

Date: April 13, 2011
To: Inequality Working Group
From: Stanley Greenberg, David Walker, and Erica Seifert

The “Disappearing Middle Class”

The richest 400 people have more wealth than the bottom 155 million people combined, and leading CEOs in our country averaged \$10.5 million in annual income in 2007, 531 times the pay of typical American workers. To figure out how to put those facts at the center of the national economic debate, Democracy Corps was commissioned by the Center for American Progress Action Fund and the True Patriot Network to conduct six focus groups from a diverse set of voters.¹

This work preceded the recent budget battle and the release of the House Republican budget plan, but its learning bears directly on this critical fight for our nation’s future. In the last four years, big banks and the financial sector tanked the US and global economy, got bailed out by government, and then turned around to spend millions on the 2010 congressional campaign. The Republican budget response is more inequality: reduced tax rates for corporations and top earners, paid for by tax increases for the middle class and huge cuts in programs that help the middle class.

While our entry point was inequality of income and wealth, what voters in our groups offered above all was a cry for an economy and government that works for the middle class. It is an article of faith, among these participants, that the middle class is dying. In terms of scale, intensity and emotion, this sentiment rises well above concerns about the “the middle class squeeze” that we heard in President George W. Bush’s first term. In these participants’ eyes, the middle class is not being squeezed, but being “crushed.” Blue collar voters watch their middle class jobs shipped overseas; younger participants now recognize that the economic promise of college education may have been a lie; Hispanic participants wonder what became of their parents’ and grandparents’ American dream, and even affluent suburban voters cling on to their lifestyle with dread and uncertainty.

¹ This memo reports on findings from six focus groups conducted in Milwaukee (February 23rd), Houston (February 28th) and Philadelphia (March 14th). The Milwaukee group was composed of white, non-college men and women. Houston hosted one group of Hispanic voters and one group of mixed race youth (under age 30). The Philadelphia group was recruited among college educated, upper income suburban voters. All groups were screened for “swing” and middle-of-the-road voters



First and foremost the conversation is driven by participants' immediate and palpable economic anxiety. Few participants count economic inequality as one of the most pressing economic challenges of the day because few participants connect the struggles of the middle class with wider issues of inequality. Only in the group of blue collar men was the concentration of wealth and income disparity central to the understanding of what is happening to the middle class. That fact represents the first messaging and political challenge of this project.

The second biggest challenge is the nexus of money and power, Wall Street and Washington, which leaves people skeptical government can address the problem and feeling personally impotent before the scale of inequality. Most participants assume government's complicity in the growing economic inequality and return to this theme throughout the two-hour discussion. Current levels of inequality are the result of economic elites using their money to buy power and monetary advantage. They believe both parties are complicit in strengthening the alliance of money and power.

To get the public to respond to the growing inequality problem, both challenges have to be addressed: the struggle of the middle class and the nexus of money and power between Washington and the special interests.

Key Findings and Recommendations

- **Above all, connect our issue with economic pain the middle class faces in a system that is stacked against them.** The decay of the middle class is the starting point of their understanding of the economy and the entry point for the issue of inequality. Their own words vividly demonstrate the depth of their concern.

The middle class are becoming the poor because now they no longer have any equity...anything that they had that gave them something to be able to hang onto is gone. Milwaukee Women

The middle class is disappearing. The super-rich are just getting even richer and, you know, a lot more of the middle class is edging towards poor. Houston Hispanic

We're not going to have a middle class. We're going to have like poor, poor and then rich. I mean, that's where it's going right now... Houston Youth

I think because prices are up and you worried about the next day, tomorrow or

I guess I read things in here like the middle class is disappearing. I guess I kind of view myself even kind of saying how much longer am I staying the middle class? Although things are going well now, you know, what's coming



tomorrow? I don't know if I can keep up with the costs and I think there's a little bit of emotion in that as well certainly. Philadelphia Suburban Man

It's a horrible thing; I mean it's going to be like Mexico. When I lived down there for 2 years, I mean, it's horrible to see the way the people live and I don't think it's ever going to get that bad but, you know, there is no middle class down there. It's either you're rich or you're poor and it's not a way to live, you know...

Houston Youth

Just the greed factor, just like it always ends up like the CEO's making that much more [...] and if they're not making enough they start sending the jobs elsewhere because, you know, I'm not making enough millions, you know, so I need more millions. So the bottom gets crushed down, you know. Milwaukee Man

- **Equally important is to highlight the nexus of money and power – oil companies, big corporations and the wealthiest rigging the game by using their access to government to buttress gains at the top.** Most participants, without prompting, say that current levels of inequality are the result of economic elites using their money to buy power and monetary advantage. This is not a criticism of Republicans; in fact, partisan distinctions are rarely drawn in this dialogue. Both parties are guilty.

I think that there is also some deliberate decisions [maintaining inequality] because CEOs and the wealthy people have a lot more access and influence on power. Philadelphia Suburban Woman

The rich are getting richer and they're not stopping. They use their money to gain power by influencing Washington or internationally. They're off shoring American jobs, systematically reducing the standard of living in this country; it's by plan. Milwaukee Man

- **Attack impotence by showing there are solutions that address the problem and that offset corporate power.** Because of corruption and incompetence, participants begin skeptically about government's ability to do anything. But paradoxically, this inequality project requires government to help the middle class and offset trends at the top. In the groups, people were open to policies that taxed excessive compensation and a millionaire's surtax. They were more cautious about other proposals, but we clearly have to empower people with ways to break the nexus..



- **Voters do not believe inequality is the most pressing economic problem this country faces right now, but they are open to the narrative.** They recognize the problem—“rich getting richer” is how they predictably talk about this issue—and they believe the problem is growing worse and judge current levels of inequality as unsustainable. Many participants put this country on the same path as Greece, Mexico, Guatemala and even ancient Rome. Only a few believe rising levels of inequality springs from a naturally churning of the market economy.

The rich get richer and the poor stay poor. Milwaukee, Man

Everyone's taking such a bad hit but the wealthiest, they didn't take a hit. Completely the opposite. Houston Hispanic

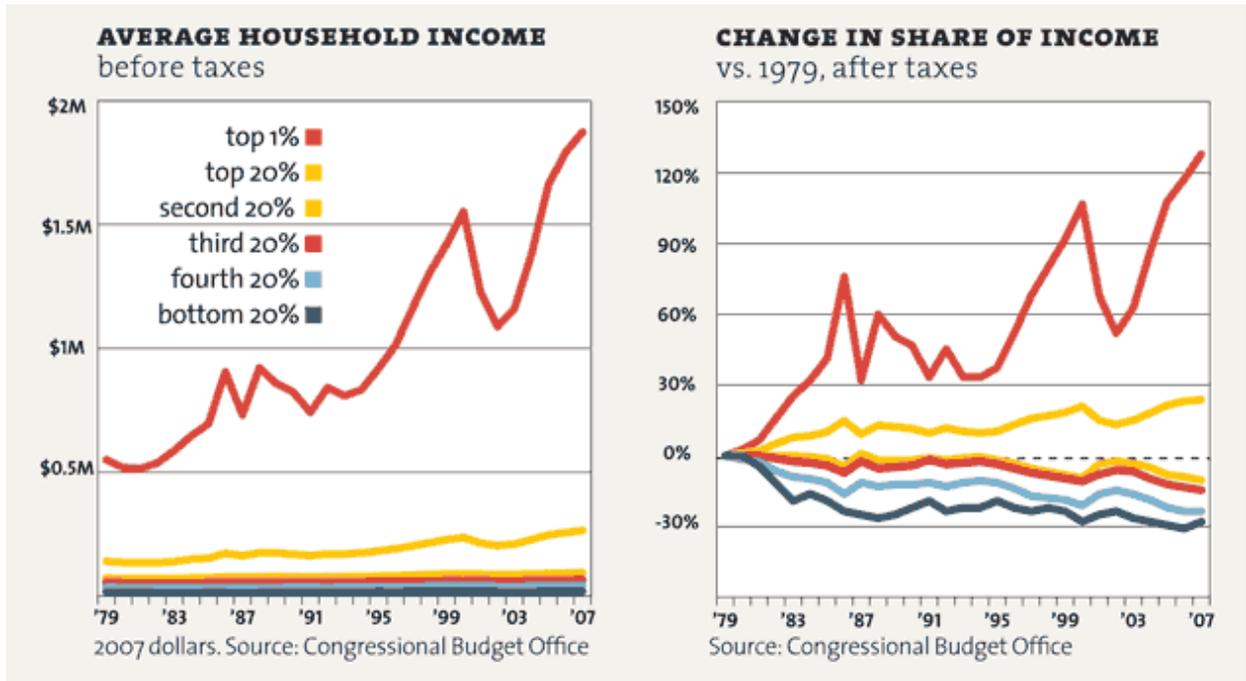
I would say because it's like the rich are getting richer. Houston Youth

I think it seems like [the distribution is] getting worse especially because the rich keep getting richer, but then there are people losing their jobs that are going broke,[in addition to] the problems we just spoke about. Philadelphia Suburban Woman

The rich keep getting richer and the poor keep getting poorer and in order for an economy to work, I think Economy 101, you need to spread the money around in order to have things bought and stir up the economy. Philadelphia Suburban Man

What gets me [is that] if my CEO comes out and says no man's worth \$20 dollars an hour and he's getting it himself. That really makes sense. Milwaukee Man

- **Participants lack a sense of the size of the problem and respond when they learn about it graphically.** Participants are aware of inequality and believe that it is growing, but the scale of the problem shocks them. The moment of revelation in most groups is visual. After voters see two graphs illustrating growing income inequality on one hand and declining tax burden on the wealthy on the other, the mood in the room shifts. Some participants who indicated indifference to problems of inequality become visibly agitated. The pairing of these two graphs creates this new energy, as they begin to comprehend that the consequences—higher deficits, higher middle class tax burdens—of inequality affect them directly. Simple, easy to comprehend graphs such as these can play the same role for issue that Jerry Mahlman's “hockey stick graph” played, at least for a time, for the global warming issue.



- **There is need to honor work and balance the inequality narrative ideologically.** Participants believe in a society where hard work brings economic compensation, even disproportionate economic compensation. They object to our current system where the middle class sinks despite its best effort and high-income earners succeed despite failure (see bank and automobile a bailouts). Messaging that honors work appeals to these participants’ notions of economic individualism still while indicting the current system.
- **Narratives that reflect middle class ‘Henry Ford’ economics generate a strong response.** The most successful messaging connected economic inequality with the struggle of the middle class. Language that worked particularly well includes:

The middle class is the driving engine of our economy and it is slowing dying off because wages do not keep up with the cost of living and the richest one percent enjoy almost all of the benefits of our free enterprise system.

If middle class people are stretched so thin they can not afford to buy things, our economy doesn't work. The middle class is disappearing—incomes are not keeping pace with the rising cost of health care, education, even gasoline. Our economy is broken because it does not work for the middle class.



Equally important is language that ties income equality to making the economy and government work for people, not just special interests. Messages that successfully spotlighted this theme include:

We need to hold politicians and CEO's accountable, making sure the rich are not abusing the system.

The distribution of income is not an accident. The game is rigged to favor corporate lobbyists and big corporations who donate to politicians. The richest 400 Americans make more than ever and pay lower taxes than everyone else. Banks don't have to play by the rules everyone else does, hedge fund managers pay less in taxes than their drivers. We deserve a fair game, not a rigged game.

We also found traction with messaging that honored work and balanced an inequality narrative ideologically.

People don't expect government to solve all our problems, but we do believe that if we work hard to get ahead we should have a chance to actually get ahead. But, we do need to check the banks and special interests that are giving CEOs bonuses for laying people off and bankers bonuses for kicking people out of their homes. We need to hold politicians and CEOs accountable, making sure the very rich are not abusing the system.

The first sentence in this paragraph, “people don’t expect government to solve all our problems,” creates enough space for more conservative minded participants to care about inequality.

If you would like more information about the Center for American Progress Action Fund’s economic research, please contact Tara McGuinness at tmcguinness@americanprogress.org.