



The Middle Class at Risk

The Dangerous Gap Between the Rhetoric and Reality
of Republican Prescriptions for the Economy

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Introduction and summary

American families have experienced dramatic changes over the past few decades. It used to be common that one middle-class income was enough to meet the needs of an entire family—money enough to send kids to college, buy a home, and save for retirement. Today, most families need two incomes to make ends meet. But even as families are working harder and harder, they are struggling and feeling economically insecure.

Although corporate profits are at all-time highs and the richest Americans have seen the bulk of the gains in the recovery,¹ working- and middle-class families continue to struggle. The lack of support for families and the challenges of stagnant wages and the ever-rising middle-class costs have placed tremendous strains on most Americans. The research bears out what families are experiencing. The Center for American Progress recently estimated that the real cost of middle-class security—that is to say, health care, college savings, child care, housing, and a retirement nest egg—rose \$10,600, or 30 percent, between 2000 and 2012, a period when the median married couple with two children saw no real income growth.² (see Figure 1) The result has been that American families are being squeezed more and more as middle-class costs rise faster than middle-class incomes.

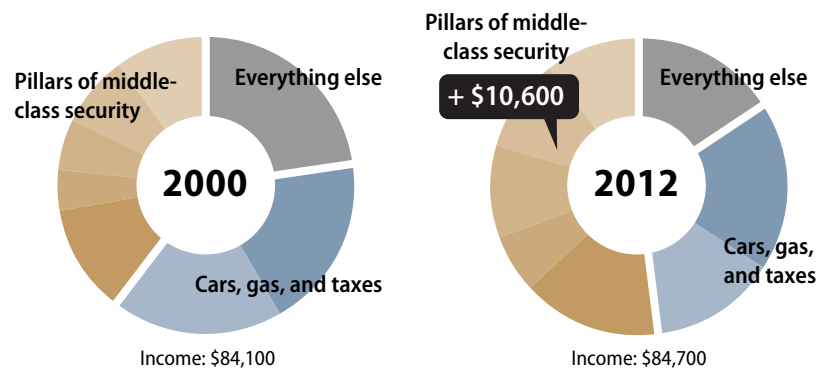
The mounting pressure facing working- and middle-class families is not just playing out around the kitchen table and in the academic literature; public perception and awareness of the problem is increasing as well. Poll after poll reveals what families are experiencing. A January 2015 Pew poll, for instance, showed that about 55 percent of Americans say they are falling behind and that their incomes are not keeping pace with the cost of living.³ In the midst of these pressures, it is not surprising that an April 2015 Gallup poll shows the share of Americans identifying as “middle class” or “upper-middle class” has fallen to 51 percent, down from a high of 63 percent in 2000s.⁴ And as more Americans are feeling financially insecure, another Gallup poll shows that 69 percent are unsatisfied with the way wealth and income is distributed in the United States.⁵ A *Wall Street Journal*/NBC News poll taken in summer 2014 found that a majority of people

believe that the growing income inequality between the rich and everyone else undermines “the idea that every American has the opportunity to move up to a better standard of living.”⁶ That same poll found that 76 percent of adults believe that their children’s generation will not have a better life than them.⁷ Indeed, fewer Americans are subscribing to the American dream; a *New York Times* poll in December 2014 found that only 64 percent of Americans believed that it is possible to start out poor in this country, work hard, and become rich. That is the lowest percent in approximately 20 years.⁸

FIGURE 1

The cost of middle-class security surged more than \$10,000 in 12 years

How much the squeeze cost the median married couple with two kids



Notes: Numbers may not add up due to rounding. Select data are estimated for 2000 and 2012 based on the closest available data.

This figure has been reproduced from Jennifer Erickson, ed., “The Middle Class Squeeze: A Picture of Stagnant Incomes, Rising Costs, and What We Can Do to Strengthen America’s Middle Class” (Washington: Center for American Progress, 2014) available at <https://www.americanprogress.org/issues/economy/report/2014/09/24/96903/the-middle-class-squeeze/>. For complete source information, see the Methodology section of the report.

Republicans have noticed these real and perceived indicators of middle-class insecurity. In fact, the rising crop of 2016 Republican presidential candidates have responded by pivoting away from their traditional language of helping “job-creators” at the top, and they are instead decrying stagnant wages, inequality, and rising middle-class costs. Take some representative statements from the leading candidates—and prospective candidates—for the Republican presidential nomination.

- Former Florida Gov. Jeb Bush recently posted on Facebook that “we need to create economic opportunity for every American, especially middle class families and those trying to rise out of poverty. While the sluggish recovery has been good for some, far too many people have been left behind.”⁹

- Appearing on the Laura Ingraham Show, Wisconsin Gov. Scott Walker discussed how reaching out to working-class voters would win elections, saying “the bread and butter of what makes my state work and I think makes this country work are the men and women who every day go to work and work hard, not just for a paycheck, they work hard because they want their children and their grandchildren to have a better life than they’ve had. We need to be fighting for them every single day, and when we show... that Republicans care for the average working American, we will win presidential elections just like we won gubernatorial elections.”¹⁰
- Florida Sen. Marco Rubio introduced his tax plan in a joint op-ed with Utah Sen. Mike Lee arguing that “Too many Americans believe the American dream is slipping away for them and their children. They see their cost of living rise while their paychecks remain stagnant. They see an economy that benefits stock-brokers but not stock clerks. They see the ladder of economic opportunity being pulled farther up and out of their reach.”¹¹
- Kentucky Sen. Rand Paul launched his campaign sounding a bit like former Sen. John Edwards (D-NC) in his runs for the Democratic presidential nomination. Sen. Paul said “Martin Luther King spoke of two Americas. He described them as two starkly different American experiences that exist side-by-side. In one America, people experience the opportunity of life, liberty and the pursuit of happiness. In the other America, people experience a daily ugliness that dashes hope and leaves only the fatigue of despair.”¹²
- New Jersey Gov. Chris Christie recently told a crowd of Tea Party activists, “You see, the rich are doing fine. That’s great ... But nor should we cater to the wealthy at the expense of our middle-income workers and the working poor, who are the backbone of every American community.” He continued, “Every policy we advance, every decision we make should be focused on making their lives better, renewing their future, renewing their faith, their belief in this country.”¹³

Yet, the new rhetoric by Republicans has not been matched with new policy ideas. Instead of offering ideas that will improve economic security, boost incomes, and support working- and middle-class families, Republicans are simply repackaging the old top-down solutions that favor the wealthy few at the expense of working families. It’s old wine in new bottles. Although leading Republicans are talking more about opportunity and mobility, there is a mountain of evidence that many of their proposed policies would hurt average families.

This report details how—despite its new rhetorical shift—the GOP continues to propose policies that would undercut economic security for working- and middle-class families and increase their anxiety. More specifically, it examines the following ways Republicans policies would hurt American families:

- **Giving tax breaks to the wealthiest few.** For the past 50 years, the nation's wealthiest few have been able to secure an almost steady decline in their top statutory tax rates.¹⁴ At the same time, the share of after-tax income received by the top 1 percent grew from 7 percent in 1979 to 13 percent in 2011.¹⁵ Despite the fact that the wealthiest few are doing well, Republicans policies remain the same, giving tax breaks for the wealthiest Americans often at the expense of everyone else. Such is the case with Sen. Rubio's much ballyhooed tax plan, which would eliminate capital gains and dividends taxes, a massive tax cut for the very rich. The last thing working- and middle-class families need is a plan that could require cuts to critical middle-class programs such as Social Security in order to pay for tax breaks for the wealthy.
- **Opposing policies that help families juggle the demands of work and home.** Fifty years ago, middle-class families were able to buy a home, pay their bills, and save for their children's education and their own retirement on just one income. But today, the majority of families depend on two incomes to make ends meet. The entry of women into the workforce means that today, women are the primary breadwinners or co-breadwinners for nearly two-thirds of American families with children.¹⁶ With the increase of two-income families, the stress of managing the competing work and family demands on Americans' time is only increasing. Despite today's realities, Republican presidential hopefuls continue to oppose paid sick leave policies that would allow working families to juggle work and home. For example, in 2011, Wisconsin Gov. Walker passed a law preempting Wisconsin cities and counties from passing paid sick leave laws.¹⁷ By doing so, he took away the ability of approximately 120,000 Milwaukeeans, equivalent to 47 percent of the private sector workforce in Milwaukee, to earn paid sick leave.¹⁸
- **Blocking measures that raise wages.** While the economy has been going in the right direction since the Great Recession, there is a need to ensure that working- and middle-class families benefit when the economy grows, not just the wealthy. Since the 2000s, middle-class families' wages have been stagnant or even falling. Between 2000 and 2011, real wages and salary income for middle-class households with children actually *fell* 2 percent.¹⁹ Improving incomes for working- and middle-class families should be at the top of every candidate's

policy platform. Republican presidential hopefuls, however, overwhelmingly oppose policies that would improve wages for working- and middle-class families, including raising the minimum wage, reforming overtime rules, and protecting the right of workers to join together and bargain for improved working conditions. Sen. Rubio, for example, dismissed minimum wage laws as “hav[ing] never worked in terms of having the middle class attain more prosperity.”²⁰ Likewise, Wisconsin Gov. Walker said he doesn’t think the minimum wage “serves a purpose”²¹ and that it was a “lame” idea.²² Meanwhile, former Gov. Bush believes that the way for Americans to earn more money is to work longer hours, even though he simultaneously opposes reforms to allow more Americans to be paid overtime wages.²³

- **Slashing education investment and undermining a key ladder of opportunity.**

At the same time that wages are stagnant, the cost of key middle-class expenditures continues to rise much faster than overall inflation. One of those costs is education, a key rung in the ladder of opportunity to the middle class. A college education is more important than at any time in the past: For 25-year old to 32-year-olds, the typical college graduate in that age group earns 63 percent more than the typical high school graduate in the same age group.²⁴ However, college is becoming harder and harder to afford. Net tuition, which accounts for financial aid, at public four-year colleges has risen a staggering 21 percent between the 2008–09 and 2014–15 school years after calculating inflation.²⁵ The source of the rising cost of public college is no mystery: State funding for public colleges has declined 10 percent between 2007 and 2014.²⁶ Many of the GOP presidential hopefuls who are currently serving as governors have proposed some of the largest cuts. For example, Gov. Walker of Wisconsin earlier this year proposed a \$300 million cut to the University of Wisconsin system, a 13 percent reduction in funding.²⁷ Meanwhile, Louisiana Gov. Bobby Jindal had proposed between \$200 million to \$300 million in cuts to his state’s universities in 2015²⁸—even though Louisiana already ranked third in higher education cuts from 2007 to 2014, and public universities’ reliance on tuition for revenue increased 58 percent.²⁹ The Louisiana legislature ultimately rejected Gov. Jindal’s proposal.³⁰

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And we believe an effective government can earn the trust of the American people, champion the common good over narrow self-interest, and harness the strength of our diversity.

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