “The Only Child: Debunking the Myths,” *Time*, July 8, 2010
- ⁶ Tamara Draut. “The Growing College Gap,” in *Inequality Matters: the Growing Economic Divide in America and Its Poisonous Consequences*, ed. James Lardner and Jim Lardner (New York: New Press, The, 2006), 90.
- ⁷ Gilbert, 153.
- ⁸ Draut, 90.
- ⁹ Ibid., 92.
- ¹⁰ Ibid., 93.
- ¹¹ Ibid.
- ¹² Allan Ornstein, *Class Counts: Education, Inequality, and the Shrinking Middle Class* (Lanham, MD: Rowman & Littlefield Publishers, 2007), page 320.
- ¹³ Ibid., 321
- ¹⁴ David R. Williams and James Lardner. “Cold Truths About Class, Race, and Health,” in *Inequality Matters: the Growing Economic Divide in America and Its Poisonous Consequences*, ed. James Lardner and Jim Lardner (New York: New Press, The, 2006), 107.
- ¹⁵ Ibid., 108.
- ¹⁶ Ornstein, 316.
- ¹⁷ David A. Smith and Heather McGhee. “Shredding the Retirement Contract,” in *Inequality Matters: the Growing Economic Divide in America and Its Poisonous Consequences*, ed. James Lardner and Jim Lardner (New York: New Press, The, 2006), 78.
- ¹⁸ Ibid., 79.
- ¹⁹ U.S. Census Bureau. *The Older Population: 2010*. November, 2011. <http://www.census.gov/prod/cen2010/briefs/c2010br-09.pdf> (accessed on April 18, 2012).
- ²⁰ Ornstein, 317.
- ²¹ Ibid., 318.
- ²² Smith, 78.
- ²³ Ibid., 81.
- ²⁴ Don Peck, *Pinched: How the Great Recession Has Narrowed Our Futures and What We Can Do About It* (New York: Crown, 2011), page 154.

²⁵ Fareed Zakaria, “How to Restore the American Dream,” *Time*, Thursday, Oct. 21, 2010. <http://www.time.com/time/magazine/article/0,9171,2026916,00.html> (accessed April 8, 2012).

²⁶ Ibid.

²⁷ Ornstein, 313.

²⁸ Peck, 177.

²⁹ Ibid.

³⁰ Zakaria.

³¹ Ornstein, 328.

³² Ibid., 326

³³ Ibid., 322.

³⁴ Ibid., 317.

³⁵ Ibid.

³⁶ Ibid., 320.

³⁷ U.S. Census Bureau. *Labor Force, Employment, and Earnings*. 2012. <http://www.census.gov/compendia/statab/2012/tables/12s0622.pdf> (accessed on April 20, 2012).

³⁸ Peck, 167.

³⁹ Ibid.

⁴⁰ *Inside the Middle Class: Bad Times Hit the Good Life*. Report. Washington, D.C.: Pew Research Center, 2008. Page 24.

⁴¹ Peck, 164.

CHAPTER 5: THE FUTURE OF THE MIDDLE CLASS

“We of the sinking middle class...may sink without further struggles into the working class where we belong, and probably when we get there it will not be so dreadful as we feared, for, after all, we have nothing to lose...”¹

—George Orwell

“The world has gone from connected to hyper-connected,”² voiced Thomas Friedman in a *New York Times* Op-ed. This is arguably the most important and most influential trend in the world today. The ever-increasing pace of technological innovations is removing traditional, routine work from the job market and replacing it with automation. Routine work was the mainstay for a middle-class lifestyle for a good portion of the twentieth century. Now, however, people must work harder in school, absorb more from their jobs and adapt to the changing world in order to keep up with the changing demands of the middle class life. Beginning in the 1980s companies began outsourcing manufacturing jobs to developing countries in order to cut costs. “It used to be that only cheap foreign manual labor was easily available; now cheap foreign genius is easily available.”³ Instead of outsourcing, companies are ‘investing’ in global markets and even using highly educated foreign workers to supplement jobs in the U.S.—

companies outsource accounting jobs, consulting jobs, etc. Not only does globalization increase activity and participation in global markets, it provides a social platform for anybody: the hyper-connectivity of the world is “super empowering individuals, enabling them to challenge hierarchies and traditional authority figures—from business to science to government.”⁴

With regard to the middle class, the age of technology provides an increasing number of professional and technical level jobs. The down side to this is that higher levels of education or technical skill are required for such jobs; and in the meantime, jobs previously available are being eliminated or transferred out of the country. This trend is creating large income disparities between those who have the skill to work in global markets and those who are being forced down to lower-wage jobs. Robert Reich thoroughly addresses such income and wealth inequalities in his book, *Supercapitalism: The Transformation of Business, Democracy, and Everyday Life*. The main theme of the book argues that competition has changed the corporate markets, and the world for that matter, into one giant fight for power and profits.⁵ Reich argues that critics are wrong to attribute rising inequality to greed and corruption of leaders; “today’s corporate and political leaders are no different from their earlier counterparts. What has changed is that new technology has made the economic environment dramatically more competitive.”⁶ Technology provided the platform for big businesses to compete with each other on a global scale, which in turn has driven salaries of the best performers up while all other incomes languish. Not only does this phenomenon impede on the jobs and salaries of middle class Americans, it threatens accessibility to the pillars of middle class life: home ownership, education and health care.

“In the past, workers with average skills, doing an average job, could earn an average lifestyle. But, today, average is officially over. Being average just won’t earn you what it used to.”⁷ Middle class Americans face many more obstacles on the road to the promised American dream. Their jobs are being outsourced; college tuition prices are ever rising while grant aids are declining; consumer items continue to rise in price while income stays relatively stagnant; and housing is expensive and risky. It is clear that there is rapidly growing inequality between the lower- to middle-classes and the elite class. “The increasing segregation of Americans by education and income, and the widening cultural divide between families with college-educated parents and those without them, suggests that built-in advantages and disadvantages may be growing.”⁸ One tool often used to measure income inequality is the Gini coefficient, which indicates the overall distribution of income. A Gini coefficient of 0 means income distribution is perfectly equal; everyone earns the same. A Gini coefficient of 1 indicates that all of the income goes to one single individual and no one else earns anything at all. “The U.S. Gini coefficient rose from .394 in 1970 to .456 in 1995.”⁹ In other words, income inequality has dramatically increased since 1970. This is not due to the decline of middle class income, rather that their wages have remained relatively stagnant compared to wages of the upper class.

A trend that is becoming increasingly obvious is the separation of American culture. This has concentrated wealth at the top of society and increased pressure on the average American. Beyond wealth, intellectual capital is also disproportionately concentrated at the top, leaving a gap between the culture of the haves and the have-nots. If America is to maintain a common culture, or at least not break into a further stratified

upper class, it must find a way to decrease social distance between different cliques and classes.¹⁰ Charles Murray suggests the disconnect of classes has to do with the deterioration of classic American values: “millions of people are losing touch with the founding virtues that have long lent American lives purpose, direction, and happiness,” which are “...family, vocation, faith, and community.”¹¹ This is largely due to the fact that America is not the same country it was fifty years ago; that was the old image of the middle class. “Fifty years ago, America was groupy. People were more likely to be enmeshed in stable, dense and obligatory relationships. They were more defined by permanent social roles: mother, father, deacon.”¹² Today, individuals are defined by their freedom. The interest in being unique and independent is more important than a structured lifestyle. This generation has continually been told that they can do whatever they want in life, so they become ‘free;’ free to move about among loosely structured and flexible networks of relationships, free to escape being tied down. On one hand, the culture of the younger generation could possibly focus their talents and uniqueness on nothing, and rely on society to take care of them. Yet on the other hand, it could be a generation that maximizes their talents. “Today, the fast flexible and diverse networks allow the ambitious and the gifted to surf through amazing possibilities. They are able to construct richer, more varied lives. They are able to enjoy interesting information-age workplaces and then go home and find serenity in a one-bedroom apartment.”¹³

To some extent, this is the nomadic spirit that Don Peck described in *Pinched*: “historically, few other countries have adapted as quickly or as well to the continual rise and fall of companies, industries, cities, and regions.”¹⁴ However, Peck goes on to suppose that Americans are stuck; stuck in low paying jobs, stuck in houses due to debt,

stuck in unemployment, just stuck. And in order to revitalize the economy and by extension the country, Americans need to revive that nomadic spirit.¹⁵

Looking forward, the middle class is far from doomed; however, without implementation of policy initiatives and a decrease in the social gap between classes, the staples of middle class life will continue to diminish in accessibility. Is home ownership going to remain a hallmark of middle class life? Possibly, but it hinges on making changes to financial habits. For starters, “a new single-family home is about 50 percent bigger today than a new home was a generation ago.”¹⁶ It has become commonplace to leverage homes, as the highest valued asset in most families, to take out more debt. It boils down to making financially conscious decisions. Don’t spend more than you have and you won’t be in debt, or need to be. And if that entails not owning a home in order to preserve financial security then so be it.

Upon graduating college, previous generations of Americans focused on getting married, getting a job, then building a family. If there is one thing to describe the current trend, it is insecurity. Graduates want a stable job first and foremost because job security is definitely waning. The second step is to build, or attempt to build, a career and a savings account to fall back on. The institution of marriage is in decline; people are waiting until later in life to get married if they do at all. This pillar of middle class life will not necessarily diminish, but will transform into a broader definition of relationships that encompasses the decision to live as partners or some other preference. Progressive trends, like living together unmarried, fall in line with the ‘nomadic’ lifestyle that David Brooks used to describe the younger generation today.

¹ Jeffrey Meyers, *Orwell: Wintry Conscience of a Generation* (W. W. Norton & Company, 2001), page 93.

² Thomas Friedman, “A Theory of Everything (sort Of),” *New York Times*, August 13, 2011

³ Ibid.

⁴ Ibid.

⁵ Robert Frank, “Invisible Handcuffs,” *New York Times*, October 21, 2007.

⁶ Ibid.

⁷ Thomas Friedman, “Average Is Over,” *New York Times*, January 24, 2012.

⁸ Don Peck, *Pinched: How the Great Recession Has Narrowed Our Futures and What We Can Do About It* (New York: Crown, 2011), page 184.

⁹ Elia Kacapyr, “Are You Middle Class?” *American Demographics* 18, no. 10 (Oct 1996): 32.

¹⁰ Pinched, 186.

¹¹ W. Bradford Wilcox, “Values Inequality,” *Wall Street Journal*, January 31, 2012.

¹² David Brooks, “The Talent Society,” *New York Times*, February 20, 2012.

¹³ Ibid.

¹⁴ Pinched, 162.

¹⁵ Ibid., 163.

¹⁶ *Inside the Middle Class: Bad Times Hit the Good Life*. Report. Washington, D.C.: Pew Research Center, 2008. Page 24

CONCLUSION

“Whatever the future may contain, the past has shown no more excellent social order than that in which the mass of the people were masters of the holdings which they plowed and of the tools with which they worked, and could boast ... ‘it is a quietness to a man’s mind to live upon his own and to know his heir certain.’”¹

—R. H. Tawney

James Truslow Adams coined the term ‘The American Dream’ in 1931, when he proposed it to his editor as the title of his book. His publisher told him no because no American wants to be sold a dream. Adams used the phrase so often it became a common term. He described it as “a better, richer and happier life for all citizens of every rank.”² And this dream defined the middle class for a good portion of the twentieth century, so much so that the dream became the way of life. When people aspired to achieve “the American way of life’ ...they were talking about a civic culture that swept an extremely large proportion of Americans into its embrace. It was a culture encompassing shared experiences of daily life and shared assumption about central American values involving marriage, honesty, hard work, and religiosity.”³

Unfortunately, it has become increasingly clearer that the American dream, and thus the middle class lifestyle, is harder to achieve now than it was in the past. In addition, the values that this dream was founded on are eroding as the information age breaks boundaries and reshapes societal norms.

In spite of growing income inequality, job insecurity, financial burdens, etc., many Americans are still optimistic about what the future has in store with respect to quality of life, jobs, standard of living, and technological innovations. Additionally, most are confident that their children will be more successful in life. Optimism can only achieve so much, however. There is a long road ahead if America wants to revitalize the middle class.

In the words of Yogi Berra, “The future ain’t what it used to be.”

¹ C. Wright Mills. *White Collar: the American Middle Classes*. 50th anniversary ed. New York, N.Y.: Oxford University Press, USA, 2002. Page 3.

² Fareed Zakaria, “How to Restore the American Dream,” *Time*, Thursday, Oct. 21, 2010. <http://www.time.com/time/magazine/article/0,9171,2026916,00.html> (accessed April 8, 2012).

³ Charles Murray, “The New American Divide,” *Wall Street Journal*, January 21, 2012.

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