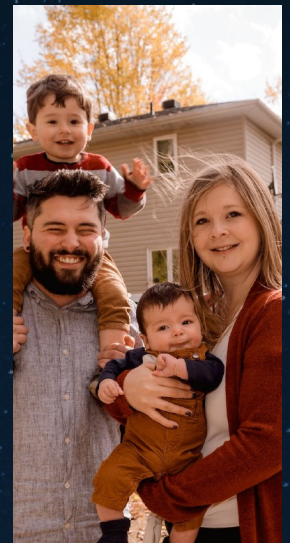


The American Middle Class

Issue # 008

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Chapter 3

The Shrinking Class

“The most **perfect political community** is one in which the middle class is in control and **outnumbers** both of the other classes.”

-Aristotle

Background

Previously on The American Middle Class...

The middle class makes up half of the American population, but we understand surprisingly little about them. In order to solve this problem, Starcom embarked on a 1500-person survey, an interview series and extensive secondary research to get a thorough picture of the lives of average Americans. The result is this series of five chapters on the American middle class. In the first and second installments of this series, we explored:

1

Defining the Middle Class

Overview

The many ways, both economic and cultural, we define the middle class, and a historical look at where we've landed

Takeaway

Media and marketers have had a leading role in shaping not just who we think the middle class is, but what we think they stand for

2

Elements of the Myth

Overview

How the family sitcom has shaped our view of what the middle class looks like and stands for

Takeaway

Despite looking more and more out of touch, brands continue to reinforce these images and values of the American middle class

Today on The American Middle Class...

The middle class myth has never been extremely realistic, but it feels like these days it's completely out of touch with daily lives. There was near consensus in our survey that the middle class is shrinking, but people had all sorts of thoughts on what that actually means, let alone what impact that has on the country and their lives. In this chapter, we explore what the phrase "shrinking middle class" means, why this is happening and what the effects are of this societal change.

3

The Shrinking Class



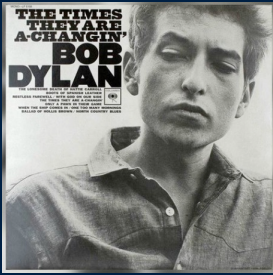
What we mean when we say the middle class is "shrinking," and the impact this has on daily lives

4

The Real Middle Class

5

Brand Outlook



Soundtrack:
 "The Times They Are A-
 Changin'"
 Bob Dylan

It feels like every day, we see a headline about the shrinking middle class.

But what does a shrinking middle class actually mean, and why is this happening?

Americans aren't blind to the fact that their lives look very different from those on TV. And many are starting to feel they were sold a raw bill of goods. The media doesn't help:

The American middle class is at the end of an era

BY CHLOE BERGER

November 2, 2022 at 12:32 PM CDT



What happens if the middle class disappears?

America's middle class has shrunk over the last half century as the economy rewards some and punishes others

Juliana Kaplan Apr 20, 2022, 11:59 AM



The jobs that built America's middle class are disappearing, intensifying its downfall

BY TREY WILLIAMS

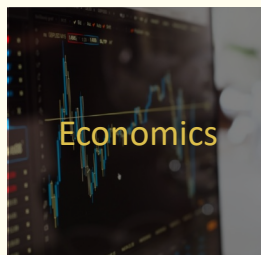
November 9, 2022 at 2:21 PM CST



In the words of a survey respondent: "I think the middle class must be shrinking because I've heard on the news that it is." Maybe not particularly introspective, but genuinely what a lot of people feel. What experts and news sources call a "shrinking middle class," the average American experiences as a growing gap between what they feel they should be able to achieve vs. what their life actually looks like.

We've identified three big reasons for why this change is happening and a number of consequences it has on people's lives.

Click on each to learn more:



For the tl;dr version, click [here](#).

Demographics Cause

Diversity

It's no secret that America is growing more diverse on most dimensions:

By 2045

non-Hispanic white Americans are predicted to be the minority (Source: U.S. Census Bureau).

2x

more people identify as LGBTQ than a decade ago (Source: Gallup).

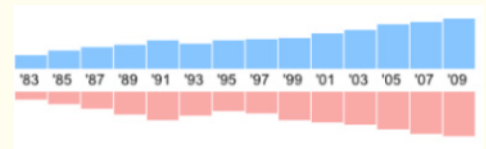
30%

fewer people identify as Christian in the U.S. than 50 years ago (Source: Pew Research Center).

As Gen Z enters adulthood, it is shaping up to be the most diverse generation yet. But “diverse” is often code for “marginalized.” We haven’t made enough progress in closing economic and cultural gaps for marginalized communities to keep up pace with their growth. Thus, a more diverse middle class is likely to be a less affluent one.

Age

The median American is a full ten years older than they were fifty years ago. Even more dramatic is the way power and money have stayed in the hands of older Americans instead of transferring to younger generations.



Median Age of the U.S. Senate by Political Party

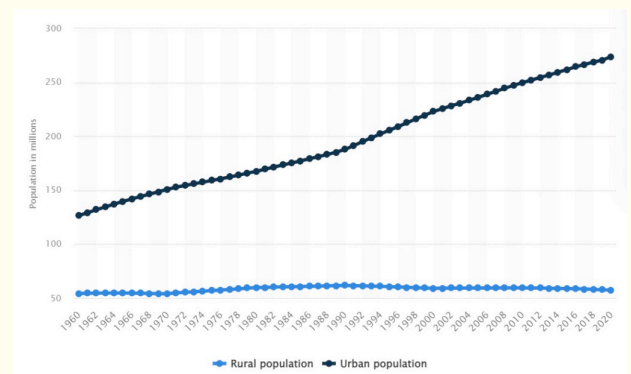
The median age of a U.S. Senator is now 65 compared to 47 a mere 30 years ago (much of which is because the literal same people are still in the Senate). Meanwhile, Boomers still control over 1/2 of wealth in the United States, despite making up 21% of the population. Millennials, by contrast, control less than 5%. (Source: U.S. Federal Reserve). When younger people’s financial lives look vastly different than those of generations before them, we see the middle class gap grow.

(Sub)urbanization

America has steadily moved away from rural areas over the last few decades. This has led to two consequences:

1. Sky-rocketing costs of living in many metropolitan areas, and
2. Decimated rural ghost towns where economic opportunities are low and addiction and mental health concerns ravage the remaining population.

And while the pandemic caused some to move away from places like Manhattan, the vast majority of these relocations were temporary and suburban, not a complete return to small town America.



Growth of the Urban Population Over Time (Source: Statista)

Demographics Impact

Diversity

The consequences of an aging population are stark. The older generations carry with them memories of how things used to be, making the contrast to today pretty apparent. Gen Z, on the other hand, doesn't care how things were "back in the day." They care about whether or not the world will be on fire tomorrow. Having both perspectives exist simultaneously makes any gap feel unbridgeable.

While everyone felt inflation was at least partially to blame, Boomers in our survey often cited work ethic as one of the biggest barriers to financial improvement, while those under 30 were quick to mention student loans, "wealth hoarding," racial and gender bias and other systemic barriers. These factors disproportionately impact young people, many of whom are angry because they feel they are struggling to make middle class living possible but are thwarted by out-of-touch, older lawmakers.

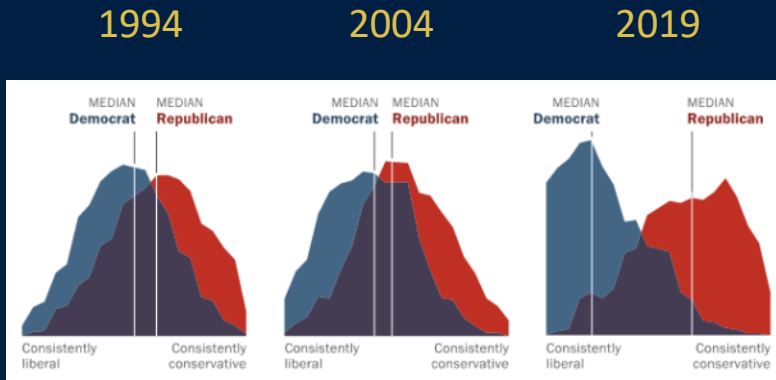
"The younger generation doesn't want to work or just wants to work for a while then wants to have fun. They do not have pride in their work at all."

-Female, White, Age 60

"I feel I don't have much control [over my finances] because of student loan debt and no stable income."

-Female, Black, Age 24

Political Polarization



When people disagree at home, they disagree at the polls, too. We can see the impact of this generational gap (and even intra-generational gaps) growing in real time when we look at how people feel about hot-button political issues.

Our political differences used to play out largely along regional (North vs. South) or state (red states vs. blue states) lines. Now the divide is more granular: urban vs. rural.

KEY TAKEAWAY

All of this adds up to many older, whiter Americans that still believe in the middle class myth clashing with a younger, more diverse generation that is largely disillusioned. And a rural population that is angry at seeing the middle class American Dream become more and more out of reach in their communities.

Economics Cause

The Knowledge Economy

George Jefferson in *The Jeffersons* doesn't have a high school diploma. Born to sharecroppers in Alabama, he earned his fortune through diligent blue-collar work. He started as a cook in the Korean War before moving on to work in the dry cleaning business. Eventually, he became a successful owner of a dry cleaning business. The point is, he didn't need a fancy degree or pedigree to make it to Manhattan. If that sounds unrealistic in 2023, you're right. Since the 1980s, our economy has moved away from manufacturing and blue collar pursuits to a white collar, knowledge-based one. We now focus on producing ideas, not items, and that means to earn a decent salary, people have to have a minimum amount of education and live in the cities where the jobs are.



Monica Gellar and Rachel Green might be able to live in the East Village with service industry jobs, but by the time *Friends* debuted, that was probably already out of reach for all of them but Chandler.

You now have to afford college, maybe even graduate school, for jobs with middle class-ish salaries. And you might have to rack up student debt to do so if your parents aren't rich. You may also have to move to higher cost cities like New York and San Francisco to get the best opportunities—places where the rent will keep you living in a shoebox even with that better salary.

This means for people without resources for post-secondary education, or who grow up in smaller towns and rural areas, paychecks are smaller and opportunities to change that are few and far between. You're basically facing an uphill struggle to get anywhere close to middle class.

Real Wage Stagnation

“Everyday life is getting more expensive all the time and salaries are not keeping up.”

-Male, White, Age 47

47%

of Americans can't come up with \$400 in a week without borrowing or selling something they own (Source: *The Atlantic*).

16%

of people earning \$100-200K a year still say they have trouble covering basic expenses (Source: NPR).

Does it feel like your paycheck doesn't go as far as it used to anymore? You're not crazy. It doesn't. And the massive inflation we've seen over the past year is only part of a much larger trend. When adjusted for inflation, people's purchasing power has stayed pretty constant over the last 60 years.

In contrast, the cost of things like housing and medical care have gone up a lot. And people today have a ton of other necessary expenses they didn't used to have: internet service, smartphone plans, etc. In other words, people keep earning the same amount, but their monthly and emergency expenses have gone up. The only exception: people who were already in the upper class. For the richest 10% of Americans, salaries have actually gone up even when adjusted for inflation (Source: Pew Research Center). Recent inflation has made this problem even worse, something we heard repeatedly from people in our survey.

Generational Wealth

“The rich get richer...the poor get poorer, making it impossible to move through the tiers.”

-Male, White, Age 21

Hailey Bieber unabashedly flaunts her “Nepo Baby” status—a derisive term coined to describe a spate of celebrity children who have parlayed their parents’ success into success of their own.



Millennials are set to be the first generation to earn less than those before them. Student debt, higher costs of living, and lower starting salaries due to the Great Recession are partially to blame. But there’s also the fact that Millennials and Gen Z are also more likely to be non-white and the children of immigrants. Both of these things mean that they are much less likely to have so-called “generational wealth”: a fancy term for old money. Even Jay Gatsby learned he couldn’t compete with the Rockefellers of the world.

Economics Impact

The Shame Spiral

The words “I don’t judge” are good in theory, hard in practice. We are constantly comparing ourselves to others, and a lot of our self worth (and how much worth we place on those around us) is determined by how we feel we measure up to what other people have.



“I feel like I must be at the bottom of the middle class because somehow we still struggle with things.”

-Female, Asian, Age 36

When middle class Americans see similarly-situated friends living seemingly more lavish lives, when they see “everyday” sitcom families in nicer homes and when they feel like they worry about money a lot more than others, the result is shame. Whether valid or not, many Americans have internalized a sense that their middle class status should have afforded them more luxuries, but they have somehow failed to achieve what they should have achieved. These negative emotions and associations are often hard to capture in survey and interview data, precisely because (a) people hate talking about money, and (b) don’t want to show others they are struggling. But we see this sentiment emerge subtly in its own ways: People are willing to reveal these thoughts when they reflect upon the middle class in general, not their own specific circumstances. And occasionally, people are brutally honest as well.

“It’s a struggle, because it feels like you fall in this constant monotony of life where we are just supposed to work our lives away just to barely make it. Anyone who has said ‘money can’t buy happiness’ has never had a bill sent to collections.”

-Female, White, Age 28

People don't like disclosing that they're struggling financially, and they certainly don't want others to think they're behind the curve. In the words of financial psychologist Brad Klontz, "You are more likely to hear from your buddy that he is on Viagra than that he has credit card problems," (Source: The Atlantic).

40%

of people with debt have hidden or lied about it at least once
(Source: CNBC).

63%

of people with debt say it has lowered their self-esteem
(Source: Global News Wire).

"being middle class means being in debt and hiding it."

-Male, White, Age 28

KEY TAKEAWAY

Whether they're open about it or not, many Americans blame themselves for not being as successful as they feel they should be. What's worse: Media and messaging reinforce this feeling of inadequacy.

Culture Cause

Money Taboo

From its inception, America has bristled at the idea of social class. It's no surprise that to this day, we still struggle to talk about it. The Declaration of Independence sought liberty not just from the British, but from the rigid social and economic order it stood for, hoping to replace it with "life, liberty, and the pursuit of happiness." America has always preferred to consider itself a meritocracy, rather than a place where your success is significantly predetermined by what you were born with. It's why we have a House of Representatives instead of a House of Lords.

But our discomfort with the idea of class makes it hard to reconcile what we see in the real world. Many of our respondents denied classism existed, but also noted that there was a serious issue of haves vs. have-nots. You can't fix the latter if you refuse to acknowledge the former.

1/2

of our respondents said classism does not exist in America

BUT

61%

said inequality is a problem

AND

81%

said rich people have access to things others don't

This is part of a broader issue: People are just uncomfortable discussing money. In our survey:

1/2

said it wasn't easy to talk about money with people outside their family

39%

said they avoid talking about money with anyone

81%

feel uncomfortable around people who make more than them

And the wealthier you get, the less likely you are to associate with people economically different than yourself: People whose households earned more than \$60K/year were 2x more likely than people earning less to mostly have friends who earn similar incomes.

Media

It's hard to talk about money, but it's even harder to talk about it honestly. And social media has now conditioned people to show only the best versions of themselves. We curate our Instagram grids to elicit as much FOMO as possible, showing our most impressive vacation pics, our best hair days, our most epic nights out. For those in the middle class living on a budget, the depicted lives of others can seem out of reach, because that's kind of the point. Furthermore, the content world in general has made it easier to access content and commerce that can make us feel like we don't have enough stuff, or nice enough stuff. An interview participant described to us that she loves watching HGTV but can't watch many of the shows because they makes her feel bad about what she is able to afford.

Keeping Up With The Jones'

Since they can't talk to others about it, many deal with economic shame by adopting a "fake it 'til you make it" mentality. In other words, they buy stuff they can't afford to come off looking richer than they are. While demographic and economic forces are causing people to go into unavoidable debt, shame is making it worse by making people feel like they have to spend beyond their means.

"I have been trying to save as much as I can and stop making impulse or non-essential purchases to reduce debt."

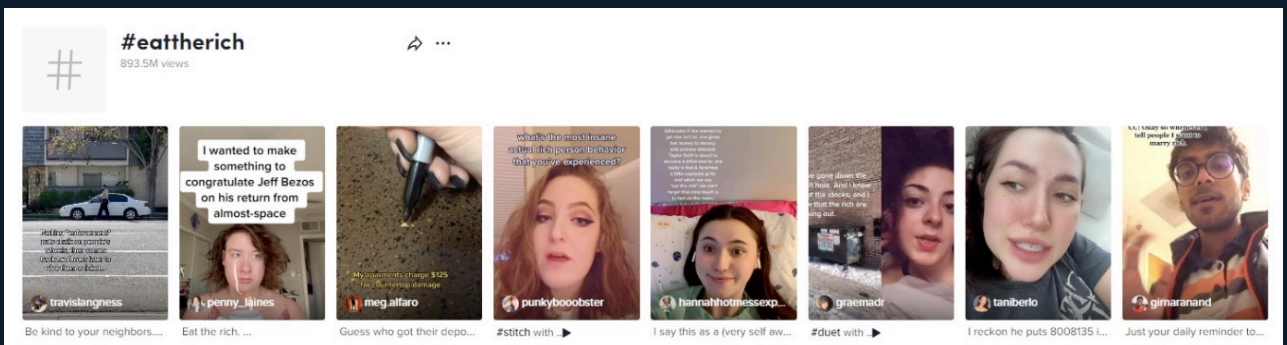
-Female, White, Age 32

60%

of adults under 30 say they have spent more than they should on things that would look good on Instagram (Source: Lending Tree).

28%

of people under 30 say they have gone into debt for Instagram (Source: Lending Tree).



#eattherich has almost a billion views on TikTok



The Menu and *Succession* tap into this spirit perfectly, catering in equal parts to people’s voyeurism and loathing when it comes to the lives and habits of the ultra-wealthy. And even reality shows like *Shahs of Sunset*, *Real Housewives* or *Million Dollar Listing* speak to the tension inherent in hate-watching the rich.

Youth In Revolt

Not everyone manifests this shame in the same way. Many Zoomers and younger Millennials resort to anger. Social media is full of hostility toward the upper class. Unlike older generations, they seem more comfortable talking about money, class and status, but it’s typically in an “us vs. them” tone. And they’re willing to turn the angry mob against their own. There’s a tipping point where beloved influencers get a little too successful, have one too many #ads and find themselves canceled for being sellouts. Even influencers who are famous *for* being rich can meet backlash when fans lose patience with how oblivious they can be to real life. Take Khloe Kardashian, for example, whose out-of-touch Tweet stirred up fresh annoyance three years after it was posted.

...But Not *That* Much Revolt

Somehow, despite all of this, there’s a desire to engage in the 2023 version of a get-rich-quick scheme: 54% say they would become an influencer if given the chance, and over half of them say it’s because they want to become rich (Source: Morning Consult).

Even if you aren’t in debt yet, you can still be financially precarious. Many Americans can still find themselves deprioritizing savings. Gen Z has had a particularly unique response to the shrinking middle class: Motivated by a sort of fatalism, they’ve been big spenders, prioritizing treating themselves over savings. They’ve already assumed they’re going to be forever worse off than their parents, and during the pandemic, many Gen Z adults reported that they no longer saw the point of saving because “normal” can be stolen away” in a heartbeat (Source: Fidelity). Why bother saving when the future feels bleak either way? It’s this attitude that has 32% of them saying they spent money on splurge items last year, 2x more than their Gen X parents. And almost half of them said they could not maintain their current lifestyle without help from mom and dad (Source: Prudential Financial).



KEY TAKEAWAY

The pressure to look more successful and confident than you feel can make the shame worse and can even cause you to spend beyond your means.

The Shrinking Class TL;DR

Americans are incredibly aware of the gap between our cultural definition of the middle class and where their lives are right now. If media and brands are responsible for setting the tone for this definition, it will be their role to respond to the growing gap between the middle class myth and actual lives.

1 Demographics

America is becoming more diverse and more urban/suburban, but power and money still live with the same people they lived with three decades ago. The result is tension between the old guard and younger generations, and a volatile political divide.

For Brands: Brands have the unique challenge now of speaking to two very different Americas. And consumers see themselves as such, too. Nuanced local campaigns can help address the needs of both.

2 Economics

Our economy has changed a lot in the last several decades. Good paying jobs now often require college (or even graduate) degrees, and might even require you to move to a city with a high cost of living. (We're looking at you, New York and San Francisco.) And meanwhile, wages haven't kept up with inflation, especially recently. The end result is money is harder to come by and stretches less far.

For Brands: Showing people a comfortable life at an achievable price point can do a lot to reverse the shame more unrealistic images create.

3 Culture

We as Americans really hate talking about money, and we especially hate telling people about our money struggles. Millions of Americans live in shame about where they are financially, and that shame keeps them from seeking out emotional help from their support systems.

For Brands: Brands can help destigmatize people's feelings about where they currently are financially by facilitating honest conversations about money and giving people spaces to celebrate what they *do* have.

Many in the middle class feel like they're falling behind. If that feels depressing, the good news is it's at least somewhat reversible. And brands can help.

Next Time On The American Middle Class...

All three of these factors—demographics, economics and culture—play into individual households' lives in different ways. In our next chapter, we'll look at the lives of six different middle class Americans and explore how varied their experiences are.