

On Preserving a Mythology: How to (and Why We Should) Prevent the Middle Class from Disappearing

Middle class, middle class, middle class. Ever since the rather, nebulous designation was conceived, it has been repeated over and over again throughout the decades as a go-to buzzword and talking point for anyone who purported to maintain, or make better, this country (*Bloomberg View* Editorial Board). The middle class is of a people described as being honest and hardworking, working towards a better future for their children. What these politicians are playing to, and in a sense, contributing to, is the maintenance of that vital, narrative mythology of Americana. But is there any corporal element to his mythology? *Yes and No.* This portion of the economic strata is *very* real but it has been disappearing at an alarming rate since the 60's. Near the end of the 20th century, this has actually occurred due to American families moving upwards on the income scale. But as *The New York Times* reports, the reason for the continual decline of middle-class numbers post-2000 was a corresponding fall in income (Parlapiano, Gebeloff & Carter). This has led to a disproportionate amount of middle-class families going down on the economic ladder, rather than ascending to a higher rung (Searcey & Gebeloff).

At a time when about 6.36 million Americans have been expelled from the middle-class rank—those that earn \$35,000 to \$100,000—since 2000, many Americans are self-aware of this very phenomenon, as the percentage of Americans identifying themselves as “middle class” decreased 9% from 2008 to now (Chozick). Despite the warning signs that this was occurring in 2014 released by a Pew Research Center study, the situation has not improved (Kocchar, Rakesh & Morin). Another startling fact that intimates the decline of the middle class is the number of Americans self-identifying as “lower middle class” or even “lower class”; the number has increased 15% from 2008 to 2014 (Quandt). On top of that, currently, the fastest growing portion of the middle class demographic is composed of those older than 65 (Searcey et al.). It will be difficult for middle-class financial assets, philosophy, and presence to be propagated when younger middle-class Americans fall behind those who are of more advanced age. If nothing is done, then there will be an ever-widening gap and dichotomy between the lower and upper classes.

There are several problems that contribute to this larger issue. Generally speaking, a systemic and legal approach to aiding the wealthiest Americans gain the highest amount of income is obviously to blame for. In fact, *Americans within the top 1% income bracket saw a 181% income increase, whereas the bottom 99% saw a collective increase of 2.6%* (Quandt). The problem is more apparent when considering the fact that the U.S.'s per capita GDP is still the highest in the world for a large nation and has been domestically growing for decades from the 60's on until now (Leonhardt & Quealy). The situation stinks of the Gilded Age (Kotkin). In order to alleviate this middle-class crisis, the contributing mechanisms of 21st century Reaganomics must be dealt with. These policies that only benefit their authors—the rich—are detrimental to the middle class, since their needs are not being met—actively.

Republican political lobbying is not the only issue making middle-class existence difficult. Middle-class jobs have been exported for a while now and technology has replaced a lot of the lower-level middle-class workers. Nowadays, the internet, as well as company intranets, are making middle-class jobs such as manufacturing machinists; word processors; switchboard operators; courier and messengers; computer operators; information, record, and data entry clerks less and less available to people (Lieberman). Developments in technology have also made several

services, such as reserving and printing airline tickets for example, obsolete, as the onus is increasingly on customers, and is making business harder for the mail-delivery industry (Lieberman).

All the data is out there, and the 2016 presidential contenders have seen it as well (or at least their advisors); the word “middle class” is increasingly going out of style. Bernie Sanders has made his solidarity with “ordinary Americans” very clear, as has Hillary Clinton, who has shown her support for “everyday Americans” (Chozick). Even Republicans, like Rand Paul and Scott Walker—politicians notorious, and rightfully so, of aiming to extinguish the middle class—have been forced to pander to middle-class Americans through euphemisms. And when candidates do use the term, ever so carefully, it is done so by way of nostalgia. But why these euphemisms?—the term is now a kind of cultural expletive that cannot be uttered because it evokes anxiety in 2015. After 15 years of being threatened by the aforementioned issues and thirty years of income gains for the upper classes, the phrase, as, again, *The New York Times* puts it, “evokes anxiety, an uncertain future and a lifestyle that is increasingly out of reach” (Chozick).

But does the middle class matter? From an ethical standpoint, it is clear that they do and that everyone should have the right to a more decent life if they work hard. However, maintaining the middle class is not just important for morality’s sake, but for maintaining, in the broadest sense, the ‘American way of life.’ This is clear when directing one’s attention to the ideology of Nick Hanauer, one of the first investors of Amazon.com. He claims that the middle class is what drives the economy, not the super-rich. He says, “We’ve had it backward for the last 30 years... Rich business people like me don’t create jobs. Rather, they are a consequence of an ecosystemic feedback loop animated by middle-class consumers,” and “businesses grow and hire, and owners profit” when the middle class become more successful (Tankersley, “The 100% Economy”). Both the Brookings Institution as well as the Census Bureau support this theory; middle-class Americans have the disposable income—unlike their lower-class counterparts—to buy new, innovative products and services that the super-rich usually do not because of their hoarding and their small aggregate constitution of the population. When middle class Americans continue to consume these newly developed products, this drives the innovation of American companies; it should be noted here that the only real comparative advantage that American businesses have over those of others is “coming up with the best new products before anyone else does” (Tankersley). But this advantage cannot be if the middle class continue to lose their disposable income to stagnant wages, which has severely debilitated their purchasing power (Lutz). Speaking of purchasing power, stagnant wages is actually one of the biggest problems facing middle-class Americans (Tankersley, “Here’s the liberal plan”). Wages are extremely important for middle-class families because, unlike the upper class, they do not derive their wealth from investments (Erickson). In addition to purchasing power, in terms of just, living, middle-class life is made difficult by the increase in the price of fundamental needs such as health- and childcare (Erickson).

Hanauer and others also recognize the middle class’ vital importance to the maintenance of human capital and infrastructure, which remain one of the most important factors to economic growth (Tankersley, “The 100% Economy”). Most upper-class Americans do not care for infrastructure because they have no stake in it. Why care about the roads when you have private jets? (Tankersley). In fact, they have been living farther and farther away from middle-class Americans from the 70’s on, as evidenced by a report conducted by Cornell’s Kendra Bischoff and Stanford’s Sean Reardon (Weissmann). Additionally, the middle class is especially adept at “incubating” entrepreneurs—those who give the American economy their “only comparative advantage” in the global market—since the middle-class life offers the motivation, time, and

resources to develop the skills necessary to be an innovator (Tankersley). Eric Ries, successful Silicon Valley entrepreneur, sums it all up quite nicely: “The biggest start-up successes—from Henry Ford to Bill Gates to Mark Zuckerberg—were pioneered by people from solidly middle-class backgrounds. These founders were not wealthy when they began. They were hungry for success, but knew they had a solid support system to fall back on if they failed” (Murphy Jr.). Lower-class children will not have the resources in most cases and the children of upper-class Americans do not have the motivation (Tankersley). Despite these salient observations, nothing is being done about the tangible decrease in entrepreneurship, as the number of new businesses per 10,000 Americans decreased from 35 in the mid-70’s to 17 in 2010 (Madland). Additionally, a Brookings Institution reports that, in the last ten years, the growth of new small business lag behind the rate at which old business close down (Kotkin). And lower-class Americans will certainly not be able to fill this void since it will be harder for them to attain middle-class resources as upwards social mobility, or the ability to *not* waste human capital, in America is below that of most other rich nations which place the U.S. at the 16th spot in human capital measures (Madland).

American human capital is also neglected in terms of education: despite being the richest large country in the world, the U.S.’s college graduation rate is ranked fourteenth, and tests measuring aptitudes in math, reading, and science are quite average (Madland). And even though more and more younger people are getting degrees—more than two-thirds of the 25-34 year-old demographic have a college degree—they feel betrayed by their institutions as they struggle to find jobs in the current market, must expect wages that decreased 10 percent since 2000 for the 18-34 year-old demographic, and pay back loan debts (Lieberman, Wessler). Even education barely helps and sometimes, as with the case with loans, can become a double-edged detriment-benefit. The days of yore—namely, 1992, when half of middle-class households were headed by a person with a high school education—are long gone; now, only 37 percent of the members of the middle class lack a college degree (Searcey et al.).

So it is clear that an economically stable middle class nets a growth in the economy. “The Middle Class Consensus and Economic Development,” a 2000 study conducted by the World Bank saw that countries with larger middle classes experienced greater economic growth, higher income, and even health benefits ranging from greater life expectancy to lower infant mortality rate (Tankersley). And in actuality, health itself is very important for economic growth since it influences human capital (Madland). Unfortunately for middle- and lower-class Americans, both life expectancy and birth weight (a predictor of chronic diseases in adulthood) are steadily decreasing (Madland). Addressing income inequality, which will help middle-class Americans then, becomes imperative since America has a health problem, since America has an economy problem. Equality in income distribution, in fact, says a 2011 paper from the International Monetary Fund, is quite beneficial: “[L]onger growth spells are robustly associated with more equality in the income distribution” (Tankersley). This kind of information should be clear by now, especially after the 2008 Financial Crisis where the policies brought into effect by big-money interests and lobbyists brought down the world economy. Furthermore, income inequality has shown all over the world to lead to political unrest, which is dangerous for any economy, as can be seen by the Arab Spring, or more recently, Greece (Tankersley). In short, supply-side economics has failed the country.

Current policies which have led to this continual, 21st century middle-class catastrophe will also continue to fail the country, as they move it farther away from democracy, one of the core tenets of the American ideology, or way of life. Dr. Daron Acemoglu of MIT and Dr. James A. Robinson UC Berkeley explain in *Political Origins of Dictatorship and Democracy*, how the

middle class can be the “driving force for democracy,” “can be in favor of the poor being included in the political arena,” “can act as a buffer between the rich and the poor by ensuring that democracy will not be very redistributive... dissuading the rich from using repression,” and when “in power together with the rich... can play the role of soft-liners arguing against repression... in favor of a transition to democracy, which is less costly for them [middle class] than it is for the rich (since they have less to lose from redistribution).” This is very clear when considering the World Bank’s Africa Pulse report. It saw an emerging “middle class” in the Sub-Saharan region that was the “driving force” behind its rising democracies (and its economic growth), as they used mobile phones, the internet, and social media networks to navigate through the digital world (Fletcher). Through this exploration, they became aware of the happenings of the international community and “therefore had a role as opinion makers and agents of reform and change” (Fletcher). The development of the middle class also allowed for more rational political decision-making, as well as the easing of tribal tensions (Fletcher).

The entity that is the middle class is extremely important for the institution of democracy. The middle class, having the greatest aggregate consuming power, directs the state of the economy, and their being loyal to reasonable economic freedom and consumerist stances of choice prevents the nation from falling into dictatorship, fascism, and socialism. While Sub-Saharan communities may be very different from those of the United States, they demonstrate the importance of the middle class to preserving democratic ideals. However, recently, the middle class has been unable to prevent the oligarchs of the country from creating Super PACs and passing *Citizens United*. Lobbyists just hold too much power in the country, and that is why it is especially important to recognize the inexorable tie between middle class values and democratic ones. One recent presidential candidate, who is actually doing quite well in New Hampshire and Iowa is a senator named Bernie Sanders and is the first Congress member to have come out as a democratic socialist, is especially outspoken about the need for Americans to embrace and empower the middle class. It has been a while since the middle class has found someone behind whom they can rally—who is not a deceptive, disproven-Trickle-down-Theory-espousing Republican.

And so, people like Bernie Sanders offers hope. So does the fact that there has been *some* job growth and an increase in better paying jobs in the professional service and healthcare industries, while manufacturing is making a slight comeback (Searcey et al.). And it is not impossible for governments to try to increase the national median income. Canada and countries in Western Europe have shown “aggressive” efforts at increasing the take-home pay of their lower- and middle-class workers (Searcey et al.). But at a more technical, or say, legislative level, how can the middle class be saved, and how can that multitude of aforementioned obstacles to middle-class bliss be dispatched? The discussion below highlights some solutions.

A huge problem that can be legally fixed are the several legal loopholes built into the legal system that favor large corporations. Joseph E. Stiglitz, the Nobel Prize-winning economist, says that these corporate practices, which involve, for instance, hoarding money into islands like the Cayman to avoid taxation, lead to unemployment and income inequality. All that lost money from the inability to (or conscious choice not to) tax those monies is preventing the country from making public investments (“How Tax Reform Can Save the Middle Class”). These public investments can go towards improving the educational system for younger children, which again, can help members of the middle class attain better jobs (Erickson, Lutz). But these ‘better jobs’ need to be *there* or, be created, if these education programs can take any effect. In order to do this, pre-existing jobs, like they did in decades past, must include better benefits (Osterman). Jobs must also respect the notion of ‘job security,’ as those laid-off, if they are somehow able to find another job in this

climate, will be forced to take home 80% of their previous wage, according to the Census Bureau. Regulations against employers using subcontractors can also benefit workers (Osterman). In terms of bettering jobs, the Economic Policy Institute (EPI) urges the creation of direct-employment programs and an increase in wage (Tankersley, “Here’s the liberal plan”). Along this line, subsidized apprenticeships can also make a difference (Erickson). Wage replacement programs should also be sought after for workers who need to leave on maternity/medical leave (Erickson).

Funds from appropriately taxing corporations and the higher income bracket demographic can also go towards paying off loans or decreasing the cost of college so that young people, who, hopefully, will become the backbone of the middle class, do not have to struggle paying their loan debts if they cannot find jobs, or spending their disposable income if they indeed, are able to find jobs that coalign with their skill-level (Erickson). Investments can also go towards improving America’s ailing infrastructure (Lutz). As aforementioned, the middle class are crucial for the nation’s infrastructure because they are its main proponents (Tankersley, “The 100% Economy”). But the reverse relation is also valid: developments in infrastructure will necessitate some jobs that are necessarily within the middle-class bracket.

This kind of redistribution can also go into improving healthcare for middle-class Americans at a time when costs are continually rising (Erickson). Healthcare can also, policy-wise, improve by offering more alternatives to fee-for-service payments, limiting low-value plans, increasing transparency so that consumers can find the right plan, and having the federal government make bonus payments to states that meet scope-of-practice guidelines so that consumers can meet non-physician caretakers (Erickson). Addressing housing concerns will also be important; the housing market must closely be monitored and the federal government must encourage Fannie Mae and Freddie Mac to offer more affordable and more accessible mortgage plans. These are ways in which the country can maintain the human capital of the middle class (Erickson).

On that note of human capital, coming back to America’s greatest middle-class asset—innovators—the government could give more financial support to organizations like the proposed (by professors at Columbia University) National Innovation Bank that aims to lend to start-ups more than they would attain from venture-capitalism (Peck). Another idea is to lighten the regulation of these kinds of *innovative* industries; the author cites the internet in the 90’s and its very small amount of regulation, and its current domination of everyday life, as a good example (Peck). Traditional industries like large corporations and Wall Street must, however, be contained in order to prevent another financial crisis and dissuade practices that divert funds away from the middle class. The funds can come from, again, better tax regulation and tax code reform. It can also come from decreasing the military budget, which far exceeds that of the next seven highest military spenders combined as shown by an analysis from the Peter G. Peterson Foundation.

Robert Reich also has some very promising ideas for saving the middle class. Robert Reich, UC Berkeley professor and previously a Secretary of Labor of three administrations, suggests strengthening the power of unions so that middle-class workers can use their bargaining power to get better wages and working conditions. Today, union membership is at about 7%, which is way lower than what it was in the 50’s and 60’s, and explains why workers have virtually no bargaining power. To strengthen unions, several steps can be taken. Firstly, the process of forming unions should be made easier, since registration difficulties and delays allow employers to create campaigns declaring that they will move to another location if the union is formed. Currently, the legal penalties for firing workers who are caught trying to organize unions are quite meager; all the employer has to do is repay the wage that the fired worker would have gotten, which is

considered but a cost of doing business. These penalties must be made more severe. The creation of federal laws that counteract union-busting “right-to-work” laws must also be set in place as right-to-work states have on average, lower wages (\$1500 less) than those that do not, and are also less likely to be given pensions and/or health coverage (“Unions can save the middle class”). These analyses are valid: the EPI affirms that the “decline in unionization” is “the biggest factor in that [economic] stagnation” (Tankersley, “Here’s the liberal plan”).

Reich also believes that raising the overtime threshold can save the middle class. As a result of the recent increase in the threshold, from \$23,600 to \$50,400, authored by the Department of Labor, about 5 million people are projected to receive a raise. Reich predicts that this move will not kill jobs, as the opposing side says, but might create more if the employer does not want to pay overtime, since if the employer does not want to pay overtime, he or she could just hire more workers. And this is not an irrelevant problem: 60 years ago, more than 60% of salaried workers were able to get overtime; now, the figure is down to a meager 8%, while at the same time, over the last 30 years, corporate profits have gone up from 6% of the GDP to nearly 12 (“Overtime might save the middle class”).

Reich’s insistence on developing strategies to increase workers’ rights and their wages resonates well with those problems aforementioned. The solutions that have been laid out thus far may not be able to combat all the sources of middle class woe, such as globalization, mechanization, and technological developments, but they are a great start to save the portion of the population that, as the late but legendary comedian George Carlin says, “pays all of the taxes, does all of the work” (“George Carlin”). People like Bernie Sanders offer hope that real change towards a direction that favors the middle class is possible. And change does not come from myths, but from ideas, and a willingness to use political power to enact those ideas. Through Sanders’ numbers, it is becoming increasingly clear that that power is within the hands of everyday, ordinary Americans. So in the words of some Bizzaro-Trump, “Let’s make America “middle” again.

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