

STEVEN PEARLSTEIN

## The Untimely, and Untrue, Death of America's Middle Class

PEARLSTEIN, From D1

Clinton Labor Department. Along the way, he's worked for a couple of think tanks and blue-ribbon commissions.

Back in 1978, Rose and a colleague decided to try to reduce the existing economic topography into a single chart, which they called "Social Stratification in the United States." The resulting illustration was an ingenious synthesis of data on income, wealth, employment and family structure that was meant to highlight what was then a growing and largely unrecognized economic divide. With economists like Barry Bluestone and Bennett Harrison, in fact, Rose was something of a pioneer in the inequality debate.

But while the latest update, recently published by New Press, surely doesn't gloss over the gap between whites and blacks, skilled and unskilled, married and singles, it also challenges the sky-is-falling rhetoric of the Democratic left.

For example, it is often reported that the median household income in the United States is \$44,500. Of course, that takes in households of varying size, from singles to the

Brady Bunch. It also includes households headed by workers in the prime of their working years (29 to 59), as well as those just beginning or ending their careers, when earnings tend to be lower. So, to get a truer picture of economic well-being, Rose adjusts the data for household size and excludes those headed by people younger than 29 or older than 59. And when he does, it turns out that the medium income for the "typical American family" jumps to \$63,000, which in most parts of the country, buys a pretty comfortable middle-class lifestyle.

This doesn't mean the middle class isn't shrinking. In fact, from 1979 to 2004, Rose calculates that the percentage of households in the "middle class" category — those with incomes of \$30,000 to \$90,000 — fell to 39 from 47 percent. But it would be hard to describe that as bad news when the percentage of well-off households — those with incomes of more than \$90,000 — rose by nearly 9 percentage points. During the same time frame, the percentage of households that were poor or near-poor remained about the same.

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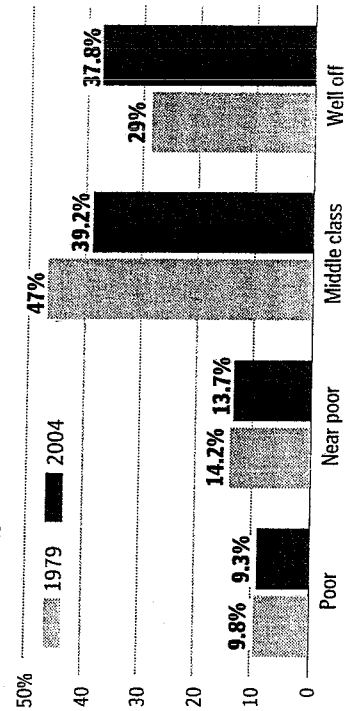
class families have been able to maintain their standard of living is by forcing mom to work more hours. But that, too, turns out to be an exaggeration. By looking just at married couples at various points in the income ladder, Rose found that for all but the poorest households, inflation-adjusted income were higher in 2004 than in 1979 even after factoring out any increase in spousal work hours.

It is also a myth that the "Great American Jobs Machine" is producing mostly lousy, low-paying service jobs. Rose simplifies the government data by putting all jobs in three categories: "elite" jobs, encompassing managers and professionals; "good jobs," such as those held by supervisors, skilled blue-collar workers, craft workers, police, firefighters and clerical workers; and "less skilled" jobs, such as those held by unskilled machine operators, laborers, sales clerks and waiters. Looking at it that way, it turns out that the number of lousy, low-skilled jobs has been on a long, steady decline since 1979, while the number of "elite" jobs has been growing steadily. The number of "good" jobs has declined marginally as skilled

### The Vanishing Middle?

*Although the middle class is shrinking, it is because more households are becoming richer, not poorer.*

Income distribution



SOURCE: Current Population Survey, May 2005, and Panel Study on Income Dynamics as quoted by Stephen Rose in "Social Stratification in the United States"

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office work has replaced skilled factory work.

Rose's point is not that the reality of middle-class economic life hasn't changed or that the gap between rich and poor isn't growing — those trends are unmistakable. He's also ready to acknowledge that 15 to 25 percent of American households are

struggling to achieve or maintain what might be called a "middle-class" lifestyle. And he

finds it more than a little troubling that 20 percent of American households holds 85 percent of the wealth.

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decline in standards the middle negative o Americans and jobs g contrast to about their economic degree the economic from what compares has, it's ea increased i economic? There is unfolding a attention t poor and t equitable d from trade But those i solved by I tax breaks to "save" a that seems well in fool

Steven Pea discussion washingto reached at pearlstein

# Housing Market's Slump Becomes a Drain on Owners' Wallets

SPENDING, From D1

spending, unemployment is expected to rise above 5 percent by year-end from a low 4.5 percent now.



## Rising Obligations

peak in 2001 last three r almost hal \$400 billion

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This doesn't mean the middle class isn't shrinking. In fact, from 1979 to 2004, Rose calculates that the percentage of households in the "middle class" category — those with incomes of \$30,000 to \$90,000 — fell to 39 from 47 percent. But it would be hard to describe that as bad news when the percentage of well-off households — those with incomes of more than \$90,000 — rose by nearly 9 percentage points. During the same time frame, the percentage of households that were poor or near-poor remained about the same.

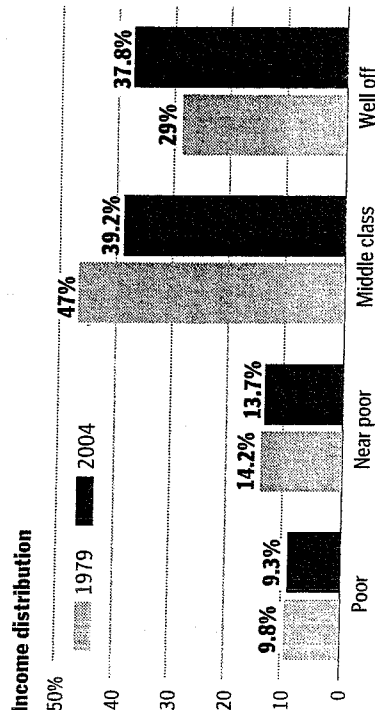
One of the favorite liberal story lines is that the only way middle

class families have been able to maintain their standard of living is by forcing mom to work more hours. But that, too, turns out to be an exaggeration. By looking just at married couples at various points in the income ladder, Rose found that for all but the poorest households, inflation-adjusted income were higher in 2004 than in 1979 even after factoring out any increase in spousal work hours.

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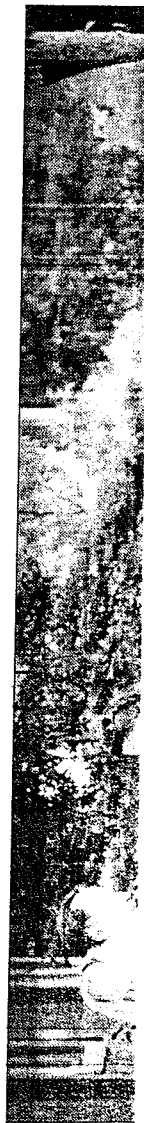
Rose is right to warn against confusing those trends with a broad

decline in American living standards or the disappearance of the middle class. He notes that the negative opinions that many Americans hold about the economy and jobs generally stand in sharp contrast to the opinions they hold about their own job and their own economic prospects. And to the degree that people's sense of economic contentment derives not from what they have, but how it compares with what everyone else has, it's easy to understand how increased inequality can give rise to economic anxiety.

There is plenty of room in the unfolding economic debate to call attention to the unmet needs of the poor and to demand a more equitable distribution of the gains from trade and productivity growth. But those are hardly problems to be solved by politically popular new tax breaks and subsidies designed to "save" an American middle class that seems to have done remarkably well in looking out for itself.

Steven Pearlstein hosts a Web discussion today at 11 a.m. at [washingtonpost.com](http://washingtonpost.com). He can be reached at [pearlsteins@washpost.com](mailto:pearlsteins@washpost.com).

## Market's Slump Becomes a Drain on Owners' Wallets



peak in 2005, to \$217 billion in the last three months of 2006, down by almost half from a peak of nearly \$400 billion in the third quarter of 2005. Analysts disagree about

## Rising Obligations

*The nation of consumers'*