

June 2008

<p>TO: Interested Parties</p> <p>FROM: Anne Kim, Director, Middle Class Program, and Jim Kessler, Vice President for Policy</p> <p>RE: Getting to Yes With the Middle Class - An American Success Agenda</p>

As progressives, we consider ourselves the defenders and suitors of the middle class. But there's a stubborn fact we have to confront: the middle class has repeatedly spurned our advances.

In six of the last seven congressional elections, Democrats—the party of the middle class—have lost the middle class. And they have lost the *white* middle class by double-digit, Nixon-McGovern-like landslides.

With the economy tipping into recession, and oil prices reaching stratospheric heights, progressives once again see an opportunity to court the middle class on the economy. But to truly get to yes with the American middle class, we first have to understand why they've said no.

The answer is that middle-class Americans don't perceive of progressives as the champions of their success. And by "success" we mean success as defined by the middle class: putting kids through college, buying a house, balancing work and family, caring for aging parents, saving for a comfortable retirement, pursuing dreams of starting a business, and generally getting ahead in life.

Instead, we give voice to their anxieties while neglecting their aspirations. We promise the blanket of security, but not the mantle of success. To get to yes with the middle class, progressives must couple their economic security agenda with a message and agenda that's focused on middle-class success.

Why a success agenda will reach the middle class

1. A success agenda speaks to Americans' aspirations

In late April, Third Way and Benenson Strategy Group fielded a series of focus groups in St. Louis, Atlanta, and Columbus.¹ Across the board, people expressed deep anxiety and worry about the current economy, particularly in regard to gas prices, inflation and housing. But they also firmly rejected the notion that America's best days are behind us. One St. Louis woman called this idea "morbid," and as a Columbus man put it, "We've been down before but we've come back."

Americans are by nature optimists.

And to reach Americans effectively, progressives must speak to that optimism, as a success agenda would do. When we asked our focus groups what America's role in the world economy should be, the number one response chosen hands down by our participants was "America as an economic world leader." This was despite the fact that only six out of our 54 participants believed that America had the world's strongest economy today.

In recent surveys, eight out of ten Americans believe it's possible to start out poor and become rich in this country through hard work—they believe the American Dream is real. Nine out of ten are satisfied with their opportunities to succeed—they are broadly satisfied with American-style capitalism.² Americans are far more optimistic about their own circumstances than they are about the overall economy. Even in May, 59% of Americans still rated their own household financial situation as excellent, very good, or good, even while the overall economy was rated at a 16-year low.³

And when the middle class tells pollsters that "they are afraid their children will be the first generation to not do better than the last" – the key word is "better" – not "bitter." Their fear is not that their children will become poor; it is a fear that they won't get further ahead.

Even in tough economic times, Americans are looking ahead to a better future. A success agenda can speak to those aspirations.

2. A success agenda speaks to middle-class realities

A success agenda is not just about aspirations—it also speaks to middle-class realities. For the most part, working-age middle class are not on the precipice of poverty, are not drowning in debt, and do not fear losing their jobs. Gas prices are a threat to their lifestyles, not their livelihoods.

According to the U.S. Census Bureau, the median household income in America is around \$45,000. If this figure defines who is in the middle class, most people in America would truly be living a hand-to-mouth subsistence.

But in fact, a much more meaningful median household income is that of working age Americans, ages 25-60, which was \$61,629 in 2006. That figure rises to \$72,216 for married couples, and \$81,365 if both spouses had some earnings during the year.⁴

Thus, for most people in the middle class, their anxieties and aspirations are not about entering the middle class or even staying there, but getting ahead. For example, middle class concerns are largely:

- **About affordability, not debilitating debt:** The median credit card debt in America is \$0. Most households (54%) have no personal credit card debt.⁵ Yet gas prices, college tuitions and health care costs are eroding people's standard of living.
- **About home values, not foreclosures.** More than 98% of borrowers are not in foreclosure, more than 95% are not in default,⁶ and one in three

homeowners has no mortgage at all.⁷ For most of the middle class the housing crisis is about the loss of home value and wealth, not the loss of a home.

- **About health care costs, not coverage.** Eighty percent of working age Americans have health insurance—those that don't often fall into the following categories: under 30, poor, non-citizens, and those who are temporarily uninsured because they are between jobs.⁸ Yet insurance premiums have risen 75% since just 2001.
- **About getting ahead on the job, not unemployment.** In May of this year, the unemployment rate reached 5.5%—higher than it has been in quite some time but still significantly lower than during past recessions. The average unemployment rate in 1992 was 7.5%, and in 1982, it was as high as 9.7% for the whole year.⁹ For most Americans, finding a job isn't the challenge; finding the right job is.

3. Americans don't see progressives as the champions of success

If middle-class Americans want policies and message that are tailored to their aspirations and realities, the current progressive agenda falls short.

What we offer now is weighted almost exclusively in favor of economic security, not economic success. We are much more focused on catching people when they fall, rather than helping people get ahead. And to the extent we do talk about success, we are talking about success for the poor, not success for the middle class. Head Start, SCHIP, EITC, minimum wage, and Pell Grants are important progressive programs, but they are programs designed to help people *enter* the middle class. Working-age middle class families—those with incomes between \$50,000 and \$100,000—are largely not eligible for any of these programs.

Progressives always will be—and should be—the champions of economic security. There is no question we should push for extended unemployment benefits and other safety net measures in times of economic hardship. But we must balance the scales and also offer ideas and messaging aimed at helping the vast majority of middle-class families who are not now in crisis to feel confident about their futures as well. A success agenda can help progressives strike that balance.

What goes into an effective success agenda?

At Third Way, we have been working to develop new policy ideas aimed at helping middle-class Americans overcome hurdles to achieving their aspirations. Over the coming months, we will be releasing a series of policy briefs that lay out our specific proposals. For example, these proposals include:

- **Making college affordable** through a generous college tuition tax break;
- **Bridging health insurance between jobs** by offering a bridge benefit to cover the cost of transitional coverage;

- **Tackling the crisis in college drop-out rates** to ensure that more young people are prepared to succeed in the new economy;
- **Helping modern households balance career and family** by lowering child care costs and relieving the anxiety of finding quality child care;
- **Easing the burden on sandwich generation families** by providing help with elder care costs and taking steps to ensure top-quality caregivers;
- **Rebuilding homeownership wealth** by offering solutions for restoring confidence in the housing market;
- **Helping Americans accumulate retirement wealth** by making retirement accounts easier to manage and providing matching contributions to encourage greater saving;
- **Promoting small business entrepreneurship** by simplifying the tax code for small business owners and providing help for start-ups.

Conclusion

Progressives are from Venus, but the middle class is from Mars. We speak to people's yearning for economic security, which is both important and comforting. But the middle class wants more. The American Dream isn't about getting by; it's about getting ahead. A progressive agenda for middle-class success can effectively speak to both the anxieties and aspirations of the middle class. Such an agenda has real potential to restore middle-class faith in government by providing policy solutions that can make a meaningful positive difference in their lives.

Americans want and need economic leadership to regain confidence in their own and in America's future. In the next few years, progressives will have a rare opportunity to provide that leadership. An integral piece of that vision should be a path to success for America's middle class.

Endnotes

¹ Third Way and Benenson Strategy Group fielded a total of six focus groups, each consisting of nine independent/moderate likely voters from April 21-23, 2008. The vast majority of participants had incomes between \$50,000 and \$75,000.

² Anne Kim, Adam Solomon, Bernard L. Schwartz, Jim Kessler and Steve Rose, *The New Rules Economy: A Policy Framework for the 21st Century*, Third Way, February 2007.

³ American Research Group, national survey of 1100 adults, May 16-19, 2008. Analysis available at <http://www.americanresearchgroup.com/economy/>

⁴ Census Bureau, Current Population Survey, March Supplements.

⁵ Brian K. Bucks, Arthur B. Kennickell, and Kevin B. Moore, "Recent Changes in U.S. Family Finances: Evidence from the 2001 and 2004 Survey of Consumer Finances," *Federal Reserve Bulletin*, vol. 92 (February 2006), pp. A1-A38.

⁶ Press Release, "Delinquencies and Foreclosures Increase in Latest MBA National Delinquency Survey," Mortgage Bankers Association, December 6, 2007.

⁷ Bucks et al.

⁸ Carmen DeNavas-Walt, Bernadette D. Proctor and Jessica Smith, "Income, Poverty, and Health Insurance Coverage in the United States: 2006," Census Bureau, available at <http://www.census.gov/prod/2007pubs/p60-233.pdf>

⁹ Bureau of Labor Statistics, "Employment status of the civilian noninstitutional population, 1942 to date," available at <ftp://ftp.bls.gov/pub/special.requests/lf/aat1.txt>