

January 15, 2009

TO: Interested Parties
FROM: Anne Kim, Director, Economic Program, and Jim Kessler, VP for Policy
RE: Insights on the Middle Class

As progressives, we consider ourselves the champions of the middle class. But if the results of Congressional elections are any proxy, the middle class has not felt the same way about progressives until only recently.

The 2008 elections marked the first time in 14 years that Democrats swept the middle class. In the six congressional election cycles between 1994 and 2004, the middle class supported Republicans over Democrats every time. In the 2004 congressional races, for example, the low end of the middle class (\$30,000 to \$50,000 in household income) supported Democrats by a slim 4-points, but Republicans won the heart of the middle class (\$50,000 to \$100,000 in household income) by a staggering 10-points.

Yet the path to transformational progressive change leads to and through the middle class. They hold the veto pen over major policy reform – like health care, energy, taxes, and the environment. If their anxieties are misdiagnosed or ignored; if our messages to them ring false or hollow, they will look elsewhere for answers.

Recognizing the substantive and political importance of the middle class, Third Way has made an intensive effort over the past four years into researching and understanding the economic circumstances and political psychology of the American middle class. In the course of this work, we have gained a number of insights into reaching the middle class effectively, both in terms of policy and in communications.

This memo summarizes three insights that we believe are key:

- “Middle class”—not “working class”—is how most Americans see themselves.
- Current government policies largely miss the heart of the middle class.
- The middle class is preternaturally optimistic.

1. “Middle class” versus “working families”

The vast majority of Americans describe themselves as “middle class,” including those whose incomes are decidedly higher—or decidedly lower—than the typical American family. Thus, in communicating with middle-class Americans, using the phrase “middle class” is more effective than using such terms as “working families” or other similar descriptors.

In a poll commissioned by Third Way in July 2008, we found that 88% of

Americans consider themselves to be in some subset of the middle class. About half (51%) of all Americans consider themselves to be simply “middle class,” including 61% of households with incomes between \$30,000 and \$100,000 and 45% of households with incomes over \$100,000. Moreover, Democrats (50%), Independents (47%) and Republicans (53%) were all equally likely to call themselves “middle class.”¹

Results of Third Way Poll—July 2008
Respondent self-identification (1000 interviews)

Wealthy	1%
Upper middle class	16%
Middle class	51%
Lower middle class	21%
Low income	9%

These results comport with other polls finding that “middle class” is the broadest and most inclusive term that Americans use to describe themselves. In a September 2008 Gallup/USA Today poll, 60% of Americans put themselves in the category of either “middle class” or “upper middle class,” while only 27% saw themselves as “working class” and 9% as “lower class.”²

And while a slight majority (53%) of low-wage workers earning less than \$27,000 a year describe themselves as “working class,” a solid 37% describe themselves as “middle class” or “upper-middle class.”³

2. The middle class “donut hole” in economic policy

In 2007, overall median household income in America was \$50,233.⁴ This figure, however, is a misleading proxy for the economic circumstances of the middle class. Overall median household income reflects *all* households, including those headed by underpaid 21-year-olds at the beginning of their careers and 81-year-olds who have long since retired.

The true sweet spot of the middle class is about \$40,000 to \$100,000 in household income. This is the approximate income range for *prime-age* working households—those headed by someone between the ages of 25 to 60 and for whom jobs, education and economic growth policies are intended. In 2007, median household income for these households was \$68,544. For prime-age couples, it was about \$78,000 and for two-earner couples, it was closer to \$85,000.⁵

These findings have two implications. First, it means that for most middle-class households, the struggle of being middle class is less about struggling to survive than about *struggling to get ahead*. They are working, raising children, caring for aging parents, and at the same time trying to save for both college for their kids and a comfortable retirement for themselves.

Second, it means that many middle-class families aren’t getting the help they

need from government. Too wealthy for Pell grants, the EITC, SCHIP or other signature progressive programs, yet not wealthy enough to benefit from conservative trickle-down policies—they have largely fallen through a “donut hole” in economic policy.

For progressives, the existence of this gap in policy presents tremendous opportunities to break new ground with ideas that can help middle-class Americans succeed.

3. Middle-class optimism

In December 2008—in the midst of the greatest economic crisis since the Great Depression—65% of Americans told pollsters from the American Research Group that their household finances were “good, very good, or excellent,” even as 86% described the national economy as “bad, very bad, or terrible.” The same poll found that 36% expect their household finances to improve over the next year, compared to 15% who feel it will get worse. And 59% said they believe the national economy will be better a year from now, compared to 36% who believe it will be the same or worse.⁶

The middle class is preternaturally optimistic.

Most Americans believe themselves to be doing better than preceding generations, and their goal is to do better still. Third Way’s poll—conducted before the financial crisis but at the peak of the spike in gas prices—found that 60% of Americans said they were doing much or somewhat better than their parents did at about the same age, compared to 16% who said they were worse off. By a margin of 42–25%, they said their children would have a higher standard of living than their own. And 84% agreed that “it’s still possible in America to start out poor, work hard and get rich.”⁷

This doesn’t mean that Americans’ confidence can’t be shaken—it has. Our poll also found that only 24% of Americans believe that the U.S. economy is the “strongest in the world”—compared to 17% for China and 26% for “Don’t Know.”

What Americans are yearning for is leadership that can help America regain its global stature. In late April, we commissioned Benenson Strategy Group to field a series of focus groups in St. Louis, Atlanta, and Columbus. 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.⁸

Conclusion

Progressives have a golden opportunity in the next four years to harness the inherent optimism of the middle class and put forward a new progressive

economic vision focused on aspiration, American global leadership and middle-

class success.

Such an agenda can capture the long-term attention and loyalty of the middle class—both by speaking directly to their real concerns and by helping Americans succeed in the face of new rules in a changing economy. Moreover, and more importantly, such an agenda can also serve as a touchstone for the bold and transformational change that progressives seek.

¹Survey by Third Way. Methodology: Conducted by Global Strategy Group, July 29th-August 7, 2008 and based on telephone interviews with a national sample of 1,000 likely voters. Results available at http://www.thirdway.org/data/product/file/173/Third_Way_-_Middle_Class_Economic_Survey.pdf

² Survey by USA Today. Methodology: Conducted by Gallup Organization, September 26-27, 2008 and based on telephone interviews with a national adult sample of 1,011. Data provided by The Roper Center for Public Opinion Research, University of Connecticut.

³ Survey by Henry J. Kaiser Family Foundation, Washington Post, Harvard University. Methodology: Conducted by Abt Associates, June 18-July 7, 2008 and based on telephone interviews with a national adult low-wage workers sample of 1,350. Low-wage workers were defined as adults ages 18-64, not self-employed, and earning \$27,000 or less in 2007. Data provided by The Roper Center for Public Opinion Research, University of Connecticut.

⁴ DeNavas-Walt, Carmen, Bernadette D. Proctor, and Jessica C. Smith, U.S. Census Bureau, Current Population Reports, P60-235, *Income, Poverty, and Health Insurance Coverage in the United States: 2007*, U.S. Government Printing Office, Washington, DC, 2008,, available at <http://www.census.gov/prod/2008pubs/p60-235.pdf>

⁵ U.S. Census Bureau, Current Population Survey. Analysis by economist Stephen Rose for Third Way.

⁶ American Research Group Survey, 1,000 respondents, December 16-19, 2008.

⁷Survey by Third Way. Methodology: Conducted by Global Strategy Group, July 29th-August 7, 2008 and based on telephone interviews with a national sample of 1,000 likely voters. Results available at http://www.thirdway.org/data/product/file/173/Third_Way_-_Middle_Class_Economic_Survey.pdf

⁸ Brodnitz, Pete, Kim, Anne and Kessler, Jim, *Shaken, Not Stirred: Findings from Recent Focus Groups on Americans and the Economy*, Third Way, July 2008, available at http://www.thirdway.org/data/product/file/137/Third_Way_-_Shaken_Not_Stirred.pdf.