

Inside the Middle Class: Bad Times Hit the Good Life

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A Social & Demographic Trends Report

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Inside the Middle Class: Bad Times Hit the Good Life

Foreword

In the presidential campaign of 2008, candidates have risen and fallen; issues come and gone; and momentum shifted with the wind. But through it all, one character in the drama has never strayed far from center stage: the American middle class.

The overarching economic narrative of the 2008 campaign is the idea that life for the middle class has grown more difficult. There are Republican and Democratic variations on this theme, but very few dissenters from its core premise. If anything, the “middle class squeeze” has grown into a more insistent story line as the campaign season has progressed and economic news -- rising fuel and food prices, falling house values, impending recession, turmoil in the financial and mortgage markets -- has become more ominous.

This report sets out to present a comprehensive portrait of the middle class – its demography; its standard of living; its sense of progress and mobility; its economic behaviors; its anxieties and aspirations; and its social and political values. It portrays the middle class as it is in 2008, and it shows how it has changed since 1970. It does so by combining findings from a new national public opinion survey with new analyses of demographic and economic data from the Census Bureau and other sources.

At the outset, we should acknowledge that "middle class" is a term that is both universally familiar and devilishly difficult to pin down. It is both a social and economic construct, and because these domains don't always align, its borders are fuzzy. Is a \$30,000-a-year resident in brain surgery lower class? Is a \$100,000-a-year plumber upper-middle class? One way to sidestep riddles of this sort is to let people label themselves. That's what we did in our survey, and it produced a straightforward-seeming result: about half (53%) of all adults in America say they are middle class. But behind the reassuring simplicity of this number lies a nest of anomalies. For example, about four-in-ten (41%) adults with \$100,000 or more in annual household income say they are middle class. So do nearly half (46%) of those whose household incomes are below \$40,000. As for those in between, about a third say they're *not* in the middle class. If being middle income isn't the sole determinant of being middle class, what else is? Wealth? Debt? Homeownership? Consumption? Marital status? Age? Race and ethnicity? Education? Occupation? Values? Throughout the first section of this report, we present the public's verdict, gleaned from responses to survey questions on all these topics.

In addition to taking the public's pulse about what it means to be middle class, our report undertakes a parallel analysis – this one driven by economic and demographic data rather than by self-definition. Using Census Bureau reports, we divide Americans into three income tiers – low, middle and high. We define the middle tier as consisting of adults who live in a household where the annual income falls within 75% and 150% of the median. (The boundaries of this middle tier vary by household size; in 2006, they were about \$45,000 to \$90,000 for a family of three, which is close to the typical household size in the U.S.¹) This analytical frame enables us to compare who is in the middle income tier now with who was in it in 1970. Has it gotten smaller or larger since

¹ 2006 is the last year for which Census Bureau data are available that allow for these comparisons by income tier. However, all dollar figures are inflated-adjusted to January 2008 dollars.

then? Is it made up of different people, in different kinds of jobs, in different size homes and households, in different marital circumstances, in different phases of their lives, with different levels of educational attainment? Does the middle tier have higher inflation-adjusted income now than it did in 1970? More wealth? Different patterns of expenditures?

By bringing together these complementary frames of analysis, we hope to shed light on what the "middle class squeeze" means in the real lives of middle class Americans. Are they falling behind in life? Running faster just to stay in place? Moving ahead, but not as fast as the folks on the rungs above them? And as the middle class contemplates the squeeze, whom do they blame? The government? The price of oil? Foreign competition? Themselves?

About the Report

This report is the work of the Social and Demographic Trends Project of the Pew Research Center. The Center is a nonpartisan "fact tank" that provides information on the issues, attitudes and trends shaping America and the world. It does so by conducting public opinion polling and social science research; by reporting news and analyzing news coverage; and by holding forums and briefings. It does not take positions on policy issues.

The public opinion survey findings that form the basis for the first section of the report comes from a telephone survey conducted from Jan. 24 through Feb. 19, 2008 among a nationally representative sample of 2,413 adults. The survey design included an over-sample of blacks and Hispanics, as well as a dual sample frame of respondents reached via landline (1,659) or cell (754) phone. All data are weighted to produce results from a representative sample of the full adult population. Margin of sampling error is plus or minus 2.5 percentage points for results based on the total sample at the 95% confidence level. The field work was performed by Princeton Survey Research Associates International. For more details, see the methodology section on Page 78.

This report was edited and the overview written by Paul Taylor, director of the Social and Demographic Trends Project and executive vice president of the Pew Research Center. In Section I, Chapter One on middle class self-definition and Chapter Three on middle class finances were written by Richard Morin, senior editor; Chapter Two on the middle class squeeze was written by Taylor; Chapter Four on middle class values was written D'Vera Cohn, senior writer; Chapter Five on middle class jobs was written by Stephen Rose, a project consultant; Chapter Six on middle class politics was written by April Clark, research associate. In Section II, Chapter Seven on the changing demography of income groups was written by Richard Fry, senior researcher; and Chapter Eight on trends in income, wealth and expenditures was written by Rakesh Kochhar, senior researcher. Morin and Clark led the team that created the survey questionnaire and analyzed its findings. Research assistant Felisa Gonzales helped with fact-checking and the preparation of charts. Other fact-checkers were provided by the Pew Research Center for the People & the Press. Pew Research Center Board Chairman Donald Kimelman, President Andrew Kohut and Director of Survey Research Scott Keeter all provided valuable counsel to this project. We are grateful for their assistance. We also thank the Pew Charitable Trusts, which funds the Pew Research Center.

Executive Summary

Fewer Americans now than at any time in the past half century believe they're moving forward in life.

- Americans feel stuck in their tracks. A majority of survey respondents say that in the past five years, they either haven't moved forward in life (25%) or have fallen backward (31%). This is the most downbeat short-term assessment of personal progress in nearly half a century of polling by the Pew Research Center and the Gallup organization.
- When asked to measure their progress over a longer time frame, Americans are more upbeat. Nearly two-thirds say they have a higher standard of living than their parents had when their parents were their age.

For decades, middle income Americans had been making absolute progress while enduring relative decline. But since 1999, they have not made economic progress.

- As of 2006 (the last year for which trend data are available), real median annual household income had not yet returned to its 1999 peak, making this decade one of the longest downturns ever for this widely-accepted measure of the middle-class standard of living. Over a longer time period, the picture is much brighter; since 1970, median household income has risen by 41%.
- However, this long-term prosperity has not spread evenly. The upper income tier (households with annual incomes above 150% of the median) has outperformed the middle tier (households with annual incomes between 75% and 150% of the median) -- not just in income gains, but also in wealth accumulation. From 1983 to 2004, the median net worth of upper income families grew by 123%, while the median net worth of middle income families grew by just 29%. In effect, those in the middle have been making progress in absolute terms while falling behind in relative terms.

About half of all Americans think of themselves as middle class. They are a varied lot.

- Some 53% of adults in America say they are middle class. On key measures of well-being-- income, wealth, health, optimism about the future -- they tend to fall between those who identify with classes above and below them. But within this self-defined middle class, there are notable economic and demographic differences. For example, four-in-ten Americans with incomes below \$20,000 say they are middle class, as do a third of those with incomes above \$150,000. And about the same percentages of blacks (50%), Hispanics (54%) and whites (53%) self-identify as middle class, even though members of minority groups who say they are middle class have far less income and wealth than do whites who say they are middle class.

For the past two decades middle income Americans have been spending more and borrowing more. Housing has been the key driver of both trends.

- A new single-family house is about 50% larger and existing houses are nearly 60% more expensive (in inflation adjusted dollars) now than in the mid 1980s. Goods and services that didn't exist a few decades ago – such as high definition television, high speed internet, and cable or satellite subscriptions – have become commonplace consumer items. And the costs of many of the anchors of a middle class lifestyle – not just housing, but medical care and college education – have risen more sharply than inflation.
- As expenses have risen, middle income Americans have taken on more debt, often borrowing against homes that, at least until recently, had been rising rapidly in value. The median debt-to-income ratio for middle income adults increased from 0.45 in 1983 to 1.19 in 2004. Ratios have also increased for upper and lower income adults, but not by as much.

At a time when these borrow-and-spend habits have spread, Americans say it has become harder to sustain a middle class lifestyle.

- Nearly eight-in-ten (79%) respondents in the Pew Research Center survey say it is more difficult now than five years ago for people in the middle class to maintain their standard of living. Back in 1986, just 65% of the public felt this way.
- The current economic slowdown and uptick in prices are taking a bite out of the family budget. Slightly more than half of middle class respondents say they've had to tighten their belts in the past year. Roughly the same proportion expect to make more cutbacks in the year ahead, and a quarter say they expect to have trouble paying their bills. About a quarter of those who are employed worry they could lose their job.
- Nonetheless, the American middle class is optimistic about the future. Most are confident that their quality of life in five years will be better than it is now. And, gazing farther ahead, most expect their children to do better in life than they themselves have done.

Economic, demographic, technological and sociological changes since 1970 have moved some groups up the income ladder and pushed others down.

- Winners include seniors (ages 65 and older), blacks, native-born Hispanics and married adults. The income status of all of these groups improved from 1970 to 2006. Losers include young adults (ages 18 to 29), the never-married, foreign-born Hispanics and people with a high school diploma or less. All of these groups have seen their relative income positions decline.

Most middle class adults agree with the old saw that the Republican Party favors the rich while the Democratic Party favors the middle class and the poor.

- Nearly six-in-ten (58%) middle class survey respondents say the Republican Party favors the rich, while nearly two-thirds say the Democratic Party favors the middle class (39%) or the poor (26%).

Overview

Most Americans feel stuck in their tracks. A majority of adults in this country say that in the past five years they either haven't moved ahead in life or have fallen backwards. This is the most downbeat assessment of personal progress in nearly a half century of polling by the Pew Research Center and the Gallup Organization.

People feel this way for a reason.

Median annual household income in the United States – arguably the best single measure of a middle class standard of living – is below the peak it reached in 1999, after adjusting for inflation.² This has been one of the longest slumps for this key indicator in modern U.S. history. And the pain has not been spread evenly. Those in the upper income tier have done better than those in the middle and lower tiers – not just during this decade's downturn, but through good times and bad stretching back to the early 1970s.

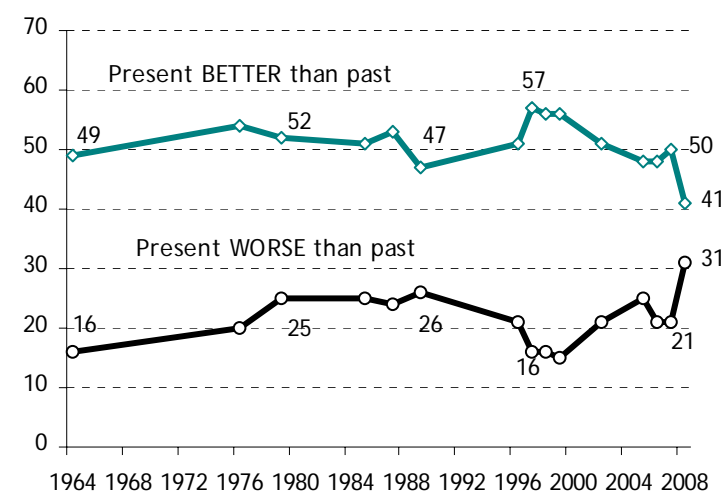
These two trends – a recent decline in standard of living, coming on top of a long-term rise in income inequality – have conspired to produce the economic malaise characterized by candidates and commentators alike during this presidential campaign season as “the middle class squeeze.”

There's no denying that the phrase strikes a chord with the American public. According to a new Pew Research Center survey, about eight-in-ten (79%) adults say it is more difficult now than it was five years ago for middle class people to maintain their standard of living. Two decades ago, just 65% felt this way, according to a 1986 NBC/Wall Street Journal poll.

Nonetheless, these downbeat appraisals – both of personal progress and of middle class well-being in general – are not the public's only perspectives on this matter. Despite their short-term sense of stagnation, most Americans see in the sweep of their lives a long arc of progress. Nearly two-thirds (65%) say they have already exceeded the standard of living that their parents had at the age they are now. Most expect to face some belt-

Are You Better Off Now Than You Were Five Years Ago? The Trend Since 1964.

Percentage rating...



Note: Based on ratings of your life *today* compared with your life *five years ago*. "Same" responses not shown.
Source: Surveys from 1964 to 1985 by Gallup.

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² U.S. Census Bureau, Historical Income Tables, Table H-6. In 1999, median household income was \$51,910. In 2006, the last year for which these data are available, it was \$50,811. All figures inflated-adjusted to January 2008 dollars.

tightening – or worse – in the coming year, but a majority is confident that their quality of life in five years will be significantly better than it is now. And, gazing into a more distant future, most expect their children’s standard of living to be better than their own.

In short, the public is beleaguered but unbowed. And its positive long-term perspective, like its negative short-term assessment, is in line with underlying economic realities. Despite the downturn of the current decade, median household income increased by 41% from 1970 to 2006 (the last year for which such data are available), after adjusting for inflation and changes in household size. To be sure, the rising tide favored some boats over others. The income gains over this period were greater for upper income adults than for middle or low income adults, and the wealth gains were *much* greater in the top income tiers than in the middle or at the bottom. So for those in the middle peering upward, absolute progress has gone hand in hand with relative decline.

All of these economic trends -- stagnation in the short term, rising prosperity and rising inequality in the long term -- provide a context for the nuances of public opinion on the subject of the “squeeze.” When survey respondents say they haven’t moved forward in recent years, the economic data say they’re right. When respondents say they’re doing better than their parents, the economic data say they’re right. When respondents say it has become more difficult to maintain a middle class standard of living, the data once again say they’re right -- if what they mean is that it has become harder for people in the middle to keep pace with those above them.

Through the Looking Glass of Class

To examine the dynamics of public opinion through the prism of socioeconomic class, the survey asked respondents to place themselves into one of five groups – upper class, upper middle class, middle class, lower middle class and lower class. About half (53%) say they are middle class; some 19% percent say they are upper middle class and another 19% say they are lower middle class; 6% say they are lower class and 2% say they are upper class.³

One overarching finding from this exercise in self-identification is that class divides people far more by their economic experiences and characteristics than it does by their social values and life priorities, their demographic traits or their evaluations of their own quality of life and economic mobility.

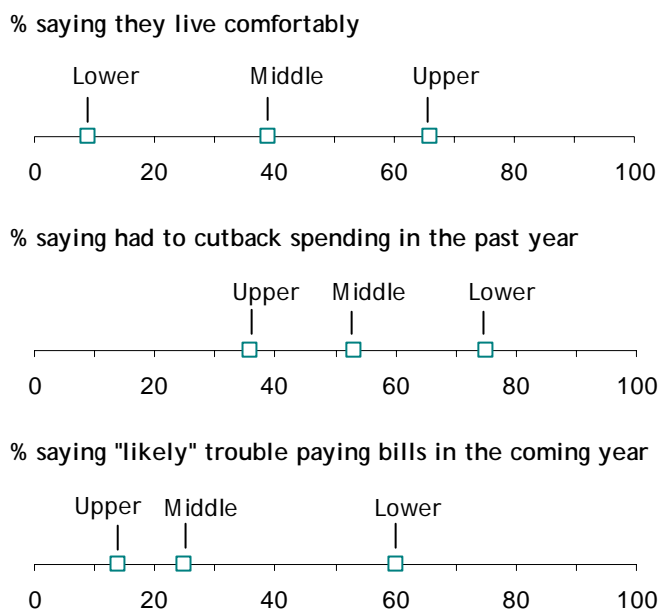
³ Throughout this report, we combine respondents who say they are “upper” and “upper middle” into a single “upper class” category and we combine respondents who say they are “lower middle” and “lower” into a single “lower class” category.

For example, the percentage of people who say they “live comfortably” ranges from 66% of the self-defined upper class to 39% of the self-defined middle class to just 9% of the self-defined lower class. But the range is not nearly as wide when respondents are asked whether they’re doing better in life than their parents; some 80% of the upper class say they are, compared with 67% of the middle class and 49% of the lower class. And the class disparities grow smaller on questions about life priorities. For example, 66% in the upper class say it is important to be wealthy, compared with 55% in the middle class and 51% in the lower class. On the demographic front, class disparities are fairly wide with regard to education and less wide with regard to homeownership and marriage.

On virtually every topic explored in this survey, responses of the middle class fall between those of the upper and lower classes – but sometimes the middle leans toward the bottom, and sometimes toward the top. This report will examine the attitudes, aspirations and anxieties of America’s middle class in detail – and it will also explore the economic and demographic realities that underlie them. It will focus on changes in the middle class since 1970; on differences among the middle, lower and upper income groups; and on the wide range of experiences, opinions and values within the middle class itself.

Before summarizing our findings, a note about terminology. Throughout the report, when we refer to the “middle class” we are describing the 53% of adults who identified themselves that way

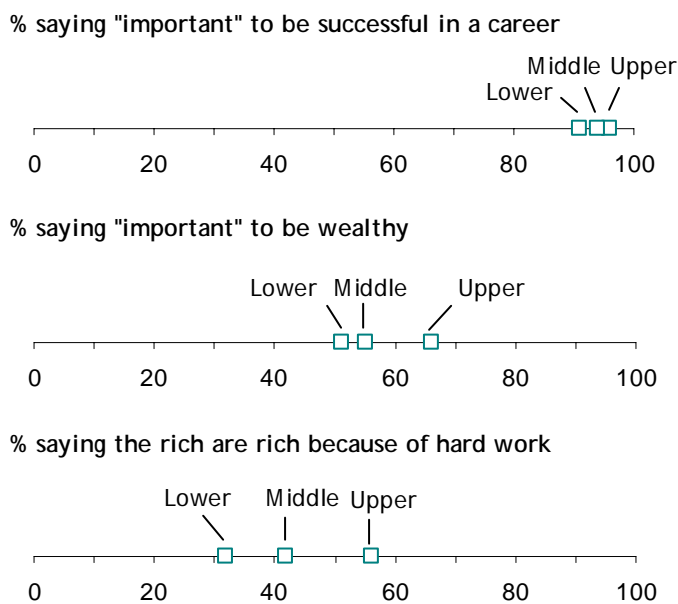
Economic Characteristics by Socioeconomic Class



Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class.

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Priorities and Values by Socioeconomic Class



Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class.

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in response to a question in our survey. When we refer to those who are "middle income," we are describing the 35% of adults who live in a household where the annual income falls within 75% to 150% of the national median (a standard yardstick in economic literature about income dispersion). The disparity in the size of these two "middles" underscores one of the themes of this report: that being middle class is a state of mind as well as a statement of income and wealth.

Section I focuses on the "middle class" and relies on the public opinion survey findings. Section II focuses on the "middle income" and relies on the U.S. census and other relevant data sources. The remainder of this overview presents key findings from both sections.

Section I: A Self-Portrait

Just over half of adult Americans consider themselves middle class. They are a varied lot.

Asked to place themselves into one of five socioeconomic categories, just over half (53%) of adults in our survey describe themselves as middle class, a finding that has varied very little over many decades of social science survey research.⁴ On most key components of social and economic status – such as income, wealth, health, education, homeownership -- the survey finds that the self-defined middle class is truly in the middle, positioned between those who identify with the classes above and below them. But even *within* this self-defined middle class, there are notable economic and demographic differences. For example, younger adults and older adults are both more likely than middle-aged adults to describe themselves as middle class, even though their income levels are lower. Meantime, middle-aged middle class adults are more likely than those who are younger and older to report financial stresses, even though they have more income. Also, roughly the same percentages of whites (53%), blacks (50%) and Hispanics (54%) self-identify as middle class, despite the fact that the income and wealth of blacks and Hispanics who say they are middle class is much lower than that of whites who say they are middle class.

Middle class Americans – and all Americans – feel less progress in their lives now than at any time in at least 44 years.

On a scale of zero to ten, survey respondents were asked to give a numerical rating to their present quality of life, then to use the same scale to rate the life they led five years ago and finally to rate the life they expect to lead five years from now. More than half rate their life today either worse (31%) than their life five years ago or the same (25%). Just 41% say their life today is better. In the 44 years that these "ladder of life" questions have

Half of Americans Say They're Middle Class

Percentage of Americans who identify themselves as...

	All
	%
Upper class (NET)	21
<i>Upper</i>	2
<i>Upper-middle</i>	19
Middle class	53
Lower class (NET)	25
<i>Lower-middle</i>	19
<i>Lower</i>	6
Don't know/Refused	1
	100
Number of respondents	2413

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⁴ Over the years, other surveys have presented respondents with four categories of socioeconomic class rather than five: upper class, middle class, working class and lower class. Using those definitions, a 2006 survey by the *General Social Survey (GSS)* found that 46% of respondents identified as middle class and 45% as working class.

been asked in Pew and Gallup surveys, these are the most bearish ratings ever recorded. Not surprisingly, there is a class-based pattern to the public's judgments. The self-defined lower classes are the most discouraged about their recent progress (44% rate their life today below their life five years ago); the self-defined upper classes are the least discouraged (just 22% rate their life today below their life five years ago); while the self-defined middle class is situated between the two groups, but closer to the top than the bottom (28% rate their life today below their life five years ago).

Most people in the middle class feel they've exceeded their parents' standard of living.

When the middle class lengthens its time horizons, it elevates its assessment of personal progress. Two-thirds (67%) say their standard of living is better than the one their parents had at the age they are now. Just 10% say their standard of living is worse. In these judgments, the middle class is less upbeat than those in the upper classes (80% of whom say they're doing better than their parents) and more upbeat than those in the lower classes (49% of whom say they're doing better than their parents). Many of these differences between the classes wash away when people are asked about their expectations for the next generation. Roughly half of respondents in all three classes say they expect their children's standard of living to exceed their own. However, a significantly larger share of those in the lower class (31%) than of those in the upper (17%) or middle (19%) classes say they think their children's lives will be *worse* than theirs. A greater share in the latter two groups say that they expect their children to do about the same in life as they themselves have done.

Intergenerational Upward Mobility				
	All	Upper class	Middle class	Lower class
My standard of living compared to my parents' is...	%	%	%	%
Much better	38	57	38	22
Somewhat better	27	23	29	27
About the same	19	13	21	19
Somewhat worse	9	5	7	17
Much worse	5	1	3	13
Don't know/Refused	<u>2</u>	<u>1</u>	<u>2</u>	<u>2</u>
	100	100	100	100
Number of respondents	2413	522	1276	588
Question wording: Compared to your parents, when they were the age you are now, do you think your own standard of living now is much better, somewhat better, about the same, somewhat worse or much worse than theirs was?				
Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class.				
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The vast majority of middle class adults say it has become harder to maintain a middle class lifestyle. But most of them think they themselves are beating the odds.

Just 28% of middle class respondents say they've fallen backward in life in the past five years. But a lopsided majority (78%) says it has become more difficult over the past five years for people who are middle class to maintain their standard of living. These responses suggest that most middle class adults think of themselves as at least holding their own against daunting odds. The widespread perception that it is harder now than it was five years ago to maintain a middle class standard of living is not class-based. Large majorities of all three classes (72% upper; 78% middle; 89% lower) share this view.

There is nothing approaching a consensus about who or what is responsible for the middle class squeeze.

Nearly everyone agrees that it's become harder to maintain a middle class lifestyle, but there's no consensus about who or what is mostly to blame. Among middle class respondents, about a quarter (26%) blame the government, 15% blame the price of oil, 11% blame the people themselves, 8% blame foreign competition, 5% blame private corporations and the rest cite other factors or do not have an answer.

The Middle Class Blues

Compared with five years ago, is it more or less difficult for middle class people to maintain their standard of living?

	All	Upper class	Middle class	Lower class
	%	%	%	%
More difficult	79	72	78	89
Less difficult	12	15	13	7
About the same (VOL.)	6	11	6	1
Don't know/Refused	<u>3</u>	<u>2</u>	<u>3</u>	<u>3</u>
	100	100	100	100
Number of respondents	2413	522	1276	588

Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class.

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Is Life More Difficult for the Middle Class? And Who is to Blame?

	All middle class	Rep/Lean Rep	Dem/Lean Dem	Ind/No Lean
	%	%	%	%
More difficult (NET)	78	73	85	67
The government	26	16	35	22
The price of oil	15	16	15	12
People themselves	11	17	8	8
Foreign competition	8	9	8	7
Private corporations	5	2	8	3
Combination of these things	3	1	3	4
Economy/Cost of living	1	*	2	*
President George Bush	1	0	1	0
Something else	2	5	1	2
DK/Refused	6	7	4	9
Less difficult (NET)	13	16	9	19
About the same	6	8	3	8
DK/Refused	<u>3</u>	<u>3</u>	<u>3</u>	<u>6</u>
	100	100	100	100
Number of respondents	1276	435	633	208

Note: Based on respondents who identified themselves as belonging to the middle class.

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Within the middle class, big differences on this question occur along partisan lines. Democrats are most likely to point the finger at government (35% do so) while Republicans divide blame among the people (17%), the government (16%) and the price of oil (16%). There are also class divisions on this question, with the lower class nearly twice as likely as the upper class to blame the government (39% versus 21%).

Within the middle class, there's a wide range of financial circumstances and anxieties.

Fully four-in-ten Americans with family incomes below \$20,000 say they are middle class, as do a third of those with incomes of

\$150,000 or more. Not surprisingly – given this broad range – some in the middle class (39%) report that they are financially comfortable, while 37% say they "have a little left over after meeting expenses" and 20% say they "just meet expenses." Only 3% say they can't meet expenses. Asked about their financial experiences in the past year, more than half of middle class adults report that they've had to tighten their belts. Half also expect that they will have to cut more spending in the year ahead. Among those in the middle class who are employed, about a quarter (25%) worry that they could be laid off, that their job could be outsourced, or that their employer could relocate in the coming year, and a bit more (26%) worry that they could suffer a cutback in salary or health benefits.

Who's Comfortably Middle Class, and Who's Not?

Which phrase best describes your financial situation?

	Live Comfortably	Meet expenses, some left	Just meet expenses	Don't meet expenses	DK/Ref
	%	%	%	%	%
All middle class	39	37	20	3	1=100
Gender					
Male	43	35	18	3	1=100
Female	36	38	21	4	1=100
Race/Ethnicity					
White, non-Hispanic	42	38	17	2	1=100
Black, non-Hispanic	43	32	17	7	1=100
Hispanic	24	39	30	7	*=100
Age					
18-29	45	33	16	6	*=100
30-49	34	43	20	2	1=100
50-64	38	34	24	3	1=100
65+	46	33	18	3	0=100
Education					
College grad	45	40	14	1	*=100
Some college	41	40	18	1	*=100
HS grad or less	36	33	24	6	1=100
Family income					
\$100,000+	53	33	13	1	*=100
\$50K-\$99K	42	44	13	*	1=100
\$30K-\$49K	37	39	21	3	*=100
LT \$30,000	28	33	30	9	*=100

Note: Based on respondents who identified themselves as belonging to the middle class.

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Keeping up with the Joneses: Americans have a finely calibrated sense of how much money it takes to live a middle class lifestyle in their area. But they tend to overestimate how many people have certain high-end goods and services.

When we asked respondents to estimate how much money it takes for a family of four to live a middle class lifestyle in their community, the median of all responses was \$70,000 – uncannily close to the Center’s national estimate, based on Census Bureau data, of \$68,698 a year for a four-person household.⁵

However, when we presented respondents with a list of high-end consumer goods and services, and asked whether they have them and whether

they believe most other people have them, their tendency in some cases was to over-estimate what most other families have. For example, more than six-in-ten (62%) believe say that most families have a high definition television, whereas just 42% of all adults say that their family has one. Similarly, about a quarter (24%) of respondents believe that most people have a child in private school, though only 15% of parents with school age children report having a child in private school. Lopsided majorities also believe that most families have cable or satellite service, two or more cars, and high speed internet access. In these judgments, they are correct – a majority of families report that they do in fact have these goods and services.

What I Have, What Most People Have		
	Most families have	My family has
	%	%
Cable or satellite service*	90	70
Two or more cars	88	70
High-speed Internet	86	66
High-def or flat screen TV	62	42
Child in private school**	24	15
Paid household help	21	16
A vacation home	10	10

Note: *Beyond the basic service. **Based on respondents with minor-age children.

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⁵ This figure is for 2006 (the most recent year for which census data are available) but is inflation-adjusted to January 2008 dollars. See the appendix section “Adjusting for Household Size” for an explanation of how this calculation was made.

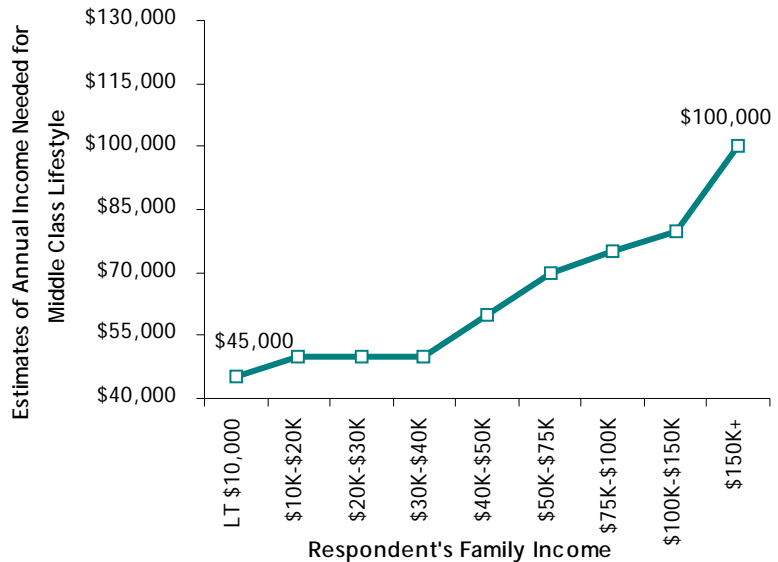
Everything is relative: People’s estimates of the price of admission to a middle class lifestyle rises with their own income levels and with the cost of living in their own communities.

There’s a strong correlation between respondents’ family income and their estimate of what it takes to lead a middle class lifestyle. The greater the income, the higher the estimate. Adults in families whose income is between \$100,000 and \$150,000 a year believe, on average, that it takes \$80,000 to live a middle class life in their area. By contrast, adults in families whose income is less than \$30,000 a year believe that a middle class lifestyle can be had for about \$50,000 a year.

Analyzing these estimates by the ZIP codes of the respondents yields a similar finding: that people who live

in communities with a high cost of living think it takes, on average, about \$15,000 more to be in the middle class than do people who live in communities with a low cost of living.

As Incomes Rise, So Do Estimates of the Cost of a Middle Class Lifestyle

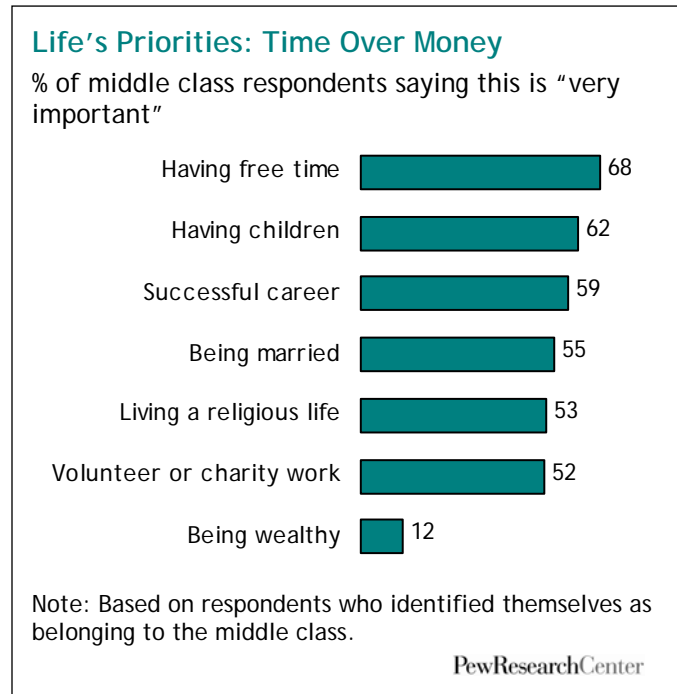


Question wording: Just your best guess: How much does a family of four need to have in total annual income to lead a middle class lifestyle in your area?

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Asked to weigh their priorities in life, the middle class puts time ahead of wealth -- and everything else.

Some two-thirds (68%) of middle class respondents say that “having enough free time to do the things you want” is a very important priority in their lives. That’s more than say the same about any other priority we asked about in this survey including having children (62% said that is very important), being successful in a career (59%), being married (55%), living a religious life (53%), doing volunteer work/donating to charity (52%); and being wealthy (12%). Upper and lower class respondents give essentially the same answers. The demographic groups most inclined to say they highly value free time are the ones least likely to have it – such as the employed, the middle-aged, and mothers of young children. In recent years, a number of public opinion surveys have documented Americans’ growing sense of feeling rushed, and this perception tracks with the growth in the number of mothers who are employed outside the home and in the number of two-earner couples. However, recent research on whether Americans in fact have less leisure time has produced mixed findings. At least one major report, which relied on five decades of time use logs kept by different groups of survey respondents, found that no matter what most people may perceive, Americans today have more leisure time now than they did several decades ago.⁶ Other reports find that many middle class families have maintained their lifestyle only by becoming two-earner households, with all the attendant time stresses.⁷



⁶ Aguiar, Mark A. and Erik Hurst, 2007. “Measuring Trends in Leisure,” *The Quarterly Journal of Economics*, vol. 122, no. 3: pp. 969-1006.

⁷ Jacobs, Elizabeth, September, 2007. “The Politics of Economic Insecurity,” *The Brookings Institution, Issues in Governance Studies*, no.10, p. 4

Most middle class Americans believe that the rich just keep getting richer, but they don't have a settled view about how the rich become rich.

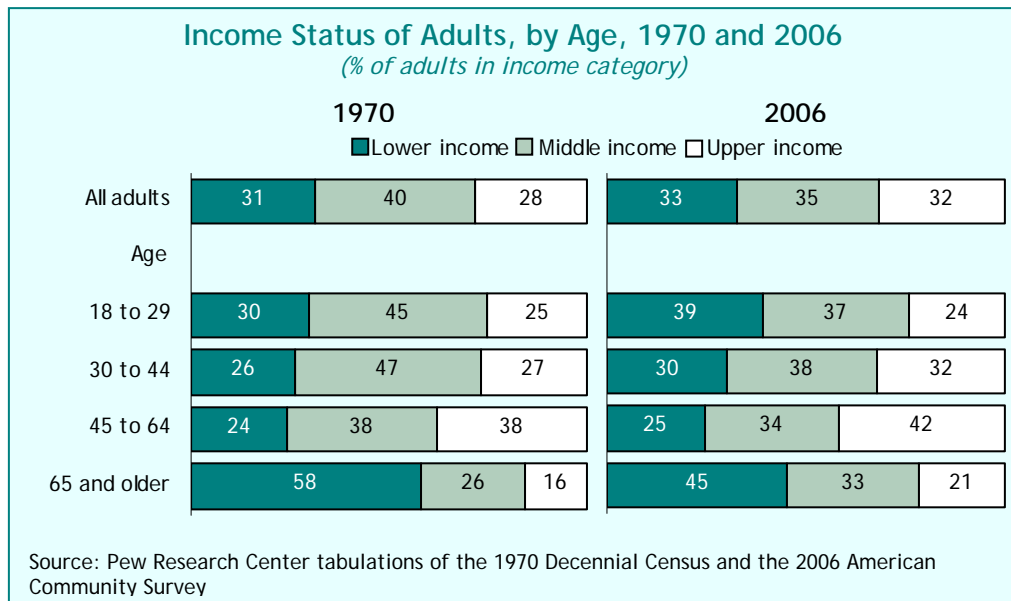
Two thirds of people in the middle class agree with the proposition that the rich are getting richer and the poor are getting poorer. But they're split in their explanations about how the rich become rich. Some 47% say it's mainly the result of having good connections or being born into it, while 42% say it's mainly the result of hard work, ambition and education. Not surprisingly, those in the upper classes (56%) are more inclined to cite hard work, ambition and education than are those in the middle (42%) or lower (32%) classes. Class divisions also are apparent on a related question about whether success in life is determined by forces outside one's control. Majorities of all three classes disagree with that proposition, with a greater share of the upper class disagreeing (69%) than of the middle (62%) or lower (51%) classes.

Does Wealth Come from Hard Work or Good Connections?				
	All	Upper class	Middle class	Lower class
Main reason the rich are rich...	%	%	%	%
Hard work, ambition, or education	42	56	42	32
OR				
Knowing the right people or born into it	46	33	47	53
Neither/Both equally (VOL.)	8	9	7	9
Other (VOL.)	8	9	7	9
DK/Ref	<u>4</u>	<u>2</u>	<u>4</u>	<u>5</u>
	100	100	100	100
Number of respondents	2413	522	1276	588
Question wording: Which of these statements comes closer to your own view - even if neither is exactly right. Most rich people today are wealthy mainly because of their own hard work, ambition, or education OR Most rich people today are wealthy mainly because they know the right people or were born into wealthy families.				
Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class.				
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Section II: A Statistical Portrait⁸

Since 1970, the middle income tier in America has shrunk by about 5 percentage points.

In 1970, 40% of all adults in this country lived in a middle income household, with “middle” defined as one where the income falls within 75% to 150% of the median. By 2006, just 35% of adults were in the middle income tier. This small but notable



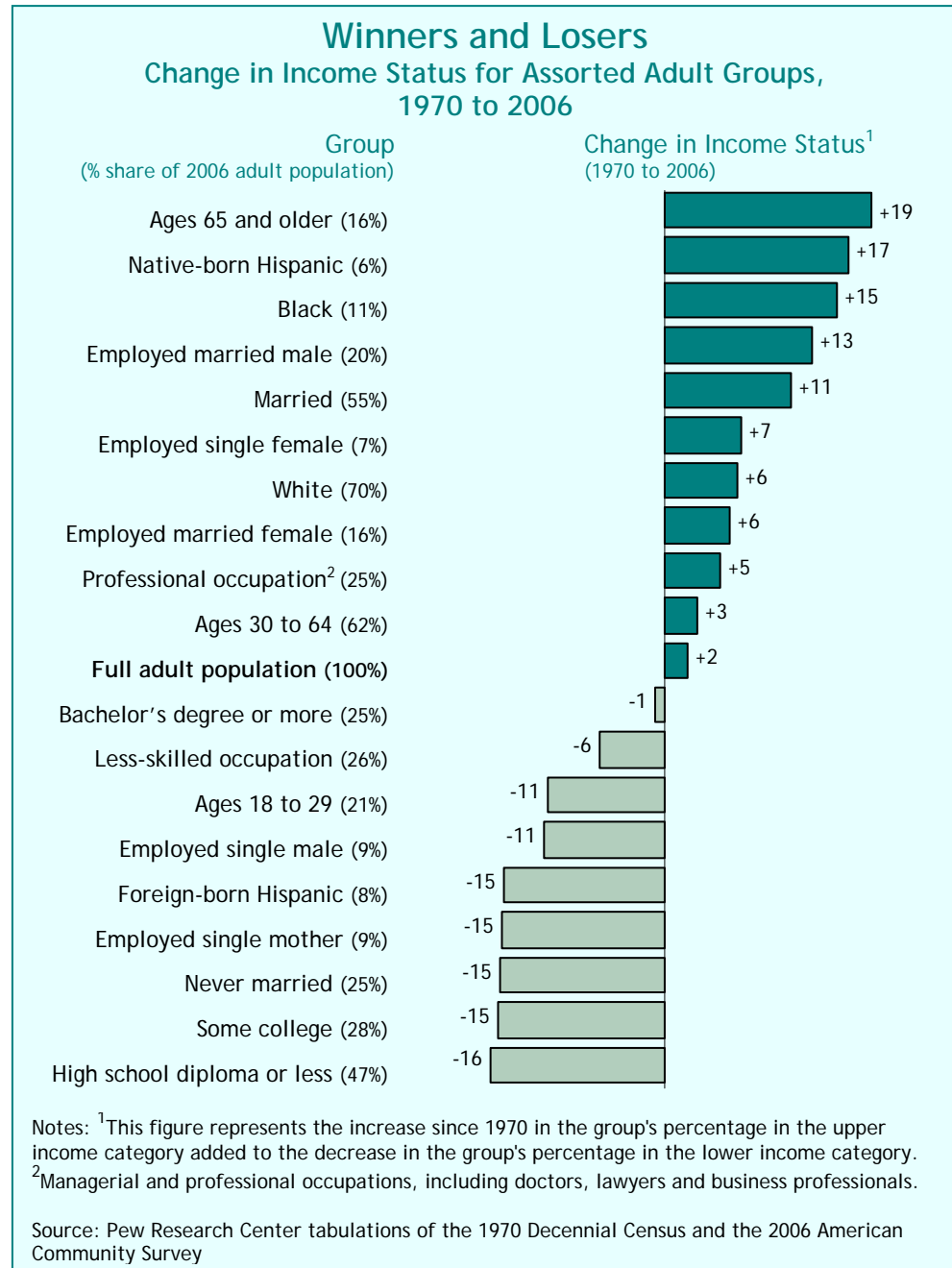
hollowing out of the middle has been accompanied by an increase in the share of adults in *both* the lower income category and the upper income category. The rise in share has been greater over this time period for the upper group (to 32% in 2006 from 28% in 1970) than for the lower income tier (to 33% in 2006 from 31% in 1970). Looking at these changes by age group shows that the trends have been very different for the youngest and oldest adults. The 65 and older group has moved ahead during the past 36 years; the 18-to-29 year old group has fallen behind. Among the older group, just 45% were in the lower income tier in 2006, down from 58% in 1970. Among the younger group, 39% were lower income in 2006, up from 30% in 1970.

⁸ Charts that appear in blue shading in this overview are not based on Pew Research Center survey data. The charts are based on data drawn from outside sources and analyzed by Pew Research Center staff.

Some demographic groups have improved their income status since 1970; others have fallen behind.

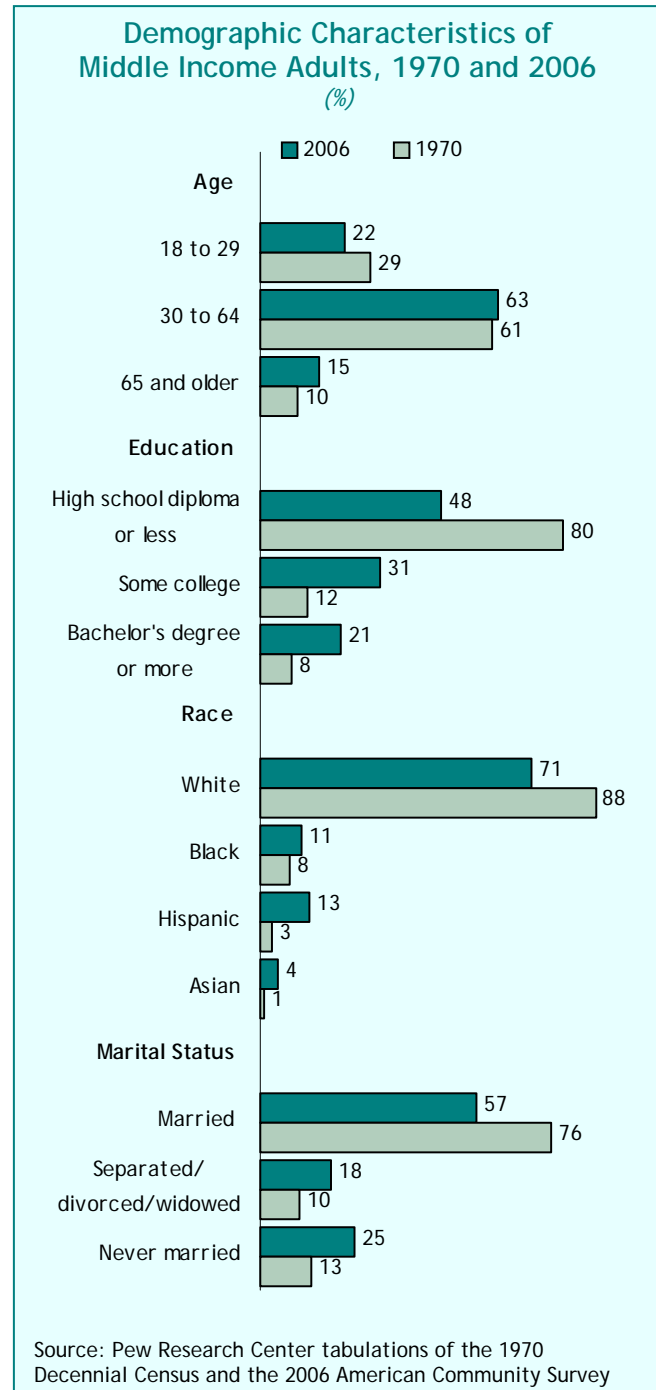
The period since 1970 has seen a distinct sorting of many different demographic groups into different income tiers. In addition to the elderly, the groups that have gained the most include blacks and native-born Hispanics. Married adults have also done well, while the never-married have fallen behind. On the gender front, men and women have moved in different directions, depending on marital and work status. Working husbands

and working wives both have seen their income positions improve since 1970, but the gains have been greater for working husbands. Among those who are not married, the gender pattern is reversed: single working women's income position has improved since 1970, while single working men's income position has declined. Other groups that have not fared well are young adults, people in lower-skilled jobs, people with less educational attainment, and immigrant Hispanics. The decline for this last group is mainly the result of a heavy influx of low-skilled immigrants, rather than downward mobility among immigrants already in the U.S.



Since 1970, the middle income tier has gotten older, better educated, less likely to be white and less likely to be married.

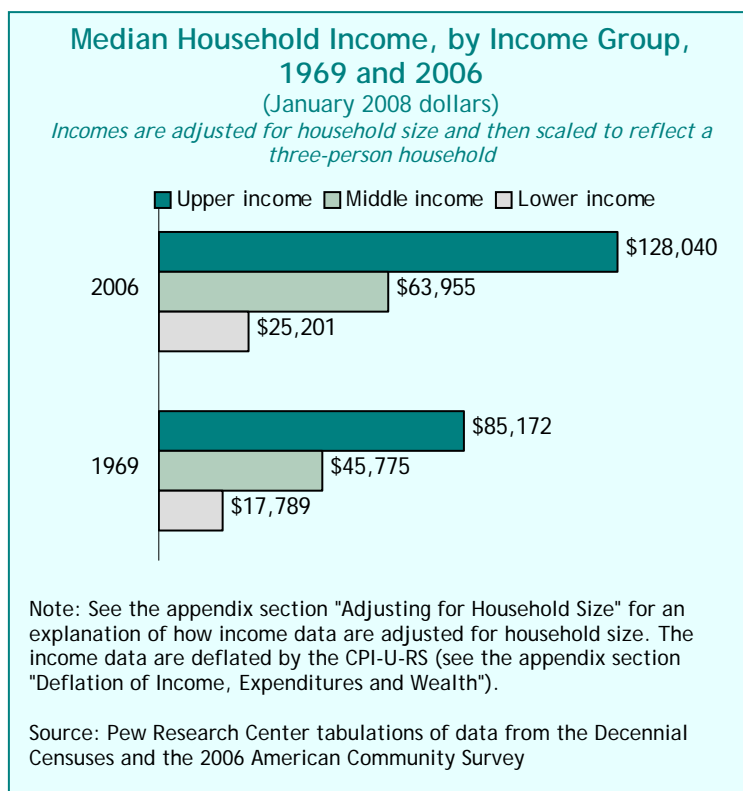
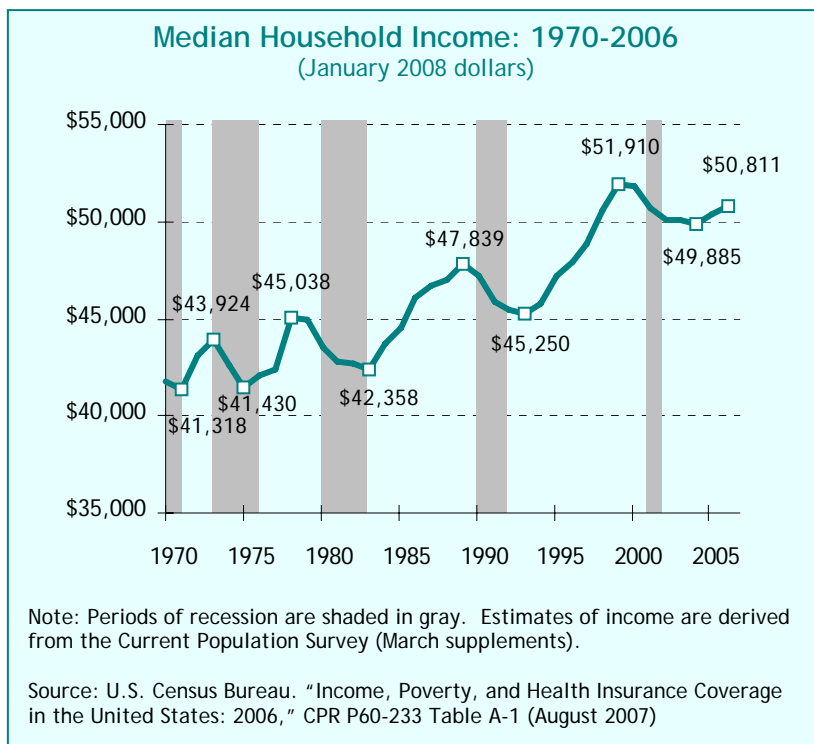
Demographic changes in the middle income tier since 1970 are very similar to the changes in the U.S. adult population as a whole. The average age for middle income adults was 45 in 2006, up from 41 in 1970 (comparable figures for the full adult population are 46 in 2006 and 44 in 1970). In 1970, 88% of the middle income group was white; by 2006, just 71% was white (comparable figures for the full adult population are 86% in 1970 and 70% in 2006). The ethnic group that moved heavily into the middle income tier during this period was Hispanics: in 1970, they made up just 3% of the middle tier; by 2006, they were 13%. In 1970, more than three-quarters (76%) of the middle income group were married; by 2006, just 57% were married. But the biggest demographic change has come in levels of educational attainment. In 1970, just one-in-five middle income adults had at least some college education; by 2006, more than half did. As noted on the previous page, never married adults and those with less educational attainment have been among the groups suffering the biggest losses in income status over this period.



Since 1969, median household income has risen for all Americans. But it has not risen as much for the middle income group as for the lower and upper income groups.

From 1969 through 2006, median annual household income increased by 41%, after adjusting for the decline in household size.⁹

However, the rise was greater for the upper income tier (50%) than for the middle (40%) or lower (42%) tier. By 2006, the median income of the upper group was \$128,040, about double the \$63,955 median income of the middle group and about five times the \$25,201 median income of the lower group. This long-term increase in income inequality is more pronounced when one focuses on the top 1%, 5% or 10% of U.S. households. Each of these high-end groups has pulled farther away from the group just below it.¹⁰

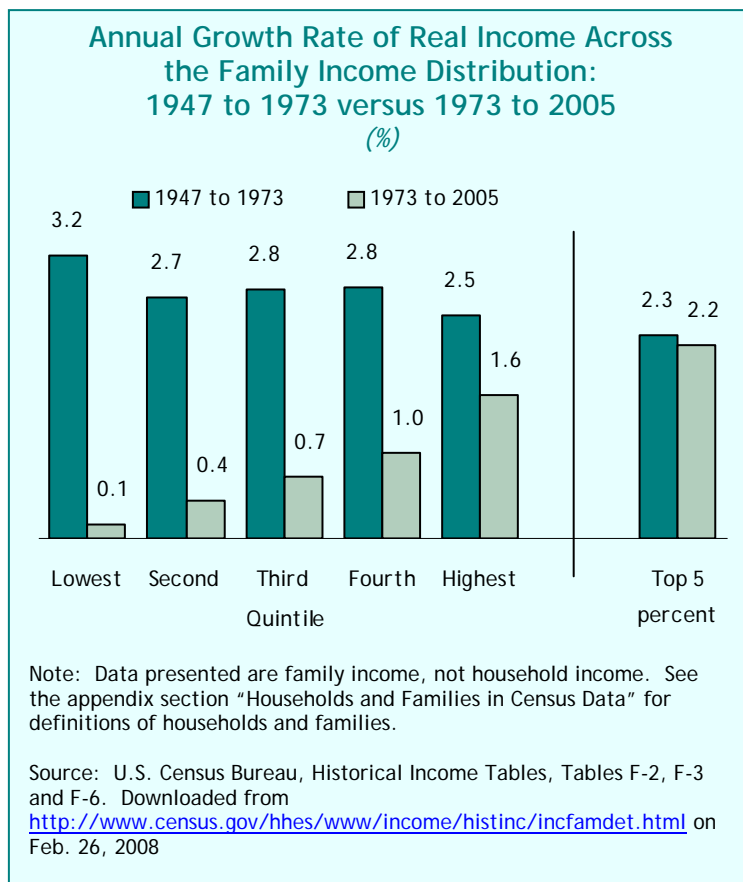


⁹ In 1970, the typical household had 3.1 people. In 2006, the typical household had just 2.5 people. This trend is the result of a decline in fertility (leading to smaller families) and a decline in the years that adults spend being married (leading to more single person households). Without making an adjustment for this change, the increase in median household income from 1970-2006 would be just 23%.

¹⁰ Piketty, Thomas and Emmanuel Saez, January 2006. "The Evolution of Top Incomes: A Historical and International Perspective," NBER Working Paper No. 11955.

The growth in median family income has been slower and more skewed to upper income groups since 1973 than it had been in earlier decades.

When looking at changes over time in the standard of living of the American public, economists often divide the past six decades into two eras. The period from 1947-73 was characterized by robust average annual increases for all income tiers, as well as a modest decline in income inequality. The period since 1973 has been characterized by much slower growth for all groups, and also by an *increase* in income inequality. The chart to the right illustrates the divergent patterns during these two eras. In the first era, the average annual growth rate in family income exceeded 2.5% in all income quintiles – and the growth was slightly higher in the lower quintiles than in the upper quintiles. In the second era, the average annual growth rate was much lower for all quintiles, but it was much higher in the upper quintiles than in the lower quintiles.

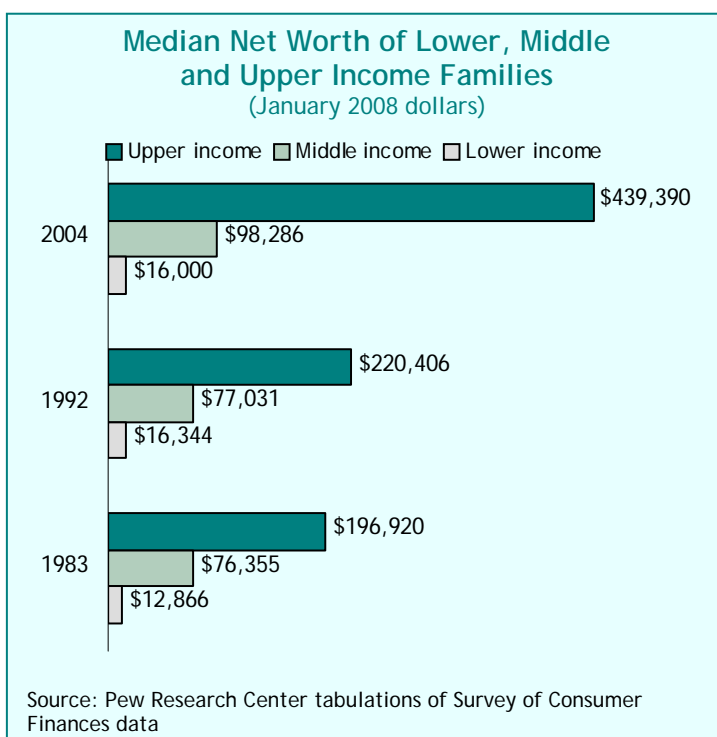


Since 1999, all income groups have seen their real incomes decline.

Since hitting a peak in 1999, median household income has declined for all three income groups. On a percentage basis, the decline from 1999 to 2006 has been slightly greater for the lower income group (5%) than for the middle income group (3%) or the upper income group (2%). This is one of the longest periods in modern history in which this key economic indicator has not returned to an earlier peak – although the trend in recent decades has been toward protracted but shallow declines following periods of growth. Should the economy fall into a new recession – as many economists now predict – the current downturn would become the longest in modern history.

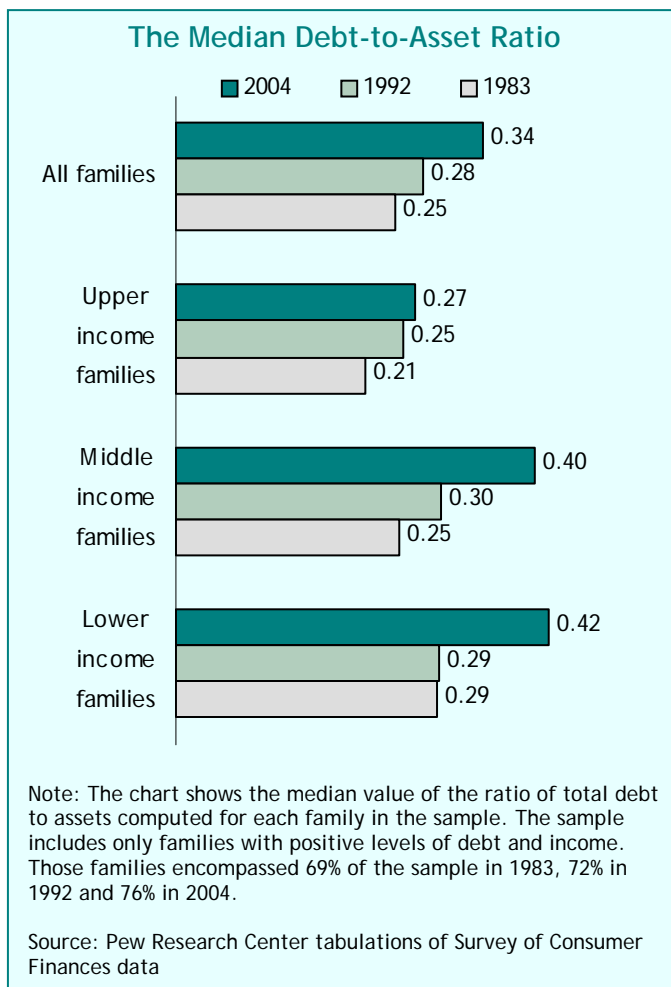
Median family wealth has grown in recent decades. The biggest gains by far have been made by those in upper income groups.

The median net worth of families (all assets minus all debt) has risen by 50% over the past two decades, from \$69,902 in 1983 to \$104,645 in 2004 (all figures inflation-adjusted to 2008 dollars). But this growth has been spread unevenly through the income tiers. For the top income group, median family wealth has more than doubled during this time period, rising by 123% to \$439,390 in 2004. For the middle income group, median wealth increased by only 29%, rising to \$98,286 in 2004. For the lower income group, median wealth increased by just 24%, rising to \$16,000 in 2004.



As Americans have seen the values of their homes rise over the past two decades, they have increased the size of their debt. This is especially true for those in the middle income group.

In every way that can be measured – size, value, source of wealth, collateral for debt – the American home bulks larger than ever in the economic life of the middle class (and the nation as whole). A new single-family home is about 50% bigger today than a new home was a generation ago. The median sales price of existing single-family homes has risen in inflation-adjusted dollars from \$142,578 in 1983 to \$223,362 in 2007.¹¹ However, while homeowners have seen the value of their biggest asset rise sharply, they have also leveraged their homes to take out ever more debt. This is especially true for middle income families, whose overall debt-to-asset ratio rose from 0.25 in 1983 to 0.40 in 2004. Their increase in debt burden was much greater than that of the upper income group (it rose from 0.21 in 1983 to 0.27 in 2004) and slightly greater than that of the lower income group (for whom it rose from 0.29 in 1983 to 0.42 in 2004). For middle income families, 78% of their increase in debt between 1983 and 2004 was due to debt secured by their primary residence.

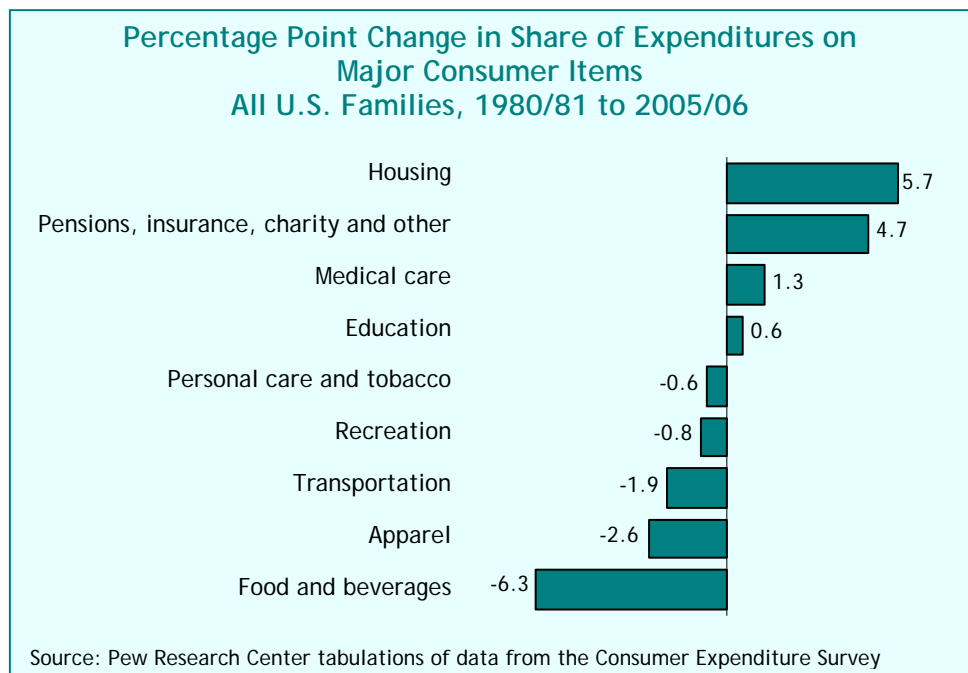
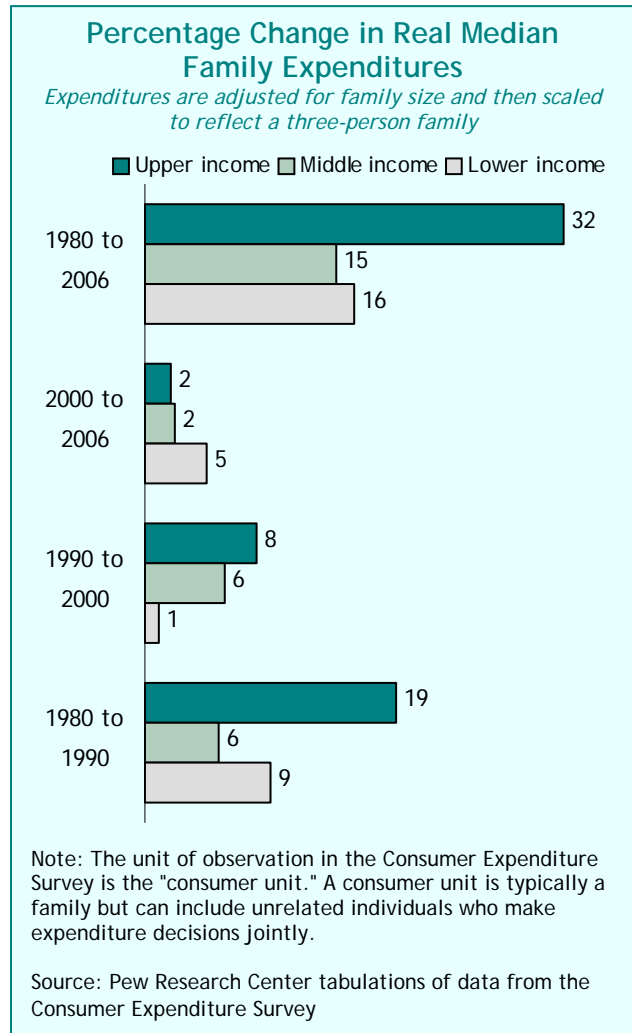


¹¹ The National Association of Realtors®, Median Sales Price of Existing Single-Family Homes.

Since 1980, expenditure levels have risen for all three income tiers, but they have risen the most for the upper tier. Families in all tiers have changed the mix of where they spend their money.

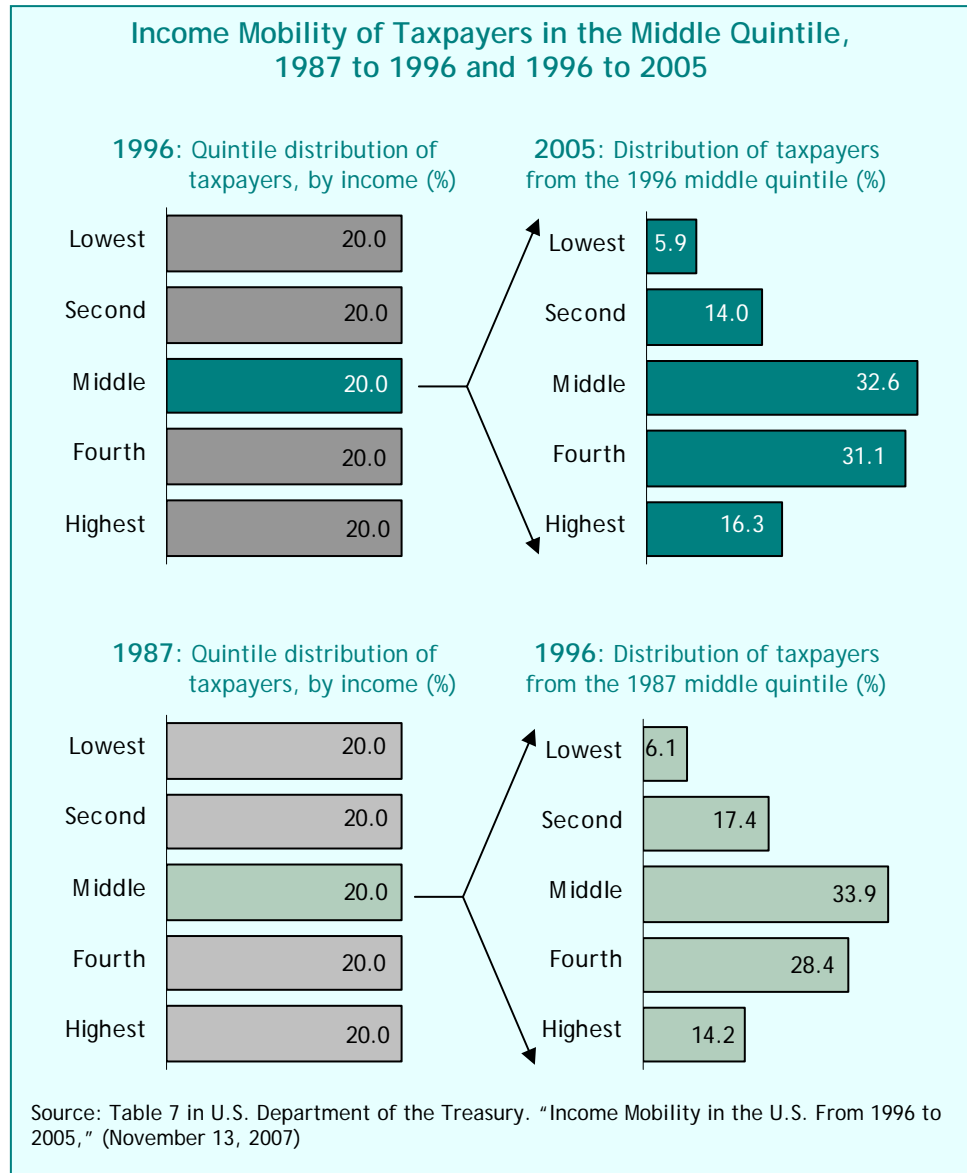
As with income and wealth, consumer expenditures have risen for all three tiers from 1980 to 2006, but the growth in spending has been greater for the upper tier (32%) than for the middle (15%) or lower (16%) tiers. Looking just at the current decade, expenditures continued to rise for all three income tiers, while incomes have declined during this period (see page 23), suggesting that families have been financing their lifestyles in this decade by more borrowing or less saving, or both.

Patterns of expenditures have changed as well. Over the course of those two and a half decades, families in all three tiers are devoting proportionately more of their budgets to housing, pensions, medical care, and education; and less to recreation, transportation, food and clothing.



There is a great deal of short-term economic mobility among individuals in the middle income bracket.

A 2007 study by the U.S. Treasury Department found that about half of all taxpayers are in a different income quintile from the one they had been in a decade earlier. It also found that the highest levels of churn occur in the middle income brackets. The chart to the right illustrates, for two consecutive nine-year periods, where taxpayers who were in the middle income quintile at one point in time wound up nine years later. It shows that, in each time



period, roughly two-thirds of the middle quintile taxpayers were in a different quintile after nine years. (It should be noted that the skew toward upward mobility reflected in this chart is due in part to a life cycle effect; at least through late middle age, adults tend to earn more as they age). The chart offers one explanation for the Pew survey finding that individuals with widely varying incomes identify themselves as being in the middle class. Unlike groups of people, individuals and families experience a good deal of variability from one year to the next in their annual incomes; these variances, however, do not necessarily cause them to change their affiliation with a socioeconomic class.

Section I - A Self-Portrait

This section is based on findings from a telephone survey conducted January 24 through February 19, 2008 among a nationally representative sample of 2,413 adults. The survey has a margin of error of plus or minus 2.5 percentage points. (See methodology box on page 78 for more details).

Chapter One on middle class self-definition and Chapter Three on middle class finances were written by Richard Morin, senior editor; Chapter Two on the middle class squeeze was written by Paul Taylor, director of the Social and Demographic Trends project of the Pew Research Center; Chapter Four on middle class values was written by D’Vera Cohn, senior writer; Chapter Five on middle class jobs was written by Stephen Rose, a project consultant; and Chapter Six on middle class politics was written by April Clark, research associate. Morin and Clark led the team that created the survey questionnaire and analyzed its findings.

Chapter 1: The Middle Class Defines Itself

America is predominantly middle class—or most Americans say they are. When asked where they stand on the socioeconomic ladder, fully 53% of the public classifies itself as squarely in the middle class—a proportion that varies little by race, education, age and other key demographic characteristics. An additional 21% identify with the upper classes while slightly more (25%) say they are in the lower class,¹² according to the Pew survey.

On virtually every important measure of life, the middle class is truly in the middle, positioned between the upper and lower classes in terms of income, wealth, education, health, marital status and homeownership.

About half of all Americans who identify themselves as middle class are married (52%), significantly more than in the lower class (37%) but a somewhat smaller proportion than in the upper class (59%).

A quarter of the middle class is composed of college graduates, nearly double the proportion of college grads in the lower class (14%) and about half the proportion in the upper class (48%). About two-thirds (68%) own their own home, compared with about three-quarters of the upper class (76%) and fewer than half of those who identify with the lower class. Three-in-ten eat out at least several times a week; that's less often than members of the upper class (42%) but more frequently than those who describe themselves as being in the lower class (22%). Three-quarters of the middle class fear they aren't saving enough, a concern they share with 69% of the upper class and 82% of the lower.

Even in terms of their physical health, the middle class is firmly in the middle. While most Americans report they are in good health, 29% of those who say they are middle class describe their health status as “excellent,” compared with 18% of all those who place themselves in the lower class and 43% among those in the upper class.

Half of Americans Say They're Middle Class

All	
Percentage of Americans who identify themselves as...	
	%
Upper class (NET)	21
<i>Upper</i>	2
<i>Upper-middle</i>	19
Middle class	53
Lower class (NET)	25
<i>Lower-middle</i>	19
<i>Lower</i>	6
Don't know/Refused	1
	100
Number of respondents	2413
Question wording: If you were asked to use one of these commonly used names for the social classes, which would you say you belong in? The upper class, upper-middle class, middle class, lower-middle class, or lower class?	
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¹² For purposes of this report, the proportion of Americans who are upper class include those who identify themselves as upper-middle (19%) or upper class (2%); the proportion who are lower class includes those who say they are lower middle (19%) or lower class (6%). The remaining 1% of survey respondents declined to answer the question or did not know.

The Middle-Aged: Uncomfortable in the Middle

Identification with the middle class is broadly shared by roughly equal proportions of virtually every demographic group. For example, about half of whites (53%), blacks (50%) and Latinos (54%) say they're middle class. Similarly, men are about as likely as women to say they're middle class (51% vs. 55%).

Some notable differences do emerge. While it might seem as if middle-age and middle class should go hand-in-hand, the pattern is more nuanced: It is the youngest and the oldest Americans who are the most likely to identify themselves as middle class. A 54% majority of all adults under the age of 34 and 59% of respondents ages 65 or older say they're middle class, compared with 49% among those 45 to 64, a group that comprises about a third of all adults and is in the peak earning years of life.

Perhaps more telling, middle-aged Americans are just as likely as other age groups to identify with the lower class. And among those who identify with the middle class, adults in this age bracket are slightly more likely than younger or older Americans to say they have nothing left over after paying their monthly bills. This sense of economic uneasiness among the middle aged is echoed in other responses to this survey and will be explored in more detail in Chapter 3.

The Demography of Class

Marital status and the number of workers per household correlate to some degree with

self-identification of class. For example, married couples in which both are wage earners are about as likely to place themselves in the upper classes as are married couples with one wage earner. However, multi-earner

Who Identifies with Which Class?

	All adults	Upper class	Middle class	Lower class	DK/Ref
	%	%	%	%	%
Gender					
Male	48	21	51	26	2=100
Female	52	21	55	23	1=100
Race/Ethnicity					
White, non-Hispanic	70	23	53	23	1=100
Black, non-Hispanic	11	15	50	33	2=100
Hispanic	12	13	54	30	3=100
Age					
18-34	29	18	54	26	2=100
35-44	19	22	54	23	1=100
45-64	33	24	49	26	1=100
65+	16	19	59	21	1=100
Education					
College grad	27	37	49	12	2=100
Some college	24	17	58	24	1=100
HS grad or less	48	14	53	32	1=100
Neighborhood type					
Urban	36	23	49	27	1=100
Suburban	46	22	54	22	2=100
Rural	18	17	57	26	*=100
Generation					
First generation	11	13	56	28	3=100
Second generation	9	22	50	27	1=100
Third or later	79	22	53	24	1=100

Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class. Hispanics are of any race.

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couples are much less likely to be in the lower classes than are one-earner couples (13% versus 25%). Consequently, two-earner couples are much more likely than one-earner couples to be in the middle class (61% versus 45%). By contrast, households that do not include married adults tend to have lower incomes and hence don't self-identify much with the upper class; just 17% of those who say that they are living with a partner and working full- or part-time do so, along with just 18% of those who are neither married nor cohabiting. About a third of both of these groups self-identify as being in the lower class.

There are also some geographic patterns to class identification, though they do not all conform to stereotypes. While many people equate suburbia with the middle class, nearly as many city dwellers (49%) as suburban residents (54%) identify themselves as members of the middle class. In rural America, nearly six-in-ten (57%) say they're firmly in the middle.

Also, immigrant status seems to have little effect on self-definition of middle class. About half of those Americans who are first generation (56%), second generation (50%) and third generation or later (53%) identify themselves as middle class—despite the fact that first-generation Americans (immigrants) have less income than those whose families have been in the country a generation or more.

While the middle class label may be broadly shared, other findings underscore longstanding inequalities between key demographic groups. For example, while similar proportions of blacks and whites say they're middle class, a third of African Americans identify themselves as lower class compared with only about a quarter of whites (23%) who do the same. At the same time, whites are significantly more likely than blacks to say they're members of the upper class (23% versus 15%). Similarly, nearly four-in-ten college graduates say they're in the upper class (37%), more than double the proportion of those whose educational attainment is a high school diploma or less. Despite these clear differences, it is nonetheless notable how many Americans of all backgrounds identify with the middle class, a finding that at once reflects economic realities as well as the enduring attraction of the middle class life to Americans.

Median Incomes Vary Widely Within Middle Class

	Median family income
Total	\$52,285
Gender	
Men	\$58,102
Men under 50	\$56,162
Men 50+	\$61,017
Women	\$47,334
Women under 50	\$54,670
Women 50+	\$41,614
Race/Ethnicity	
White, non-Hispanic	\$56,295
Black, non-Hispanic	\$46,849
Hispanic	\$39,363
Age	
18-29	\$38,493
30-49	\$65,529
50-64	\$61,542
65+	\$34,512
Work status	
Retired	\$38,455
Employed	\$60,121
Not working	\$38,919
Education	
College grad	\$75,198
Some college	\$57,083
HS grad or less	\$39,765
Neighborhood type	
Urban	\$52,205
Suburban	\$54,945
Rural	\$47,768
Region	
Northeast	\$49,860
Midwest	\$57,290
South	\$49,280
West	\$54,229

Note: Figures are grouped median estimates based only on respondents in each category who identified themselves as belonging to the middle class. Hispanics are of any race.

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Income Differences in the Middle Class

Middle class Americans share a class identity but live different lives. In important ways, the survey finds that members of the middle class are different not only from the upper or lower classes, but also from each other. Nowhere are these differences more apparent than in the vast range of incomes reported by key demographic groups within the middle class, suggesting that identification with the middle class is based on a complex mix of attitudes, behaviors and experiences, and not merely on income alone.

For example, the median family income for whites who say they are middle class is just over \$56,000—nearly \$10,000 more than for self-identified middle class blacks. Even bigger income disparities occur along generational lines: Adults between the ages of 30 and 49 who say they are in the middle class earn slightly more than \$65,000, nearly double the median family income of those older than 65 and about \$27,000 more than the median for those under the age of 30. Similarly large disparities exist between self-identified middle class college graduates (whose median family income exceeds \$75,000) and those with only a high school education or less (whose median income is just under \$40,000 a year). Among the middle class, reported median family incomes are highest in the Midwest (\$57,290) and West (\$54,229), and lowest in the Northeast (\$49,860) and South (\$49,280).

The survey also finds that men who identify as middle class have median family incomes more than \$10,000 higher than women who identify as middle class. A deeper look finds, however, that much of this difference is explained by the fact that people 65 or older with lower incomes are more likely to identify with the middle class, and this group is disproportionately composed of women. Among men and women under the age of 50, median family incomes are virtually identical (\$56,162 versus \$54,670), while older men report family incomes nearly \$20,000 higher than that of older women.

Living the Middle Class Life on \$20,000 a Year?

Overall, the median family income of Americans who say they are middle class is about \$52,000, and about half of respondents who identify as middle class earn between \$30,000 and \$100,000 annually. But about one-in-ten (9%) earn between \$20,000 and \$29,999 annually, and another 12% say they make under

Middle Class Incomes

Percentage in each income group that identify as middle class

	% in Middle class
	%
Less than \$19,999	41
\$20,000-\$29,999	49
\$30,000-\$39,999	50
\$40,000-\$49,999	59
\$50,000-\$74,999	68
\$75,000-\$99,999	63
\$100,000-\$149,999	47
\$150,000 or more	33
Number of respondents	2413

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Middle Class Incomes

Percentage of middle class with family incomes of...

	Middle class
	%
Less than \$19,999	12
\$20,000-\$29,999	9
\$30,000-\$39,999	9
\$40,000-\$49,999	11
\$50,000-\$74,999	18
\$75,000-\$99,999	14
\$100,000-\$149,999	8
\$150,000 or more	4
Don't know/Refused	<u>15</u>
	100

Number of respondents 1276

Note: Based on respondents who identified themselves as belonging to the middle class.

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\$20,000 annually. At the top end of the income scale, 12% of all middle class identifiers earn more than \$100,000 a year. (The remaining 15% declined to answer the question.)

Analyzing these survey findings by income group dramatizes the breadth of identification with the middle class. About four-in-ten (41%) Americans with family incomes under \$20,000 a year say they're middle class, as do a third of those earning \$150,000 or more. Could it be that many lower and upper class Americans are inaccurately characterizing their socioeconomic class, either out of the desire to appear to be doing better than they are or because they are reluctant to acknowledge their advantaged status?

The answer appears to be no. Those who say they are middle class but have modest family incomes are disproportionately older Americans, retirees, college students, and younger adults—groups with relatively modest incomes but equally modest expenses. For example, about half of all students and retirees with family incomes under \$30,000 a year say they're members of the middle class. At the other end of the income scale, those who say they are middle class but have six-figure family incomes tend to be married, own their home, have larger families and live in the northeast or in areas where it costs more to live. According to our analysis of respondents by their zip code and by local cost-of-living scales, people earning \$100,000 a year are much more likely to describe themselves as upper class if they live in communities with a low cost of living than if they live in expensive communities.

The Price of Admission

What Americans say a family must earn to be middle class

	%
Less than \$40,000	11
\$40,000-\$59,999	24
\$60,000-\$79,999	27
\$80,000-\$99,999	14
\$100,000-\$149,999	16
\$150,000 or more	8
	100

Number of respondents 2005*

Question wording: Just your best guess: How much does a family of four need to have in total annual income to lead a middle-class lifestyle in your area?
Note: *Based on respondents who answered the question.

PewResearchCenter

What it Costs to be Middle Class

Collectively, the American public is spot-on with its estimate of what it costs to be middle class. Asked how much income a family of four in their community needs to lead a middle class life, respondents gave a median answer of about \$70,000 a year – very close to the national median income of \$68,698 for a household of four in 2006¹³ (the most recent year for which such data are available).

But this “wisdom of the crowd” masks a wide range of individual estimates, with some respondents offering figures of \$20,000 or less and others offering estimates of \$200,000 or more. Overall, more than three-in-ten (35%) respondents say it takes less than \$60,000 to be middle class where they live, while slightly more (38%) estimate a family needs \$80,000 or more.

There is a clear correlation between respondents' incomes and their estimates of how much money it takes to be middle class. Americans with family incomes between \$100,000 and \$150,000 believe, on average, that families must earn \$80,000 a year to be middle class in their area. In contrast, those earning less than \$30,000 believe a

¹³ This figure is for 2006 but is inflation-adjusted to January 2008 dollars. Income is also adjusted for household size and scaled to reflect a four-person household. See Appendix section “Adjusting for Household Size” for an explanation of the methodology.

family of four has to make about \$50,000 to be middle class. Part of the reason for these differences is that people with higher incomes tend to live in large cities or adjacent suburbs—areas where it costs more to live a middle class life.

An analysis that combined federal government cost-of-living data and survey results confirms this view. Survey respondents living in areas that rank in the top third of the country in terms of local cost of living estimate that a family income of about \$75,000 a year is needed to be middle class in their areas. That's about \$15,000 higher than the median estimate of the third of the country that lives in places where costs are the lowest.

Home Ownership and the Middle Class

Homeownership has been in the news a lot lately, for all the wrong reasons: Housing prices are falling and foreclosure rates are rising.

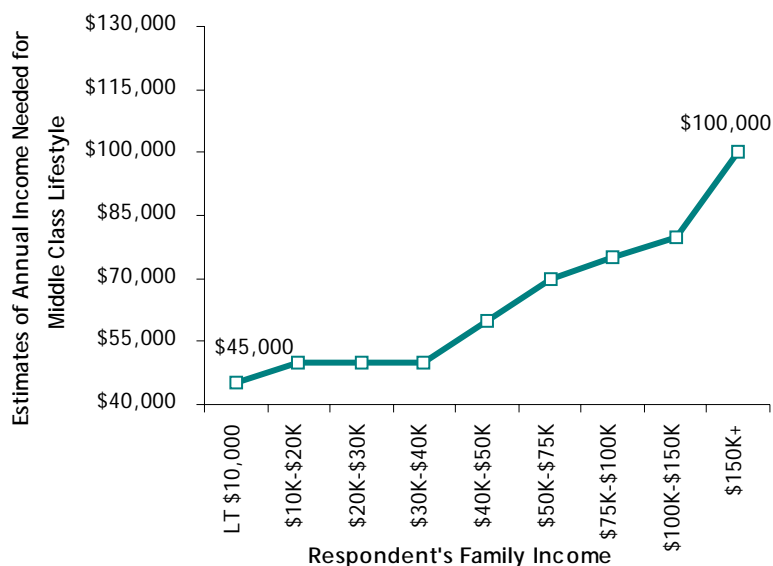
These are worrisome developments for middle class Americans, who regard their home as their most important asset and the anchor of their lifestyle.

Nearly seven-in-ten middle class Americans are homeowners. The median value of these homes, as reported by middle class survey respondents, is between \$100,000 and \$250,000. About one-in-five estimate that their homes are worth \$100,000 or less. At the upper end of the scale, only 5% of middle class respondents say their homes are worth \$500,000 or more.

Fewer than a third of middle class homeowners (30%) say they own their homes outright. A 40% plurality say they have paid off less than half of the money they owe on their home, while 27% say they have paid off half or more. Adults over the age of 50 are most likely to own a home free and clear.

As Incomes Rise, So Do Estimates of the Cost of a Middle Class Lifestyle

People with higher family incomes think it takes more for a family of four to be middle class in their neighborhood



Question wording: Just your best guess: How much does a family of four need to have in total annual income to lead a middle-class lifestyle in your area?

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Home Ownership, by Class

Class	Own home %
Upper class	76
Middle class	68
Lower class	46

Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class.

PewResearchCenter

Predictably, home ownership in the middle class is closely tied to family income and age, as well as to marital status and family size. More than eight-in-ten middle class Americans earning \$100,000 or more own their own home, compared with barely half of those who make less than \$50,000. Nearly nine-in-ten middle class married couples with minor children own their own homes, compared with about two-thirds of all single adults without children.

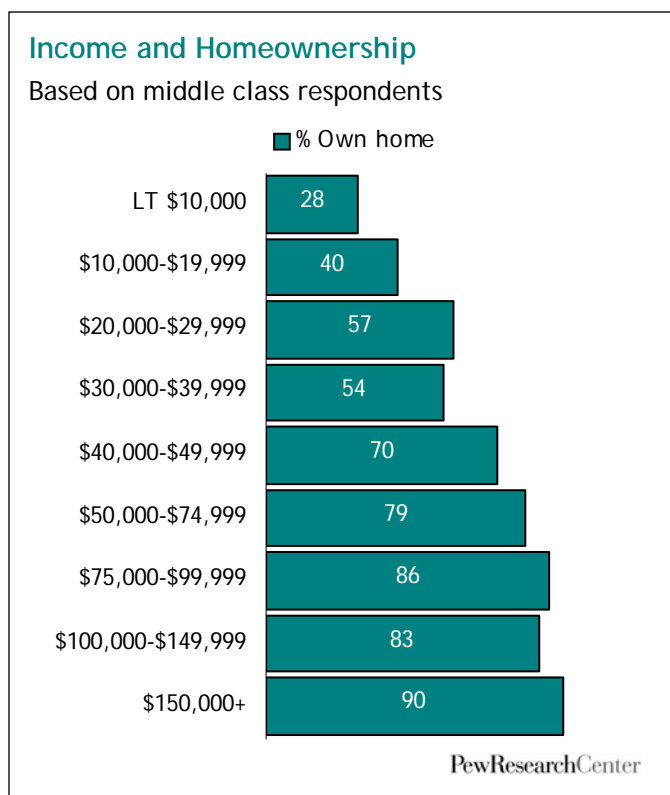
The survey finds that large numbers of middle class Americans who aren't very old or very affluent have bought a home. Nearly half of all adults between the ages of 25 and 29 say they are homeowners. By the time Americans turn 40, more than six-in-ten (63%) say they own a home. Home ownership peaks just before retirement; nearly nine-in-ten middle class adults ages 60 to 64 years are homeowners. At that point, home ownership begins to decline. In terms of income groups, more than four-in-ten (44%) middle class Americans with family incomes under \$30,000 a year own their own home. That figure, however, is somewhat misleading because nearly half (44%) of this group is 65 or older, and many older adults have paid off their home.

For the past several decades, median housing prices have risen much faster than median incomes. In 1970, the typical American house cost more than twice the typical American family's annual income. By 2005, that ratio had risen to nearly five-to-one. It's no surprise then, that in our survey, nearly two-thirds of middle class homeowners say that the value of their homes represents half or more of their total net worth.

What the Middle Class Owns

In addition to larger and more expensive homes, majorities or substantial minorities of middle class families own or use a wide range of goods and services, some of which until either didn't exist a decade ago, or until fairly recently may have been viewed as luxury items. Yet middle class Americans also tend to believe that most other families have even more of these items than they do.

According to the survey, about seven-in-ten middle class Americans own two or more cars (72%) and have cable or satellite television service (71%). Two thirds have high speed internet access to surf the Web. About four-in-ten watch television using a flat-screen TV (42%). About 15% send their children to private schools, and a similar proportion has paid help to assist them with household chores.



Not surprisingly, middle class Americans with the largest family incomes also have the most luxuries: about two-thirds of all families making \$100,000 or more owned at least four of the items or services included in the survey, nearly two and half times more than the proportion of families earning less than \$50,000 (68% versus 26%). But perhaps less predictable is how widely distributed these goods are across income groups within the middle class. For example, 12% of all middle class adults with incomes below \$50,000 have paid household help, compared with 10% of middle class adults who earn between \$50,000 and \$100,000 and 19% who earn more than \$100,000.

The “Possessions Perception Gap”

Middle class Americans are inclined to believe others have more of life’s goodies than they do. On three of seven non-essential or quasi-luxury goods and services tested in the survey, the middle class does get it right: Substantial majorities believe most Americans have cable or satellite television service, own at least two cars and have high-speed Internet access. And in fact, most people surveyed say they do have these things.

But a substantial “possessions perception gap” emerges on other items tested in the survey. Well under half (42%) of all Americans have a flat screen television, though a substantial majority of the middle class (63%) believe most people own one. A more modest discrepancy occurs when the middle class is asked if “most families” send their children to private school. A quarter of the middle class thinks most people send their child to private school; in fact, only 15% of those respondents who have minor children say they have a child in private school. Similarly, 22% of the middle class think most Americans have paid help around the home while 16% of the total sample report that they do.

What I Have, What Most People Have Based on middle-class respondents

	Most families have	My family has
	%	%
Cable or satellite service*	91	71
Two or more cars	90	72
High-speed Internet	87	67
High-def or flat screen TV	63	42
Child in private school**	25	14
Paid household help	22	13
A vacation home	12	9

Note: *Beyond the basic service. **Based on respondents with minor age children.

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Haves and Have-Nots

% that have

	All	Upper Class	Middle Class	Lower Class
	%	%	%	%
Cable or satellite service	70	80	71	62
Two or more cars	70	83	72	57
High-speed Internet	66	80	67	50
High-def or flat screen TV	42	59	42	28
Child in private school*	15	31	14	6
Paid household help	16	36	13	7
A vacation home	10	19	9	4

Note: *Based on respondents with minor age children.

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Chapter 2: The Middle Class Squeeze

Back in 1980, Ronald Reagan framed his campaign for president around a simple but powerful question to the American public: "Are you better off now than you were four years ago?"

His timing was exquisite. In 1979, a public opinion survey had found a rise in the number of Americans who said their lives were getting worse, and the word "malaise" had worked its way into the American political lexicon.

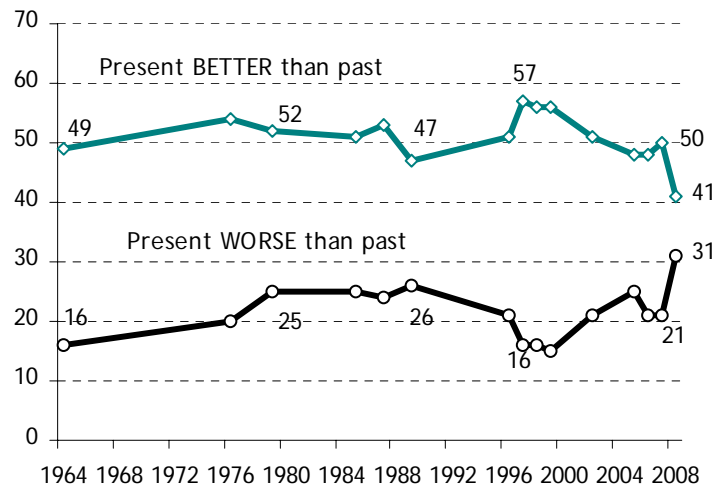
Memo to John McCain, Barack Obama and Hillary Clinton: This new Pew Research Center survey finds that Americans are even more downbeat about their lives now than they were in 1979. In fact, the public's sense of personal stagnation is more prevalent today than at any time in the more than four decades that this ladder-of-life question has been asked by Pew and Gallup.

More than half of all Americans say they've either made no progress in life over the past five years (25%) or have actually fallen backward (31%). Just four in ten (41%) – a record low -- rate their lives today as better than their lives five years ago.

Americans have always been great believers in the ethos of personal advancement, and throughout the history of this survey question, those who say they've moved forward in the past five years typically outnumber those who say they've fallen behind, by ratios ranging between nearly two-

Are You Better Off Now Than You Were Five Years Ago? The Trend Since 1964.

Percentage rating...



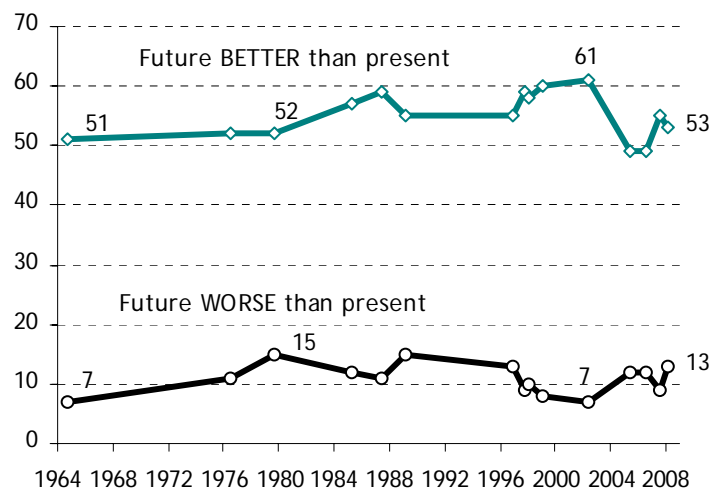
Note: Based on ratings of your life *today* compared with your life *five years ago*. "Same" responses not shown.

Source: Surveys from 1964 to 1985 by Gallup.

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What Does the Next Five Years Hold for You?

Percentage rating...



Note: Based on ratings of your life *today* compared with your life *five years from now*. "Same" responses not shown.

Source: Surveys from 1964 to 1985 by Gallup.

PewResearchCenter

to-one and three-to-one. At the peak of optimism in 1997, 57% of adults said they had moved forward in the previous five years and just 16% said they had fallen behind. That 41 percentage point difference has now sunk all the way down to just 10 percentage points.

The bright spot in this survey is that Americans' faith in their future remains largely undiminished. More than half (53%) expect their life will be better in five years, while just 13% think it will be worse.

These percentages are in sync with long-term trends, though the share of adults who think

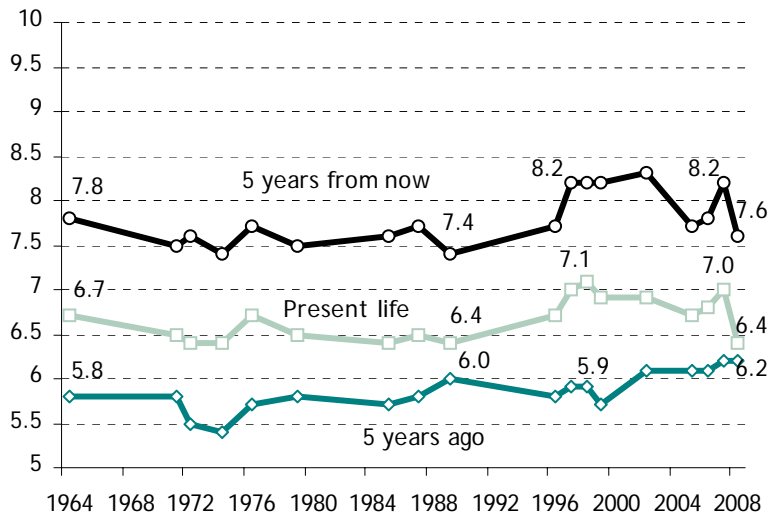
their future will be better is down a bit from a recent peak of 61% in 2002. Also, in absolute terms, the average rating that adults give to their lives five years from now -- 7.6 on a scale of zero to ten -- is close to historical norms, though it has dropped sharply since 2007, when it was 8.2.

The ladder-of-life battery of questions employ what researchers call a "self-anchoring scale." Respondents are asked to give a numerical rating to their present quality of life, on a scale of zero to ten. Then, using the same scale, they are asked to rate what their life had been like five years earlier, and what they expect it to be like five years from now.

Americans in 2008 give their present life an average rating of 6.4 on the zero-to-ten scale. This is tied for the lowest mark on record for this question, and its falls well below the peak rating of 7.1 in 1998.

Quality of Life, 1964-2008: The Public Rates Their Present, Past and Future

Mean ratings on 0 to 10 scale



Source: Surveys from 1964 to 1985 by Gallup.

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Progress in Life, by Class

	All	Upper class	Middle class	Lower class
Mean rating (present)	6.4	7.3	6.7	5.2
	%	%	%	%
Present vs. Past				
Present better	41	51	42	30
Same	25	26	26	23
Present worse	31	22	28	44
Don't know/Refused	<u>3</u>	<u>1</u>	<u>4</u>	<u>3</u>
	100	100	100	100
Present vs. Future				
Future better	53	55	52	54
Same	23	30	24	16
Future worse	13	9	12	18
Don't know/Refused	<u>11</u>	<u>6</u>	<u>12</u>	<u>12</u>
	100	100	100	100
Number of respondents	2413	522	1276	588

Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class.

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Today's respondents give their life five years ago an average rating of 6.2. This 0.2 point difference between today's current rating and today's five-years-ago rating is the smallest measure of progress ever recorded on this question. Looking ahead, today's respondents give the life they expect to be leading five years from now an average rating of 7.6. That is a bit below the historic norm, and the 1.2 point difference between the present and the future is about average.

Difference Between the Classes

Not surprisingly, the life ratings that people give themselves are closely correlated with the socioeconomic class they place themselves in. About half (49%) of those who say they are in the upper or upper middle class give their present life a high rating (8, 9 or 10 on the ten-point scale). Only a third (34%) of those who say they are middle class do the same, as do just 13% of those who say they are lower middle or lower class.

Those in the upper class are also more likely than those in the middle or lower classes to say their lives are better now than they were five years ago – 51% of the upper class say this, versus 42% of the middle class and 30% of the lower class. But when it comes to expectations for progress in the next five years, these differences disappear. Virtually identical shares of the upper (55%), middle (52%) and lower (54%) classes expect their lives will be better in five years.

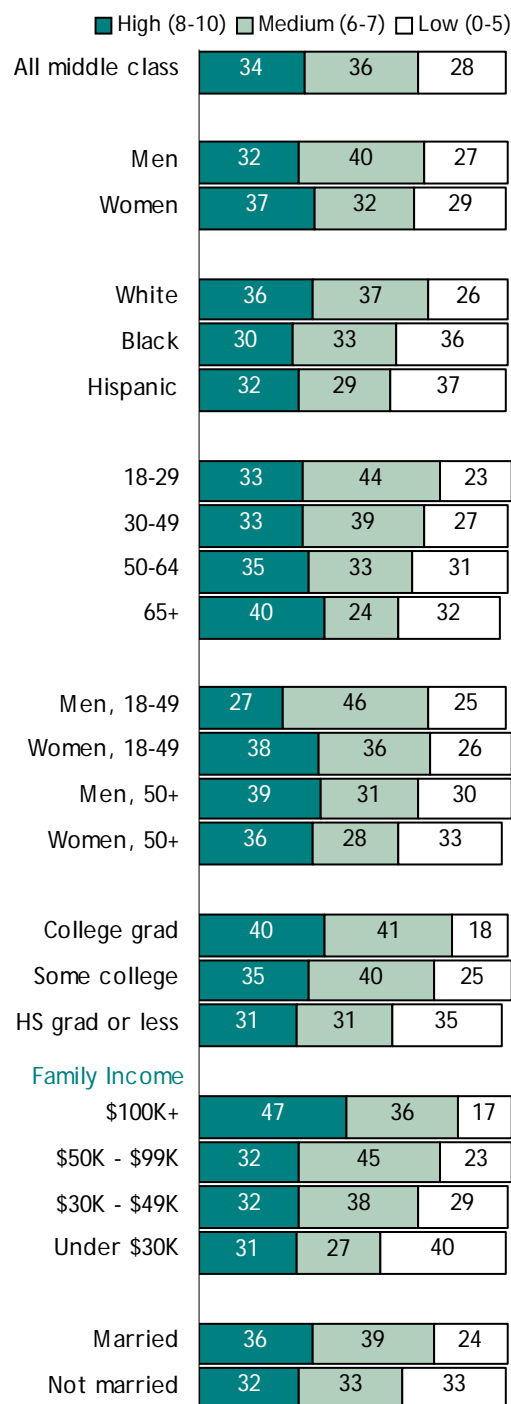
However, twice as many in the lower class (18%) as in the upper class (9%) think their lives will be worse, a view held by 12% of those in the middle. The remainder in all three classes think their lives will be the same, or they declined to answer.

Differences within the Middle Class

Looking only at those who describe themselves as middle class – 53% of the public – one finds some demographic differences in the way people rate their

How the Middle Class Sees Their Lives

How do you rate your present quality of life?



Note: Based on respondents who identified themselves as belonging to the middle class. Whites include only non-Hispanic whites. Blacks include only non-Hispanic blacks. Hispanics are of any race. Don't know responses are not shown.

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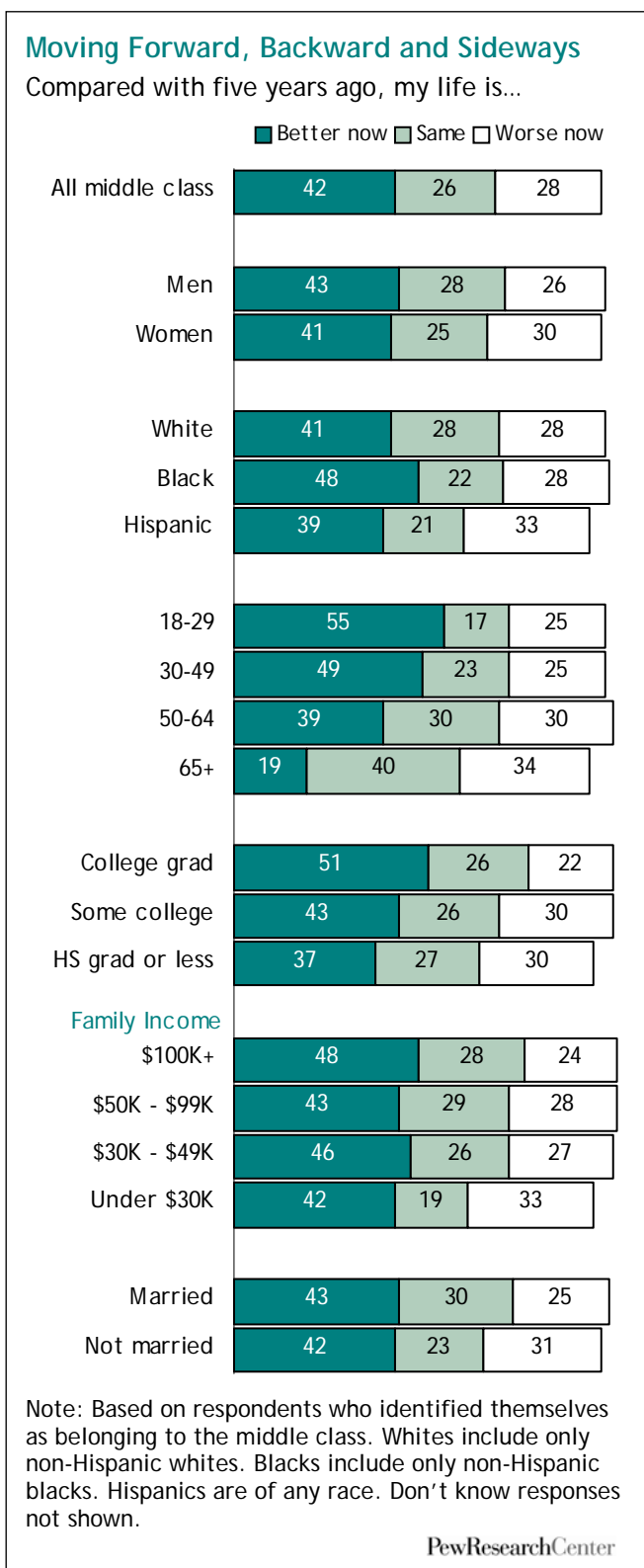
quality of life, though these differences are relatively modest.

For example, those in the middle class who are ages 65 and above are more inclined than younger adults to give their lives one of the high ratings (40% do so). However, those in the 65 and over age group are also the most inclined to give their quality of life one of the lower ratings (32% rate their lives from 0 through 5), likely reflecting in part the health problems that come with old age.

Within the middle class, there is virtually no difference in life ratings between those who are married and those who are unmarried -- with 36% and 32%, respectively, giving their lives one of the high ratings. On the educational front, those who have college or graduate degrees rate their lives somewhat better than do those with less educational attainment. Those with incomes above \$100,000 give their lives higher marks than those with lower incomes. Fully 41% of the rural middle class gives their lives a top rating, compared with a just a third of the urban and suburban middle class. Finally, there is a difference on the gender front, especially between men and women under age 50. Some 38% of women in that age group give their lives one of the high ratings, compared with 27% of men.

Turning to the comparisons between life now and life five years ago, those in the middle class who are 18 to 49 years old are more inclined than those over 50 years old to see personal progress in this time frame. And older adults (ages 65 and above) are more likely than any other age group to say things are not as good now.

Another demographic difference on this measure of personal progress is related to race. More middle class blacks (48%) than whites (41%) or Hispanics (39%)



say their lives have improved over the past five years.¹⁴ Nevertheless, even with this more widespread sense of personal progress, middle class blacks still lag behind middle class whites in the ratings they give their current lives. These racial differences hold not just for middle class blacks and whites, but also for all blacks and whites. As for all Hispanics, they rate their present quality of life higher than blacks rate theirs, but lower than whites rate theirs.

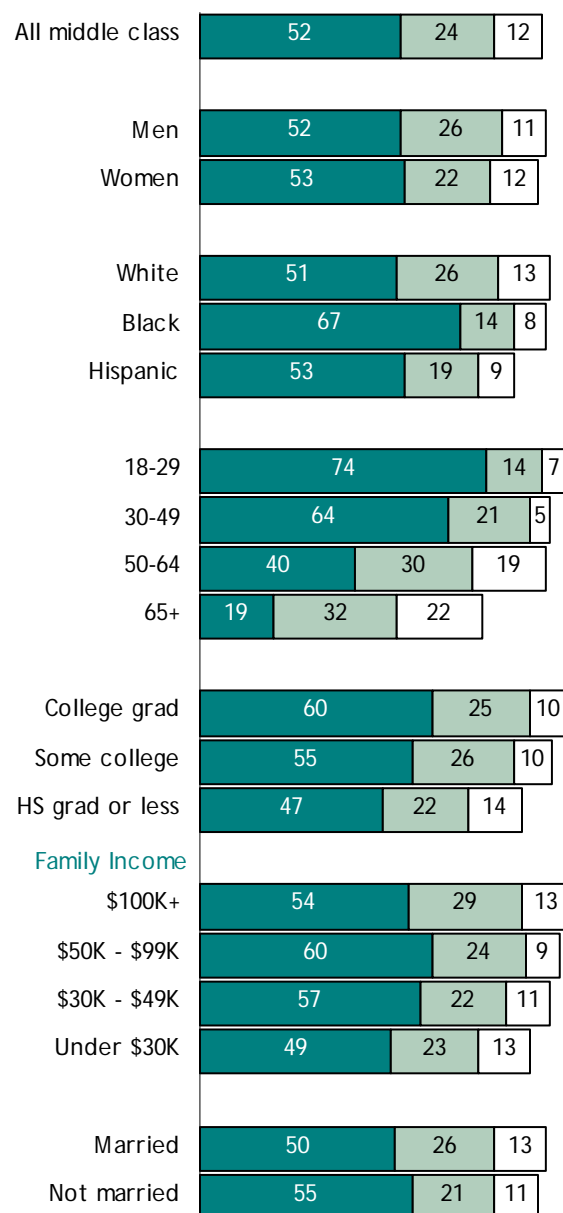
When asked to envision their lives five years from now, middle class blacks once again stand out for their relative optimism. Two-thirds (67%) expect their lives to be better than they are now; by contrast, only about half of the white and Hispanic middle class feels this way. The other big optimists are the young. Almost three-quarters (74%) of 18-to-29 year olds who define themselves as middle class expect their lives to be better in five years. As people get older, this optimism steadily declines. Just four-in-ten members of the middle class who are ages 50-64 group think their lives will improve in five years, and fewer than one-in-five (19%) people ages 65 and above feel this way.

Within the self-defined middle class, differences in gender, marital status and region have little or no effect on the level of optimism about the progress in one's life over the next five years. However, those with at least some college education are more optimistic than those with a high school diploma or less.

How the Middle Class Sees The Future

My life in five years will be...

■ Better than now ■ Same as now □ Worse than now



Note: Based on respondents who identified themselves as belonging to the middle class. Whites include only non-Hispanic whites. Blacks include only non-Hispanic blacks. Hispanics are of any race. Don't know responses not shown.

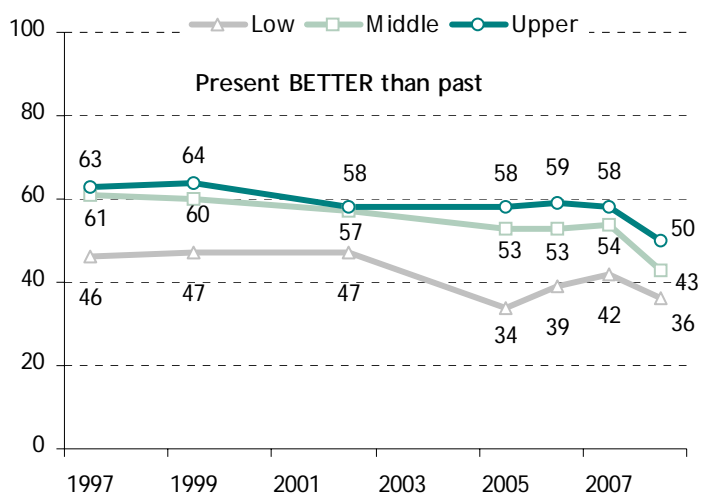
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¹⁴ Given the small sample size in this survey of blacks and Hispanics who self-identify as middle class, this finding falls short of statistical significance.

Who's Turned the Most Sour about their Personal Progress?

Americans in virtually every income level and demographic group have felt a sharp drop since the halcyon days of the late 1990s in their sense of personal progress. However, trend comparisons of responses from 1997 through 2008 show that those in the middle and upper income ranges register somewhat steeper declines than do those in the lower income group in their assessment of personal advancement today versus five years ago. During this same period, the ratings of the present have fallen in roughly equal proportions among the lower, middle and upper groups.

Comparing the Present to the Past, by Income Group
Percentage rating...



Note: For all surveys, low, middle, and upper groups were based on family income and sorted into ranges consistent with the self-identified social class shares in the 2008 survey. So, for example, the 45% of respondents in the middle income group in 2008 earned a family income between \$30,000 and \$100,000. In earlier years the income categories were adjusted to reflect cost of living changes.

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Doing Better than My Parents

Despite the stagnation that so many in the middle class feel about their lives in the past five years, their outlook is far more upbeat when they make judgments that encompass a longer time period.

Fully two-thirds of those in the middle class say their standard of living is better than the one their parents had when they were at the same stage of their lives. Moreover, just one-in ten say their standard of living is worse than their parents' was at the same stage of life.

The idea that each generation should outdo its parents' generation has always been one of the keystones of the American dream. In this Pew survey, even a plurality of those who say they are lower or lower-middle class see themselves as having made this journey. Nearly half (49%) of these respondents say they are doing better than their parents did at the same age, while 30% say they are doing worse. And, at the other end of the class rankings, fully 80% of those who describe themselves as upper or upper middle class say they're doing better than their parents, including 57% who say they are doing *much* better.

Looking at the full population, these assessments about inter-generational mobility have been extremely stable over the past 14 years, despite the ups and downs of the economy during this period.

What about the Kids?

There *has* been some change, however, in a different measure of generational mobility – one that asks people to compare their own lives with the lives they expect their children to lead at the age they themselves are now.

Intergenerational Mobility: Looking Backward

	All	Upper class	Middle class	Lower class
My standard of living compared to my parents is...	%	%	%	%
Much better	38	57	38	22
Somewhat better	27	23	29	27
About the same	19	13	21	19
Somewhat worse	9	5	7	17
Much worse	5	1	3	13
Don't know/Refused	<u>2</u>	<u>1</u>	<u>2</u>	<u>2</u>
	100	100	100	100
Number of respondents	2413	522	1276	588

Question wording: Compared to your parents, when they were the age you are now, do you think your own standard of living now is much better, somewhat better, about the same, somewhat worse or much worse than theirs was?

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Intergenerational Mobility: Looking Forward

	All	Upper class	Middle class	Lower class
My children's standard of living compared to mine will be...	%	%	%	%
Much better	26	27	27	23
Somewhat better	23	25	24	22
About the same	20	25	20	14
Somewhat worse	14	12	14	16
Much worse	7	5	5	15
No children (VOL.)	5	4	5	4
Don't know/Refused	<u>5</u>	<u>2</u>	<u>5</u>	<u>6</u>
	100	100	100	100
Number of respondents	2413	522	1276	588

Question wording: When your children are at the age you are now, do you think their standard of living will be much better, somewhat better, about the same, somewhat worse, or much worse than yours is now?

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The optimists outnumber the pessimists on this question, but not by nearly as lopsided a margin as they do on the question that asks people to rate their lives against their parents' lives. About half of the public (49%) say they expect their children to do better than them in life, while two-in-ten (21%) expect their children to do worse. The rest expect no difference or decline to answer. As recently as 2002, the public had been far more inclined to see their children besting them in life – 61% felt this way, compared with just 10% who felt their children would do worse.

There are very few class differences on this question. Nearly identical shares of the self-defined upper, middle and lower class say they expect their children to best them in life. However, there is a difference by class in those who take a very dim view of their children's prospects. Fully 15% of the self-defined lower class say they expect their children to do *much* worse than them in life, a view shared by just 5% of those in the middle and upper class.

The Middle Class Assesses the Middle Class

There are several ways to look at how the middle class feels about the middle class standard of living. One is to ask them about their own lives. As we have shown in the preceding section, this line of inquiry yields a mixed verdict. Most people feel stagnant about their lives in the short term, but ahead of the game when they compare themselves with their parents.

But there is another perspective to consider. What happens when the middle class is asked to assess not their own lives, but the lives of the middle class?

Here, the responses turn broadly negative – to some degree, perhaps, reflecting the "I'm-okay-but-everyone-else-isn't" syndrome that has been familiar to social scientists since the dawn of public opinion survey research.

Fully 78% of those who describe themselves as middle class say it is more difficult now than five years ago for middle class people to maintain their standard of living. This view is so widely-held within the middle class that there are very few differences by demographic characteristic. However, middle class whites (81%) are a bit more inclined than middle class blacks (70%) or Hispanics (72%) to say that middle class life has grown more difficult. Also, 84% of those who are ages 50 to 64 say life for the middle class has gotten more difficult – a slightly higher share than among younger or older adults who feel that way.

People who self-describe as upper and lower class also agree that life for the middle class has grown more difficult in the past five years. Nearly nine in ten (89%) of those who say they are lower or lower middle class say this, as do 72% of those who say they are upper or upper middle class.

Among the public as a whole, the view that it has become more difficult for middle class people to maintain their standard of living is much more prevalent now than it was two decades ago. Today 79% of all adults say this, compared with the 65%

The Middle Class Blues

Compared with five years ago, is it more or less difficult for middle class people to maintain their standard of living?

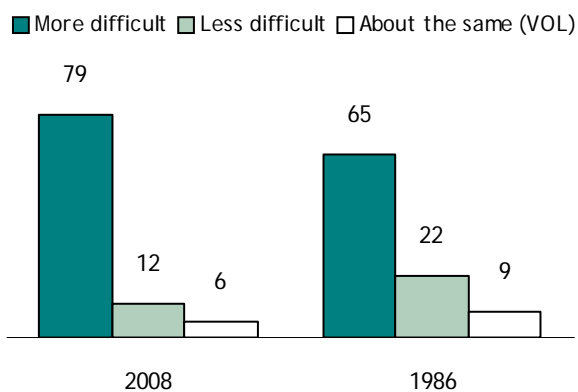
	All	Upper class	Middle class	Lower class
	%	%	%	%
More difficult	79	72	78	89
Less difficult	12	15	13	7
About the same (VOL.)	6	11	6	1
Don't know/Refused	<u>3</u>	<u>2</u>	<u>3</u>	<u>3</u>
	100	100	100	100
Number of respondents	2413	522	1276	588

Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class.

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The Middle Class Blues, 1986 and 2008

Compared with five years ago, is it more or less difficult for middle class people to maintain their standard of living?



Note: Don't know responses not shown.

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who said the same thing in a 1986 survey by NBC and the Wall Street Journal.

The Pew survey also finds that most Americans believe that in the past 10 years it has become harder to get ahead in life, and easier to fall behind. About six-in-ten respondents (59%) say it is harder to get ahead today than it was 10 years ago; just 15% say it is easier to get ahead now. Also, nearly seven-in-ten (69%) say it is easier to fall behind now than it was 10 years ago, while just 11% say it is harder to fall behind.

The biggest class differences on questions about mobility deal with perceptions that it is harder now than 10 years ago to get ahead in life. Seven-in-ten of the self-described lower class feels this way, compared with 59% of the middle class and just 50% of the upper class. By contrast, on the question of whether it is easier to fall behind now than it was 10 years ago, there are virtually no differences by class; 71% of the lower class, 68% of the middle class and 68% of the upper class all agree.

The Public is in a Sour Mood on Many Fronts

As this survey was in the field, much of the economic news agenda was devoted to reports about rising oil prices, falling housing prices, a turbulent mortgage market, and growing fears of a recession. Not surprisingly, the public's assessments about the state of the nation in general, and about the state of the national economy in particular, are quite downbeat.

Easier to Fall Behind, Harder to Get Ahead

Compared with ten years ago, is it easier or harder today for people to...

	All	Upper class	Middle class	Lower class
	%	%	%	%
Get ahead				
Easier to get <i>ahead</i> today	15	15	16	11
Harder to get <i>ahead</i> today	59	50	59	70
Same as 10 years ago	24	33	23	17
Don't know/Refused	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
	100	100	100	100
Fall behind				
Easier to fall <i>behind</i> today	69	68	68	71
Harder to fall <i>behind</i> today	11	7	10	16
Same as 10 years ago	18	23	19	11
Don't know/Refused	<u>2</u>	<u>2</u>	<u>3</u>	<u>2</u>
	100	100	100	100
Number of respondents	2413	522	1276	588

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Public in a Sour Mood about Nation, Economy

	All	Upper class	Middle class	Lower class
	%	%	%	%
Satisfied with the way things are going in the country?				
Satisfied	30	38	32	17
Dissatisfied	62	58	60	72
Don't know/Refused	<u>8</u>	<u>4</u>	<u>8</u>	<u>11</u>
	100	100	100	100
Describe state of the nation's economy				
Excellent	2	3	2	1
Good	21	29	23	12
Not so good	50	47	53	45
Poor	26	21	21	40
Don't know/Refused	<u>1</u>	*	<u>1</u>	<u>2</u>
	100	100	100	100
Number of respondents	2413	522	1276	588

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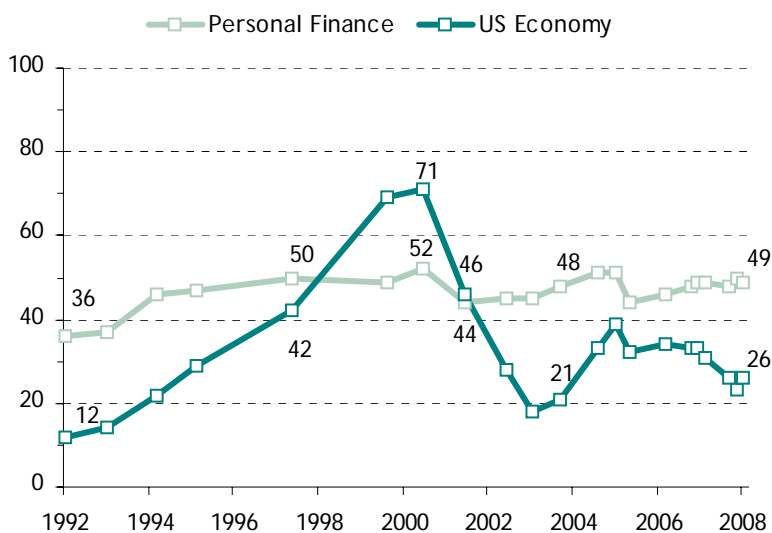
Just three-in-ten Americans say they satisfied with the way things are going in the country, compared with 62% who are dissatisfied. Fully 72% of those in the lower-class say they are dissatisfied, compared with 60% in the middle class and 58% in the upper-class.

More than three-quarters of the public describes the economy as not so good (50%) or poor (26%). Here, too, there are some differences by class. Some 32% of the upper-class describes the economy as excellent or good, compared with 25% of the middle class and just 13% of the lower class.

What effect might these very negative assessments about the economy have on people's assessments of their own personal financial situation? If history is a guide, not much. As the chart to the right illustrates, the public's judgments about the national economy fluctuate widely in response to changing economic conditions, while their judgments about their own personal financial situation tend to be more stable.

Ratings for U.S. Economy and Own Financial Situation, 1992-2008

% of respondents saying "excellent or good"



Question wording: How would you rate economic conditions in this country today as excellent, good, only fair, or poor? AND How would you rate your own personal financial situation? Would you say you are in excellent shape, good shape, only fair shape or poor shape financially?
 Source: Surveys on the US economy from 1992 to 2003 by Gallup; from 2004 to present by The Pew Research Center for the People and the Press. Personal finance data from 1992 and 1993 by U.S. News & World Report; from 1994 to present by the Pew Research Center for the People & the Press.

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Chapter 3: Middle Class Finances

The financial circumstances of the middle class range from comfortable and secure to stressed and uncertain. While most in the middle class report they have money to spend after the bills are paid, six-in-ten say that they faced at least some financial pressures in the past year—and about two-thirds expect to have problems in the year ahead.

The survey also found that the traditional relationship of home ownership and higher income remains particularly strong in the middle class. Still, many middle class homeowners also report feeling the strain: 21% say that they are living from paycheck to paycheck. That share is not appreciably different from other middle class Americans.

Overall, the survey finds that three-quarters of all middle class Americans say they either live comfortably (39%) or say they meet expenses with “a little left over” (37%). But for nearly a quarter of all middle class Americans, the

monthly race to pay their bills ends, at best, in a dead heat, including 3% who say they don’t meet expenses.

Hispanics and those with family incomes of less than \$30,000 a year have the most trouble when it comes time to pay the bills: nearly four-in-ten of each group say they just meet their expenses or fall short. Notably, when

Who’s Comfortably Middle Class, and Who’s Not?					
Which phrase best describes your financial situation?					
	Live Comfortably	Meet expenses, some left	Just meet expenses	Don’t meet expenses	DK/Ref
	%	%	%	%	%
All middle class	39	37	20	3	1=100
Gender					
Male	43	35	18	3	1=100
Female	36	38	21	4	1=100
Race/Ethnicity					
White, non-Hispanic	42	38	17	2	1=100
Black, non-Hispanic	43	32	17	7	1=100
Hispanic	24	39	30	7	*=100
Age					
18-29	45	33	16	6	*=100
30-49	34	43	20	2	1=100
50-64	38	34	24	3	1=100
65+	46	33	18	3	0=100
Education					
College grad	45	40	14	1	*=100
Some college	41	40	18	1	*=100
HS grad or less	36	33	24	6	1=100
Family income					
\$100,000+	53	33	13	1	*=100
\$50K-\$99K	42	44	13	*	1=100
\$30K-\$49K	37	39	21	3	*=100
LT \$30,000	28	33	30	9	*=100
Note: Based on respondents who identified themselves as belonging to the middle class.					
PewResearchCenter					

asked to characterize their financial condition, similar proportions of middle class blacks (43%) and whites (42) describe their financial condition as “comfortable.” The least financially pressured: the youngest and oldest. Nearly half of all middle class Americans ages 65 or over say they live comfortably (46%), and a third say they have a little extra left over each month. Similarly, a 45% plurality of those younger than 30 say they live comfortably while a third report having extra cash after their expenses are paid. Among those 30 to 64 years old about a third say they live comfortably.

There’s Trouble Right Here in the Middle Class

To measure the extent to which the middle class is facing financial difficulties, survey respondents were asked if they had experienced each of five financial problems in the past year, ranging in severity from having to trim expenses to losing their job. An analysis of their responses suggests that, to some degree, financial strain is broadly felt throughout much of the middle class.

Predictably, the middle class faced fewer financial problems in the past year than the lower class but significantly more than those in the upper class. For example, about half of the middle class (53%) say they had to cut back on household spending in the past year, compared with 75% of those in the lower classes and just 36% of those who identify with the upper class. Also, one-in-ten middle class Americans say they lost their job in the past year, similar to the proportion of the upper class who say they were laid off or fired, but less than half the proportion of the lower class who say they lost their job (25%).

Middle class Americans also are less than half as likely as those in the lower class but nearly twice as likely as the upper class to have trouble paying housing expenses or to experience difficulties getting or paying for medical care.

Troubled Times...

Percentage who have experienced the following problems in the past year

	All	Upper	Middle	Lower
	%	%	%	%
Had to cut back on your household spending because money was tight	55	36	53	75
You or someone else in your household had to start working or take an extra job	24	10	21	42
Had trouble getting or paying for medical care	23	11	18	43
Had problems paying your rent or mortgage	16	5	12	33
Been laid off or lost your job	14	9	10	25
<i>Percentage who experienced problems in the past year:</i>				
None of these things	37	56	40	15
One	27	28	29	22
Two or three	27	14	25	42
Four or more	<u>9</u>	<u>2</u>	<u>6</u>	<u>21</u>
	100	100	100	100

Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class and also answered the five questions composing the index.

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Overall, six-in-ten middle class adults say they faced at least one of the five problems in the past year, and nearly a third (31%) report they had experienced two or more. Forty percent experienced none of the five problems, compared with just over half (56%) of all upper class Americans but only 15% of those who self-identified as lower class.

Looking Ahead

Many in the middle class anticipate more economic problems in the year ahead. About half say it's likely that in the coming year they will have trouble saving money, while a similar proportion predict they will be forced to cut back on spending. A quarter predict they'll have trouble paying their bills. Two-in-ten say they probably will face all three problems.

There is a predictable class division on most of these concerns. For example, 51% of the middle class say that in the coming year they will have trouble saving for the future, compared with 38% of the upper class and 67% of the lower class. A slightly different question produces a complementary result: Three-quarters of the middle class say they currently aren't saving as much money as they should—a finding confirmed by federal data which shows that the personal savings in this country has declined sharply in the past several decades.¹⁵

The survey also found that those who faced the most problems in the past year were the most likely to predict they'll have difficulties in the next 12 months. More than eight-in-ten middle class Americans who experienced at least three financial problems in the past year say they expected to face multiple financial challenges in the year ahead.

...And More Trouble is Coming

Percentage who say it is likely they will experience the following in the coming year:

	All	Upper	Middle	Lower
	%	%	%	%
Have trouble paying your bills	31	14	25	60
Have trouble saving for the future	52	38	51	67
Have to cut back on household spending	54	37	50	77

Percentage that says it is likely they will experience problems in the coming year:

	%	%	%	%
None of the problems	31	47	33	12
One	23	27	24	14
Two	22	16	23	27
All three	24	10	20	47

Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class and also answered the three questions composing the index.

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¹⁵ Federal Reserve Bank of San Francisco, Economic Letter, 2005-30, November 10, 2005.

Who's Hurting?

The older, better educated and more affluent members of the middle class experienced relatively few financial problems in the past year. At the same time, minorities as well as those who are less financially well-off experienced comparatively more difficulties.

Fully half of all those with incomes of \$100,000 or more experienced none of the five problems tested in the survey, compared with a third of whose family incomes are below \$50,000. By contrast, a four-in-ten plurality of those in the middle class who earned the least experienced two or more problems.

Similarly, the better educated faced fewer problems than those with comparatively less schooling, in part because education and income are positively linked. Among college graduates, nearly half (46%) experienced none of the problems financial problems tested in the survey the previous year, compared with 23% of those who did not finish high school.

The differences by age apparent elsewhere in the survey are even more striking here. Middle class Americans who are ages 65 or older experienced remarkably few financial difficulties, large or small, in the past year: Fully two-thirds say they did not have to deal with any of the five problems tested in the survey. And seven-in-ten say they didn't have to trim expenses in the past 12 months, compared with less than half of all Americans.

Who's Hurting?

Based on middle class respondents

Number of problems experienced:

	None	One	Two or More
Gender	%	%	%
Male	42	27	31
<i>Under 50</i>	31	31	38
<i>50 or older</i>	58	20	22
Female	38	31	31
<i>Under 50</i>	30	31	39
<i>50 or older</i>	47	32	21
Race/Ethnicity			
White, non-Hispanic	42	31	27
Black, non-Hispanic	35	25	40
Hispanic	25	27	48
Age			
18-29	30	28	42
30-49	31	33	36
50-64	41	30	29
65+	66	21	13
Retirement status			
Retired	60	26	14
Not retired	33	30	37
Education			
College grad+	46	30	24
Some college	38	29	33
High school grad	42	28	30
LT HS	23	30	47
Income			
Lt \$50,000	34	25	41
50-100,000	39	34	27
100,000+	50	25	25

Note: Based on respondents who identified themselves as belonging to the middle class and also answered the five questions composing the index.

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Home Ownership and Wealth

To help gauge the financial situation of America's middle class homeowners, our survey asked respondents if they owned a home, how much of their home loans they had paid off, and what proportion of their total net worth was represented by the equity they had in their home. Almost one-in-five (19%) assesses their homes as being worth under \$100,000. A plurality (46%) of middle class homeowners say that their homes are worth \$100,000 to \$250,000; 24 percent put this value as between \$250,000 to \$500,000; while 5 percent report their homes are worth \$500,000 or more.

In terms of paying off their mortgages, 30 percent say they have paid them off in full. An additional 15 percent have paid off more than half their mortgages and 12 percent have paid off about one-half. That leaves 40 percent of the middle class homeowners with more than half of their mortgages still to be paid.

Nearly two-thirds of all middle class homeowners say their home represents at least half of their total assets, which includes business assets, savings, investments, and retirement accounts. More than a third (36%) say their home amounts to "about fifty percent" of their total holdings. An additional 29% estimate that the home equity is more than half of the total wealth while 27 percent say it is less than half.

Using these questions, we made a rough estimate of homeowners' total wealth holdings. Our median value of middle class home-owner wealth is \$187,500 (which is very close to the 2004 Survey of Consumer Finances median net worth of homeowners of \$185,000).

Using the median wealth estimate as a dividing line, we split all homeowners into a high-wealth group and a low-wealth group. The high-wealth homeowner group includes 30% of the middle class, and the low-wealth homeowner group includes about 29% of the middle class. The remainder of the middle class, 41%, consists of non homeowners and of homeowners who declined to answer questions about the value of their homes.¹⁶

Middle Class and Home Ownership

	Middle class
Values of One's Home	%
Less than \$100,000	19
\$100,000-\$249,999	46
\$250,000-\$499,999	24
\$500,000 or more	5
Don't know/Refused	6
	100
Share of Mortgage Paid	
All	30
More than half	15
About half	12
Less than half	40
Don't know/Refused	3
	100
Number of respondents	891

Note: Based on respondents who own a home and identified themselves as belonging to the middle class.

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¹⁶ About 10 percent of homeowners were included in the non-homeowner group because they declined to answer one of the three follow-up questions given to homeowners.

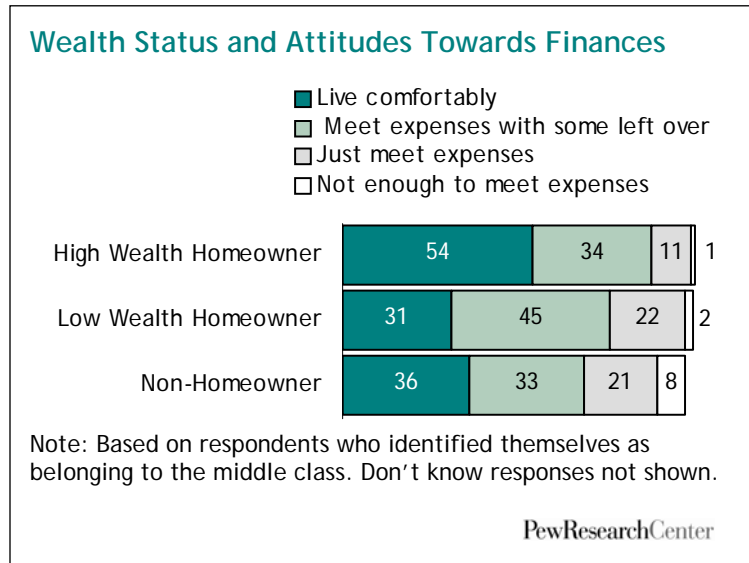
These groups align reasonably closely with individuals' assessment of their own financial situation within the middle class. Among the high wealth group, more than half describe themselves as "living comfortably"; by contrast, only three-in-ten of the low wealth group say that about themselves.

Middle class non-homeowners are a more mixed group. Some 36 percent say that they live comfortably. This group is disproportionately young—41 percent are under 30 years old, compared with just 3 percent of the high-wealth group.

Twenty-nine percent of this group has trouble meeting expenses, while 24% of low wealth homeowners and 12% of high wealth homeowners feel similarly stressed.

When comparing themselves to their parents at a similar age, both middle class home-owning groups are more likely than non-owners to say they live better than their parents did: 73 percent for the high wealth group, 69 percent for the low wealth group, and 61 percent for those who do not own their homes.

But more than half of the high-wealth group is more than 50 years of age, and many are past their peak earning years. Consequently, they are more likely than the other two groups to not expect their quality of life to rise in the next five years. Further, they are less likely to say that their quality of life is higher than five years earlier.



Chapter 4: Middle Class Priorities and Values

Marriage. Career. Children. Religion. Free time. Wealth. Good works. That's a list of some of the big things that people value in their lives. But which does the middle class value most?

In a nation often portrayed as idealizing money and hard work, the answer given as "very important" most often among a list of seven items is free time -- or as the Pew survey question puts it, "having enough time to do the things you want."

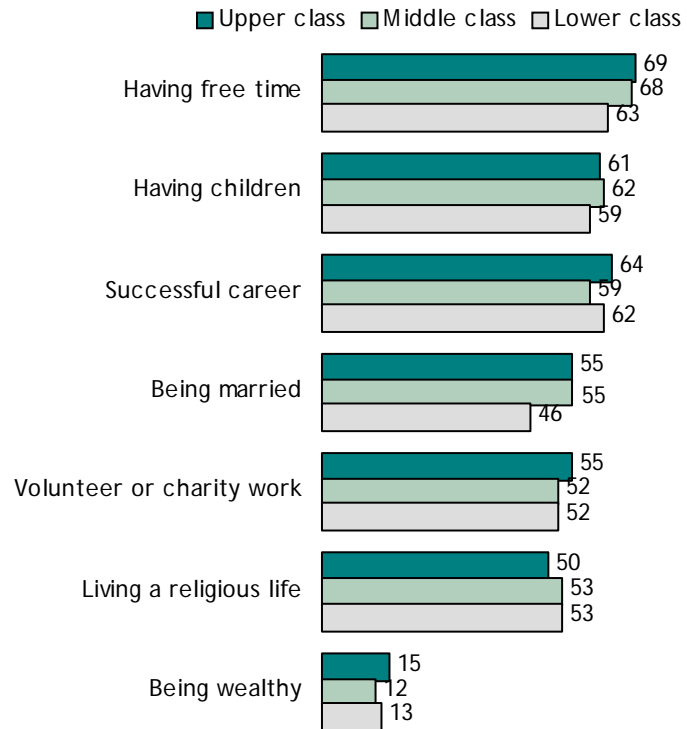
Some two-thirds (68%) of the self-identified middle class say that free time is very important to them. That's more than say the same about anything else on the list, including having children (62%), having a successful career (59%), being married (55%), living a religious life (53%), and donating to charity or doing volunteer work (52%). And having free time is many times more important than being wealthy, which was rated as very important by only 12% of the middle class.

When it comes to these life priorities, there is almost no class difference in the responses. Slightly higher shares of the middle class and upper class, compared with the lower class, say that being married is very important to them. The upper class is slightly more likely than the middle and lower classes to say that being wealthy is very important. Other than that, the three classes respond to the questions about priorities in similar ways.

The finding about the widespread importance of free time raises intriguing questions. Is this a reaction to the stress of modern life? Is leisure-time shrinking for middle class Americans? And who values free time the most – those who already have it, or those who wish they did?

Life Priorities Vary Little by Class

% of respondents saying "very important"

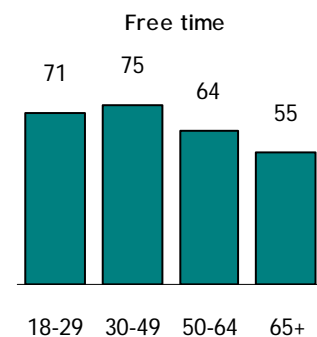


Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class.

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The Importance of Free Time by Age

% of middle class respondents
saying "very important"



Note: Based on respondents who identified themselves as belonging to the middle class.

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The last question is easiest to answer. Free time holds the most widespread appeal for those who are in demographic groups that would seem to have the least of it. Among the middle class, a greater share people who are employed (72%) than those who are not employed (66%) or are retired (57%) say that free time is very important to them. Similarly, 75% of adults who are in the busy middle years of life (ages 30 to 49) say that free time is very important to them, compared with just 55% of those who are ages 65 and older.

Using a broader measure of personal priorities, middle class mothers with children younger than 18 are slightly more likely to say that free time is somewhat or very important to them (98% do) than are fathers of minor children (91%). But what stands out more is that free time is so important to middle class Americans that there are few stark distinctions. Among all major demographic categories—by race or ethnicity, marital status and age—at least 90% say that free time is somewhat or very important.

The image of the American in a hurry has been a theme of literature and essays since the founding of the republic. It also has been a finding of social science surveys. In a 2004 General Social Survey, for example, 31% of Americans said they always feel rushed. That was significantly higher than the 25% who felt that way in 1982. The share of people who sometimes feel rushed stayed about the same (it was 54% in 2004). But the proportion that never feels rushed declined, from 22% in 1982 to 15% in 2004.

As for who feels most rushed, a 2005 Pew survey found that women are slightly more likely than men to say they are rushed. The gap is widest between working mothers of children younger than 18 (41%) and working fathers of children younger than 18 (26%).

However, this increased perception of being rushed comes as some recent findings from social science research indicate that Americans may have more free time now than they did several decades ago. Weekly leisure for men grew by at least six hours between 1965 and 2003, and for women by at least four hours, according to recent research by economists Mark Aguiar and Erik Hurst, who analyzed data from standardized time-use diaries kept over many decades by different people. Their work also found that the most educated Americans (those with college degrees) had the smallest gains in leisure time.

Not all researchers agree that leisure time has increased in recent decades; some cite other data indicating that Americans' work hours have expanded, reducing their free time. Even some of those who contend that free time has increased say that leisure time has become more fragmented or interrupted, and therefore less pleasant. For example, they point to a rise in multi-tasking and conclude that doing more than one activity at a time produces a more rushed leisure experience.

In short, there is no settled view from the academic community about whether Americans have more free time now than in the past. But no matter what the trends may show, a large majority of Americans today see free time as a major priority in their lives.

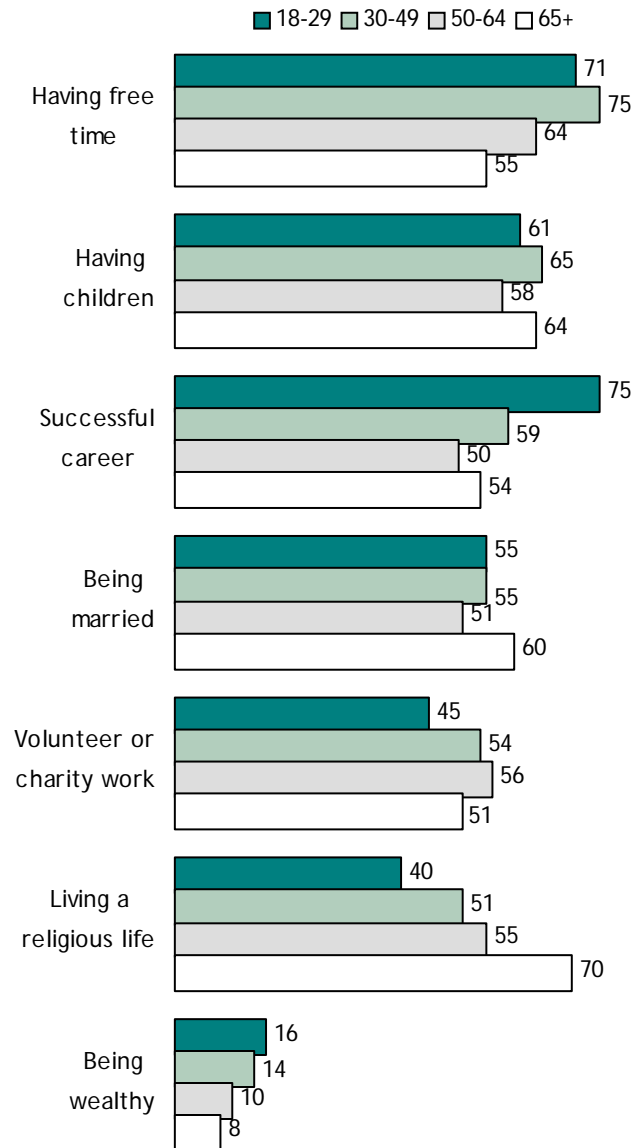
Middle Class Subgroups

Within the self-identified middle class, the importance given to these various life priorities differs depending on one's age, and, to some extent, gender and race and ethnicity.

Age. Young adults ages 18 to 29 say their top three priorities are career (75%), free time (71%) and having children (61%). Those in young middle age, 30 to 49, put free time first (75%), following by having children (65%) and a successful career (59%). Middle class Americans ages 50 to 64, who are edging closer to retirement, place free time first (64%), followed by children (58%) and charity (56%). The oldest middle class Americans, ages 65 and older, give their top priority to living a religious life: 70% say that is very important to them. Children are their second top priority (64%), followed by being married (60%).

Middle Class Priorities, by Age

% of middle class respondents saying "very important"



Note: Based on respondents who identified themselves as belonging to the middle class.

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Gender. Women put a higher premium on being religious (59%) and doing charitable work (56%) than do men (46% for religion and 47% for charity). Men, by contrast, place a higher value on having a successful career (63% very important) and being married (60%) than do women (56% and 50%, respectively).

Race and ethnicity. Whites give their highest share of “very important” responses to having free time (67%) and having children (63%), followed by marriage (55%), career (54%), charity (50%) and living a religious life (49%). For blacks, the top choices are living a religious life (73%), having a successful career (69%), having free time (69%), having children (61%), charity work (58%) and being married (50%).

Hispanics are most likely to say that career is very important (79%), as well as free time (78%), followed by having children (62%), living a religious life (61%), charity (59%) and being married (57%).

Also, middle class whites give lower importance to being wealthy than do minorities: Just 8% cite it as very important, compared with 28% of blacks and 21% of Hispanics. Some of these differences could reflect the fact that, among both middle class respondents and all respondents, whites tend to be older and wealthier than blacks or Hispanics.

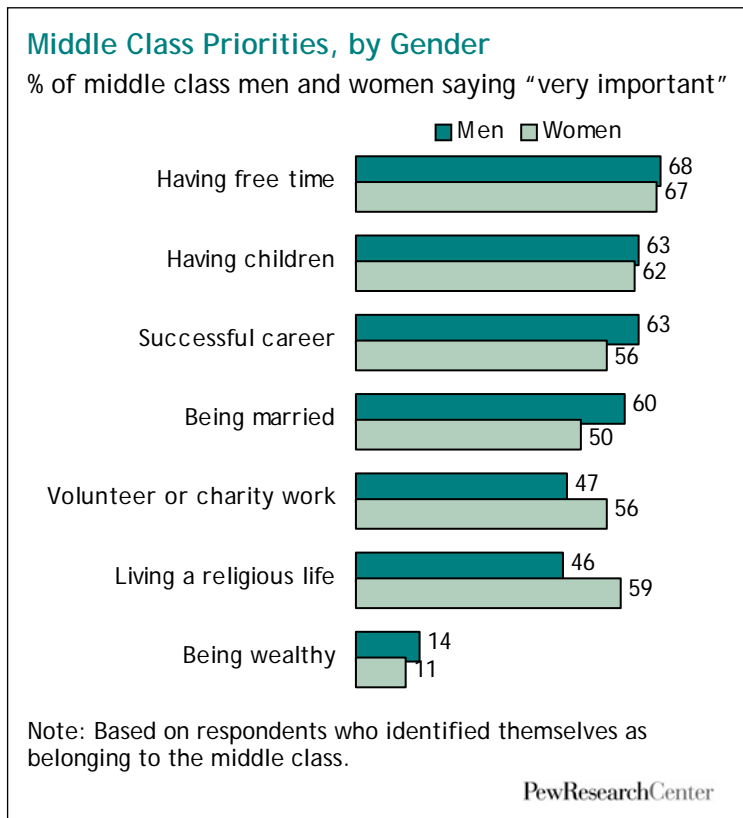
Middle Class Views of Free Time

More than two-thirds of middle class Americans (68%) say that having free time to do whatever they want to do is very important to them, and 27% say it is somewhat important. But this unstructured leisure is more highly valued by some groups than by others.

Nearly three-quarters of middle class adults younger than 50 (73%) call free time very important to them personally. By comparison, 60% of people ages 50 and older say that free time is very important.

Free time is very important to 71% of employed men and 73% of employed women, but only 54% of retired men and 59% of retired women.

Free time is very important to a higher share of people living in the Northeast and West (71% in each) than in the South (62%). Middle class Americans living in cities rate free time as very important in higher numbers (72%) than those living in rural areas (61%).



Most groups value free time highly. There is little difference between men and women overall, or between people of different incomes and education levels, with the share of middle class Americans saying free time is very important.

Middle Class Views of Career Success

Having a successful career is among the top priorities of middle class Americans, with 59% calling it very important and 35% somewhat important. But the proportion that values a successful career varies by gender, racial and ethnic group and other demographic categories.

Career success is deemed a very important personal priority by a higher share of men (63%) than women (56%). Career success also is ranked very important by a higher share of blacks (69%) and Hispanics (79%) than of whites (54%).

Among the groups most likely to say that career success is very important are young people, those with lower family incomes, and high school graduates.

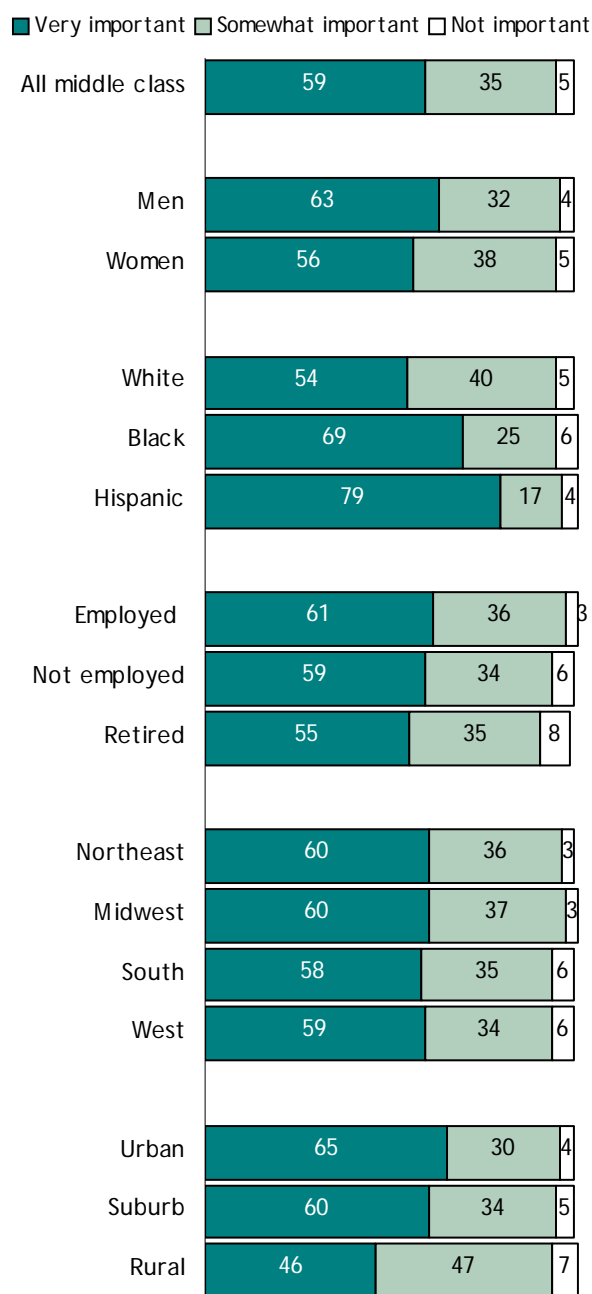
Married people in the middle class (53%) are less likely to say career success is very important to them than people who are not married (66%), perhaps because married people are likely to be older and to have higher incomes.

Middle Class Views of Having Children

More than six-in-ten middle class Americans say that having children is very important to them personally and an additional 23% say it is somewhat important.

Overall, men and women are equally likely to say that having children is very important. So are people of different ages, racial and ethnic

How Important is Having a Successful Career to the Middle Class?



Note: Based on respondents who identified themselves as belonging to the middle class. Whites include only non-Hispanic whites. Blacks include only non-Hispanic blacks. Hispanics are of any race. Not too important and not at all important responses combined. Don't know responses not shown.

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groups, and education levels.

What does make a difference, however, is income. People with higher family incomes – particularly those earning over \$50,000 a year – are more likely to say that having children is very important to them than are those with lower incomes.

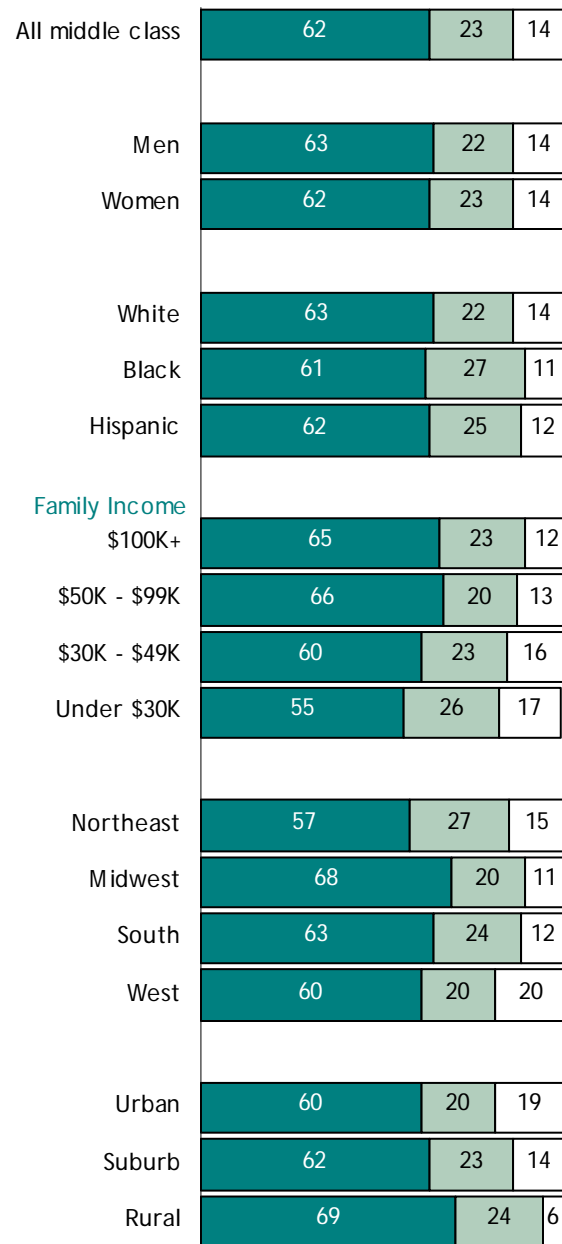
Religious people – those who attend services at least weekly – are more likely to say children are very important to them than are less religious people. Of those who attend services at least weekly, 72% say that having children is very important to them. Among those who worship monthly, 62% say so and of those who seldom go to services, 54% say so.

As might be expected, parents of children under 18 are more likely than other groups to value having children —78% say it is very important to them, compared with 41% of those without children and 67% of those with grown children.

Among middle class Americans who are not parents, men are more likely than women to put a high priority on having children. About seven-in-ten men without children (72%) say having children is very or somewhat important to them, compared with six-in-ten women (60%) without children.

How Important is Having Children to the Middle Class?

■ Very important ■ Somewhat important □ Not important



Note: Based on respondents who identified themselves as belonging to the middle class. Whites include only non-Hispanic whites. Blacks include only non-Hispanic blacks. Hispanics are of any race. Not too important and not at all important responses combined. Don't know responses not shown.

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Middle Class Views of Marriage

Just over half of middle class Americans--55%-- say that being married is very important to them, and 27% say it is somewhat important. Married people put a higher priority on being married than do those who are single, divorced or widowed. Among married middle class adults, 70% say that marriage is very important to them, a sentiment shared by only 39% of those who are not married.

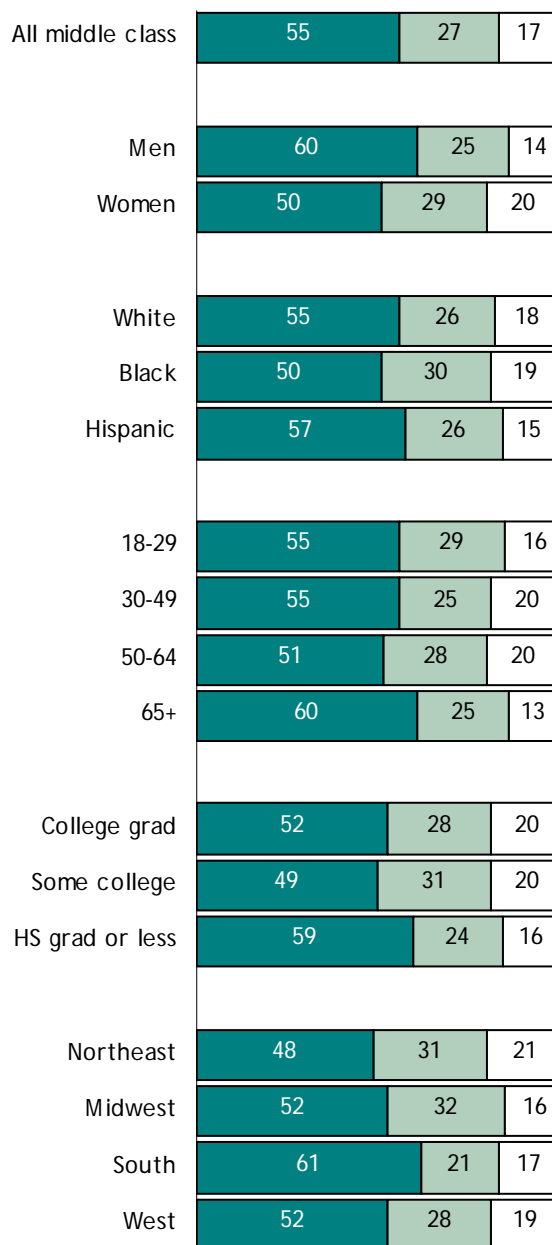
One consistent theme from the survey responses is that men say that marriage is more important to them than women do. Overall, 60% of middle class men and 50% of middle class women say that marriage is very important to them. Among men ages 50 and older, 64% say that being married is very important to them, compared with 48% of women in that age group. These attitudes may in part reflect the reality that a higher share of older men is married than of older women. But there also are differences between all middle class married men and married women: A higher share of married men (74%) than married women (65%) say that marriage is very important to them.

People with less education are more likely than college graduates to say that marriage is very important. About six-in-ten people (59%) with high school education or less say so, compared with just over half (52%) of college graduates. Also, frequent church goers are more likely than others to value marriage.

Comparing attitudes of different classes, there is a marked difference between the lower class Americans and those in the middle and upper classes. Fewer than half of lower class Americans (46%) say that being married is very important to them. More than half of middle

How Important is Marriage to the Middle Class?

■ Very important ■ Somewhat important □ Not important



Note: Based on respondents who identified themselves as belonging to the middle class. Whites include only non-Hispanic whites. Blacks include only non-Hispanic blacks. Hispanics are of any race. Not too important and not at all important responses combined. Don't know responses not shown.

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class and upper class Americans (55% for each group) consider marriage very important.

Middle Class Views of Religion

Living a religious life is very important to 53% of middle class Americans, and somewhat important to 28%. Women are more likely to say so than men, older people are more likely to say so than younger ones, and minorities are more likely to say so than whites. Religion is more important to people with lower incomes and education levels, and to residents of the Midwest and South, compared with other regions. There is little difference between immigrants and the children or grandchildren of immigrants in the likelihood of their saying religion is very important.

Less than half of men (46%) say that religion is very important to them, compared with nearly six-in-ten (58%) women. Among people ages 65 and older, 70% say that living a religious life is a very important priority, compared with 40% of people ages 18 to 29.

Nearly three-quarters of middle class Americans who are black say that religion is very important to them (73%), compared with 61% of Hispanics and 49% of whites.

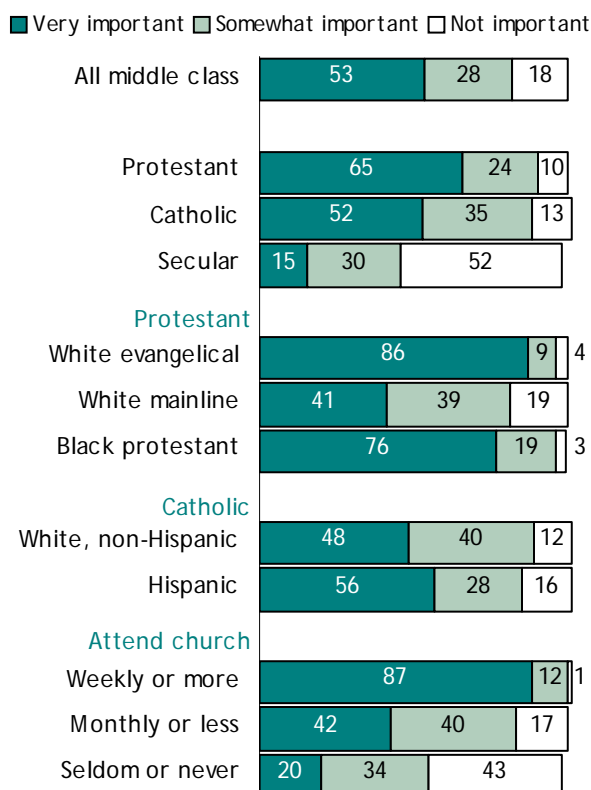
Comparing religious groups, living a religious life is somewhat important to more middle class Protestants than to middle class Catholics. White evangelical Protestants and black Protestants are markedly more likely to say so than white mainline Protestants.

	All	Upper class	Middle class	Lower class
	%	%	%	%
Very important	53	55	55	46
Somewhat important	27	28	27	26
Not too important	12	11	11	16
Not at all important	7	6	6	9
Don't know	<u>1</u>	*	<u>1</u>	<u>3</u>
	100	100	100	100
Number of respondents	2413	522	1276	588

Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class.

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How Important is Living a Religious Life to the Middle Class?



Note: Based on respondents who identified themselves as belonging to the middle class. Not too important and not at all important responses combined. Don't know responses not shown.

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Middle Class Views of Charity and Volunteer Work

Doing volunteer work or donating to charity is deemed very important by 52% of middle class Americans and is somewhat important to 41%. Women are more likely to say so than men, 56% to 47%. A higher share of college graduates (58%), compared with people who have a high school education or less (49%) say that charity is very important.

Married people are more likely to say so than people who are not married, and people who frequently attend religious services are more likely to say so than those who attend seldom or never.

Immigrants are markedly more likely to attach a “very important” label to charity (63%) than are children of immigrants (42%) or later descendants (51%).

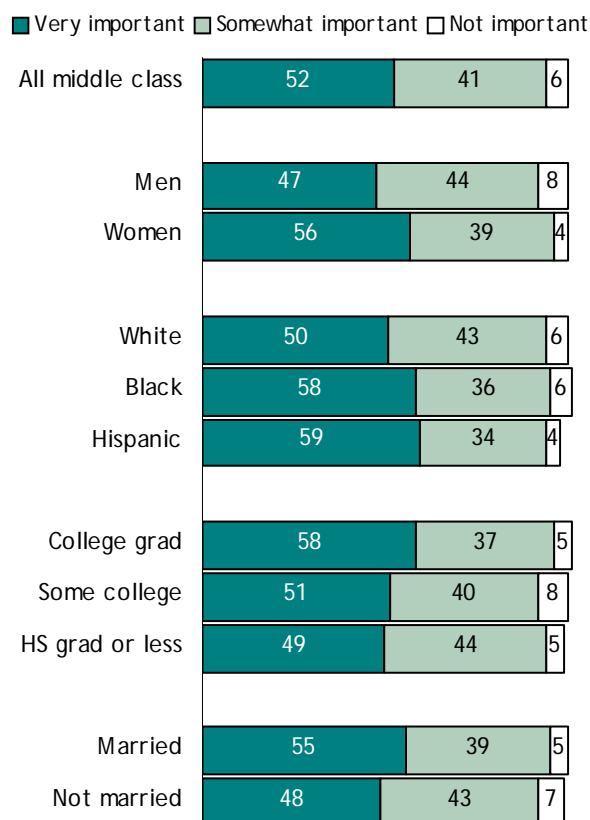
Middle Class Views of Wealth

Being wealthy is very important to only 12% of the middle class, somewhat important to 43% and not too important or not important at all to 44%.

Wealth is not a priority for a majority of any subgroup within the middle class, but there are several in which more than 20% say it is very important. These include blacks (28%), Hispanics (21%) and first-generation immigrants (26%). More people with less than a high school education (28%) or family incomes of less than \$30,000 (22%) say that being wealthy is very important.

Being wealthy is somewhat or very important to a higher share of upper class Americans than to the middle and lower classes. The middle and

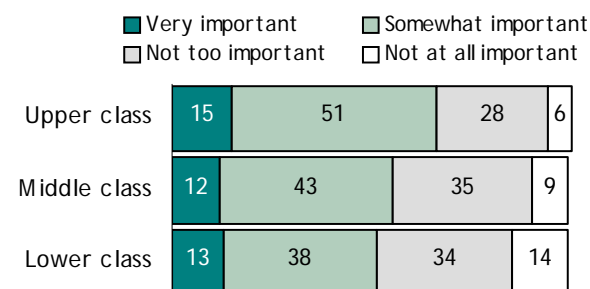
How Important is Charity or Volunteering to the Middle Class?



Note: Based on respondents who identified themselves as belonging to the middle class. Whites include only non-Hispanic whites. Blacks include only non-Hispanic blacks. Hispanics are of any race. Not too important and not at all important responses combined. Don't know responses not shown.

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Importance of Being Wealthy, by Class



Note: Based on respondents who identified themselves as belonging to the lower, middle or upper class. Don't know responses are not shown.

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lower classes are more likely to say it is not important.

Broader Social Questions: Views of the Rich

The survey also asked several questions that explore the way Americans think about the nature of wealth, fate and individual effort.

Middle class Americans are split on whether rich people achieve their wealth through hard work and ambition (42%), or because of connections and family ties (47%).

There is little difference on this question between men and women or young and old. But among racial and ethnic groups, a higher share of blacks (60%) says that

connections or family are the keys to wealth, compared with whites (47%) or Hispanics (36%) who hold that view.

Although there is little difference on this question by different income groups within the middle class, people who say their financial situation enables them to live comfortably are more likely to say rich people get rich through hard work than do those who are living closer to the edge.

On this question, most of America's upper class (56%) believes that rich people achieve their money through hard work. Most of the lower class (53%) believes that connections are the key.

Rich-Poor Gap

By 68% to 29%, middle class Americans believe that the rich are getting richer and

Does Wealth Come from Hard Work or Good Connections?

	All	Upper class	Middle class	Lower class
Main reason rich are rich...	%	%	%	%
Hard work, ambition, or education	42	56	42	32
OR				
Knowing the right people or born into it	46	33	47	53
Neither/Both equally (VOL.)	8	9	7	9
Other (VOL.)	8	9	7	9
DK/Ref	<u>4</u>	<u>2</u>	<u>4</u>	<u>5</u>
	100	100	100	100
Number of respondents	2413	522	1276	588

Question wording: Which of these statements comes closer to your own view - even if neither is exactly right. Most rich people today are wealthy mainly because of their own hard work, ambition, or education OR Most rich people today are wealthy mainly because they know the right people or were born into wealthy families.

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Success and Wealth in Life, by Class

	All	Upper class	Middle class	Lower class
	%	%	%	%
Rich Get Richer, Poor Get Poorer				
Completely agree	33	18	32	48
Mostly agree	36	38	36	32
Completely disagree	8	14	7	4
Mostly disagree	20	28	22	13
DK/Ref	<u>3</u>	<u>2</u>	<u>3</u>	<u>3</u>
	100	100	100	100
Success Determined by Outside Forces				
Completely agree	7	5	6	10
Mostly agree	29	24	29	34
Completely disagree	17	22	16	14
Mostly disagree	44	47	46	37
DK/Ref	<u>3</u>	<u>2</u>	<u>3</u>	<u>5</u>
	100	100	100	100
Number of respondents	2413	522	1276	588

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the poor are getting poorer. Women are more likely than men to agree with this, 72% to 63%. There are few differences by income, but a higher share of middle class Americans with less than a high school education believe this (81%) than do those who have more educational attainment.

As with the previous question, the opinion of the middle class sits between those of the upper and lower classes. Among lower class Americans, 80% believe the rich get richer. A smaller majority of upper class Americans (56%) believe this.

Overall, most Americans (69%) believe that it is true that “the rich just get richer.” This is similar to levels recorded on this question in surveys taken since 1994, although lower than those in the earlier 1990s.

Personal Empowerment

Despite their uncertainty about how the rich get rich, most middle class Americans believe that people in general control their own destiny: Only 35% agree with the notion that success in life is pretty much determined by forces outside their control. More than six-in-ten (62%) disagree.

Men are more likely to disagree with this idea than women, 66% to 58%. In general, more affluent groups and people with higher levels of education are more likely to reject the idea that success is out of their control. Two-thirds of whites disagree (66%), a higher share than for blacks (55%) or Hispanics (47%).

On this question, the middle class falls between the two other classes in its beliefs. A higher share of the upper class (69%) disagrees that outside forces control people’s lives, but among the lower class, about half (51%) disagree.

Overall, this survey shows that most Americans (61%) disagree that success is determined by forces outside a person’s control. This is down slightly from five years ago, when 67% said felt that way.

Other Values

Most middle class Americans (72%) disagree that “women should return to their traditional roles in society.” That is the same share as for Americans overall, and is similar to levels over the past decade.

Among major demographic groups, Hispanics (41%) and people with less than a high school education (51%) are among those most likely to agree.

There is little difference among the classes on this question, with strong majorities in the upper class (76%) and lower class (70%) disagreeing that women should return to traditional roles.

Should Women Return to their Traditional Roles in Society?

	All	Upper class	Middle class	Lower class
	%	%	%	%
Completely agree	7	5	8	7
Mostly agree	16	15	16	17
Completely disagree	44	50	43	41
Mostly disagree	28	26	29	29
DK/Ref	5	4	4	6
	100	100	100	100
Number of respondents	2413	522	1276	588

Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class.

On the question of whether gay men and lesbians should be allowed to marry legally, a slight majority—51%--of the middle class is opposed. Overall, 49% of Americans oppose gay marriage, a slightly smaller share than in most recent surveys.

Men oppose gay marriage at higher levels than women do, and blacks are more opposed than whites. Hispanics are split, with nearly one-in-five (18%) either not answering the question or saying they do not have an opinion.

There is little difference among the classes on this question, although there is more support for gay marriage among the upper class (45%) than the middle class (38%) or lower class (39%).

	All	Upper class	Middle class	Lower class
	%	%	%	%
Favor	40	45	38	39
Oppose	49	47	51	46
DK/Ref	<u>11</u>	<u>8</u>	<u>11</u>	<u>15</u>
	100	100	100	100
Number of respondents	2413	522	1276	588
Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class.				
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Chapter 5: Middle Class Jobs

America's middle class likes its jobs: Nearly nine-in-ten say they are completely or mostly satisfied with the job they have. At the same time, however, about a quarter of those who are middle class and employed worry that they could either lose their job or face cuts in wages or health benefits in the coming year.

Job Worries

Survey respondents who have jobs were asked how likely it is that any one of a number of negative events in the coming year might cause them to lose their job. Some 12% of middle class workers said it was at least somewhat likely that their company would relocate; 10% said the same about their job being outsourced; and 14% said the same about being laid off. Combining these responses into a “job loss” worries indicator, 25% of middle class workers said they thought at least one of these negative events might happen to them.

Two other survey questions focused on cuts in pay or benefits. Some 20% of middle class workers said it was at least somewhat likely that their health benefits would be either reduced or eliminated in the coming year, while 12% thought that they might have to face a cut in pay. Combining these two responses into a “cutback” worries indicator, 26% of workers thought that at least one of the events might happen to them.

Looking at the two sets of worries together, just 9% of middle class workers worry about both of these issues. However, 25% think that at least one of these five negative events could occur to them in the next 12 months.

In terms of class identification, lower class workers are far more likely to worry about job loss (35%) than either middle class (25%) or upper class workers (just 12%). Concerns about wage and benefit cutbacks are more pervasive throughout the class structure—32% among lower class workers, 26% among those in the middle class, and 22% among those in the upper class.

Within the middle class, the level of employment worries varies along some demographic dimensions, but not all. Men are slightly more likely than women to have job worries. Among workers of different races and

Job Worries and the Middle Class

Based on employed middle class respondents

	Job loss worries	Cutback worries
	%	%
All middle class workers	25	26
Age		
18-29	22	20
30-49	27	28
50-64	23	33
Race/Ethnicity		
White, non-Hispanic	20	26
Black, non-Hispanic	30	24
Hispanic	45	28
Education		
College grad	18	25
Some college	26	27
High school or less	28	27
Occupation		
Managers & professionals	21	28
Good non-professional jobs	19	20
Less skilled jobs	34	30

Note: Based on respondents who identified themselves as belonging to the middle class and working full- or part-time. Whites include only non-Hispanic whites. Blacks include only non-Hispanic blacks. Hispanics are of any race.

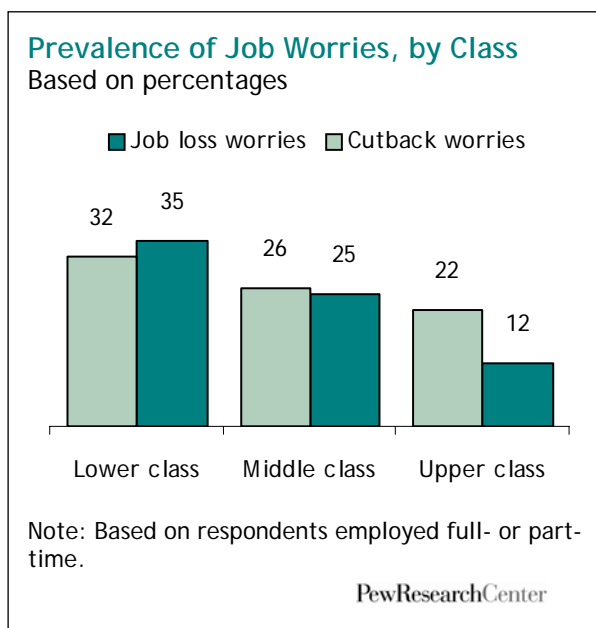
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ethnicities, there is a large difference in job loss concerns but virtually no difference in concerns about cutbacks. For example, 45% of middle class Hispanic workers think that it is at least somewhat likely that they could lose their job in the next year. Among other middle class workers, 30% of blacks and 20% of whites share that concern.

In terms of age, older workers are more likely than younger ones to worry about cutbacks. Fears about job loss are more evenly spread throughout the age ranges, with middle-aged workers having slightly more concerns than do workers who are older and younger.

Highly educated workers are less likely than those with less education to have job worries. While just 18% of college graduates think that it is at least somewhat likely that they could lose their job, the comparable figures are 28% among workers with at most a high school diploma and 26% among those with some college education. On the question of possible cutbacks in benefits or pay, the share of middle class workers who worry that this could happen to them is spread fairly evenly among middle class workers with varying levels of educational attainment.

Fears about employment problems in the next year are related to other measures of current economic status. For example, of middle class workers who describe their financial situation as not having enough to meet basic expenses, 51% worry about losing their job and 68% also worry about pay cuts or reduced health benefits. By contrast, just 18% of workers who describe their financial situation as “comfortable” worry about job loss and only 20% of those who are upbeat about their finances worry about some type of cut back.



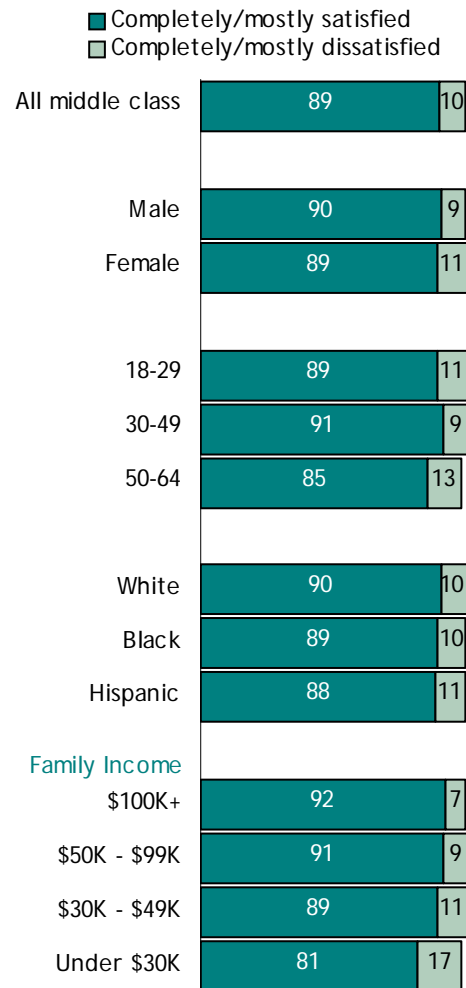
Job Satisfaction

The vast majority of middle class workers (89% overall) are either completely or mostly satisfied with their job. These high levels of job satisfaction registered by virtually all types of workers belie the famous exhortation in the country song: “Take this job and shove it.” They also demonstrate that worries about employment in the future don’t translate directly into dissatisfaction with the current job. Among workers who are worried about job loss or cutbacks of benefits or wages, eight-in-ten report high job satisfaction.

Variations in job satisfaction by demographic groups within the middle class are quite small. There is no real difference between male and female workers and few differences based on age. In terms of income, 81% of workers in families with incomes below \$30,000 are satisfied with their jobs, as are 92% of those in families with incomes above \$100,000. Finally, 89% of blacks express job satisfaction, while the figure is 90% for whites and 88% for Hispanics.

Middle class workers are not unique in their high levels of job satisfaction: 91% of upper class workers are either completely or mostly satisfied with their jobs, as are 78% of lower class workers.

Job Satisfaction



Note: Based on respondents who identified themselves as belonging to the middle class and working full- or part-time. Whites include only non-Hispanic whites. Blacks include only non-Hispanic blacks. Hispanics are of any race. Don't know responses not shown.

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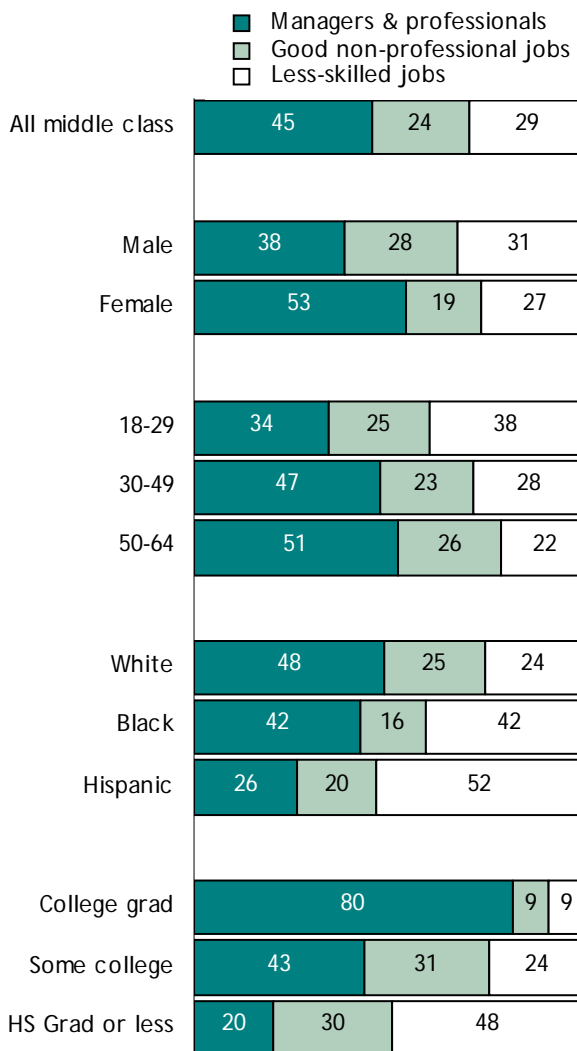
Occupations and the Middle Class

Based on their answers to a battery of questions about their occupation, respondents to this survey were grouped into three broad occupational tiers: managers and professionals, non-professional good jobs (such as supervisors, craft workers, technicians, police officers, firefighters, and clericals), and less-skilled jobs (such as factory operatives, sales clerks, wait staff, personal service workers, and laborers).

In this survey, 45% of middle class workers are managers and professionals, 24% are in good jobs and 29% are in less-skilled jobs.¹⁷ Within the middle class, there are many demographic differences with respect to job type. For example, as people of working age grow older, they tend to move to better jobs. Among those just starting their careers (18 to 29 years old), 34% are managers and professionals and 38% are in less-skilled jobs. By the time that middle class workers are at or near the end of their careers (50 to 64 years old), 51% are managers and professionals and only 22% are in less-skilled jobs.

In terms of race and ethnicity, only 26% of middle class Hispanics are in managerial and professional occupations, while the comparable figures for middle class whites and blacks in these fields are 48% and 42% respectively. At the bottom end of the job market, there is also a stark difference -- 24% of whites, 42% of blacks and 52% of Hispanics who are middle class are in low-skilled jobs.

Middle Class Occupations



Note: Based on respondents who identified themselves as belonging to the middle class and working full- or part-time. Whites include only non-Hispanic whites. Blacks include only non-Hispanic blacks. Hispanics are of any race. Something else and don't know responses not shown.

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¹⁷ In this survey, 45% of all workers say that they are either a manager or professional. By contrast, only about 32% fall into these occupations in social surveys from the Census Bureau. This "title inflation" is strongly related to income; respondents who have high annual family incomes are more inclined than others to describe certain jobs as being managerial or professional. Further, women are more likely than men to describe their job as being managerial or professional even though both genders have the same share of managerial and professional jobs in Census Bureau surveys.

Likewise, there are big differences in occupations by levels of education.

Among those with a four-year degree in the middle class, 80% have managerial or professional jobs. By contrast, among those with at most a high school diploma, just 20% have a managerial-professional job, while 30% have a good job, and 48% have a less-skilled job.

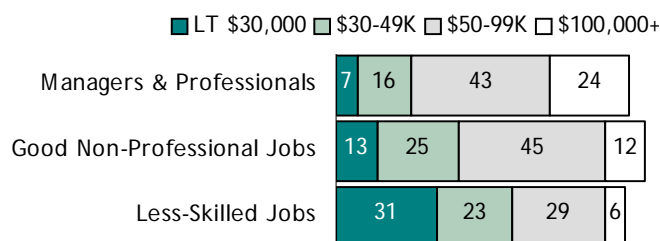
Middle class workers who are in these different occupational tiers also tend to have different levels of income. Among

low-skilled workers in the middle class, more than half (54%) are in households with incomes below \$50,000. Among those with good jobs who place themselves in the middle class, just 38% are in these lower income households, and among managers and professional who place themselves in the middle class, just 23% are in low income households. At the other end of the income scale, 24% of middle class managers and professionals have incomes over \$100,000. By contrast, just 12% of those in good jobs and 6% of those with less-skilled jobs have incomes over \$100,000.

In terms of job satisfaction, however, there is little variation across middle class workers in these different occupations. Some 91% of managers and professionals are satisfied with their jobs; the comparable figure for those with good non-professional jobs is 93%, and for those with less-skilled jobs is 83%.

Job worries, on the other hand, do vary by type of job held. While only one-in-five middle workers in the top two occupational tiers worry about losing their job, more than one-in-three of less-skilled workers worry about job loss in the next 12 months. Worries about cutbacks are much more evenly distributed across the three job categories, with those in good nonprofessional jobs having the fewest worries.

Income, by Middle Class Occupations



Note: Based on respondents who identified themselves as belonging to the middle class and working full- or part-time. Don't know responses not shown.

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Prevalence of Job Worries

Based on employed middle class respondents

Occupation	Job loss worries	Cutback worries
	%	%
Managers & professionals	21	28
Good non-professional jobs	19	20
Less skilled jobs	34	30

Note: Based on respondents who identified themselves as belonging to the middle class and working full- or part-time.

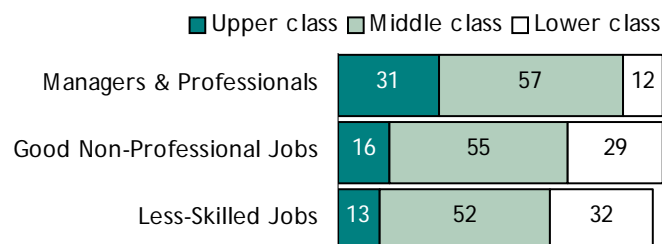
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Finally, self-reported class varies in some of these tiers, but not all. There is no significant difference between the class identification of those in good jobs and those in less-skilled jobs. Managers and professionals, on the other hand, are much more likely to identify with the upper class (31%) and less likely to consider themselves in the lower class (12%).

Retirees

While this chapter focuses on workers, it is notable that retirees identify with the three social classes in nearly the same shares as non-retirees. This suggests a continuity of class identification over one's lifetime. Among retirees, there are some class differences based on gender. Retired men are more likely (28%) than retired women (21%) to represent themselves as being in the lower class. Retired women are more likely than retired men to say they are in the middle class (59% to 49%). Small shares of retirees of both genders say they are upper class.

Occupation, by Social Class



Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class and working full- or part-time. Don't know responses not shown.

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Chapter 6: The Politics of the Middle Class

The American middle class aligns with Democrats over Republicans and conservatives over liberals – meaning its political and ideological profile closely matches that of the full adult population. In these realms, the self-defined middle class respondents are truly in the middle -- situated between a self-defined upper class that is more Republican and conservative than they are, and a self-identified lower class that is more Democratic and liberal.

On the partisan front, almost half (47%) of all middle class adults say they identify with or lean Democratic, just over a third (35%) favor the Republican Party and 18% say they don't lean toward either party. Among the full adult population the equivalent figures are Democrat 49%; Republican 33% and independent/no lean 18%.

On the ideological front, about a third (37%) of middle class adults say they are conservative, another third (37%) say they are moderate and just 18% say they are liberal. Here again, the responses of the full population are quite similar – with 35% calling themselves conservative, 35% moderate and 21% liberal.

But even as the middle class looks a lot like the full population in its partisan and ideological preferences, it also shows sharp contrasts with the upper and lower classes. For example, just 21% of the lower class identifies with or leans toward the GOP; whereas 35% of the middle class and 44% of the upper class do. And when it comes to ideology, just 27% of the lower class say they are conservative, compared with 37% of the middle class and 41% of the upper class.

	All adults	Upper class	Middle class	Lower class
	%	%	%	%
Republican	24	35	25	13
Democrat	34	32	33	40
Independent	31	28	31	34
Republican/Lean Rep.	33	44	35	21
Democrat/Lean Dem.	49	46	47	58
Independent/No lean	18	10	18	21
Conservative	35	41	37	27
Moderate	35	33	37	35
Liberal	21	23	18	24
Conservative Rep.	16	25	16	7
Mod./Lib. Rep.	8	9	8	5
Independent	31	28	31	35
Cons./Mod. Dem.	20	18	22	22
Liberal Dem.	11	13	10	14
Number of respondents	2413	522	1276	588

Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class.

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Within the self-identified middle class, the largest share of Democratic support comes from females, blacks, Hispanics, city-dwellers, Northerners, the young and the college-educated.

Among middle class women, for example, a majority (51%) expresses a preference for the Democratic Party, compared with just 33% who say they favor the GOP and 16% who are non-leaning independents.

Some 70% of blacks (70% align with the Democratic Party, compared with 57% of Hispanics and 43% of whites.

The partisan patterns for these subgroups within the middle class are very similar to the patterns for these same subgroups within the full population.

A Partisan Profile of the Middle Class (Including Leaners)					
	All middle class	Rep/Lean Rep	Dem/Lean Dem	Ind/No Lean	N
	%	%	%	%	
All	100	35	47	18=100	1276
Gender					
Male	47	37	43	20=100	595
Female	53	33	51	16=100	681
Race/Ethnicity					
White, non-Hispanic	70	41	43	16=100	831
Black, non-Hispanic	10	14	70	16=100	184
Hispanic	13	20	57	23=100	185
Age					
18-29	21	32	47	21=100	228
30-49	37	34	49	17=100	438
50-64	22	32	52	16=100	319
65+	18	44	38	18=100	257
Education					
College grad	25	35	53	12=100	396
Some college	26	40	41	19=100	341
HS grad or less	48	32	47	21=100	533
Income					
\$100,000+	12	39	47	14=100	158
\$50K-\$99K	32	37	51	12=100	391
\$30K-\$49K	20	34	45	21=100	270
LT \$30,000	20	31	51	18=100	254
Neighborhood					
Urban	33	28	53	19=100	490
Suburban	48	35	47	18=100	566
Rural	19	46	37	17=100	218
Region					
Northeast	17	28	52	20=100	192
Midwest	24	38	49	13=100	271
South	37	39	43	18=100	501
West	22	30	48	22=100	312

Note: Based on respondents who identified themselves as belonging to the middle class. Hispanics are of any race.

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Which Party Favors Which Class?

The Pew poll finds that most Americans agree with the old saw that Republicans are the party that favors the rich and the Democrats are the party that favors the less-well off. Nearly six-in-ten adults (59%) say the GOP favors the rich, while about two-thirds say the Democrats favor either the middle class (38%) or the poor (27%).

The upper and middle classes have roughly the same views as the general public on this question. The lower class is the most inclined to see the GOP as the party of the rich – 65% say it is, while just 13% say it favors the middle class and just 3% say it favors the poor.

Views are more mixed with respect to class favoritism by the Democratic

Party. A plurality of adults believe that the Democratic Party favors the middle class (38%), while 27% say the party favors the poor and 16% say it favors the rich. These party favoritism opinions are widely shared across class lines, with the modest exception that those in the upper class are significantly more likely to say the Democratic Party favors the poor.

Not surprisingly, Democrats and Republicans differ over which party they believe shows favoritism to the rich, middle class or the poor – and these partisan differences are apparent within the middle class, just as they are among the population as a whole.

For example, a plurality (44%) of middle class Republicans say the GOP favors the middle class, while 35% say it favors the rich and just 4% say it favors the poor. The remainder says they aren't sure which class is favored by the party or declined to answer.

By contrast, middle class Democrats are more than twice as likely as middle class Republicans or independents to say the GOP favors the rich. Some 83% say so, compared with 35% of Republicans and 39% of independents.

Which Class Does Each Party Favor?

	All Adults	Upper class	Middle class	Lower class
	%	%	%	%
Republican Party				
Favors the rich	59	54	58	65
Favors the middle class	21	30	21	13
Favors the poor	3	3	3	3
Favors none/all equally	4	6	4	3
DK/Ref	<u>13</u>	<u>7</u>	<u>14</u>	<u>16</u>
	100	100	100	100
Democratic Party				
Favors the rich	16	14	16	19
Favors the middle class	38	40	39	36
Favors the poor	27	32	26	24
Favors none/all equally	5	5	4	3
DK/Ref	<u>14</u>	<u>9</u>	<u>15</u>	<u>18</u>
	100	100	100	100
Number of respondents	2413	522	1276	588

Note: Based on respondents who identified themselves as belonging to the lower, middle, or upper class.

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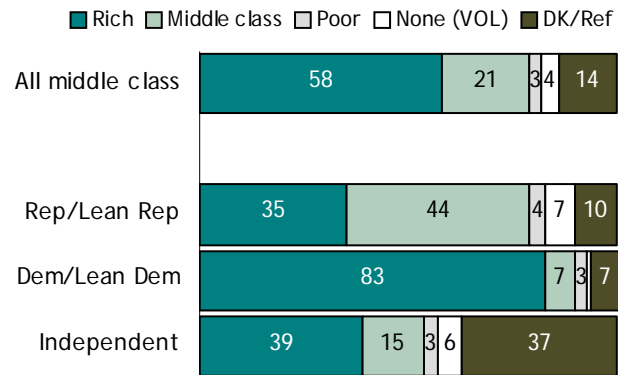
Among middle class Democrats, six-in-ten say that the Democratic Party favors the middle class, while about a fifth (22%) say it favors the poor and 9% say the rich.

By contrast, opinions among middle class Republicans and independents are more mixed. A plurality of Republicans (37%) say the Democrats favor the poor, while 26% say they favor the rich and just 20% say they favor the middle class. Independents are about equally likely to say the Democratic Party favors the rich (15%), middle class (20%) and the poor (17%), but the plurality (40%) of independents didn't know or declined to answer.

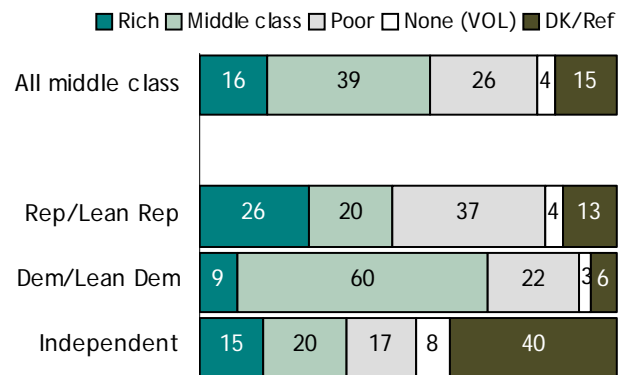
Which Class Does Each Party Favor, by Party ID

Based on middle class respondents

In general, do you think the **Republican Party** favors the rich, favors the middle class or favors the poor?



In general, do you think the **Democratic Party** favors the rich, favors the middle class or favors the poor?



Note: Based on respondents who identified themselves as belonging to the middle class.

PewResearchCenter

Weighing the Role of Government

Within the middle class, there are similar partisan differences on a pair of questions about the core responsibilities of government.

While a majority of the middle class supports the idea that the government should be responsible for taking care of people who can't take care of themselves (56%) and for guaranteeing health care to every citizen (71%), middle class Democrats are significantly more likely than both Republicans and independents to say they "completely" or "mostly" agree that these responsibilities should rest with the government.

Among the middle class, some 67% of Democrats agree that the government should be responsible for people who can't take care of themselves. By contrast, just over half of independents (56%) and 41% of Republicans agree.

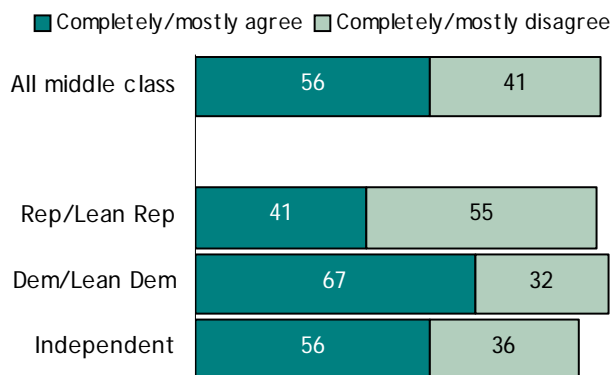
Middle class Democrats also place a higher value than both independents and Republicans on the importance of government guaranteed health care. Some 86% agree that this is a role for government, compared with 72% of independents and 51% of Republicans.

Government Responsibilities, Through a Partisan Lens

Based on middle class respondents

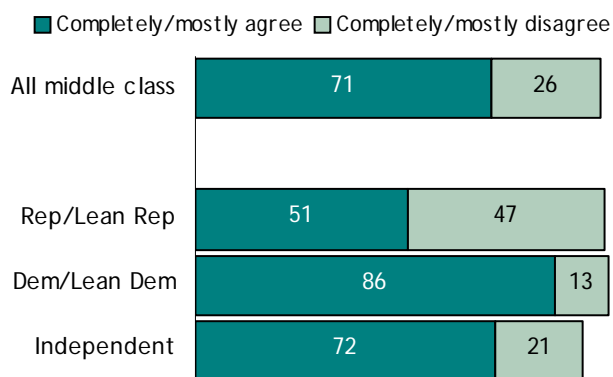
Care for the Needy

Is it the responsibility of the government to take care of people who can't take care of themselves?



Health Care

Should the government guarantee health care to every citizen?



Note: Based on respondents who identified themselves as belonging to the middle class. Don't know responses not shown.

PewResearchCenter

Who the Middle Class Blames for Its Plight

When asked whether maintaining a middle class standard of living is more or less difficult today compared with five years ago, nearly eight-in-ten (78%) middle class respondents say it is more difficult. There are some partisan differences: Democrats (85%) are more inclined than Republicans (73%) or independents (67%) to deliver this negative assessment.

When the respondents who say it has become more difficult to maintain a middle class living standard were asked who or what is most to blame for these difficulties,

there was no clear direction to the finger-pointing. About a quarter blamed the government (26%), while 15% blamed the price of oil, 11% blamed the people themselves, 8% blamed foreign competition, 5% blamed private corporations and the remainder said something else or declined to answer.

There are some notable partisan differences in these responses. Democrats (35%) are more than twice as likely as Republicans (16%) to assign blame to the government. They are also more likely to finger private corporations (8% of Democrats do so, compared with 2% of Republicans). And Republicans (17%) are more likely than Democrats (8%) to blame the people themselves. Meantime, partisans of both parties are about equally likely (15% of Democrats; 16% of Republicans) to blame the price of oil.

Is Life More Difficult for the Middle Class? And Who is to Blame?

	All middle class	Rep/Lean Rep	Dem/Lean Dem	Ind/No Lean
	%	%	%	%
More difficult (NET)	78	73	85	67
The government	26	16	35	22
The price of oil	15	16	15	12
People themselves	11	17	8	8
Foreign competition	8	9	8	7
Private corporations	5	2	8	3
Combination of these things	3	1	3	4
Economy/Cost of living	1	*	2	*
President George Bush	1	0	1	0
Something else	2	5	1	2
DK/Refused	6	7	4	9
Less difficult (NET)	13	16	9	19
About the same	6	8	3	8
DK/Refused	3	3	3	6
	100	100	100	100
Number of respondents	1276	435	633	208

Note: Based on respondents who identified themselves as belonging to the middle class.

PewResearchCenter

On a related issue – globalization - the Pew survey also finds that within the middle class there is a good deal of common ground across partisan lines. A plurality of middle class respondents (37%) say they believe the globalization of the world economy is mostly bad for the U.S. economy, while 24% say it is mostly good and 29% say it doesn't make much difference. The response patterns are very similar across party lines.

The views of the full adult population on this question are identical to those of the middle class. However, there are differences among the classes. The upper class takes a more favorable view of globalization – some 31% say it is mostly good. And the lower class takes the least favorable view – just 19% say it is mostly good.

Middle Class Democrats, Republicans, and Independents Agree About Globalization

	All middle class	Rep/Lean Rep	Dem/Lean Dem	Ind/No Lean
	%	%	%	%
Good	24	23	26	22
Bad	37	40	36	34
Doesn't make a difference	29	28	30	27
Haven't heard of (VOL)	2	2	1	2
DK/Refused	8	7	7	15
	100	100	100	100
Number of respondents	1276	435	633	208

Question wording: Based on what you know or may have heard, do you think the globalization of the world economy is mostly good for the United States, mostly bad for the United States, or doesn't it make much difference?

PewResearchCenter

PEW SOCIAL TRENDS
 FINAL TOPLINE
 JANUARY 24 - FEBRUARY 19, 2008
 N=2,413¹⁸ (UPPER=522; MIDDLE=1276; LOWER=588)¹⁹

SOME DEMOGRAPHIC QUESTIONS WERE ASKED EARLIER IN THE INTERVIEW FOR SCREENING PURPOSES;
 THESE QUESTIONS ARE DISPLAYED IN THE BACK OF THIS TOPLINE.

Q.1 All in all, are you satisfied or dissatisfied with the way things are going in this country, today?

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
30	Satisfied	38	32	17
62	Dissatisfied	58	60	72
<u>8</u>	Don't know/Refused (VOL.)	<u>4</u>	<u>8</u>	<u>11</u>
100		100	100	100

	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>DK/Ref</u>
February 2008	30	62	8=100
Early February 2008	24	70	6=100
Late December 2007	27	66	7=100
October 2007 ²⁰	28	66	6=100
February 2007	30	61	9=100
Mid-January 2007	32	61	7=100
Early January 2007	30	63	7=100
December 2006	28	65	7=100
Mid-November 2006	28	64	8=100
Early October 2006	30	63	7=100
July 2006	30	65	5=100
June 2006	33	60	7=100
May 2006	29	65	6=100
March 2006	32	63	5=100
January 2006	34	61	5=100
Late November 2005	34	59	7=100
Early October 2005	29	65	6=100
July 2005	35	58	7=100
Late May 2005	39	57	4=100
February 2005	38	56	6=100
January 2005	40	54	6=100
December 2004	39	54	7=100
Mid-October 2004	36	58	6=100
July 2004	38	55	7=100
May 2004	33	61	6=100

¹⁸ The sample design included an oversample of blacks, Hispanics as well as a dual frame sample of respondents reached via landline (1,659) or cell (754) phone. The data are weighted to produce results from a representative sample of the population.

¹⁹ The upper, middle, and lower groups are based on the responses to the self-defined social class item (Q5).

²⁰ All trends reference surveys from the Pew Research Center unless otherwise noted.

Q.1 CONTINUED...	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>DK/Ref</u>
Late February 2004	39	55	6=100
Early January 2004	45	48	7=100
December 2003	44	47	9=100
October 2003	38	56	6=100
August 2003	40	53	7=100
April 2003 ²¹	50	41	9=100
January 2003	44	50	6=100
November 2002	41	48	11=100
September 2002	41	55	4=100
Late August 2002	47	44	9=100
May 2002	44	44	12=100
March 2002	50	40	10=100
Late September 2001	57	34	9=100
Early September 2001	41	53	6=100
June 2001	43	52	5=100
March 2001	47	45	8=100
February 2001	46	43	11=100
January 2001	55	41	4=100
October 2000 (RVs)	54	39	7=100
September 2000	51	41	8=100
June 2000	47	45	8=100
April 2000	48	43	9=100
August 1999	56	39	5=100
January 1999	53	41	6=100
November 1998	46	44	10=100
Early September 1998	54	42	4=100
Late August 1998	55	41	4=100
Early August 1998	50	44	6=100
February 1998	59	37	4=100
January 1998	46	50	4=100
September 1997	45	49	6=100
August 1997	49	46	5=100
January 1997	38	58	4=100
July 1996	29	67	4=100
March 1996	28	70	2=100
October 1995	23	73	4=100
June 1995	25	73	2=100
April 1995	23	74	3=100
July 1994	24	73	3=100
March 1994	24	71	5=100
October 1993	22	73	5=100
September 1993	20	75	5=100
May 1993	22	71	7=100
January 1993	39	50	11=100
January 1992	28	68	4=100
November 1991	34	61	5=100
Late February 1991 (Gallup)	66	31	3=100

²¹ Asked April 8, 2003 only; N=395

Q.1 CONTINUED...	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>DK/Ref</u>
August 1990	47	48	5=100
May 1990	41	54	5=100
January 1989	45	50	5=100
September 1988 (RVs)	50	45	5=100
May 1988	41	54	5=100
January 1988	39	55	6=100

Q.2 Imagine a ladder with steps numbered from 0 at the bottom to 10 at the top. Suppose the top of the ladder represents the best possible life for you; and the bottom, the worst possible life for you. On which step of the ladder do you feel you personally stand at the present time? You can name any number between 0 and 10.

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
32	High (8-10)	49	34	13
34	Medium (6-7)	36	36	27
32	Low (0-5)	14	28	58
<u>2</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>2</u>	<u>2</u>
100		100	100	100
6.4	<i>Mean Rating</i>	7.3	6.7	5.2

	<u>High (8-10)</u>	<u>Medium (6-7)</u>	<u>Low (0-5)</u>	<u>Don't Know/ Refused</u>	<u>Mean Rating</u>
On which step of the ladder do you feel you personally stand <u>at the present time?</u>	32	34	32	2=100	6.4
2007 <i>Pew Global Attitudes</i>	46	29	24	1=100	7.0
2006	41	30	26	3=100	6.8
2005 <i>Pew Global Attitudes</i> ²²	40	29	30	1=100	6.7
2002 <i>Pew Global Attitudes</i>	43	32	24	1=100	6.9
1999	43	31	25	1=100	6.9
1998	48	31	21	*=100	7.1
1997	47	31	22	*=100	7.0
1996	37	33	29	1=100	6.7
1989	31	35	34	*=100	6.4
1987	33	36	30	1=100	6.5
1985 <i>Gallup</i>	31	36	33	*=100	6.4
1979 <i>Gallup</i>	34	31	33	2=100	6.5
1976 <i>Gallup</i>	38	30	32	*=100	6.7
1974 <i>Gallup</i>	36	28	36	*=100	6.4
1972 <i>Gallup</i>	34	28	38	*=100	6.4
1971 <i>Gallup</i>	34	30	34	2=100	6.5
1964 <i>Gallup</i>	36	33	30	1=100	6.7

The trends from 2007, 2005 and 2002 are from Pew Global Attitudes surveys. The question was worded "Here is a ladder representing the 'ladder of life.' Let's suppose the top of the ladder represents the best possible life for you; and the bottom, the worst possible life for you. On which step of the ladder do you feel you personally stand at the present time?"

Q.2a And on which step would you say you stood five years ago? Zero is the worst possible life and 10 the best possible life.

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
32	High (8-10)	37	32	25
28	Medium (6-7)	31	28	26
38	Low (0-5)	31	38	48
<u>2</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>2</u>	<u>1</u>
100		100	100	100
6.2	<i>Mean Rating</i>	6.6	6.2	5.7

	<u>High (8-10)</u>	<u>Medium (6-7)</u>	<u>Low (0-5)</u>	<u>Don't Know/ Refused</u>	<u>Mean Rating</u>
And on which step would you say you stood <u>five years ago</u> ?	32	28	38	2=100	6.2
2007 <i>Pew Global Attitudes</i>	34	25	39	2=100	6.2
2006	31	26	40	3=100	6.1
2005 <i>Pew Global Attitudes</i>	31	26	41	2=100	6.1
2002 <i>Pew Global Attitudes</i>	32	23	43	2=100	6.1
1999	27	23	49	1=100	5.7
1998	29	23	48	*=100	5.9
1997	28	25	46	1=100	5.9
1996	26	27	46	1=100	5.8
1989	28	27	44	1=100	6.0
1987	28	26	45	1=100	5.8
1985 <i>Gallup</i>	25	27	48	*=100	5.7
1979 <i>Gallup</i>	28	24	48	*=100	5.8
1976 <i>Gallup</i>	29	22	49	*=100	5.7
1974 <i>Gallup</i>	24	22	54	*=100	5.4
1972 <i>Gallup</i>	24	23	53	*=100	5.5
1971 <i>Gallup</i>	27	25	47	1=100	5.8
1964 <i>Gallup</i>	28	24	47	1=100	5.8

Q.2b And on what number step do you think you will be five years from now? Zero is the worst possible life and 10 is the best possible life.

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
58	High (8-10)	72	59	41
15	Medium (6-7)	14	15	18
17	Low (0-5)	8	14	30
<u>10</u>	Don't know/Refused (VOL.)	<u>6</u>	<u>12</u>	<u>11</u>
100		100	100	100
7.6	<i>Mean Rating</i>	8.3	7.8	6.5

Q.2b CONTINUED...

	<u>High (8-10)</u>	<u>Medium (6-7)</u>	<u>Low (0-5)</u>	<u>Don't Know/ Refused</u>	<u>Mean Rating</u>
And on what number step do you think you will be <u>five years from now</u> ?	58	15	17	10=100	7.6
2007 <i>Pew Global Attitudes</i>	69	13	10	8=100	8.2
2006	60	13	14	13=100	7.8
2005 <i>Pew Global Attitudes</i>	59	14	17	10=100	7.7
2002 <i>Pew Global Attitudes</i>	71	10	11	8=100	8.3
1999	69	14	10	7=100	8.2
1998	72	14	11	3=100	8.2
1997	73	13	10	4=100	8.2
1996	64	16	16	4=100	7.7
1989	56	21	18	5=100	7.4
1987	61	19	14	6=100	7.7
1985 <i>Gallup</i>	59	19	16	6=100	7.6
1979 <i>Gallup</i>	57	18	19	6=100	7.5
1976 <i>Gallup</i>	60	18	14	8=100	7.7
1974 <i>Gallup</i>	55	18	18	9=100	7.4
1972 <i>Gallup</i>	58	17	16	9=100	7.6
1971 <i>Gallup</i>	52	18	16	14=100	7.5
1964 <i>Gallup</i>	57	22	11	10=100	7.8

COMPARING PRESENT TO FUTURE LIFE (Q.2 AND Q.2b) Ratings of your future life compared with the present.

	Future life will be	-- Future life will be the SAME as present --		Future life will be	DK
	<u>BETTER than present</u>	<u>Present is positive</u>	<u>Present is negative</u>	<u>WORSE than present</u>	<u>Ref</u>
2008	53	18	5	13	11=100
2007	55	23	5	9	8=100
2006	49	21	4	12	14=100
2005	49	24	4	12	11=100
2002	61	20	3	7	9=100
1999	60	21	3	8	8=100
1998	58	26	3	10	3=100
1997	59	25	3	9	4=100
1996	55	22	5	13	5=100
1989	55	20	5	15	5=100
1987	59	20	4	11	6=100
1985 <i>Gallup</i>	57	19	5	12	7=100
1979 <i>Gallup</i>	52	20	6	15	7=100
1976 <i>Gallup</i>	52	25	4	11	8=100
1964 <i>Gallup</i>	51	25	5	7	12=100

- Q.4 When your children are at the age you are now, do you think their standard of living will be much better, somewhat better, about the same, somewhat worse, or much worse than yours is now?

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
26	Much better	27	27	23
23	Somewhat better	25	24	22
20	About the same	25	20	14
14	Somewhat worse	12	14	16
7	Much worse	5	5	15
5	No children (VOL.)	4	5	4
<u>5</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>5</u>	<u>6</u>
100		100	100	100

<u>All</u>		GSS <u>2006</u>	GSS <u>2004</u>	GSS <u>2002</u>	GSS <u>2000</u>	GSS <u>1998</u>	GSS <u>1996</u>	GSS <u>1994</u>
26	Much better	28	23	26	28	22	20	16
23	Somewhat better	29	30	35	31	33	27	29
20	About the same	18	22	18	16	20	20	22
14	Somewhat worse	11	11	8	7	9	17	15
7	Much worse	3	3	2	3	3	5	5
5	No children (VOL.)	10	9	9	11	9	7	9
<u>5</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>2</u>	<u>2</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
100		100	100	100	100	100	100	100

- Q.5 And if you were asked to use one of these commonly used names for the social classes, which would you say you belong in? The upper class, upper-middle class, middle class, lower-middle class, or lower class?

<u>All</u>	
2	Upper class
19	Upper-middle class
53	Middle class
19	Lower-middle class
6	Lower class
<u>1</u>	Don't know/Refused (VOL.)
100	

ROTATE Q.6 AND Q.7

- Q.6 Thinking about today compared to ten years ago, do you think it is easier or harder for people to get ahead today, or is it about the same as it was? (READ)

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
15	Easier to get <i>ahead</i> today	15	16	11
59	Harder to get <i>ahead</i> today	50	59	70
24	About the same as it was ten years ago	33	23	17
<u>2</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>2</u>	<u>2</u>
100		100	100	100

Q.7 Thinking about today compared to ten years ago, do you think it is easier or harder for people to fall behind today, or is it about the same as it was? **(READ)**

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
69	Easier to fall <i>behind</i> today	68	68	71
11	Harder to fall <i>behind</i> today	7	10	16
18	About the same as it was ten years ago	23	19	11
<u>2</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>3</u>	<u>2</u>
100		100	100	100

Q.8 Which of these statements comes closer to your own views—even if neither is exactly right.
[ROTATE RESPONSE OPTIONS]

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
42	Most rich people today are wealthy mainly because of their own hard work, ambition or education	56	42	32
	OR			
46	Most rich people today are wealthy mainly because they know the right people or were born into wealthy families	33	47	53
8	Neither/Both equally (VOLUNTEERED-DO NOT READ)	9	7	9
*	Other (VOL.)	*	*	1
<u>4</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>4</u>	<u>5</u>
100		100	100	100

Q.9 Now I am going to read you a series of statements on some different topics. For each statement, please tell me if you completely agree with it, mostly agree with it, mostly DISagree with it or completely disagree with it. The first one is... **[READ ITEMS, IN ORDER. DO NOT ROTATE]**

IF NECESSARY: Do you completely agree, mostly agree, mostly DISagree or completely disagree?

a. Success in life is pretty much determined by forces outside our control

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
36	Agree (NET)	29	35	44
7	Completely agree	5	6	10
29	Mostly agree	24	29	34
61	Disagree (NET)	69	62	51
17	Completely disagree	22	16	14
44	Mostly disagree	47	46	37
<u>3</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>3</u>	<u>5</u>
100		100	100	100

b. It is the responsibility of the government to take care of people who can't take care of themselves

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
57	Agree (NET)	52	56	66
19	Completely agree	17	18	23
38	Mostly agree	35	38	43
39	Disagree (NET)	46	41	30
12	Completely disagree	15	12	10
27	Mostly disagree	31	29	20
<u>4</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>3</u>	<u>4</u>
100		100	100	100

c. Today it's really true that the rich just get richer while the poor get poorer

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
69	Agree (NET)	56	68	80
33	Completely agree	18	32	48
36	Mostly agree	38	36	32
28	Disagree (NET)	42	29	17
8	Completely disagree	14	7	4
20	Mostly disagree	28	22	13
<u>3</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>3</u>	<u>3</u>
100		100	100	100

d. Women should return to their traditional roles in society

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
23	Agree (NET)	20	24	24
7	Completely agree	5	8	7
16	Mostly agree	15	16	17
72	Disagree (NET)	76	72	70
44	Completely disagree	50	43	41
28	Mostly disagree	26	29	29
<u>5</u>	Don't know/Refused (VOL.)	<u>4</u>	<u>4</u>	<u>6</u>
100		100	100	100

e. The government should guarantee health care to every citizen.

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
71	Agree (NET)	66	71	79
41	Completely agree	36	40	51
30	Mostly agree	30	31	28
26	Disagree (NET)	32	26	18
12	Completely disagree	17	12	6
14	Mostly disagree	15	14	12
<u>3</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>3</u>	<u>3</u>
100		100	100	100

TREND FOR Q9a-d

	<u>NET</u>	----AGREE----		----DISAGREE----		DK/ Ref	
		Completely <u>agree</u>	Mostly <u>agree</u>	Completely <u>disagree</u>	Mostly <u>disagree</u>		
a. Success in life is pretty much determined by forces outside our control	36	7	29	61	17	44	3=100
January 2007	34	10	24	62	23	39	4=100
August 2003	30	11	19	67	32	35	3=100
August 2002	30	10	20	66	30	36	4=100
Late September 1999	32	11	21	67	29	38	1=100
November 1997	33	10	23	65	28	37	2=100
July 1994	39	14	25	59	26	33	2=100
May 1993	41	11	30	57	16	41	2=100
June 1992	38	11	27	59	21	38	3=100
May 1990	40	11	29	57	18	39	3=100
May 1988	41	13	28	56	19	37	3=100
May 1987	38	8	30	57	16	41	5=100

Q.9 CONTINUED...

	----AGREE----			----DISAGREE----			DK/ Ref
	<i>NET</i>	Completely <u>agree</u>	Mostly <u>agree</u>	<i>NET</i>	Completely <u>disagree</u>	Mostly <u>disagree</u>	
b. It is the responsibility of the government to take care of people who can't take care of themselves	57	19	38	39	12	27	4=100
January 2007	69	27	42	28	8	20	3=100
August 2003	66	25	41	31	11	20	3=100
August 2002	61	22	39	35	11	24	4=100
Late September 1999	62	20	42	35	14	21	3=100
November 1997	61	23	38	37	11	26	2=100
July 1994	57	20	37	41	15	26	2=100
May 1993	62	19	43	35	9	26	3=100
June 1992	69	28	41	28	8	20	3=100
May 1990	67	23	44	29	6	23	4=100
May 1988	74	26	48	23	6	17	3=100
May 1987	71	21	50	24	4	20	5=100
c. Today it's really true that the rich just get richer while the poor get poorer	69	33	36	28	8	20	3=100
January 2007	73	37	36	25	7	18	2=100
August 2003	68	34	34	29	7	22	3=100
August 2002	65	28	37	33	7	26	2=100
February 2002	68	37	31	29	9	20	3=100
Late September 1999	72	33	39	26	6	20	2=100
November 1997	70	34	36	28	6	22	2=100
July 1994	71	33	38	27	7	20	2=100
June 1992	78	38	40	20	4	16	2=100
November 1991	80	45	35	18	5	13	2=100
May 1990	78	38	40	19	3	16	3=100
February 1989	78	40	38	19	4	15	3=100
May 1988	76	34	42	21	3	18	3=100
May 1987	74	31	43	22	3	19	4=100
d. Women should return to their traditional roles in society	23	7	16	72	44	28	5=100
January 2007	20	8	12	75	51	24	5=100
August 2003	24	10	14	72	50	22	4=100
August 2002	20	8	12	75	48	27	5=100
Late September 1999	25	9	16	71	48	23	4=100
November 1997	24	10	14	73	43	30	3=100
July 1994	30	12	18	67	40	27	3=100
November 1991	23	10	13	75	49	26	2=100
May 1990	30	10	20	67	35	32	3=100
February 1989	26	10	16	71	41	30	3=100
May 1988	31	11	20	66	36	30	3=100
May 1987	30	9	21	66	29	37	4=100

Q.10 Do you favor or oppose allowing gays and lesbians to marry legally?

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
40	Favor	45	38	39
49	Oppose	47	51	46
<u>11</u>	Don't know/Refused (VOL.)	<u>8</u>	<u>11</u>	<u>15</u>
100		100	100	100

TREND FOR COMPARISON

Now I'd like to get your views on some issues that are being discussed in this country today. All in all, do you strongly favor, favor, oppose or strongly oppose allowing gays and lesbians to marry legally?²³

	<u>Net</u>	---FAVOR--		---OPPOSE---			<u>DK/ Ref</u>
		<u>Strongly Favor</u>	<u>Favor</u>	<u>Net</u>	<u>Strongly Oppose</u>	<u>Oppose</u>	
August 2007	36	13	23	55	31	24	9=100
March 2007	32	12	20	57	38	19	11=100
January 2007	37	13	24	55	33	22	8=100
July 2006 ²⁴	35	12	23	56	31	25	9=100
June 2006	33	13	20	55	32	23	12=100
March 2006	39	10	29	51	28	23	10=100
July 2005	36	13	23	53	31	22	11=100
December 2004	32	14	18	61	38	23	7=100
August 2004	29	8	21	60	35	25	11=100
July 2004	32	10	22	56	33	23	12=100
Mid-March 2004	32	10	22	59	35	24	9=100
Early February 2004	30	9	21	63	42	21	7=100
November 2003	30	10	20	62	41	21	8=100
October 2003	30	9	21	58	33	25	12=100
Mid-July 2003	38	10	28	53	30	23	9=100
March 2001	35	8	27	57	34	23	8=100
June 1996	27	6	21	65	41	24	8=100

²³ All trends were worded: "strongly favor, favor, oppose, or strongly oppose allowing gays and lesbians to marry legally?" This question was sometimes asked as part of a list of items.

²⁴ In June and July 2006, mid-March through August 2004, and October 2003, the question was not part of a list of items.

Q.10a Based on what you know or may have heard, do you think the globalization of the world economy is mostly good for the United States, mostly bad for the United States, or doesn't make much difference?

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
24	Mostly good	31	24	19
37	Mostly bad	31	37	42
29	Doesn't make much difference	32	29	28
2	Haven't heard of globalization (VOL.)	1	2	2
<u>8</u>	Don't know/Refused (VOL.)	<u>5</u>	<u>8</u>	<u>9</u>
100		100	100	100

Post/Kaiser/Harvard

<u>All</u>		<u>2007</u>
24	Mostly good	30
37	Mostly bad	35
29	Doesn't make much difference	27
2	Haven't heard of globalization (VOL.)	1
<u>8</u>	Don't know/Refused (VOL.)	<u>7</u>
100		100

Q.11 I'm going to read you a list of things that some people value in their lives but other people say they are not important. Please tell me how important each thing is to you personally—very important, somewhat important, not too important, or not at all important. First, [INSERT ITEM; RANDOMIZE]

IF NECESSARY: How important is this to you personally—very important, somewhat important, not too important, or not at all important?

a. Being successful in a career

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
94	Important (NET)	96	94	91
61	Very important	64	59	62
33	Somewhat important	32	35	29
5	Not Important (NET)	4	5	8
4	Not too important	3	4	6
1	Not at all important	1	1	2
<u>1</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>1</u>	<u>1</u>
100		100	100	100

b. Having enough free time to do things you want to do

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
95	Important (NET)	96	95	93
67	Very important	69	68	63
28	Somewhat important	27	27	30
4	Not Important (NET)	3	4	6
3	Not too important	2	3	4
1	Not at all important	1	1	2
<u>1</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>1</u>	<u>1</u>
100		100	100	100

Q.11 CONTINUED...

c. Being married

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
80	Important (NET)	83	82	72
53	Very important	55	55	46
27	Somewhat important	28	27	26
19	Not Important (NET)	17	17	25
12	Not too important	11	11	16
7	Not at all important	6	6	9
<u>1</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>1</u>	<u>3</u>
100		100	100	100

d. Living a religious life

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
80	Important (NET)	81	81	79
52	Very important	50	53	53
28	Somewhat important	31	28	26
18	Not Important (NET)	19	18	18
11	Not too important	10	11	13
7	Not at all important	9	7	5
<u>2</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>1</u>	<u>3</u>
100		100	100	100

e. Having children

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
84	Important (NET)	86	85	81
61	Very important	61	62	59
23	Somewhat important	25	23	22
15	Not Important (NET)	13	14	17
9	Not too important	8	8	10
6	Not at all important	5	6	7
<u>1</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>1</u>	<u>2</u>
100		100	100	100

f. Being wealthy

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
56	Important (NET)	66	55	51
13	Very important	15	12	13
43	Somewhat important	51	43	38
43	Not Important (NET)	34	44	48
33	Not too important	28	35	34
10	Not at all important	6	9	14
<u>1</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>1</u>	<u>1</u>
100		100	100	100

Q.11 CONTINUED...

g. Doing volunteer work or donating to charity

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
92	Important (NET)	95	93	89
52	Very important	55	52	52
40	Somewhat important	40	41	37
7	Not Important (NET)	5	6	10
5	Not too important	4	5	7
2	Not at all important	1	1	3
<u>1</u>	Don't know/Refused (VOL.)	<u>0</u>	<u>1</u>	<u>1</u>
100		100	100	100

Trend for Q11a-f

	<u>Net</u>	---IMPORTANT---		---NOT IMPORTANT---		DK/ <u>Ref</u>	
		<u>Very important</u>	<u>Somewhat important</u>	<u>Net</u>	<u>Not too important</u>		<u>Not at all important</u>
a. Being successful in a career	94	61	33	5	4	1	1=100
<i>Post/Kaiser/Harvard Black Men Project, 2006²⁵</i>	87	53	34	12	7	5	*=99
b. Having enough free time to do things you want to do	95	67	28	4	3	1	1=100
<i>Post/Kaiser/Harvard Black Men Project, 2006</i>	94	63	31	6	5	1	*=100
c. Being married	80	53	27	19	12	7	1=100
<i>Post/Kaiser/Harvard Black Men Project, 2006</i>	76	56	20	24	14	10	*=100
d. Living a religious life	80	52	28	18	11	7	2=100
<i>Post/Kaiser/Harvard Black Men Project, 2006</i>	79	54	25	21	13	8	*=100
e. Having children	84	61	23	15	9	6	1=100
<i>Post/Kaiser/Harvard Black Men Project, 2006</i>	81	64	17	18	8	10	1=100
f. Being wealthy	56	13	43	43	33	10	1=100
<i>Post/Kaiser/Harvard Black Men Project, 2006</i>	53	11	42	47	34	13	*=100

²⁵ The 2006 figures are from a *Post/Kaiser/Harvard Black Men Project* survey conducted March 20 through April 29, and were part of a longer list of items.

Now thinking about the economy in general...

Q11h. Would you describe the state of the nation's economy these days as: excellent, good, not so good, or poor?

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
2	Excellent	3	2	1
21	Good	29	23	12
50	Not so good	47	53	45
26	Poor	21	21	40
<u>1</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>1</u>	<u>2</u>
100		100	100	100

<u>All</u>	
2	Excellent
21	Good
50	Not so good
26	Poor
<u>1</u>	Don't know/Refused (VOL.)
100	

OWNRENT Do you own or rent your home?

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
64	Own	76	68	46
30	Rent	19	26	48
5	Other arrangement (VOL.)	5	5	4
<u>1</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>1</u>	<u>2</u>
100		100	100	100

<u>All</u>		<u>March 2007</u>	<u>Oct 2006</u>	<u>June 2006</u>	<u>Feb 2006</u>	<u>Oct 2005</u>
64	Own	69	68	68	68	68
30	Rent	26	27	27	27	26
5	Other arrangement (VOL.)	5	5	4	4	6
<u>1</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>*</u>	<u>1</u>	<u>1</u>	<u>*</u>
100		100	100	100	100	100

Q.12 Now I am going to read to you a list of things that some families have and others do not. For each, I'd like your best guess as to whether this is something that only rich families have, or is it something that most families have? What about [INSERT ITEM; RANDOMIZE; ALWAYS ASK ITEM A FIRST].

IF NECESSARY: Is this something that only rich people have, or is it something that most people have?

a. Two or more cars.

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
10	Only rich	11	8	14
88	Most people	88	90	84
<u>2</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>2</u>	<u>2</u>
100		100	100	100

Q.12 CONTINUED...

b. Paid household help, such as someone who comes to your home and helps with the cleaning, yard work or child care

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
75	Only rich	76	73	78
21	Most people	21	22	19
<u>4</u>	Don't know/Refused (VOL.)	<u>3</u>	<u>5</u>	<u>3</u>
100		100	100	100

c. A vacation home

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
87	Only rich	87	86	90
10	Most people	10	12	7
<u>3</u>	Don't know/Refused (VOL.)	<u>3</u>	<u>2</u>	<u>3</u>
100		100	100	100

d. A child under the age of 18 who attends private school

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
69	Only rich	73	68	68
24	Most people	22	25	26
<u>7</u>	Don't know/Refused (VOL.)	<u>5</u>	<u>7</u>	<u>6</u>
100		100	100	100

e. A high-definition or flat-screen TV

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
32	Only rich	31	31	35
62	Most people	64	63	58
<u>6</u>	Don't know/Refused (VOL.)	<u>5</u>	<u>6</u>	<u>7</u>
100		100	100	100

f. High-speed Internet access at home

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
10	Only rich	14	9	8
86	Most people	83	87	87
<u>4</u>	Don't know/Refused (VOL.)	<u>3</u>	<u>4</u>	<u>5</u>
100		100	100	100

g. Cable television or satellite beyond the basic service

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
8	Only rich	8	7	10
90	Most people	90	91	88
<u>2</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>2</u>	<u>2</u>
100		100	100	100

Q.13 Now for each, please tell me if this is something your family has. What about **[INSERT ITEM; RANDOMIZE; ALWAYS ASK ITEM A FIRST]**.

IF NECESSARY: Does your family have **[INSERT ITEM; RANDOMIZE]**, or not?

a. Two or more cars.

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
70	Yes	83	72	57
29	No	16	27	42
<u>1</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>1</u>	<u>1</u>
100		100	100	100

BASED ON HOMEOWNERS [N=1597]:

b. **(ASK IF OWNRENT=1)** A second mortgage or a home equity loan

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
27	Yes	31	26	24
71	No	66	72	74
<u>2</u>	Don't know/Refused (VOL.)	<u>3</u>	<u>2</u>	<u>2</u>
100		100	100	100

c. Paid household help, such as someone who comes to your home and helps with the cleaning, yard work or child care

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
16	Yes	36	13	7
83	No	64	86	93
<u>1</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>1</u>	<u>*</u>
100		100	100	100

d. A vacation home

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
10	Yes	19	9	4
90	No	81	91	96
<u>*</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>*</u>	<u>*</u>
100		100	100	100

BASED ON THOSE WITH MINOR CHILDREN [N=813]:

e. A child under the age of 18 who attends private school

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
15	Yes	31	14	6
85	No	68	86	94
<u>*</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>0</u>	<u>0</u>
100		100	100	100

Q.13 CONTINUED...

f. A high-definition or flat-screen TV

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
42	Yes	59	42	28
57	No	41	57	71
<u>1</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>1</u>	<u>1</u>
100		100	100	100

g. High-speed Internet access at home

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
66	Yes	80	67	50
33	No	18	32	49
<u>1</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>1</u>	<u>1</u>
100		100	100	100

h. Cable television or satellite beyond the basic service

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
70	Yes	80	71	62
29	No	19	29	37
<u>1</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>*</u>	<u>1</u>
100		100	100	100

Q.14 How often do you eat at restaurants, including fast-food restaurants--everyday, several times a week, about once a week, once or twice a month, a few times a year, or less often?

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
5	Everyday	7	4	3
27	Several times a week	35	26	19
31	About once a week	32	33	28
26	Once or twice a month	19	25	36
6	A few times a year	4	7	7
4	Less often	3	4	6
<u>1</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>1</u>	<u>1</u>
100		100	100	100

Q.15 How would you describe your household's financial situation? Would you say you (READ)

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
38	Live comfortably	66	39	9
32	Meet your basic expenses with a little left over for extras	23	37	31
22	Just meet your basic expenses	7	20	39
7	Don't even have enough to meet basic expenses	4	3	19
<u>1</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>1</u>	<u>2</u>
100		100	100	100

Q.16 On the whole, would you say you are saving as much money as you should, or do you feel you should probably be saving more?

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
21	Saving as much as you should	30	21	13
75	Should be saving more	69	75	82
<u>4</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>4</u>	<u>5</u>
100		100	100	100

Q.17 For each of the following, please tell me whether or not it is something that happened to you in the past year....Have you [INSERT ITEM; RANDOMIZE]?

a. Had trouble getting or paying for medical care for yourself or your family

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
23	Yes	11	18	43
76	No	89	81	56
<u>1</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>1</u>	<u>1</u>
100		100	100	100

b. Had problems paying your rent or mortgage

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
16	Yes	5	12	33
83	No	94	87	66
<u>1</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>1</u>	<u>1</u>
100		100	100	100

c. Or someone else in your household had to start working or take on an extra job because you needed the money

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
24	Yes	10	21	42
76	No	90	78	57
<u>*</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>1</u>	<u>1</u>
100		100	100	100

d. Been laid off or lost your job

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
14	Yes	9	10	25
85	No	91	89	74
<u>1</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>1</u>	<u>1</u>
100		100	100	100

e. Gotten a pay raise at your current job or gotten a better job

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
41	Yes	47	44	31
57	No	52	55	67
<u>2</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>1</u>	<u>2</u>
100		100	100	100

Q.17 CONTINUED...

f. Had to cut back your household spending because money was tight

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
55	Yes	36	53	75
45	No	64	47	24
<u>*</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>*</u>	<u>1</u>
100		100	100	100

TREND FOR COMPARISON

For each of the following, please tell me whether or not it is something that happened to **you and your immediate family** during the past year....Have you **[INSERT ITEM; RANDOMIZE]**?

**KAISER FAMILY FOUNDATION/HARVARD/WASHINGTON POST:
LATINO SURVEY, 1999**

	<u>Yes</u>	<u>No</u>	DK/ <u>Ref</u>
a. Had trouble getting or paying for medical care for yourself or your family	21	78	*=100
b. Had problems paying your rent or mortgage	13	87	*=100
c. Or someone else in your household had to start working or take on an extra job because you needed the extra money	28	72	*=100
d. Been laid off or lost your job	n/a	n/a	n/a
e. Gotten a promotion or a big pay raise at work	29	69	2=100
f. Had to cut back your household spending because money was tight	n/a	n/a	n/a

Q.18 Looking ahead to the coming year, how likely is it that you will **[INSERT ITEM; RANDOMIZE]**? Is it very likely, somewhat likely, not too likely or not at all likely?

IF NECESSARY: Is it very likely, somewhat likely, not too likely or not at all likely that you will **(REPEAT ITEM)**

a. Have trouble paying your bills

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
31	Likely (NET)	14	25	60
11	Very likely	3	7	25
20	Somewhat likely	11	18	35
67	Not likely (NET)	86	72	39
35	Not too likely	41	38	23
32	Not at all likely	45	34	16
<u>2</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>3</u>	<u>1</u>
100		100	100	100

Q.18 CONTINUED...

b. Have trouble saving money for the future

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
52	Likely (NET)	38	51	67
22	Very likely	12	20	37
30	Somewhat likely	26	31	30
45	Not likely (NET)	60	46	29
25	Not too likely	34	26	15
20	Not at all likely	26	20	14
<u>3</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>3</u>	<u>4</u>
100		100	100	100

c. Have to cut back on household spending because money is tight

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
54	Likely (NET)	37	50	77
24	Very likely	10	19	45
30	Somewhat likely	27	31	32
44	Not likely (NET)	62	47	22
25	Not too likely	33	27	13
19	Not at all likely	29	20	9
<u>2</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>3</u>	<u>1</u>
100		100	100	100

E3 Are you now employed full-time, part-time or not employed?

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
51	Full-time	54	54	45
13	Part-time	12	13	14
35	Not employed	34	33	40
<u>1</u>	Don't know/Refused (VOL.--DO NOT READ)	<u>*</u>	<u>*</u>	<u>1</u>
100		100	100	100

<u>All</u>		<u>Mar</u> <u>2007</u>	<u>Oct</u> <u>2006</u>	<u>June</u> <u>2006</u>	<u>Feb</u> ²⁶ <u>2006</u>	<u>Oct</u> <u>2005</u>
51	Full-time	48	53	48	49	52
13	Part-time	13	12	12	15	12
35	Not employed	38	35	39	35	36
<u>1</u>	Don't know/Refused (VOL.--DO NOT READ)	<u>1</u>	<u>*</u>	<u>1</u>	<u>1</u>	<u>*</u>
100		100	100	100	100	100

²⁶ The employment question in February 2006 and October 2005 was preceded by questions about retirement and school enrollment. If respondent was retired, the question was asked: "Some people who have retired do some type of work for pay..." If respondent was a student, the question was asked: "Some students also do some type of work for pay..."

ASK IF EMPLOYED (E3= 1,2):Q.19 Overall, how satisfied are you with your job? Are you **(READ)****BASED ON THOSE WHO ARE EMPLOYED [N=1535]:**

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
87	Satisfied (NET)	91	89	78
31	Completely satisfied	36	34	18
56	Mostly satisfied	55	55	60
12	Dissatisfied (NET)	9	10	21
10	Mostly dissatisfied	6	8	16
3	Completely dissatisfied	3	2	5
<u>*</u>	Don't know/Refused (VOL.--DO NOT READ)	<u>0</u>	<u>1</u>	<u>1</u>
100		100	100	100
		<u>June</u>	<u>PSRAI²⁷</u>	<u>Gallup</u>
		<u>2006</u>	<u>July 1997</u>	<u>July 1989</u>
<u>All</u>				
87	Satisfied (NET)	89	86	89
31	Completely satisfied	28	24	28
56	Mostly satisfied	61	62	61
12	Dissatisfied (NET)	10	13	11
10	Mostly dissatisfied	8	10	8
3	Completely dissatisfied	2	3	3
<u>*</u>	Don't know/Refused (VOL.--DO NOT READ)	<u>1</u>	<u>1</u>	<u>*</u>
100		100	100	100

ASK IF EMPLOYED (E3=1,2)Q.20 Thinking about the next 12 months, how likely is it that **[INSERT ITEM; RANDOMIZE]**? Is it very likely, somewhat likely, not too likely or not at all likely?**IF NECESSARY:** Is it very likely, somewhat likely, not too likely or not likely at all likely that **(REPEAT ITEM)****BASED ON THOSE WHO ARE EMPLOYED [N=1535]:**

a. Your employer may go out of business or relocate to another city

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
12	Likely (NET)	6	12	17
4	Very likely	2	4	7
8	Somewhat likely	4	8	10
87	Not likely (NET)	93	88	81
24	Not too likely	22	25	25
63	Not at all likely	71	63	56
<u>1</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>*</u>	<u>2</u>
100		100	100	100

²⁷ The July 1997 PSRAI question was worded "Overall, how satisfied or dissatisfied are you with your current job? Are you...[READ RESPONSES]"

Q.20 CONTINUED...

b. You may not get a raise

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
43	Likely (NET)	38	43	48
20	Very likely	16	18	29
23	Somewhat likely	22	25	19
55	Not likely (NET)	60	56	50
22	Not too likely	20	24	21
33	Not at all likely	40	32	29
<u>2</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>1</u>	<u>2</u>
100		100	100	100

c. You may have your health care benefits reduced or eliminated by your employer

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
20	Likely (NET)	18	20	25
7	Very likely	7	6	11
13	Somewhat likely	11	14	14
74	Not likely (NET)	78	76	65
25	Not too likely	23	27	23
49	Not at all likely	55	49	42
<u>6</u>	Don't know/Refused (VOL.)	<u>4</u>	<u>4</u>	<u>10</u>
100		100	100	100

d. Your job may be outsourced to a worker in another country

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
10	Likely (NET)	5	10	14
5	Very likely	2	4	9
5	Somewhat likely	3	6	5
88	Not likely (NET)	94	89	84
18	Not too likely	17	18	21
70	Not at all likely	77	71	63
<u>2</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>1</u>	<u>2</u>
100		100	100	100

e. You may be asked to take a cut in pay

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
13	Likely (NET)	10	12	18
4	Very likely	2	3	7
9	Somewhat likely	8	9	11
86	Not likely (NET)	90	88	81
27	Not too likely	25	29	29
59	Not at all likely	65	59	52
<u>1</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>*</u>	<u>1</u>
100		100	100	100

Q.20 CONTINUED...

f. You may be laid off

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
15	Likely (NET)	6	14	25
5	Very likely	2	4	10
10	Somewhat likely	4	10	15
84	Not likely (NET)	94	85	74
28	Not too likely	29	29	27
56	Not at all likely	65	56	47
<u>1</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>1</u>	<u>1</u>
100		100	100	100

g. Your income may not keep up with the cost of living

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
49	Likely (NET)	35	47	66
20	Very likely	11	17	34
29	Somewhat likely	24	30	32
50	Not likely (NET)	63	52	33
26	Not too likely	25	29	19
24	Not at all likely	38	22	14
<u>1</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>1</u>	<u>1</u>
100		100	100	100

ASK ALL:

Q.21 Compared with five years ago, do you think it is now more or less difficult for middle-class people to maintain their standard of living?

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
79	More difficult	72	78	89
12	Less difficult	15	13	7
6	About the same (VOL.)	11	6	1
<u>3</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>3</u>	<u>3</u>
100		100	100	100

NBC/Wall

Street Journal

Nov 1986

<u>All</u>		
79	More difficult	65
12	Less difficult	22
6	About the same (VOL.)	9
<u>3</u>	Don't know/Refused (VOL.)	<u>4</u>
100		100

ASK IF MORE DIFFICULT (Q21=1)

Q.21/22 In your opinion, who or what is most to blame for the difficulties the middle class is facing [ROTATE RESPONSE OPTIONS] the government, private corporations, foreign competition, the price of oil, people themselves or [ALWAYS LAST] is something else to blame?

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
79	More difficult (NET)	72	78	89
28	The government	20	26	39
5	Private corporations	4	5	5
8	Foreign competition	6	8	8
13	The price of oil	10	15	13
12	People themselves	17	11	9
4	Combination/Mixture of these things	6	3	5
*	President George Bush	1	*	1
1	Economy/cost of living	*	1	*
3	Miscellaneous/other	4	3	4
5	Don't know/Refused (VOL.)	4	6	5
12	Less difficult	15	13	7
6	About the same (VOL.)	11	6	1
<u>3</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>3</u>	<u>3</u>
100		100	100	100

ASK IF HOMEOWNER (OWNRENT=1)

Q.23 Thinking about your family's financial assets, would you say that the value of your home represents (READ)

BASED ON HOMEOWNERS [N=1597]:

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
30	More than half of your family's financial worth	25	29	45
32	About half of your financial worth	25	36	26
31	Less than half of your financial worth	44	27	24
<u>7</u>	Don't know/Refused (VOL.)	<u>6</u>	<u>8</u>	<u>5</u>
100		100	100	100

TREND FOR COMPARISON

Thinking about **your financial assets**, would you say that the value of your home represents (READ)

<u>Oct</u> <u>2006</u>	<u>US News &</u> <u>World Report</u> <u>Jan 1992</u>	
34	33	All or most of your personal financial worth
34	35	About half of your financial worth
25	25	Less than half of your financial worth
<u>7</u>	<u>7</u>	Don't know/Refused (VOL.)
100	100	

ASK IF HOMEOWNER [OWNRENT=1]

Q.24 What would you say is the current value of your home? Just stop me when I get to the right category. Is it... **(READ)**

BASED ON HOMEOWNERS [N=1597]:

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
20	Less than \$100,000	5	19	43
40	\$100,000 to under \$250,000	30	46	35
25	\$250,000 to under \$500,000	33	24	15
8	\$500,000 to under 1 Million	18	5	2
1	\$1 million or more	6	*	0
<u>6</u>	Don't know/Refused (VOL.)	<u>8</u>	<u>6</u>	<u>5</u>
100		100	100	100

<u>All</u>		<u>Oct 2006</u>
20	Less than \$100,000	22
40	\$100,000 to under \$250,000	35
25	\$250,000 to under \$500,000	25
8	\$500,000 to under 1 Million	8
1	\$1 million or more	3
<u>6</u>	Don't know/Refused (VOL.)	<u>7</u>
100		100

ASK IF HOMEOWNER [OWNRENT=1]

Q.25 And have you paid off all, more than half, about half or less than half, the money you owe on your home?

BASED ON HOMEOWNERS [N=1597]:

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
30	All	27	30	35
18	More than half	25	15	16
10	About half	9	12	8
38	Less than half	35	40	37
<u>4</u>	Don't know/Refused (VOL.)	<u>4</u>	<u>3</u>	<u>4</u>
100		100	100	100

ASK ALL:
MARITAL

Are you currently married, living with a partner, divorced, separated, widowed, or have you never been married? **(IF R SAYS "SINGLE," PROBE TO DETERMINE WHICH CATEGORY IS APPROPRIATE)**

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
50	Married	59	51	37
8	Living with a partner	6	8	12
10	Divorced	6	10	15
2	Separated	1	2	4
8	Widowed	6	9	7
21	Never been married	22	19	24
<u>1</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>1</u>	<u>1</u>
100		100	100	100

<u>All</u>		<u>Mar 2007</u>	<u>Oct 2006</u>	<u>June 2006</u>	<u>Feb 2006</u>	<u>Oct 2005</u>
50	Married	53	53	51	52	55
8	Living with a partner	5	6	7	8	6
10	Divorced	10	10	11	10	9
2	Separated	3	3	2	3	2
8	Widowed	9	9	9	8	8
21	Never been married	20	19	20	18	18
<u>1</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>*</u>	<u>*</u>	<u>1</u>	<u>2</u>
100		100	100	100	100	100

Q.26 Do you **[IF MARITAL=1]** or your spouse: **(READ AND RANDOMIZE)**

a. Own any stocks, bonds or mutual funds

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
44	Yes	67	45	21
55	No	31	53	78
<u>1</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>2</u>	<u>1</u>
100		100	100	100

b. Have a checking or savings account

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
88	Yes	95	88	83
11	No	4	10	16
<u>1</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>2</u>	<u>1</u>
100		100	100	100

c. Have an IRA, 401K or a similar kind of retirement account

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
57	Yes	73	60	38
41	No	25	39	60
<u>2</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>1</u>	<u>2</u>
100		100	100	100

Q.26 CONTINUED...

d. Own a business or a farm

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
16	Yes	24	15	9
84	No	76	85	90
<u>*</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>*</u>	<u>1</u>
100		100	100	100

e. Have some kind of health insurance

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
84	Yes	92	86	71
16	No	8	14	28
<u>*</u>	Don't know/Refused (VOL.)	<u>0</u>	<u>*</u>	<u>1</u>
100		100	100	100

Q.27 Just your best guess: How much does a family of four need to have in total annual income to lead a middle-class lifestyle in your area? **OPEN-END. RECORD AMOUNT IN THOUSANDS (RANGE 20-500) IF NECESSARY, ADD:** Just your best estimate to the nearest thousand dollars...

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
17	Under \$50,000	11	17	23
46	\$50,000 to \$99,999	50	45	44
20	\$100,000 or more	27	20	16
13	Not sure	10	14	13
<u>4</u>	Refused (VOL.)	<u>2</u>	<u>4</u>	<u>4</u>
100		100	100	100

Now a couple of questions about the political parties.

ROTATE Q.28 AND Q.29

Q.28 In general, do you think the Republican Party favors the rich, favors the middle class or favors the poor?

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
59	Favors the rich	54	58	65
21	Favors the middle class	30	21	13
3	Favors the poor	3	3	3
4	Favors none/all equally (VOL.)	6	4	3
<u>13</u>	Don't know/Refused (VOL.)	<u>7</u>	<u>14</u>	<u>16</u>
100		100	100	100

<u>All</u>		<u>Gallup/CNN/ USA Today Jan 2003</u>	<u>Gallup/CNN/ USA Today Nov 1998</u>	<u>Gallup/CNN/ USA Today March 1995</u>	<u>Gallup/CNN/ USA Today Oct 1994</u>
59	Favors the rich	62	67	68	71
21	Favors the middle class	26	24	24	20
3	Favors the poor	1	2	2	3
4	Favors none/all equally (VOL.)	7	4	3	4
<u>13</u>	Don't know/Refused (VOL.)	<u>4</u>	<u>3</u>	<u>3</u>	<u>2</u>
100		100	100	100	100

Q.29 In general, do you think the Democratic Party favors the rich, favors the middle class or favors the poor?

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
16	Favors the rich	14	16	19
38	Favors the middle class	40	39	36
27	Favors the poor	32	26	24
5	Favors none/all equally (VOL.)	5	4	3
<u>14</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>15</u>	<u>18</u>
100		100	100	100

<u>All</u>		<u>Gallup/CNN/ USA Today Jan 2003</u>	<u>Gallup/CNN/ USA Today Nov 1998</u>	<u>Gallup/CNN/ USA Today March 1995</u>	<u>Gallup/CNN/ USA Today Oct 1994</u>
16	Favors the rich	19	20	n/a	29
38	Favors the middle class	42	43	n/a	36
27	Favors the poor	27	28	n/a	28
5	Favors none/all equally (VOL.)	5	4	n/a	4
<u>14</u>	Don't know/Refused (VOL.)	<u>7</u>	<u>5</u>	n/a	<u>3</u>
100		100	100	n/a	100

HEALTH How would you rate your own health in general these days? Would you say your health is excellent, good, only fair, or poor?

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
30	Excellent	43	29	18
48	Good	43	52	45
17	Only Fair	11	14	26
5	Poor	3	4	10
<u>*</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>1</u>	<u>1</u>
100		100	100	100

<u>All</u>		<u>Feb 2006</u>	<u>Oct 2005</u>	<u>June 2003</u>	<u>Mid-July 1990</u>
30	Excellent	29	30	28	27
48	Good	51	48	52	53
17	Only Fair	15	17	15	15
5	Poor	5	5	5	5
<u>*</u>	Don't know/Refused (VOL.)	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
100		100	100	100	100

SOURCES And did any of your total household income last year come from:

a. Salaries or wages from a job

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
76	Yes	79	75	75
22	No	19	22	23
<u>2</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>3</u>	<u>2</u>
100		100	100	100

b. Self-employment, including a self-owned business or farm

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
20	Yes	29	19	14
79	No	70	80	85
<u>1</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>1</u>	<u>1</u>
100		100	100	100

c. Social Security, pension or a retirement plan, including 401k plan

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
30	Yes	28	30	31
68	No	71	68	68
<u>2</u>	Don't know/Refused (VOL.)	<u>1</u>	<u>2</u>	<u>1</u>
100		100	100	100

d. Dividends, income from estates or trusts, or net rental income

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
14	Yes	26	13	6
83	No	71	84	92
<u>3</u>	Don't know/Refused (VOL.)	<u>3</u>	<u>3</u>	<u>2</u>
100		100	100	100

e. Interest on savings or bonds

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
23	Yes	39	22	11
74	No	59	75	87
<u>3</u>	Don't know/Refused (VOL.)	<u>2</u>	<u>3</u>	<u>2</u>
100		100	100	100

f. Another source **(SPECIFY)**

<u>All</u>		<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
9	Yes	12	7	11
88	No	85	90	87
<u>3</u>	Don't know/Refused (VOL.)	<u>3</u>	<u>3</u>	<u>2</u>
100		100	100	100

Section II - A Statistical Portrait

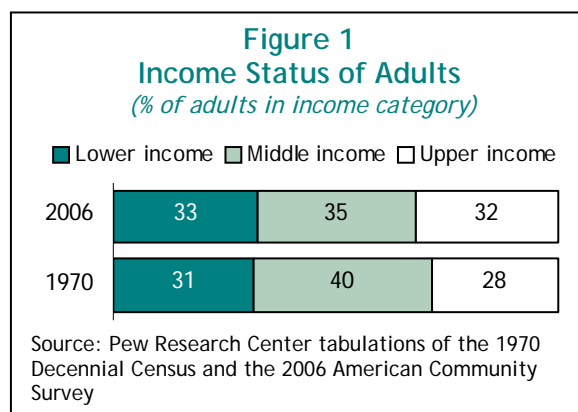
This section analyzes U.S. Census and other data sources to explore changes over time in the demography and economic well-being of the middle income group. Chapter 7 on the changing demography of income groups was written by Richard Fry, senior researcher; and Chapter 8 on trends in income, expenditures, wealth and debt was written by Rakesh Kochhar, senior researcher. Research assistant Felisa Gonzales helped with fact-checking and the preparation of charts.

Chapter 7: Middle Income Demography, 1970-2006

Overview

This section of the report uses census data to examine how the demographic characteristics of adults in the lower, middle and upper income groups changed from 1970 to 2006. By our definition, a person is considered middle income if that person lives in a household with an annual income that falls within 75% to 150% of the median household income, which in 2006 was \$44,620 to \$89,241 (adjusted to 2008 dollars) for a household of three. A person whose median household income is above that range is considered in the upper income group; a person whose household income is below that range is in the lower income group. We use 1970 as the starting point for our analysis because it is the closest census year to what many economists consider an inflection point between the post-World War II era (1947-73) of rapid economic advancement for the middle class and the more recent era (1973-present), which has been characterized by more modest gains for the middle class. We use 2006 as the end point for our analysis because it is the most recent year available of the American Community Survey.

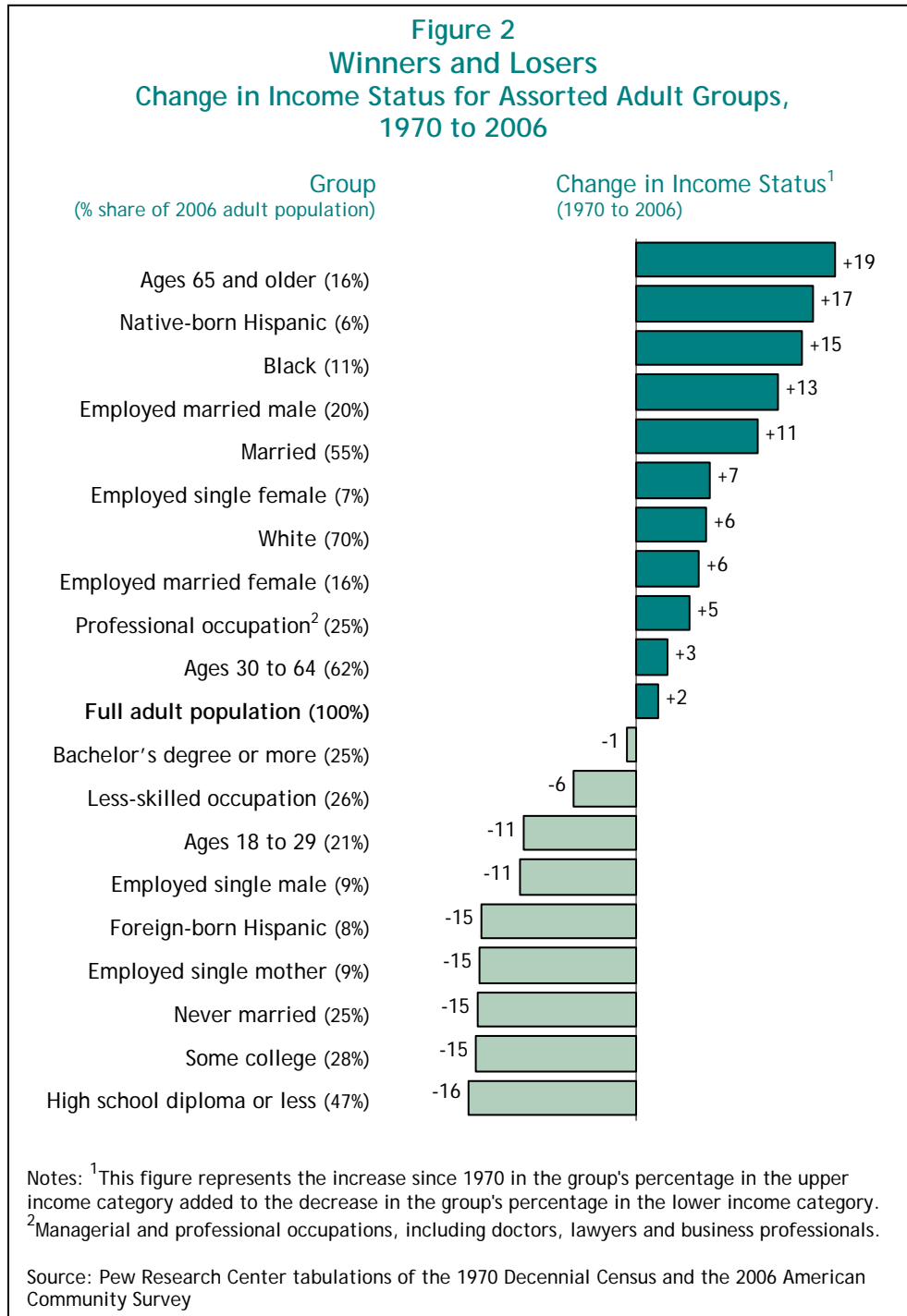
This analysis finds that the middle income group, as a share of the total adult population, has shrunk in size. In 1970, 40% of adults were in middle income households. By 2006, just 35% of adults were in the middle income category (Figure 1). This small but notable “hollowing out” of the middle income group has been accompanied by increases in the share of adults in both the lower income category and the upper income category. However, the percentage increases since 1970 have been greater in the upper income category (plus 3.6 percentage points) than in the lower income category (plus 1.2 percentage points).



Our analysis also finds that some demographic groups have been economic winners during this period and that others have been losers (Figure 2). For the purposes of this analysis, winning means a greater likelihood of being in a higher income category; losing means a greater likelihood of being in a lower income category. Among the key findings:

- Education.** The least educated adults have experienced the greatest decline in their income position. In 1970, 36% of adults with a high school diploma or less were in lower income households. In 2006, 46% of these adults were in lower income households. Also, fewer of these adults were in the upper income tier in 2006 (17%) than in 1970 (23%). Adults with one to three years of college also lost considerable ground.
- Age.** Seniors (those ages 65 and older) have experienced big improvements in their income position since 1970. A much smaller share of senior citizens were lower income in 2006 (45%) than in 1970 (58%), and a larger share were in the upper income group—21% in 2006 versus 16% in 1970. By

contrast, younger adults (ages 18-29) saw their income position decline—they were more likely to be lower income in 2006 (39%) than in 1970 (30%).



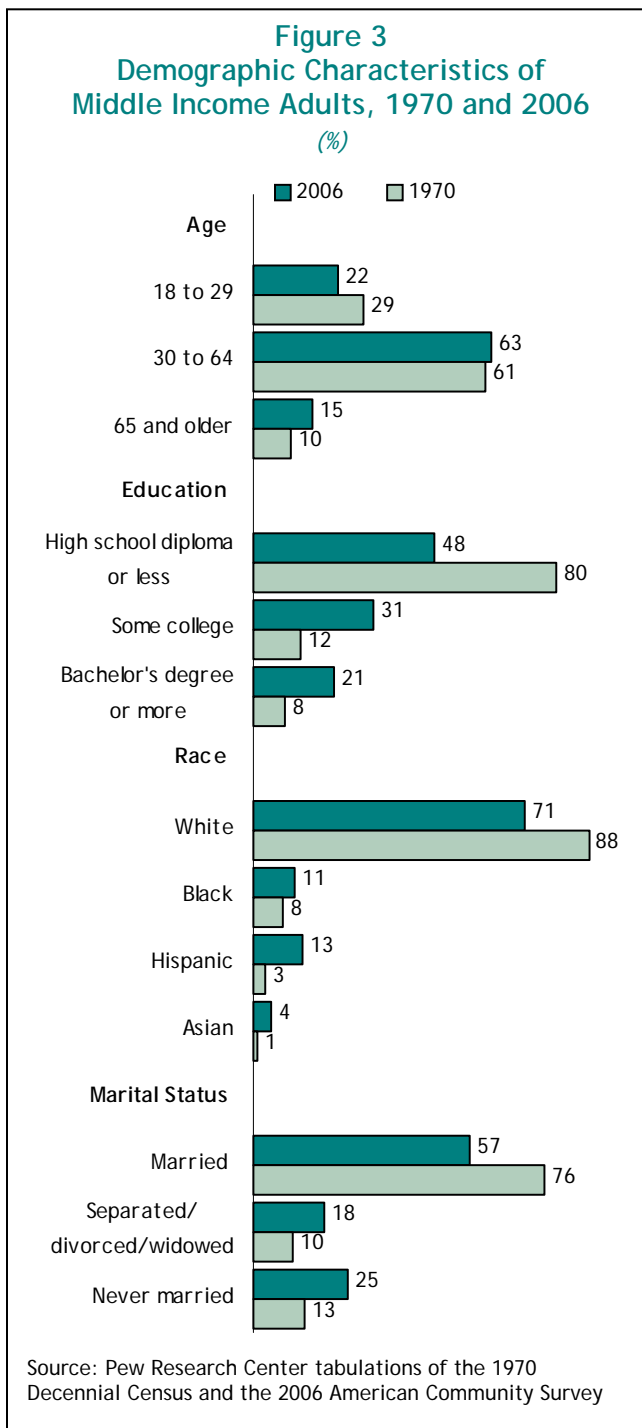
- **Occupation.** Workers in less-skilled occupational categories have lost ground; they were more likely to be lower income in 2006 (42%), compared with 1970 (36%). By contrast, workers in managerial and professional occupations were more likely to be upper income in 2006 (57%) than in 1970 (52%).
- **Race and Ethnicity.** Whites, blacks, Asian-Americans and native-born Hispanics all improved their income positions from 1970 to 2006, while foreign-born Hispanics (i.e., immigrants) saw their income position decline. Looking at these changes from the perspective of the adult population as a whole, the effect of this rise in income status for all major racial and ethnic groups was largely offset by the effect of the compositional change in the population during this period. In 1970, just 14% of the adult population was made up of minorities; by 2006, 30% of the adult population was made up of minorities. These minority groups, on average, have lower incomes than whites. So even though these minority groups improved their income status during this period, their increased share of the total population had the effect of moderating the overall income gains experienced by the full population.
- **Marriage.** In 1970 about three-in-ten married adults were in the upper income tier; by 2006 nearly four-in-ten such adults were in the upper tier. Unmarried adults, by contrast, lost ground. For example, among adults who had never married, 34% were in the upper income category in 1970. By 2006, only 27% of never-married adults were upper income.
- **Marriage and Gender.** Since 1970, working husbands have fared better than working wives. The likelihood of working husbands living in an upper income household rose 11 percentage points since 1970. By contrast, the share of working wives in the high income household category rose six percentage points since 1970. The difference is largely explained by the fact that in 1970 a large percentage of working wives were already in two-earner households, whereas a much smaller percentage of working husbands were in two-earner households.
- **Working Singles and Gender.** Single working women have experienced much greater improvement in their income position since 1970 than have single working men. In 2006, 32% of these females who do not live with children or other family members were in upper income households, an increase from 28% in 1970. By contrast, unmarried working males were less likely to be in upper income households in 2006 (36%) than in 1970 (43%).

This report also finds that adults in middle income households in 2006 have different characteristics than those in 1970 middle income households (Figure 3). To some extent these changes are to be expected, because the full adult population has different characteristics than it did in 1970. However, on a number of demographic fronts, the changes in the middle income group have been different from the changes among the general population. Here is a summary of some of the key changes in the characteristics of middle income adults and, for comparison, the changes in the full adult population:

- **Age.** Middle income adults have aged. In 1970, the average middle income adult was 41 years old. By 2006, the average middle income adult was 45, largely due to the rising presence of senior citizens among middle income adults. Among the full adult population (ages 18 and older), the increase in average age was not as great over this period—it went from 44 years in 1970 to 46 years in 2006.

- Education.** Middle income adults have become much better educated over time. In 1970, just one-in-five adults in the middle income group had attained more than a high school diploma. By 2006, more than half of middle income adults had completed more than a high school education. The improvement in educational attainment of middle income adults was concentrated among those with some college (but not completing a bachelor's degree or advanced degree). In 2006, 31% of middle income adults had completed one to three years of college, an increase from 12% of adults in this category in 1970. Among the full adult population, those with some college education increased to 28% in 2006 from 12% in 1970.

- Race and Ethnicity.** As with the full adult population, middle income adults were more likely to be racial and ethnic minorities in 2006 than in 1970. In 1970 nearly nine-in-ten middle income adults were non-Hispanic whites. By 2006, about seven-in-ten middle income adults were non-Hispanic white. The Hispanic share of middle income adults rose from 3% in 1970 to 13% in 2006. Asian-Americans rose from less than 1% of middle income adults in 1970 to 4% in 2006. Non-Hispanic blacks grew from 8% of middle income adults in 1970 to 11% in 2006.



- Marriage and Parenthood.** From 1970 to 2006 middle income adults became much less likely to be married—and also less likely to have children living at home. In 1970 more than half (54%) of middle income adults were married with their own children living in the household. By 2006, married parents

comprised less than a third (32%) of all middle income adults. Among the full adult population (ages 18 and over), the decline in married parenthood was not as great over this period—in 2006, 28% of all adults were married with their own children living in the household, down from 44% of all adults in 1970.

- **Work, Marriage, Gender.** In 1970 one-third of middle income adults were working husbands. In 2006 one-fifth of middle income adults were working husbands. By contrast, working wives have become more prevalent among middle income adults since 1970. They now comprise 17% of middle income adults.

Data Sources

This analysis uses U.S. Decennial Census microdata files for 1970 to 2000 and the American Community Survey (ACS) file for 2006. The U.S. Census Bureau has been collecting long-form census information in the new ACS since 2000. The 2006 ACS questionnaire is very similar in content and form to the 2000 Decennial Census long-form questionnaire, and, by design, the information in the 2006 ACS is highly comparable to the Decennial Census.²⁸ The universe for this analysis is adults ages 18 and older. Only adults residing in households (97% of all adults in 2006) are included in this analysis. The other 3% lived in group quarters such as dormitories, hospitals, nursing homes and correctional facilities. We do not include these adults in our analysis because it is problematic to determine the manner in which their income and resources are pooled. The 1970 sample is a 1% sample of adults. The other years used a 0.333% sample of adults. The unweighted numbers of adults residing in households are shown in Table 1.

Year	Sample size
1970	1,274,973
1980	523,242
1990	599,259
2000	669,254
2006	728,179

Source: Pew Research Center tabulations of the 1970-2000 Decennial Censuses and the 2006 American Community Survey

Methodology for Determining “Middle Income”

The determination of whether a household is “middle income” is based on common techniques in the economic literature on income dispersion or polarization (Wolfson, 1994). Because households do not all have the same number of members, we examine the distribution of household income adjusted for household size or “equivalent household income” (see the appendix section “Adjusting for Household Size” for the rationale for adjusted household income). In preliminary analyses regarding the demographic characteristics of households by income category, alternative adjustment factors were tried, including an alternative with no adjustment for household size. The conclusions regarding the change over time in the demographic characteristics of the middle income category were not sensitive to the adjustment factor.

We define a middle income household as one with an adjusted household income between 75% and 150% of the median adjusted household income. This procedure specifies a fixed income range needed to be “middle

²⁸ It is also the case that there have been important changes in the census questionnaire since 1970 that raise comparability issues over time. For example, the educational attainment question was revamped in the 1990 census. Another well-known change is that the census allowed for the reporting of multiple racial identities commencing with the 2000 census. Some of the data comparability issues over time are dispatched by the fact that we utilized the Integrated Public Use Microdata Samples (IPUMS) made available by the University of Minnesota Population Center. The IPUMS has constructed consistent variables that span the entire 36 year-period of analysis. For example, it has a single consistent racial classification variable (RACESING) and a consistent educational attainment variable (EDUCREC).

income,” rather than a fixed middle percentage of households. For example, in 2006 the median unadjusted household income was \$48,197. The median household income adjusted for household size was \$32,067. The fixed income or dollar band that defines a middle income household in 2006 is then 75% to 150% of \$32,067, or \$24,050 to \$48,101. Unfortunately, this range is in terms of adjusted household income, and few readers are familiar with their “adjusted household income.” For illustrative purposes, this range is converted to an equivalent income range for three-person households, approximately the average size of households in the U.S. For three-person households the fixed dollar band defining middle income household in 2006 is \$41,657 to \$83,313. In January 2008 dollars, the band defining a middle income household is \$44,620 to \$89,241 (the appendix section on “Deflation of Income, Expenditures and Wealth” discusses the handling of changes in prices).

Examining the median adjusted household income in earlier years and applying the 75% to 150% of the median criterion, the income bands defining a middle income household for a size of three in the years analyzed are shown in Table 2.

Because median household income rose from 1970 to 2000, this procedure for defining a middle income household has raised the income threshold needed to be considered middle income over time. Since 2000, the median adjusted household income declined, resulting in a lower threshold for 2006.

The above procedure defines a middle income household on the basis of an income range; this enables us to ask how many households or adults fall into the middle income category at any given time and to examine the characteristics of these adults. A common alternative way to look at income polarization is to set a fixed percentage range of adults (say, the middle 20% or middle 40%) as “middle income” and examine the spread of household incomes of that fixed middle percentage of adults and whether the range of incomes is widening or narrowing over time (Danziger and Reed, 1999; Wolfson, 1994). For our purposes, it makes little difference whether we define “middle income” on the basis of a fixed range of income or a fixed range of adults. Either way, what is being examined are the characteristics of a broad swath of adults in the middle of the distribution, and the demographic changes that are apparent are not very sensitive to how wide or narrow the net is cast in the middle.

Finally, a substantive analytical choice concerns the unit of analysis. Should we examine the characteristics of the head of the household or all the adults in the household? That is, do we investigate middle income households (as represented by their head) or adults residing in middle income households? For many characteristics it does not matter, because changes over time in the characteristics of the head of the household are very similar to the changes in the adult population. However, this is not the case with regard to gender. Since 1970, the U.S. adult population has become slightly less female (from 53% female in 1970 to 52% female in 2006). The share of households headed by women, however, has more than doubled during this period, from 21% in 1970 to 45%

Table 2
Definition of
Middle Income Household
for a Household Size
of Three

(January 2008 dollars)

Year	Income Range
1969	\$31,755 to \$63,509
1979	\$37,356 to \$74,712
1989	\$41,386 to \$82,771
1999	\$45,920 to \$91,841
2006	\$44,620 to \$89,241

Source: Pew Research Center tabulations of the 1970-2000 Decennial Censuses and the 2006 American Community Survey

in 2006.²⁹ The report presents the results of analyses showing how the incomes of all the adults in the household have changed over time and, thus, large changes by gender are not apparent. Results on the changes in the distribution of households, rather than adults, across income categories display much greater changes by gender.

How Many Middle Income?

In 2006 there were nearly 218 million adults ages 18 and older residing in U.S. households (Table 3). About 77.1 million adults (35%) had adjusted household incomes in the middle income category in 2006. Over 71 million adults (33%) resided in households with adjusted incomes below middle income. Over 69 million adults (32%) had adjusted household incomes in the upper income category. So, roughly speaking, the census income analysis reveals that in 2006 adults split about evenly one-third, one-third and one-third across the lower income, middle income and upper income categories.

The share of adults in middle income households has steadily declined since 1970. In 1970, 51 million, or 40%, of the nation's 127 million adults resided in middle income households. Thus, the portion of adults in middle income households has declined from 40% in 1970 to 35% in 2006. The decline in the percentage of adults that are middle income has been accompanied by an increase in the percentage of adults in both ends of the distribution. The share of adults in households with lower incomes has risen from 31.5% in 1970 to about 33% in 2006. At the upper end, 28% of adults were in high income households in 1970 and that share has increased to 32% in 2006. So the adult income distribution has "hollowed out," or become more polarized, since 1970. The share of adults in the middle income group has grown smaller, while the lower and upper income groups have become larger.³⁰

²⁹ This largely reflects the growth in single-parent households but also change over time in the gender of the head in married-couple households.

³⁰ Numerous economic studies have documented the "shrinking middle class" in the U.S. Some of them report, however, that the decline in the share of those in the middle of the income distribution is due almost entirely to an increase in concentration of people in higher income ranges and not increased mass in lower income ranges. For example, Burkhauser, *et. al.* (1999) find that 90% of the shrinkage out of the middle income during the 1980s slid up into the above middle income category and only 10% shifted into the lower income category. Since our primary purpose is not to measure the change in the size of the middle class but rather to examine its demographic composition, we have not exhaustively attempted to account for the differences in regard to where the shrinking middle went. Note, however, that Burkhauser, *et. al.* examine a shorter time frame: 1980 to 1990. Their analysis is based on the March Current Population Survey, not Decennial Census data. Finally, they define middle income as those with adjusted household incomes between 75% and 5 times the U.S. poverty line, rather than a range around the median adjusted household income.

Table 3. The Distribution of Adults by Income Category, 1970 to 2006

Year	Thousands				Percent Distribution			
	Lower Income	Middle Income	Upper Income	Total	Lower Income	Middle Income	Upper Income	Total
1970	40,119	51,337	36,042	127,497	31.5	40.3	28.3	100.0
1980	48,845	61,878	46,250	156,973	31.1	39.4	29.5	100.0
1990	57,623	66,180	54,701	178,505	32.3	37.1	30.6	100.0
2000	65,714	74,100	61,640	201,454	32.6	36.8	30.6	100.0
2006	71,033	77,107	69,388	217,527	32.7	35.4	31.9	100.0

Source: Pew Research Center tabulations of the 1970-2000 Decennial Censuses and the 2006 American Community Survey

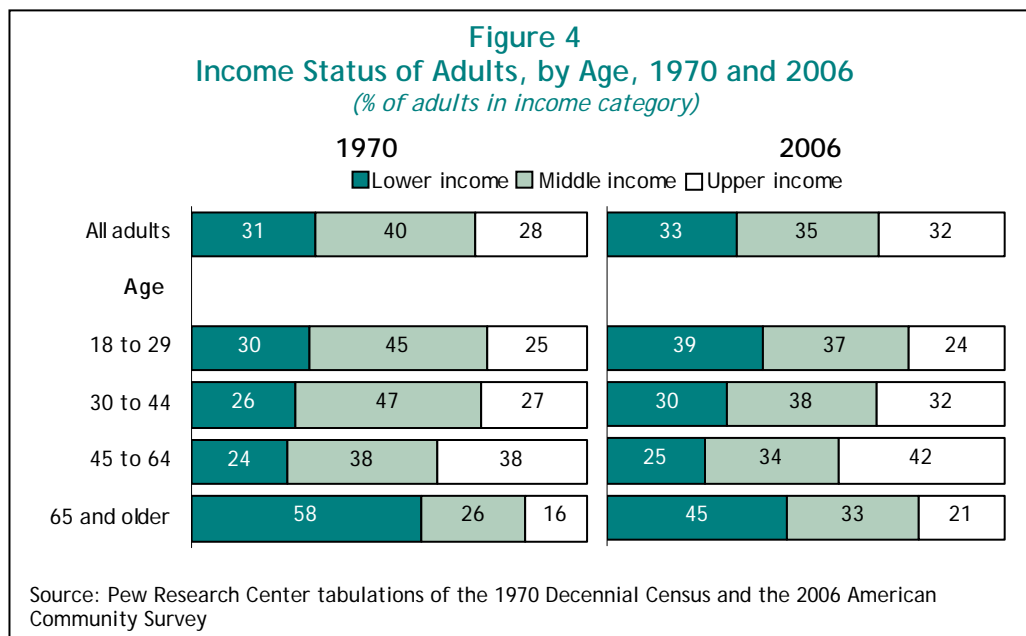
Change Since 1970, by Demographic Groups

From 1970 to 2006, some adult population groups have fared much better than others, and these variances relate to age, racial and ethnic identity, marital status, gender and occupation.

Note that this analysis compares the 1970 income profile of adults with the 2006 income profile of adults. It is a comparison of two snapshots at different points in time. The analysis is not longitudinal in nature, as the data do not follow the same individuals over time.

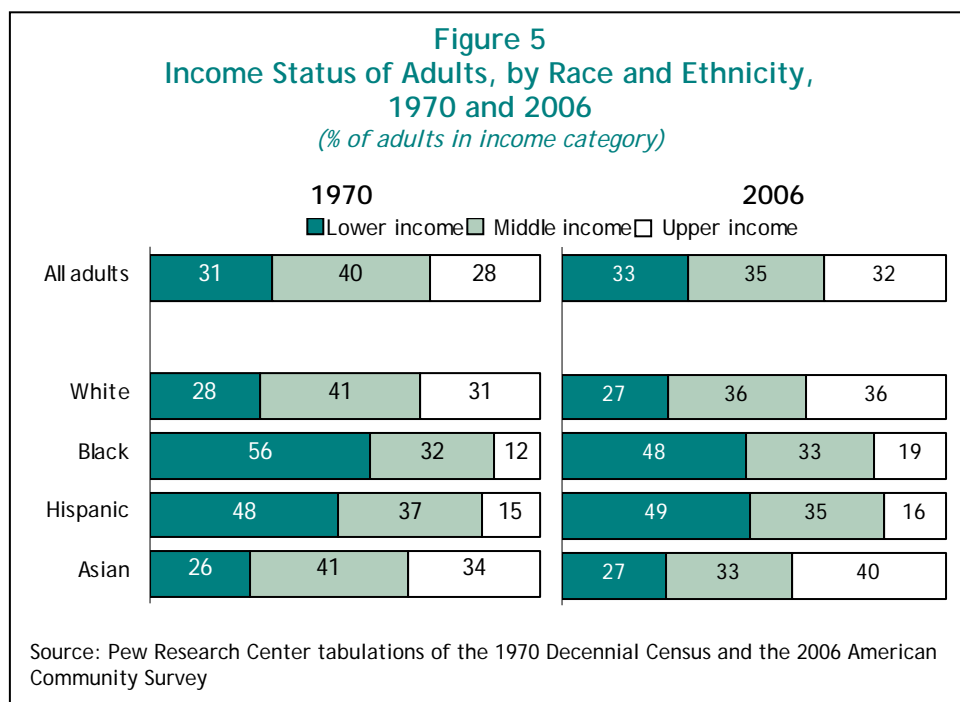
Age. There have been sharp changes in the income status of young adults and senior citizens since 1970. Their outcomes have changed in opposite directions. The income status of young adults between the ages of 18 to 29 fell markedly over the 36 years. In 1970, 45% of 18- to 29-year-olds lived in middle income households (Figure 4). In 2006 just 37% of this age group resided in middle income households. The share of 18- to 29-year-olds in the lower income category rose from 30% in 1970 to 39% in 2006.

By contrast, the income status of seniors (those ages 65 and older) has markedly improved since 1970. In 1970, 58% of seniors resided in low income households and about one-quarter of seniors were middle income (Figure 4). By 2006, just 45% of seniors were in lower income households; meanwhile, the share of seniors who were middle income had risen to one-third. And the percentage of seniors residing in upper income households also rose—from 16% in 1970 to 21% in 2006.



Race and Ethnicity. Relative to the rest of the population, African-Americans experienced improvements in their household income profile from 1970 to 2006. The proportion of black adults living in lower income households fell sharply, from 56% in 1970 to 48% in 2006 (Figure 5). The share in the middle group rose slightly, to 33% in 2006, from 32% in 1970. And the share in the upper group rose by more than half, to 19% in 2006, from 12% in 1970.

White adults also had income gains during this period, though they were not as dramatic as those of blacks. The share of white adults in the upper income category increased from 31% in 1970 to 36% by 2006. Their share in the middle group fell by a similar amount—from 41% in 1970 to 36% in 2006. And their share in the lower group fell slightly, from 28% in 1970 to 27% in 2006.



Asian-American adults also experienced income gains. The share of Asian adults in upper income households rose from about one-third in 1970 to four-in-ten in 2007; the share in the middle group fell by a nearly identical amount.

Hispanics experienced little change in their income status during this period—with nearly identical shares in all three income groups in both 1970 and 2006.

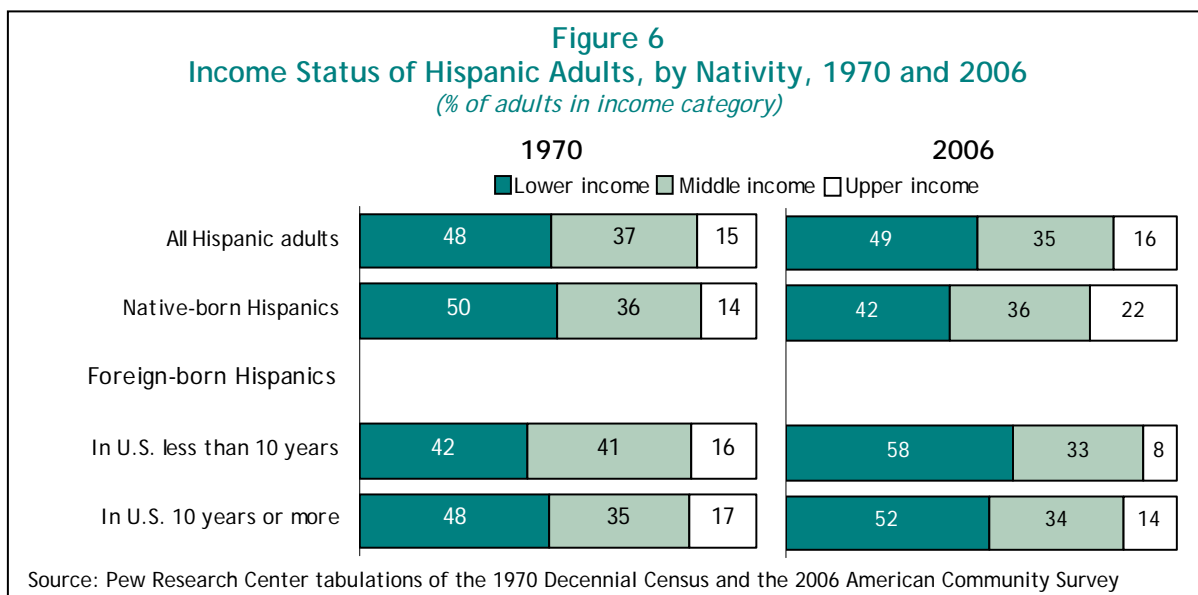
Since adults of most racial/ethnic origins experienced either declines or little change in the likelihood of being lower income since 1970, how did the aggregate share of adults in low income households rise from 31% in 1970 to 33% in 2006? The answer rests with the changing composition of the U.S. population (Table 4). Even as most racial and ethnic groups were working their way up the income ladder during this time period, the composition of the overall population was also changing. White adults became less prevalent, while minority adults (especially Hispanics) became more prevalent. The white share of adults declined from 86% in 1970 to 70% in 2006. Because minority adults were still far more likely than whites to be lower income, the aggregate share of adults in lower income households rose even though adults of most racial/ethnic groups experienced declines or little change.

Also, it should be noted that the lack of change in the overall income profile of Hispanic adults conceals important differences within the Hispanic population. As Figure 6 shows, native-born Hispanic adults have experienced gains similar to those of African-American adults. The share of lower income native-born Hispanic adults declined from 50% in 1970 to 42% in 2006. In 1970, 14% of native-born Hispanics were upper income. By 2006, 22% of native-born Hispanics were in the highest category. By contrast, foreign-born Hispanic adults experienced declines in their income status over the 36 years, and this was especially true for Hispanic immigrants who had been in the country for less than 10 years. In 1970, 42% of these recently arrived Hispanic adults were in lower income households. In 2006, 58% of recently arrived Hispanic adults were in the lower income category. The income outcomes of Hispanic immigrants have declined for a variety of reasons. Among them, the share of recent immigrants originating from Mexico has increased since 1970 (Fry, 2006), and Mexican immigrants tend to have lower earnings than other Hispanic immigrants (Duncan, Hotz, and Trejo, 2006). Furthermore, in 1980 Mexican and Central American immigrants had very low average wages relative to other workers (Schoeni, McCarthy, and Vernez, 1996), and workers with the lowest wages have experienced the smallest wage gains since 1980.

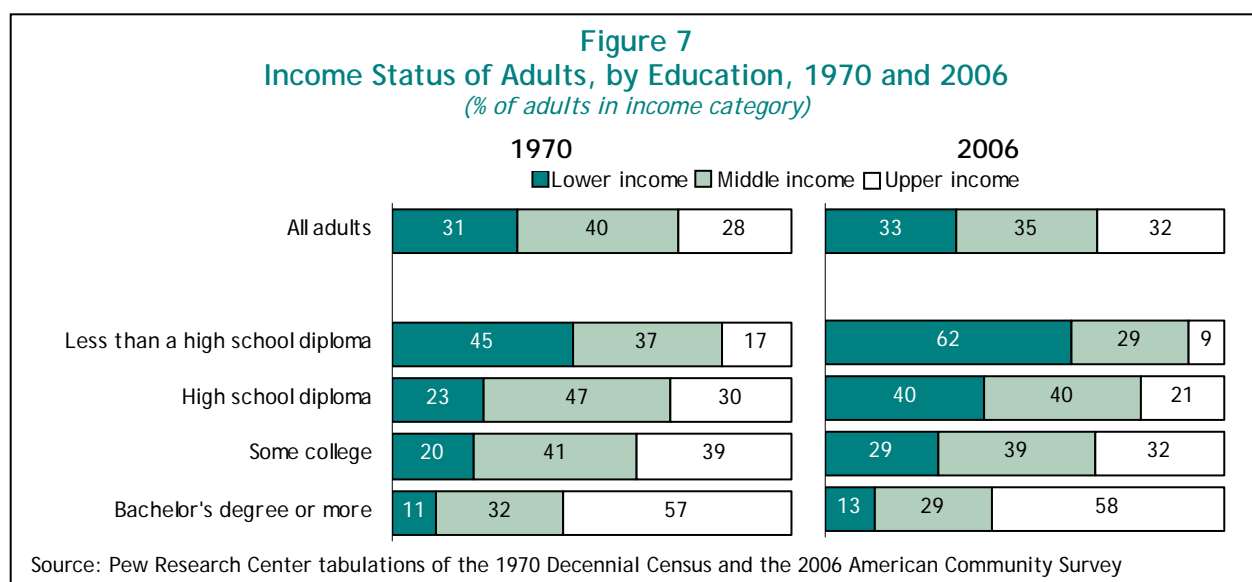
Table 4
Adult Population,
by Race and Ethnicity
(% share)

Race/Ethnicity	1970	2006
White	86	70
Black	10	11
Hispanic	3	13
Asian	1	5

Source: Pew Research Center tabulations of the 1970 Decennial Census and the 2006 American Community Survey

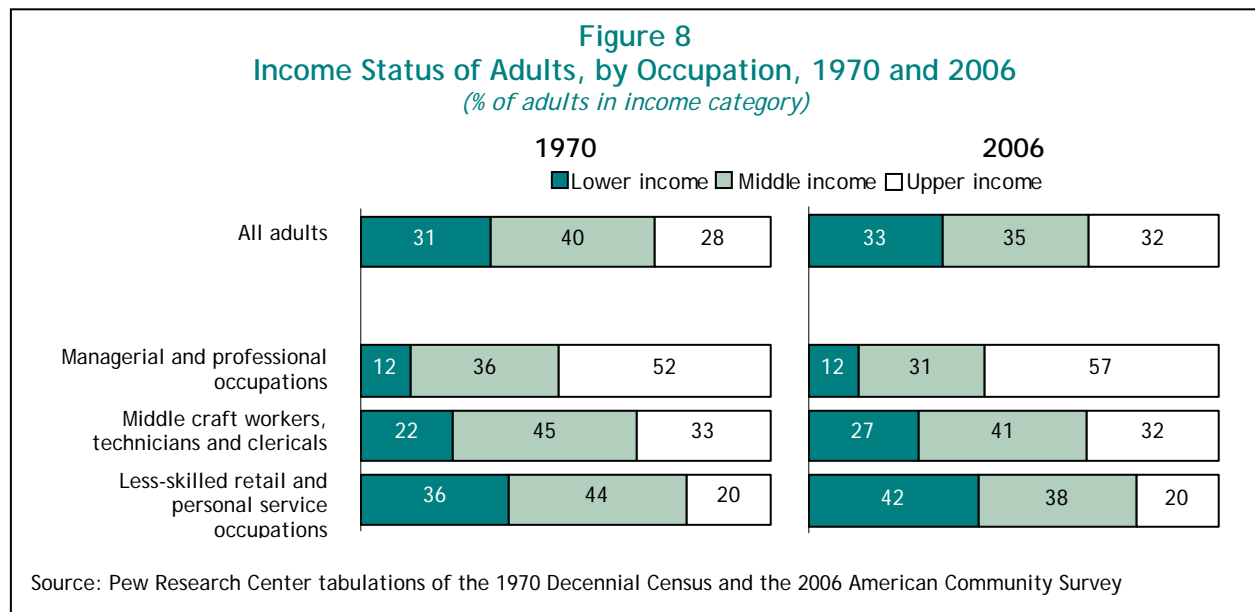


Education. Adults with lower educational attainment saw their relative income position decline sharply during this period (Figure 7). In 1970, 45% of adults who did not complete a high school diploma were in lower income households. By 2006, 62% of these least educated adults were lower income. Adults who had a high school diploma (but no years of college education) fared no better—they also experienced a 17 percentage point increase in the lower income ranks (from 23% in 1970 to 40% in 2006). Adults with some college education (but not a bachelor’s degree or more) fared a bit better, but also were more likely to be lower income in 2006 relative to 1970. In 1970 two-in-ten adults with some college education were lower income. In 2006, nearly three-in-ten (29%) adults with some college were lower income. The only education group whose income prospects roughly remained unchanged over the 36 years were adults who had attained a bachelor’s degree or more education.



Because adults at every level of educational attainment have experienced a decline in status, one might expect that in the aggregate the percentage of adults in the lower income category would have increased more than actually occurred (from 31% of adults in the lower income category in 1970 to 33% in 2006). But here again, changes in characteristics of the full population explain why income status has not worsened more. Perhaps because of the declining income fortunes of the lesser educated, Americans have steeply upgraded their educational attainment levels. Older, less-educated adults have died. In addition, each successive wave of young adults has obtained more education than the preceding one (Stoops, 2004). In the absence of the upgrading of American adults' education that occurred, simple analytics indeed suggest that many more adults would be in the lower income category.

Occupation. Earnings are the key source of income for many households, and most adults have some ties to the work world.³¹ Though the census has nearly 900 occupational categories, we examined the relationship between occupation and household income status using an occupational typology that has three broad tiers. Sometimes referred to as “elite jobs,” “good jobs,” and “less-skilled jobs,” the assignment is made on the basis of the adult’s occupation and industry (Rose, 2007). Nonetheless, the broad categorization is designed to describe the occupational status and earnings hierarchy. The lower occupational tier consists of mostly low-paying jobs and includes factory operatives, truck drivers, longshoremen, salesclerks, service workers and farm workers. The upper tier of managers and professionals includes doctors, lawyers, managers, accountants, architects, engineers and business professionals such as sales representatives and stock and real estate brokers. The middle tier skilled blue-collar and clerical and administrative support category includes supervisors, managers of retail and fast-food outlets, craft workers, police officers, firefighters, paralegals, clericals and health and science technicians. Today, many of the jobs in this middle tier are held by adults with some postsecondary education but not a bachelor’s degree.



³¹ In census data, any adult who has worked in the prior five years has an occupational classification.

Similar to the household income changes observed for the educational hierarchy, the income profile for adults in the middle and bottom tiers of the occupational hierarchy has not changed favorably. Adults with less-skilled jobs in retail and personal services, operatives, laborers and farm workers are increasingly likely to be in lower income households. In 1970, 36% of adults with lower status retail and personal service occupations were in lower income households (Figure 8). In 2006, 42% of adults with the same type of occupation were in the lower income category.

Adults with middle-tier “good” jobs also have diminished household incomes since 1970. In 1970, 22% of adults in the technician and clerical tier were in lower income households. In 2006, 27% of adults in these mid-tier jobs were in the lower income category.

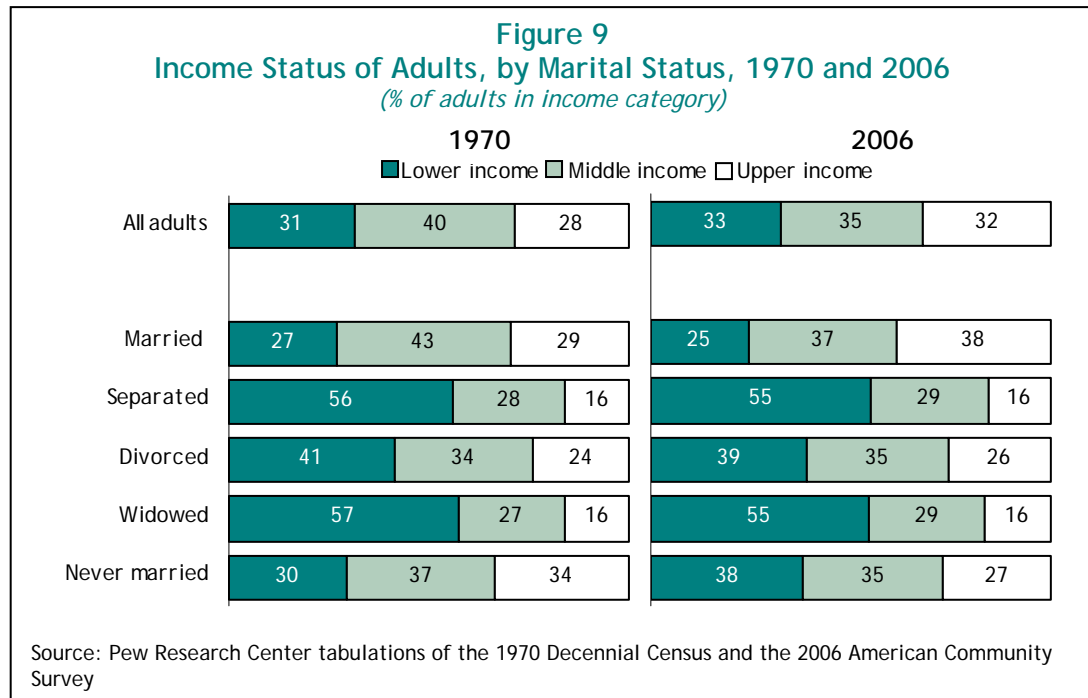
At the top end of the occupational hierarchy, adults in managerial and professional occupations were more likely to be in upper income households. In 1970, 52% of adults in “elite” or professional and managerial occupations were in upper income households. By 2006, 57% of adults in professional and managerial jobs were in high income households.

Since the broad occupational hierarchy is designed to mimic the earnings hierarchy, it is partly to be expected that the managers and professionals have fared the best in terms of change in household income status. Analyses of earnings show that earnings gains since 1979 have been strongly related to the earnings level. That is, the earnings of the most highly paid workers have risen to a much greater degree than the earnings of lesser paid workers (Goldin and Katz, 2007). However, the divergent income fortunes of adults by occupational status reflect factors above and beyond direct earnings differences. Recall that our income status measure is based not on personal earnings but on household income. Managers and professionals are increasingly likely to have multiple earners in their household due to their greater likelihood of being married.

Marital Status. Married adults have experienced much greater gains in their income status than have unmarried adults. In 1970 about three-in-ten married adults living with their spouses had upper incomes (Figure 9). By 2006 nearly four-in-ten such adults were in upper income households.

Among unmarried adults, those who were never married experienced larger declines in income status than did other unmarried people.³² The share of never-married adults in the lower income category rose from 30% in 1970 to 38% in 2006. In 1970, more than a third of these single adults were in upper income households. By 2006, only about a quarter of these singles were in the highest income category.

³² Never-married adults do not necessarily live alone. Some, for example, reside with their married parents. However, it is true that, by definition, no married adults living with their spouses live alone, whereas some never-married adults do live alone.

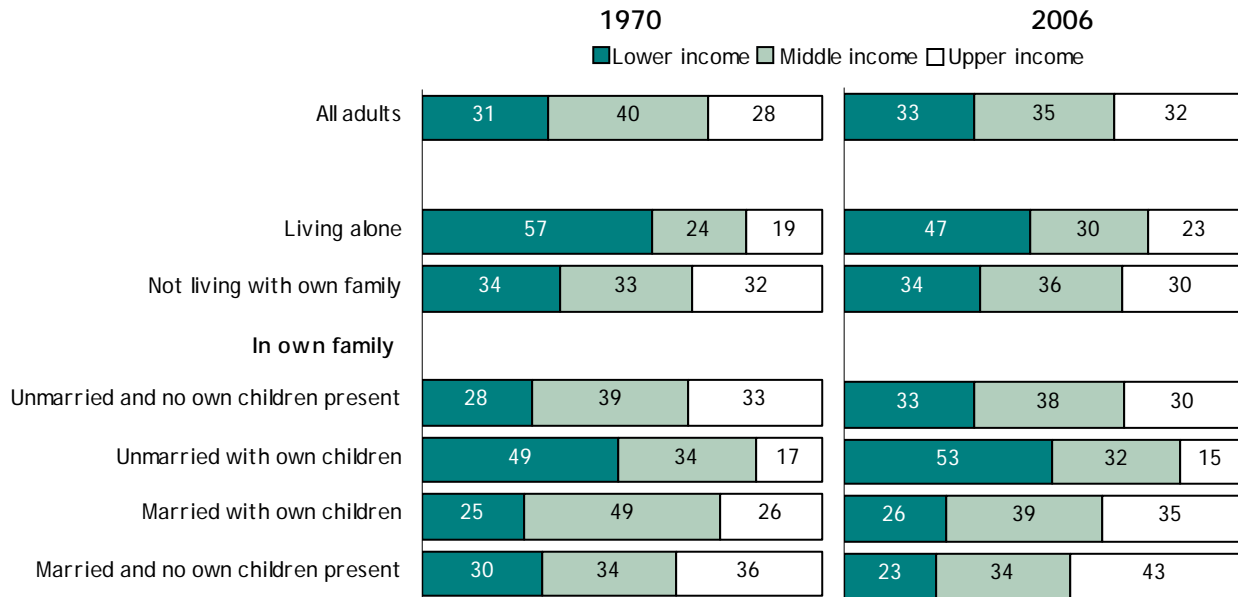


Living Arrangements. All major categories of married adults have improved their income status since 1970, but the nature and extent of their gains depends to a degree on whether they have children living with them (Figure 10). As the bottom row of Figure 10 shows, in 1970, 30% of married adults without children present were in the lower income category. By 2006, 23% were in the lower income category. The share of these adults in the middle category remains unchanged, and thus the gains were all into the upper income status; the share in this category rose from 36% in 1970 to 43% in 2006.

As the second row from the bottom shows, the income profile of married adults with children present hollowed out in the middle. In 1970 almost half of married adults with kids³³ at home (49%) were in middle income households. By 2006 just 39% of married adults with children were middle income. The shrinkage in the share in the middle was accompanied mainly by growth in the share that was upper income—to 35% in 2006, from 26% in 1970. The share in the bottom group also rose, but only marginally—to 26% in 2006, from 25% in 1970.

³³ This includes stepchildren and adopted children as well as biological children, and children of any age or marital status.

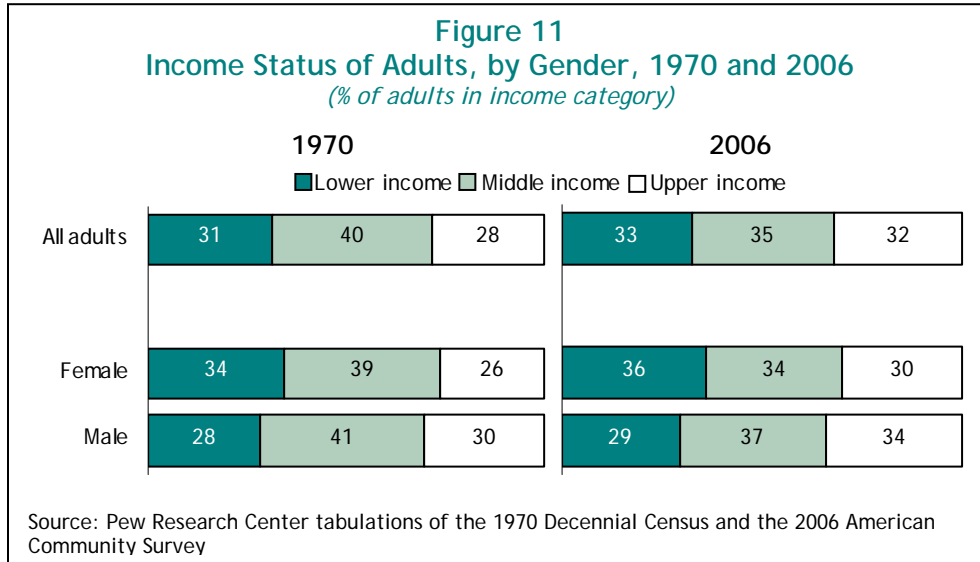
Figure 10
Income Status of Adults, by Family Living Arrangements, 1970 and 2006
(% of adults in income category)



Source: Pew Research Center tabulations of the 1970 Decennial Census and the 2006 American Community Survey

The fortunes of unmarried adults depend on their living arrangements. Unmarried adults residing with family have clearly experienced declines in their income status. This group includes both single parents (the third row from the bottom) as well as unmarried adults (the fourth row from the bottom) who reside with a sibling or parent(s), i.e., “boomerangers” in common parlance. In both instances, the share of unmarried adults residing with family who had incomes in the lowest category rose from 1970 to 2006. By contrast, unmarried adults living alone have fared much better. About 57% of adults living alone were in the lower income category in 1970. By 2006, 47% of adults living alone were in the lower income category.

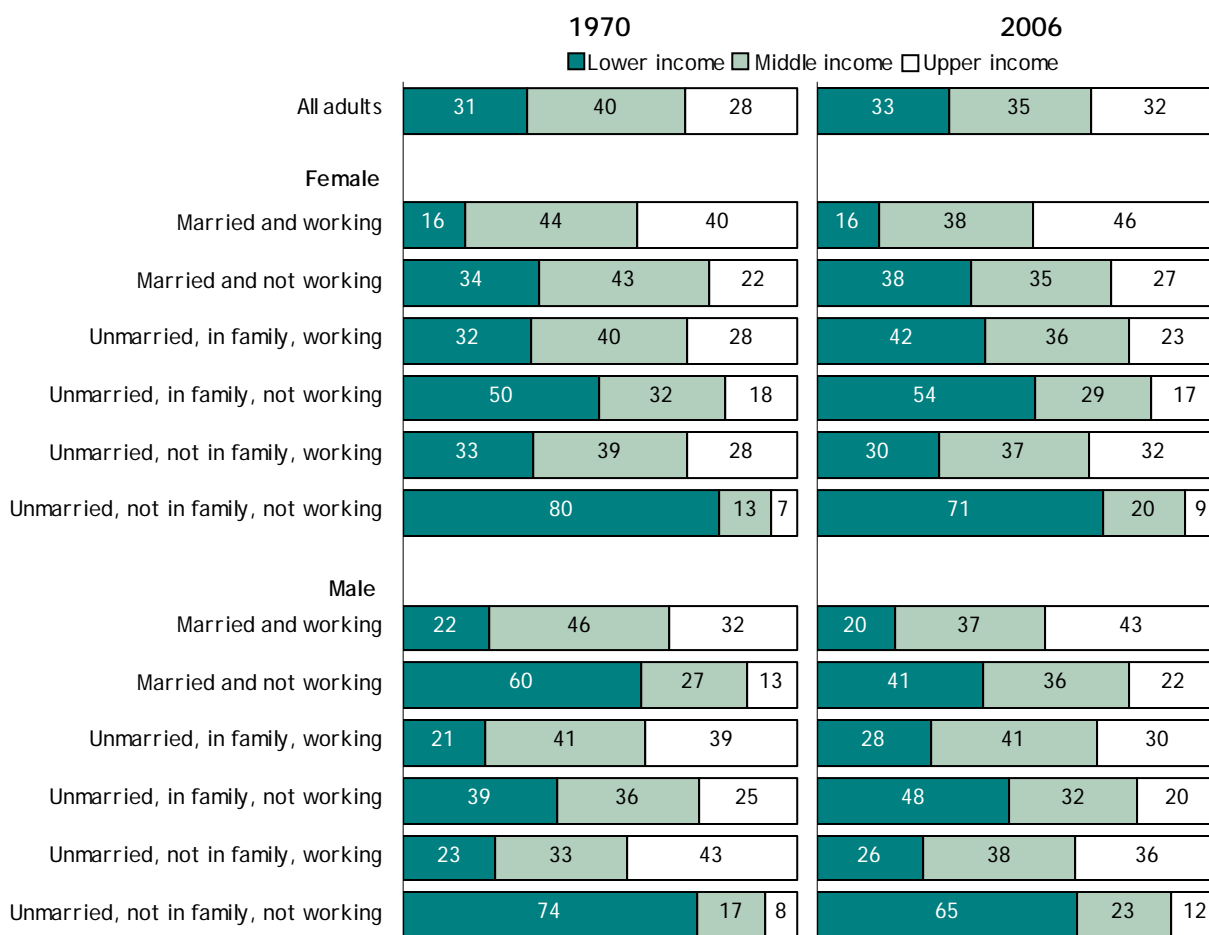
Gender. Men and women experienced similar changes in their income status (Figure 11). Both genders were less likely to be middle income in 2006 compared with 1970, with a small increase in the shares of each gender in the lower income category and a larger increase for both in the upper income category. However, the similarity in these aggregate numbers conceals some key differences in the changes in the income profiles of men and women by marital and work status.



Gender, Marriage and Work Status. While all adults with spouses have gained in their income status, working husbands have gained more than working wives. Among working husbands, there has been a large hollowing out of the middle (Figure 12). In 1970, 46% of working husbands were middle income. By 2007, 37% of working husbands were middle income. But the shrinking middle was accompanied solely by expansion into the upper income category. The share of working husbands in the upper income category grew from 32% in 1970 to 43% in 2006. By contrast, working wives have not gained as much. In 2006, 46% of working wives were high income, up from 40% in 1970.

The differential gains to working husbands in contrast to working wives likely stems in part from differences in the work effort of husbands and wives. In 1970 most working wives' spouses already worked, so the upside potential to expand the household's income by the husband's entry into the labor force was limited. This was not the situation with working husbands. In 1970, nonworking wives significantly outnumbered working wives. As we discuss further below, the work status of wives has radically changed and in 2006 working wives outnumber nonworking wives. In income terms, married husbands have benefited handsomely from their wives' expanded entry into the work world.

Figure 12
Income Status of Adults, by Gender, Marital Status and Work, 1970 and 2006
(% of adults in income category)



Source: Pew Research Center tabulations of the 1970 Decennial Census and the 2006 American Community Survey

It is also instructive to examine the hollowing out of the income profile of nonworking wives. In 1970, 43% of nonworking wives were middle income. By 2006, 35% of nonworking wives were middle income. The shrinking proportion of middle income nonworking wives was accompanied by an increase in the share of nonworking wives who were in the lower income category (from 34% in 1970 to 38% in 2006). By contrast, working wives were no more likely to be in the lower income category from 1970 to 2006. This may explain some of the motivation for wives to go to work. The chances that a household will fall below middle income if the wife does not work have increased relative to 1970. In 2006 nonworking wives were almost 2.5 times more likely than working wives to be lower income. In 1970 they were only about twice as likely.

The fortunes of unmarried adults also diverge by gender. Examining unmarried adults who do not reside with family (i.e., excluding single parents and “boomerangers”), the income status of working females clearly

improved since 1970. In 1970, 28% of working unmarried females (not residing with family) were in the upper income ranks. By 2006, 32% of these females had upper tier incomes. In contrast, working unmarried males clearly have experienced a decline in their income fortunes since 1970. In 1970, 43% of working unmarried males (not residing with family) were upper income. By 2006, 36% of working unmarried males were upper income. Although working unmarried males continue to be more likely than their female counterparts to be both upper income and middle income, there has been a huge convergence in their income statuses over the 36 years. In 1970 working unmarried men were much more likely to be upper income than working unmarried women (43% versus 28%). Due to gains for working unmarried women and declines for working unmarried men, in 2006 working unmarried men were only slightly more likely than working unmarried women to be upper income (36% versus 32%).

These changes have resulted in a sharp reversal in the income consequences associated with marriage for working men. In 1970 unmarried working men were more likely than their married counterparts to be upper income (43% versus 32%). In 2006 the outcomes were nearly reversed: 36% of unmarried working men were upper income, compared with 43% of married men. Marriage is associated with greater income benefits for men in 2006 than it was 36 years earlier.

The Changing Portrait of Middle Income Adults

Middle income adults in 2006 do not closely resemble middle income adults in 1970. To some extent, the changes are not surprising because American adults in general have different characteristics in 2006 than they had in 1970. For example, the adult population has aged a bit. In 1970 the average adult was 44 years old. By 2006, the average age had increased to 46. It is also well known that racial/ethnic minorities have become a growing fraction of the adult population during this time period. In 1970 nearly nine-in-ten adults were non-Hispanic whites. By 2006, just seven-in-ten adults were non-Hispanic white. Fewer adults were married in 2006 (52%) than in 1970 (69%). Finally, among married women, in 2006 a much smaller fraction (40%) did not work outside the home, compared with 1970 (60%).

While the full population has changed in all of these basic demographic characteristics, the middle income population has often changed even more. In this section, we highlight changes in the characteristics of middle income adults that are even more pervasive than the changes that have occurred among all adults.

Middle income adults are much older than they were in 1970. In 2006, the average age of middle income adults was 45, up from 41 years in 1970. The aging of the middle income population reflects big changes at both ends of the age spectrum. At one end, many fewer middle income adults are young adults. In 1970 nearly three-in-ten (29%) middle income adults were 18 to 29 years old. By 2006, about two-in-ten (22%) middle income adults were ages 18 to 29. At the other end, middle income adults are increasingly seniors ages 65 and older. In 1970 only 10% of middle income adults were seniors. By 2006, 15% of the middle income adult population were seniors. The number of middle income adults has increased by 50% since 1970, from 51 million in 1970 to 77 million in 2006 (Table 3). The number of middle income seniors has more than doubled (from 5 million to 12 million), so that a rising percentage of middle income adults are ages 65 and older.

Americans are more educated than ever (Stoops, 2004), and the education of middle income adults has risen sharply. In 1970 only one-in-five middle income adults had completed education above a high school diploma.

By 2006 a majority of middle income adults had earned more than a high school diploma. The gains in postsecondary education among middle income adults have been especially pronounced among adults who have some college education but do not have a bachelor's degree or more. In 1970 one-in-ten middle income adults had finished some college. By 2006, nearly one-in-three middle income adults had finished some college.

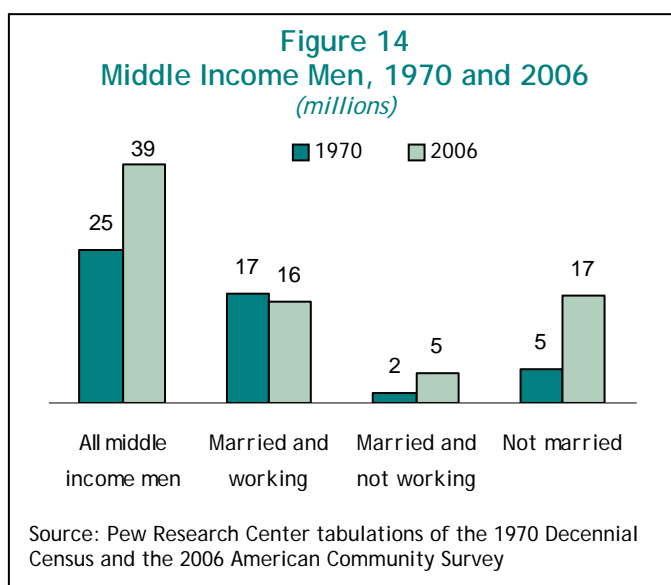
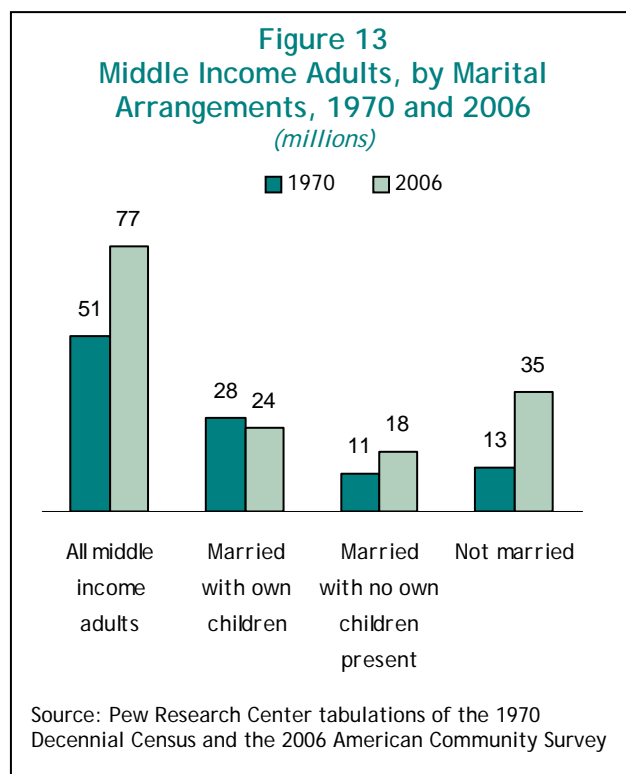
A rising proportion of middle income adults have completed a bachelor's degree or more education, but growth in the ranks of those who have received at least a bachelor's degree has been more pervasive among upper income households than among middle income households. In 1970, 7 million upper income adults had at least a bachelor's degree. By 2006 there were nearly 32 million upper income adults who had at least a bachelor's degree. Those with a bachelor's degree or more education have become a bigger share of upper income adults (in 2006 almost half of upper income adults had at least a bachelor's degree), in part because of the appreciable growth in real earnings of those who have at least a bachelor's degree since 1980 (Council of Economic Advisers, 2006). An additional factor is the growing divergence between college-educated adults and other adults in the likelihood of being presently married (Goldstein and Kenney, 2001; National Marriage Project, 2006). Trends in marital selection have also likely propelled those with a bachelor's degree into upper income households. Those with higher levels of education are not only more likely to be married than those with less education, but increasingly those with at least a bachelor's degree are more likely to marry another college graduate rather than a person with some college (Schwartz and Mare, 2005).

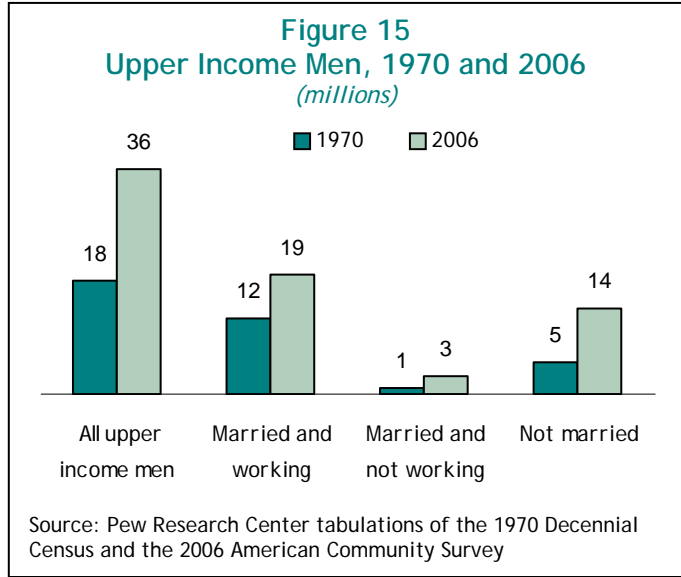
Middle income adults—like all adults—are increasingly likely not to be married. In 1970 three-quarters of middle income adults were married. By 2006 barely half (54%) of middle income adults were married. The ranks of the married among upper income adults also dwindled, but not as much: seven-in-ten above middle income adults were married in 1970, a proportion that declined to six-in-ten in 2006.

The entire decline in marriage among middle income adults has occurred among married adults with children. In 1970 more than half of middle income adults were married and parents of children who were living at home. By 2006 less than one-third of middle income adults were married parents with children at home. The decline in married parenthood has been so stark that the absolute number of married middle income parents fell by four million between 1970 and 2006 (Figure 13). During this same period, the total number of middle income adults increased by 26 million.

The ranks of middle income married adults who do not have children in the home have risen modestly. The share of middle income adults who were married without kids present rose from 21% in 1970 to 23% in 2006 and in absolute terms rose from 11 million married adults without kids present in 1970 to 18 million in 2006 (Figure 13).

The prevalence of married working men has also diminished among middle income adults. In 1970 more than a third of middle income adults were married working men. In 2006 about a fifth of middle income adults were married working men. Again, the ranks of all middle income adults expanded by 26 million over the 36 years, but the number of middle income married working men fell—from 17 million in 1970 to 16 million in 2006 (Figure 14). In part, this decline is due to the general social trend of men being less likely to be married. But this is only part of the explanation. Married working men have also experienced large improvements in their household income status. In the upper income group, their ranks swelled in this time frame, from 12 million in 1970 to 19 million in 2006 (Figure 15). In short, the big demographic change here is that men have become less likely to be married, but among those men who are married, there is a growing likelihood that they are upper income.





Appendix Table 1

Characteristics of the Adult Population, Middle Income and All, 1970 to 2006 (% distribution)												
	Adults in Middle Income Households						All Adults					
	1970	1980	1990	2000	2006	Change 1970 to 2006	1970	1980	1990	2000	2006	Change 1970 to 2006
Age												
18 to 29	29	32	25	22	22	-7	26	29	25	21	21	-5
30 to 44	31	31	36	35	30	-1	27	27	33	32	28	2
45 to 60	30	26	24	28	32	2	32	28	26	30	34	2
60 and older	10	12	14	15	15	6	15	15	17	16	16	1
Total	100	100	100	100	100		100	100	100	100	100	
Race/Ethnicity and Nativity												
White	88	84	81	75	71	-17	86	82	78	73	70	-16
Black	8	9	9	10	11	3	10	10	10	11	11	2
Foreign-born Hispanic in the U.S. 10 years or less	1	1	2	2	3	2	1	1	2	2	3	2
Foreign-born Hispanic in the U.S. more than 10 years	0	1	2	3	4	4	0	1	2	4	5	4
Native-born Hispanic	2	3	4	5	6	4	2	3	4	5	6	4
Asian	1	1	2	4	4	4	1	2	3	4	5	4
Other	0	1	1	1	1	1	0	1	1	1	1	1
Total	100	100	100	100	100		100	100	100	100	100	
Marital Status												
Married, spouse present	75	68	63	59	54	-20	69	63	59	56	52	-17
Married, spouse absent	1	1	1	2	2	1	2	1	1	2	2	1
Separated	1	2	2	2	2	1	2	2	2	2	2	0
Divorced	3	6	8	10	11	8	4	7	9	10	11	7
Widowed	6	6	5	5	5	-1	9	8	7	7	6	-2
Never married	13	18	20	22	25	12	15	19	21	22	25	11
Total	100	100	100	100	100		100	100	100	100	100	

Appendix Table 1 (continued)

Characteristics of the Adult Population, Middle Income and All, 1970 to 2006 (% distribution)												
	Adults in Middle Income Households						All Adults					
	1970	1980	1990	2000	2006	Change 1970 to 2006	1970	1980	1990	2000	2006	Change 1970 to 2006
Education												
Less than a high school diploma	41	28	17	13	11	-30	45	32	21	16	14	-31
High school diploma	39	41	38	36	36	-2	33	36	34	33	33	-1
Some college	12	18	29	32	31	19	12	17	26	29	28	16
Bachelor's degree or more	8	13	16	19	21	13	10	15	19	23	25	15
Total	100	100	100	100	100		100	100	100	100	100	
Own Family and Presence of Own Children												
Living alone	5	9	10	11	12	7	9	12	13	14	14	5
Not living with own family	2	5	7	8	9	7	3	5	7	9	9	6
In own family												
Unmarried with no own children present	12	13	14	13	16	3	12	13	13	12	15	2
Unmarried with own children	5	6	7	8	9	4	6	7	8	9	10	3
Married with own children	54	45	40	36	32	-22	44	38	34	32	28	-16
Married with no own children present	21	22	23	23	23	2	25	25	24	24	24	-1
Total	100	100	100	100	100		100	100	100	100	100	

Appendix Table 1 (continued)

Characteristics of the Adult Population, Middle Income and All, 1970 to 2006 (% distribution)												
	Adults in Middle Income Households						All Adults					
	1970	1980	1990	2000	2006	Change 1970 to 2006	1970	1980	1990	2000	2006	Change 1970 to 2006
Gender, Family and Work												
Female												
Married and working	15	17	19	18	17	2	14	16	17	17	16	2
Married and not working	22	16	12	11	10	-12	21	16	12	11	10	-11
Unmarried, in family, working	6	7	8	8	9	3	6	7	8	8	9	3
Unmarried, in family, not working	4	4	3	4	4	0	5	5	5	5	5	-1
Unmarried, not in family, working	3	5	6	7	7	4	3	5	6	6	7	3
Unmarried, not in family, not working	1	2	3	3	3	2	4	5	5	5	5	1
Male												
Married and working	34	29	25	23	21	-13	30	26	23	21	20	-10
Married and not working	3	5	6	7	6	3	5	6	6	7	6	1
Unmarried, in family, working	5	6	8	7	9	4	5	6	7	7	8	3
Unmarried, in family, not working	2	2	2	2	3	0	2	2	2	3	3	0
Unmarried, not in family, working	3	5	7	8	9	7	3	6	7	8	9	5
Unmarried, not in family, not working	1	1	1	2	2	1	2	2	2	3	3	1
Total	100	100	100	100	100		100	100	100	100	100	
Occupational Classification												
Managerial and professional occupations	14	17	20	22	22	8	15	18	23	24	25	10
Middle craft workers, technicians and clerical	33	32	33	33	32	-1	29	29	29	29	27	-2
Less-skilled retail and personal service occupations	36	32	30	28	28	-8	33	29	27	26	26	-7
No occupational classification	17	19	17	18	18	1	22	24	21	21	22	0
Total	100	100	100	100	100		100	100	100	100	100	

Appendix Table 2

Characteristics of the Adult Population, Lower Income and All, 1970 to 2006 (% distribution)												
	Adults in Lower Income Households						All Adults					
	1970	1980	1990	2000	2006	Change 1970 to 2006	1970	1980	1990	2000	2006	Change 1970 to 2006
Age												
18 to 29	25	30	28	26	26	1	26	29	25	21	21	-5
30 to 44	22	22	28	29	26	4	27	27	33	32	28	2
45 to 60	25	22	20	22	26	1	32	28	26	30	34	2
60 and older	28	26	25	22	22	-5	15	15	17	16	16	1
Total	100	100	100	100	100		100	100	100	100	100	
Race/Ethnicity and Nativity												
White	77	72	68	62	59	-18	86	82	78	73	70	-16
Black	17	17	17	16	17	-1	10	10	10	11	11	2
Foreign-born Hispanic in the U.S. 10 years or less	1	2	3	5	5	4	1	1	2	2	3	2
Foreign-born Hispanic in the U.S. more than 10 years	1	2	3	6	7	6	0	1	2	4	5	4
Native-born Hispanic	3	5	6	7	7	4	2	3	4	5	6	4
Asian	1	1	2	4	4	3	1	2	3	4	5	4
Other	1	1	1	1	1	1	0	1	1	1	1	1
Total	100	100	100	100	100		100	100	100	100	100	
Marital Status												
Married, spouse present	60	53	48	44	40	-20	69	63	59	56	52	-17
Married, spouse absent	2	1	2	3	3	1	2	1	1	2	2	1
Separated	4	4	4	4	4	0	2	2	2	2	2	0
Divorced	5	8	11	12	13	8	4	7	9	10	11	7
Widowed	16	15	13	12	11	-5	9	8	7	7	6	-2
Never married	14	19	22	26	29	16	15	19	21	22	25	11
Total	100	100	100	100	100		100	100	100	100	100	

Appendix Table 2 (continued)

Characteristics of the Adult Population, Lower Income and All, 1970 to 2006 (% distribution)												
	Adults in Lower Income Households						All Adults					
	1970	1980	1990	2000	2006	Change 1970 to 2006	1970	1980	1990	2000	2006	Change 1970 to 2006
Education												
Less than a high school diploma	64	51	37	29	26	-38	45	32	21	16	14	-31
High school diploma	24	31	37	38	40	15	33	36	34	33	33	-1
Some college	8	12	20	24	25	17	12	17	26	29	28	16
Bachelor's degree or more	3	6	7	9	10	6	10	15	19	23	25	15
Total	100	100	100	100	100		100	100	100	100	100	
Own Family and Presence of Own Children												
Living alone	16	19	19	20	20	4	9	12	13	14	14	5
Not living with own family	3	5	7	9	10	6	3	5	7	9	9	6
In own family												
Unmarried with no own children present	11	11	12	13	15	4	12	13	13	12	15	2
Unmarried with own children	10	12	14	15	16	6	6	7	8	9	10	3
Married with own children	36	31	28	27	23	-13	44	38	34	32	28	-16
Married with no own children present	24	22	19	17	17	-7	25	25	24	24	24	-1
Total	100	100	100	100	100		100	100	100	100	100	

Appendix Table 2 (continued)

Characteristics of the Adult Population, Lower Income and All, 1970 to 2006 (% distribution)												
	Adults in Lower Income Households						All Adults					
	1970	1980	1990	2000	2006	Change 1970 to 2006	1970	1980	1990	2000	2006	Change 1970 to 2006
Gender, Family and Work												
Female												
Married and working	7	8	9	9	7	1	14	16	17	17	16	2
Married and not working	23	18	14	13	12	-11	21	16	12	11	10	-11
Unmarried, in family, working	6	8	9	10	12	5	6	7	8	8	9	3
Unmarried, in family, not working	9	8	8	8	8	0	5	5	5	5	5	-1
Unmarried, not in family, working	3	5	5	6	6	3	3	5	6	6	7	3
Unmarried, not in family, not working	10	11	11	11	11	1	4	5	5	5	5	1
Male												
Married and working	20	17	15	13	12	-8	30	26	23	21	20	-10
Married and not working	10	10	9	9	8	-2	5	6	6	7	6	1
Unmarried, in family, working	3	4	6	6	7	3	5	6	7	7	8	3
Unmarried, in family, not working	3	3	3	4	4	1	2	2	2	3	3	0
Unmarried, not in family, working	2	4	5	6	7	5	3	6	7	8	9	5
Unmarried, not in family, not working	4	4	4	5	6	2	2	2	2	3	3	1
Total	100	100	100	100	100		100	100	100	100	100	
Occupational Classification												
Managerial and professional occupations	6	7	8	10	9	3	15	18	23	24	25	10
Middle craft workers, technicians and clerical	21	20	22	23	22	1	29	29	29	29	27	-2
Less-skilled retail and personal service occupations	38	32	34	32	33	-5	33	29	27	26	26	-7
No occupational classification	35	40	36	34	35	0	22	24	21	21	22	0
Total	100	100	100	100	100		100	100	100	100	100	

Appendix Table 3

Characteristics of the Adult Population, Upper Income and All, 1970 to 2006 (% distribution)												
	Adults in Upper Income Households						All Adults					
	1970	1980	1990	2000	2006	Change 1970 to 2006	1970	1980	1990	2000	2006	Change 1970 to 2006
Age												
18 to 29	23	26	21	16	16	-7	26	29	25	21	21	-5
30 to 44	25	28	34	32	29	3	27	27	33	32	28	2
45 to 60	43	38	35	41	44	1	32	28	26	30	34	2
60 and older	8	8	10	11	11	2	15	15	17	16	16	1
Total	100	100	100	100	100		100	100	100	100	100	
Race/Ethnicity and Nativity												
White	93	90	87	83	80	-13	86	82	78	73	70	-16
Black	4	5	6	7	7	3	10	10	10	11	11	2
Foreign-born Hispanic in the U.S. 10 years or less	0	0	0	1	1	0	1	1	2	2	3	2
Foreign-born Hispanic in the U.S. more than 10 years	0	1	1	2	2	2	0	1	2	4	5	4
Native-born Hispanic	1	2	3	3	4	3	2	3	4	5	6	4
Asian	1	2	3	5	6	5	1	2	3	4	5	4
Other	0	0	0	1	1	0	0	1	1	1	1	1
Total	100	100	100	100	100		100	100	100	100	100	
Marital Status												
Married, spouse present	72	68	65	66	63	-9	69	63	59	56	52	-17
Married, spouse absent	1	1	1	1	2	1	2	1	1	2	2	1
Separated	1	1	1	1	1	0	2	2	2	2	2	0
Divorced	3	6	8	9	9	6	4	7	9	10	11	7
Widowed	5	4	4	4	3	-2	9	8	7	7	6	-2
Never married	17	20	21	19	22	4	15	19	21	22	25	11
Total	100	100	100	100	100		100	100	100	100	100	

Appendix Table 3 (continued)

Characteristics of the Adult Population, Upper Income and All, 1970 to 2006 (% distribution)												
	Adults in Upper Income Households						All Adults					
	1970	1980	1990	2000	2006	Change 1970 to 2006	1970	1980	1990	2000	2006	Change 1970 to 2006
Education												
Less than a high school diploma	27	17	7	5	4	-23	45	32	21	16	14	-31
High school diploma	36	36	27	22	21	-14	33	36	34	33	33	-1
Some college	17	21	30	30	29	12	12	17	26	29	28	16
Bachelor's degree or more	20	27	36	43	46	26	10	15	19	23	25	15
Total	100	100	100	100	100		100	100	100	100	100	
Own Family and Presence of Own Children												
Living alone	6	8	9	10	10	4	9	12	13	14	14	5
Not living with own family	3	5	7	9	8	5	3	5	7	9	9	6
In own family												
Unmarried with no own children present	15	15	14	12	13	-1	12	13	13	12	15	2
Unmarried with own children	4	3	4	4	5	1	6	7	8	9	10	3
Married with own children	40	36	34	32	31	-9	44	38	34	32	28	-16
Married with no own children present	32	32	31	33	32	0	25	25	24	24	24	-1
Total	100	100	100	100	100		100	100	100	100	100	

Appendix Table 3 (continued)

Characteristics of the Adult Population, Upper Income and All, 1970 to 2006 (% distribution)												
	Adults in Upper Income Households						All Adults					
	1970	1980	1990	2000	2006	Change 1970 to 2006	1970	1980	1990	2000	2006	Change 1970 to 2006
Gender, Family and Work												
Female												
Married and working	20	21	23	23	23	3	14	16	17	17	16	2
Married and not working	17	13	10	10	9	-8	21	16	12	11	10	-11
Unmarried, in family, working	6	6	6	5	6	1	6	7	8	8	9	3
Unmarried, in family, not working	4	3	2	2	3	-1	5	5	5	5	5	-1
Unmarried, not in family, working	3	4	6	6	7	4	3	5	6	6	7	3
Unmarried, not in family, not working	1	1	1	2	1	0	4	5	5	5	5	1
Male												
Married and working	34	31	29	28	28	-6	30	26	23	21	20	-10
Married and not working	2	3	4	5	4	2	5	6	6	7	6	1
Unmarried, in family, working	7	8	8	6	7	0	5	6	7	7	8	3
Unmarried, in family, not working	2	2	2	2	2	0	2	2	2	3	3	0
Unmarried, not in family, working	5	8	9	9	10	5	3	6	7	8	9	5
Unmarried, not in family, not working	0	1	1	1	1	1	2	2	2	3	3	1
Total	100	100	100	100	100		100	100	100	100	100	
Occupational Classification												
Managerial and professional occupations	28	31	40	43	45	16	15	18	23	24	25	10
Middle craft workers, technicians and clerical	34	33	31	29	27	-7	29	29	29	29	27	-2
Less-skilled retail and personal service occupations	24	22	19	16	16	-8	33	29	27	26	26	-7
No occupational classification	14	14	11	12	12	-2	22	24	21	21	22	0
Total	100	100	100	100	100		100	100	100	100	100	

Chapter 8: Trends in Income, Expenditures, Wealth and Debt

Overview

This chapter examines trends in economic well-being through the prisms of income, wealth and expenditures, which together yield a more complete measure of changes in Americans' financial circumstances than can any single yardstick. All three indicators tell essentially the same story: Since the 1970s and 1980s, the United States has been a society characterized by rising prosperity *and* rising inequality.

During this period, income, wealth and expenditures have risen in real dollars for all three income tiers—lower, middle and upper. At the same time, the gaps between all three income tiers have also grown, and they have grown across all three indicators. The wealth gap is by far the biggest of the three, and it has grown the most since the 1980s.³⁴

Looking just at more recent trends, from 1999 to 2006, this analysis finds that incomes declined slightly for all three income tiers. This decline has not eliminated long-term gains in income since 1970. However, it comes at time when all adults—and especially those in the middle income tier—have taken on more debt. The growth in debt is linked to the boom in the housing market that began in the 1990s and lasted through 2006. It is beyond the scope of this report to analyze what impact the recent drop in housing prices and turmoil in mortgage markets will have on the financial well-being of homeowners and all Americans. But the findings presented here provide a context for—and perhaps foreshadow—current developments.

In this chapter, income and expenditure data have been adjusted for family or household size and scaled to reflect a three-person family or household. Dictated by the availability of data, the income analysis spans the 1969-2006 period, wealth trends are measured from 1983 to 2004, and expenditures are estimated for the 1980 to 2006 period. Major findings include:

Income

- The median income of all U.S. households increased from \$42,339 in 1969 to \$59,493 in 2006, an increase of 41% (incomes estimated for three-person households and adjusted to 2008 dollars).³⁵ Incomes of middle income households increased from \$45,775 to \$63,955, or by 40%. In 2006, the median income of lower income households was \$25,201, up 42% compared with 1969. The median income of households in the upper tier increased the most (50%), from \$85,172 in 1969 to \$128,040 in 2006.
- The income gap across the three tiers narrowed in the 1970s with the income of lower income households increasing at the fastest rate. However, the income gap surged in the 1980s as incomes of households in the upper tier increased at nearly double the rate for lower income households. The gap remained steady in the 1990s and has increased modestly in the current decade.

³⁴ All references to gaps in income, wealth and expenditures across income tiers are to percentage gaps, not absolute gaps.

³⁵ Incomes of all U.S. households are scaled to reflect a three-person household. According to this scale, median household income in 2006 (expressed in 2008 dollars) is \$34,348 for a one-person household; \$48,576 for a two-person household; \$59,493 for a three-person household; and \$68,697 for a four-person household. The scaling process is similar to, but not the same as, converting household income to per capita income (see the appendix section “Adjusting for Household Size” for further details).

- Median incomes of households in all three tiers in 2006 are lower than in 1999, having failed to fully recover from the 2001 recession and the subsequent economic slowdown. Incomes of households in the lower tier have decreased the most, followed by middle income and upper income households. The latest economic slowdown, led by the credit meltdown in the housing market, is likely to prolong the recovery period.

Wealth

- The median wealth of all U.S. families increased from \$69,902 in 1983 to \$104,645 in 2004, a gain of 50% (wealth is the difference between assets and debt; all figures are adjusted to 2008 dollars). Almost all of this increase occurred in the 1990s.
- This rise in median wealth was much greater for upper income families (123%) than for middle income families (29%) and lower income families (24%). As a result wealth disparities in 2004 were quite large: median wealth was \$439,390 for upper income families, \$98,286 for middle income families, and just \$16,000 for lower income families.
- Mean values of assets owned by families increased between 1983 and 2004. The increase was highest for upper income families (111%), less for middle income families (93%) and the least for lower income families (74%).
- Families in all three income tiers took on more debt between 1983 and 2004. But the growth in mean debt levels was highest for lower income families (165%) and middle income families (162%). Upper income families raised their mean debt level by 123% over this period.
- The median debt-to-asset ratio increased the most for middle and lower income families. The ratio increased from 0.25 in 1983 to 0.40 in 2004 for the middle tier, and from 0.29 to 0.42 for the lower tier. The increase in the debt-to-asset ratio for upper income families was far less, as it nudged up from 0.21 in 1983 to 0.27 in 2004. Another measure of debt—the debt-to-income ratio—more than doubled for middle income families and doubled for lower and upper income families.
- Increases in the homeownership rate and rising house prices are key factors in the growing debt obligations of families. About three-quarters of the new debt taken on by upper and middle families, and about two-thirds of the new debt of lower income families, was due to debt secured by a family's primary residence. Also, between 1983 and 2004, the debt-to-income ratio increased more for homeowners than for non-homeowners.
- The value of the primary residence accounted for about 50% of the assets of lower and middle income families in both 1983 and 2004, and about 25% of the assets of upper income families in these years.

Expenditures

- Median expenditures by all U.S. families increased from \$37,838 in 1980/81 to \$44,790 in 2005/06, an increase of 18% (expenditures estimated for three-person families and adjusted to 2008 dollars). Upper income families raised their expenditures the most, from \$56,946 to \$75,025, or by 32%. Expenditures of middle income families were up modestly (15%) from \$39,116 to \$44,812. Similarly, expenditures of lower income families increased 16%, from \$23,162 to \$26,834.
- The expenditure gap across the three tiers, reflecting trends in income, increased the most in the 1980s. In that decade, expenditures by upper income families increased by 19% but they increased only 6% for the middle tier and 9% for the lower tier. The gap further widened in the 1990s, but narrowed slightly after 2000.
- Expenditures on housing, transportation, and food and beverages consume the lion's share of the family budget. In 2005/06 the proportion of total expenditures devoted to these items ranged from 72% for lower income families to 68% for middle income families and 62% for upper income families.
- From 1980/81 to 2005/06, families in all three tiers devoted a growing share of their budgets to housing, medical care, education, pensions, insurance, charity and other items; and a reduced share to food and beverages, apparel, transportation and recreation.

Income, Wealth and Expenditures—Three Windows into Economic Well-Being

No single economic yardstick can draw a comprehensive picture of the economic well-being of a family or, for that matter, an income group. Income is the most widely used yardstick, but, due to changing economic circumstances, family income is often subject to sharp, short-term fluctuations (Congressional Budget Office, 2007; Hertz, 2006). A family that is considered in the middle income group one year may be in the lower income group the next, or vice versa. Thus, it is useful to supplement the analysis of trends in income with trends in wealth and expenditures.

Wealth, unlike income, represents a stock of assets, minus outstanding debt, accumulated over time. Among other things, wealth provides retirement income, protection against short-term economic shocks, and security and social status for future generations. Consumer expenditures are often considered a better indicator of well-being than annual income because they are more closely related to a family's long-term, or permanent, income (Johnson, Smeeding and Torrey, 2005; Meyer and Sullivan, 2007). For instance, families can draw upon their savings to maintain their lifestyle if income flow is temporarily disrupted. There also are families, such as the retired, with low income but relatively high level of expenditures.

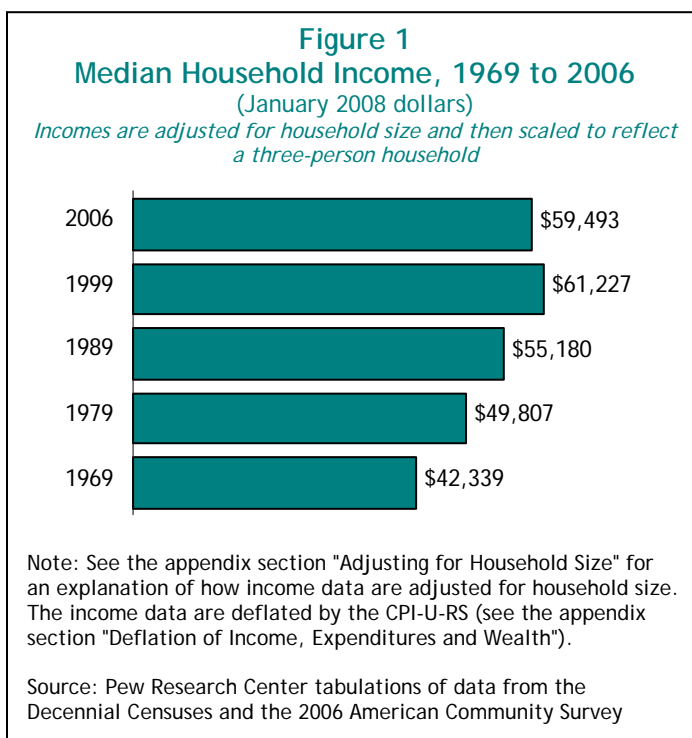
The focus of this chapter is on recent trends in income, wealth and expenditures—in the aggregate, and also for lower, middle and upper income families. The analysis also reports on the gaps in income, wealth and expenditures across income groups, and how the gaps have changed over time. The section on wealth explores the level of debt held by families and the role of housing in increasing the level of indebtedness. Finally, the section on expenditures examines how the distribution of those expenditures across commodities varies by income group.

Data on income are drawn from the Decennial Censuses of 1970, 1980, 1990 and 2000, and the 2006 American Community Survey. The income data collected in the censuses pertain to the preceding year, i.e. 1969, 1979, 1989 and 1999. The income data from the 2006 ACS span two calendar years: 2005 and 2006.³⁶ For the sake of convenience we use 2006 as the reference for income data from the 2006 ACS. The wealth analysis is based on Survey of Consumer Finances data for 1983, 1992 and 2004 (earlier data are not available). Expenditure data are derived from the Consumer Expenditure Surveys for 1980/81, 1990/91, 2000/01 and 2006.³⁷ Because of the way the data are collected and reported, the unit of analysis for income is the household and the unit of analysis for wealth and expenditures is the family.³⁸

As in the preceding chapter, families, or households, are divided into three groups based on their income level after the income has been adjusted for differences in family or household size (see the appendix section “Adjusting for Household Size”). The middle income group consists of families or households whose income is between 75% and 150% of the median level of income in the U.S. This process is conducted independently for each of three data sources. All income and expenditure data reported in this chapter have been adjusted for family or household size and are scaled to reflect a three-person family or household. However, wealth data are not adjusted for family size because it is difficult to associate a current family size with a stock of wealth. In part, that is because wealth is accumulated and “consumed” over an extended period of time during which family structure may change significantly. It is also typical for at least part of a family’s wealth to be passed on for the benefit of future generations.

I. Income

The median real income of U.S. households has increased since 1969 (Figure 1). In 2006, the median household income in the U.S. was \$59,493 (expressed in January 2008 dollars). That was 41% higher than the median income of U.S. households in 1969 (\$42,339). The



³⁶ The 2006 ACS was conducted from January 2006 to December 2006. Each month respondents were asked to report their income over the preceding 12-month period. In principle, therefore, respondents in January 2006 report income for January 2005 to December 2005, respondents in February 2006 report income for February 2005 to January 2006, and so on. Respondents in December 2006 should report income for December 2005 to November 2006.

³⁷ The expenditure data collected in the 2006 interviews for the Consumer Expenditure Survey refer, in part, to expenditures made in 2005.

³⁸ See the appendix sections “Households and Families in Census Data” and “A Note on Data Sources” for general definitions of households and families and more specific treatments of the terms within a data source (the Consumer Expenditure Survey, for example, collects data for “consumer units”). Generally speaking, a family consists of either related individuals or unrelated individuals who live together and make joint financial decisions. A household consists of all residents in a housing unit, including lodgers, maids, etc.

increase in income was steady through most of this time period, increasing 18% in the 1970s, 11% in the 1980s and 11% in the 1990s.

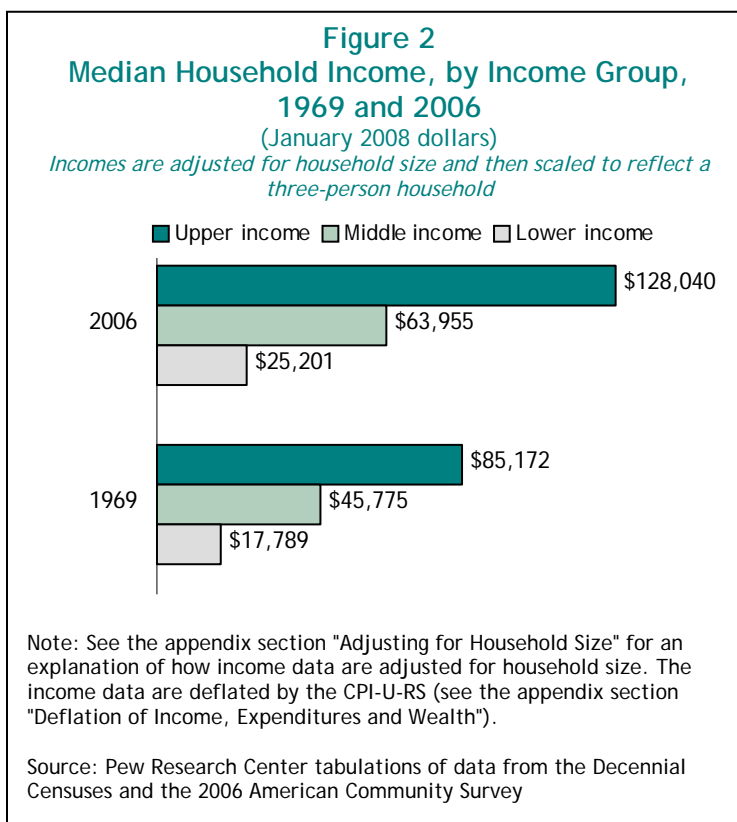
However, the median household income in 2006 was less than in 1999, declining from \$61,227 in 1999 to \$59,493, or a loss of 3%. The year 1999 was the peak of a nearly 10-year economic expansion. The year 2006 was not far removed from a nearly three-year period that included a recession in 2001 and an economic slowdown that persisted through 2003. Thus, the income data show that households have not yet recovered entirely from the effects of the last recession and economic slowdown. The recovery may take longer still because the economy currently appears to be in the midst of another slowdown caused by credit problems in the housing market.

Estimates of income in this section of the report and the preceding section reflect controls for household size. These adjustments are meant to reflect the reality that households with the same incomes but different numbers of persons face different budget constraints. Thus, the income data are adjusted to control both for size differences across households at a point in time and changes in household size over time. After incomes have been adjusted for household size, they can be scaled to reflect a household of any given size. The estimates reported here are scaled to reflect the income of a three-person household. The appendix section “Adjusting for Household Size” describes this process in greater detail.

Controlling for household size has a substantial impact on estimates of changes in household income over time. That is because average household size in the United States has fallen from 3.1 people in 1970 to 2.5 in 2006, a decrease of 19%. If no adjustments are made to reflect this drop in household size, real median household income in the U.S. is estimated to have increased from \$41,834 in 1969 to \$51,626 in 2006, or 23%.³⁹ As noted above, after adjusting for changes in household size, median household income is estimated to have increased 41% in the same period.

Incomes of Lower, Middle and Upper Income Households

Economywide gains in incomes were reflected in the trends for lower and middle income households. Incomes for both groups increased at about the



³⁹ Census Bureau estimates of household income, derived from the Current Population Survey, are not adjusted for household size and show a similar increase from 1970 to 2006 (DeNavas-Walt, Proctor and Smith, 2007).

average rate between 1969 and 2006. However, the incomes of upper income households increased by more. Consequently, upper income households have pulled away from lower and middle income households since 1969.

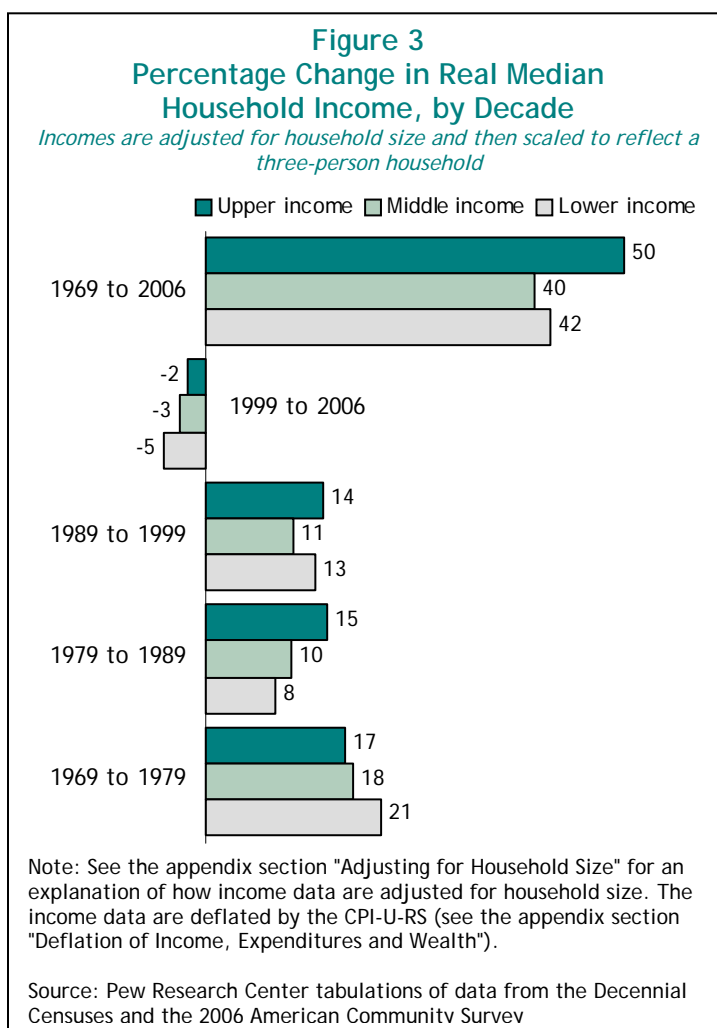
The median real income of middle income households in 2006, adjusted for household size and scaled to reflect a three-person household, was \$63,955 (Figure 2). That was 40% higher than their income in 1969 (\$45,775). Thus, the income gain for middle income households was about the same as the economywide change in household income (41%).

The median real income of lower income households in 2006 was \$25,201. That was 42% higher than 1969, when the median income for this group was \$17,789. Thus, the incomes of lower income households also increased at about the economywide pace. The median income of upper income households increased from \$85,172 in 1969 to \$128,040 in 2006. That represented an increase of 50%, well above the average and greater than the increase for lower income and middle income households.

Trends in Incomes of Lower, Middle and Upper Income Households

The overall trend in income growth masks some differences across the decades and income groups. The 1970s were the years of strongest growth in incomes for all groups. Moreover, the gap between upper and lower income households narrowed in that period. These trends were reversed in the 1980s as the largest gains flowed to upper income households. To a lesser extent, the trends from the 1980s persisted through the 1990s. Incomes of all households decreased between 1999 and 2006, and the decline was larger for lower income households than upper income households.

The strongest growth in income for all households occurred between 1969 and 1979.⁴⁰ In that decade, growth in median real income ranged from 17% for upper income households to 18% for middle income households and 21% for lower income households (Figure 3). Thus, the gap



⁴⁰ Not coincidentally, the greatest decrease in household size occurred in the 1970s. The mean household size in the United States at the turn of each decade was as follows: 1970–3.1, 1980–2.7, 1990–2.6, 2000–2.6, 2006–2.5.

in income between lower income and upper income households narrowed during the 1970s.

Income growth slowed for all households in the 1980s. Lower income households suffered the greatest deceleration as their incomes increased only 8% in the 1980s compared with 21% the previous decade. For middle income households, income growth diminished from 18% to 10%. However, income growth for upper income households decelerated only a little, from 17% in the 1970s to 15% in the 1980s. In contrast to the 1970s, therefore, household income inequality in the 1980s was on the rise.

The economic expansion in the 1990s slowed the trend toward rising income inequality. Income growth for upper income households declined slightly, from 15% in the 1980s to 14% in the 1990s. However, lower and middle income households saw their incomes increase at faster rates in the 1990s. For lower income households, income growth accelerated from 8% to 13% and for middle income households income growth essentially maintained its pace, shifting up from 10% to 11%.

The recession in 2001 and the economic slowdown that followed eroded gains in incomes for the three tiers of households. From 1999 to 2006, the median income of lower income households decreased 5% and the income of middle income households fell 3%. Upper income households lost the least, as their median income decreased 2%. For all households, incomes in 2006 were below the levels attained in 1999.

II. Wealth

Differences in wealth across lower, middle and upper income families are much greater than differences in income.⁴¹ Moreover, the wealth gap has increased by more than the income gap in recent years. Gains in wealth for upper income families have been especially striking. While the wealth of all families has increased since the early 1980s, there are also notable increases in the level of indebtedness, especially among lower and middle income families. The growth in family debt appears linked to the housing boom that started in the 1990s and lasted through 2006.

Wealth, unlike income, represents not an annual flow but an accumulation of assets, minus outstanding debt, over time. Changes in wealth, or net worth, are determined by changes in the value of assets owned by households compared with changes in their holding of debt, or liabilities. Net worth will increase as long as asset values, in absolute amount, increase by more than debt holdings. Overall economic trends will influence wealth just as they influence income. But wealth is also subject to more specific forces in financial markets. And some market trends, such as the recent run-up in housing prices, can be double-edged swords, raising asset values and debt holdings at the same time.

This section uses data from the Survey of Consumer Finances to develop estimates of wealth for lower, middle and upper income families. The survey has been conducted on a triennial basis since 1983, and the latest dataset available is for 2004. The unit of observation in the SCF is the family, and families are classified into lower, middle and upper income groups using the same methods as detailed in the appendix section “Adjusting for Household Size.” However, unlike income and expenditure data, wealth is not adjusted for family size. In part, that is because wealth is accumulated and “consumed” over an extended period of time during which family

⁴¹ A family may include unrelated individuals living together as long as they are financially interdependent.

structure may have changed. Also, at least a part of a family's wealth is typically passed on for the benefit of future generations.

Changes in Wealth of U.S. Families

In 2004, the median wealth of U.S. families was \$104,645 (expressed in January 2008 dollars). That was 50% higher than their wealth in 1983 (\$69,902). The increase in wealth contrasts with a 31% gain in family income between 1983 and 2004.⁴²

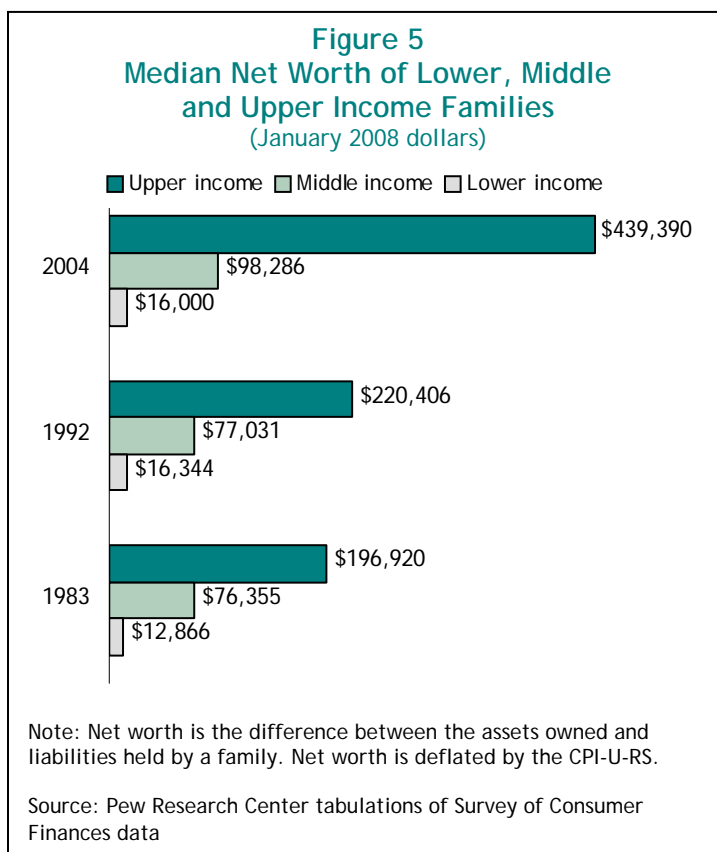
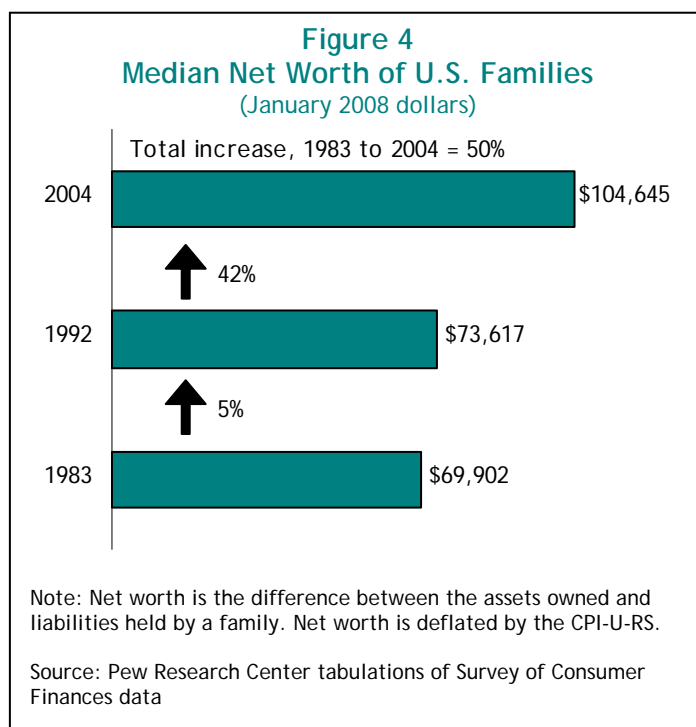
Almost all of the wealth gain for families in the U.S. occurred in the 1990s. Between 1992 and 2004 median wealth increased from \$73,617 to \$104,645, or 42%. Median wealth changed little in the preceding decade, nudging up from \$69,902 in 1983 to \$73,617 in 1992 (Figure 4).

Wealth of Lower, Middle and Upper Income Families

Not surprisingly, the wealth of families is strongly correlated with their income. However, differences in wealth across lower, middle and upper income families are far greater than differences in income. The spread in wealth has also widened considerably over time as the greatest gains in wealth since 1983 have accrued to upper income families.

In 1983, the median wealth of middle income families was \$76,355 (Figure 5). This was much higher than the wealth of lower income families—\$12,866—but it was less than half the wealth of upper income families—\$196,920.

Regardless of income level, family wealth increased by modest amounts between 1983



⁴² This estimate is based on SCF data. It is the change in median real family income adjusted for changes in family size.

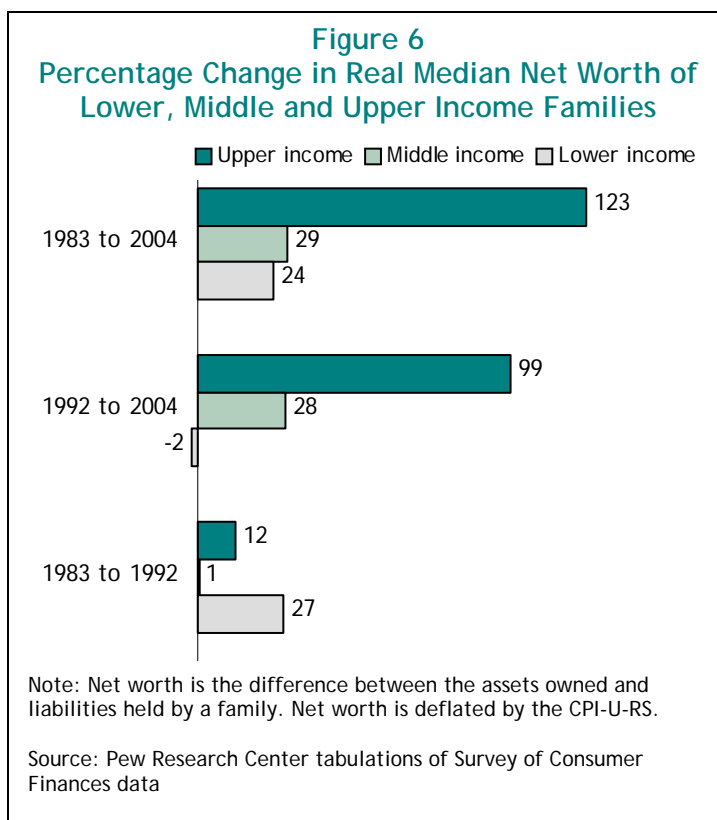
and 1992. The wealth of lower income families increased to \$16,344, from \$12,866. For middle income families, net worth was essentially unchanged, inching up from \$76,355 in 1983 to \$77,031 in 1992. The gain for upper income families was also relatively modest, from \$196,920 in 1983 to \$220,406 in 1992, an increase of 12% over the nine-year period. As a result, there was no notable change in the spread of wealth across lower, middle and upper income families between 1983 and 1992.

However, there were sharp differences across families in the accrual of wealth between 1992 and 2004. The wealth of lower income families remained unchanged—\$16,000 in 2004 compared with \$16,344 in 1992. Middle income families did see their net worth increase—from \$77,031 in 1992 to \$98,286 in 2004. But their gain was far removed from the gain for upper income families, who doubled their wealth between 1992 and 2004, from \$220,406 to \$439,390.

There are striking contrasts across families in the cumulative change in wealth between 1983 and 2004. Upper income families increased their net worth by 123% during this time period (Figure 6). However, the gains for other families were more modest—29% for middle income families and 24% for lower income families. Thus, with respect to wealth, lower and middle income families have lost significant ground to upper income families since 1983. In 1983, the net worth of upper income families was 2.6 times the net worth of middle income families. By 2004, that ratio had increased to 4.5. The ratio of the wealth of upper income families to the wealth of lower income families increased from 15.3 in 1983 to 27.5 in 2004.

Variations in Wealth With Family Characteristics

Family wealth varies significantly with the characteristics of the family. In addition to income, some socioeconomic characteristics that make a difference are the age of the family head, homeownership, marital status and race and ethnicity. Generally speaking, regardless of income, wealth increases with age, and those who are homeowners and either married or with a partner tend to have higher net worth. Also, black and Hispanic families have considerably less wealth than white families.



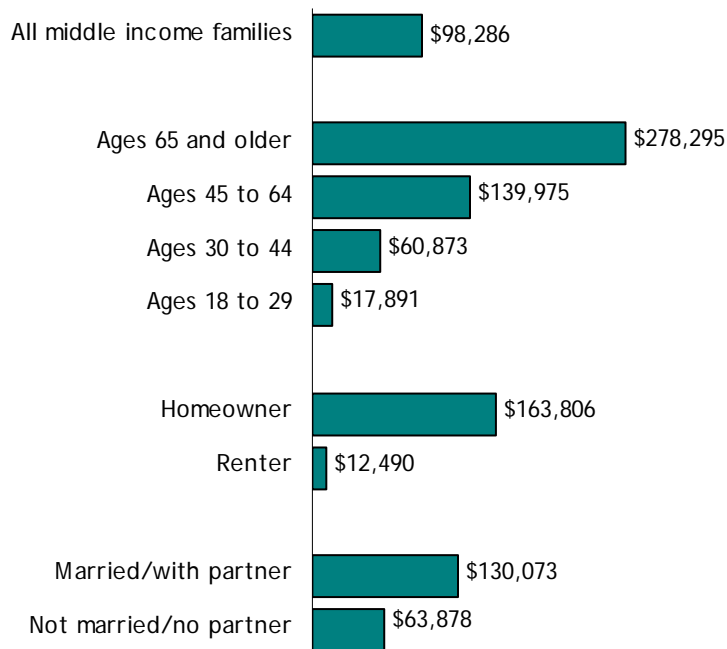
The relationship between wealth and age is unsurprising because wealth represents a stock—it is the cumulative effect of acquiring assets, less liabilities, over time. Among middle income families in 2004, net worth of families whose heads were 18 to 29 years old was only \$17,891 (Figure 7). However, the net worth of middle income families whose heads were 65 or older was \$278,295.

Another characteristic strongly correlated with the stock of wealth is homeownership. The median wealth of middle income homeowners in 2004 was \$163,806, much greater than the median wealth of middle income renters (\$12,490). Similarly, married heads of families or those with partners had accumulated much higher levels of wealth compared with other middle income families—\$130,073 versus \$63,878.

The general patterns of differences in wealth by age, homeownership and marital status observed in 2004 also existed in 1983 and 1992. Similarly, these patterns exist among lower and upper income families in all years.

Among all U.S. families in 2004, the median net worth of white families was \$158,450 (Figure 8). That was seven times higher than the wealth of black families (\$23,067) and nine times greater than the wealth of Hispanic families (\$17,474).⁴³

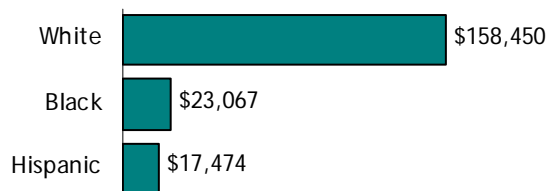
Figure 7
Median Net Worth of Middle Income Families in 2004,
by Characteristic of Head of Family
(January 2008 dollars)



Note: Net worth is the difference between the assets owned and liabilities held by a family. Net worth is deflated by the CPI-U-RS.

Source: Pew Research Center tabulations of Survey of Consumer Finances data

Figure 8
Median Net Worth of All Families in 2004,
by Race and Ethnicity
(January 2008 dollars)



Note: Net worth is the difference between the assets owned and liabilities held by a family. Net worth is deflated by the CPI-U-RS. The terms "white" and "black" are used to refer to the non-Hispanic components of each population.

Source: Pew Research Center tabulations of Survey of Consumer Finances data

⁴³ Because of sample sizes available in the Survey of Consumer Finances it is not feasible to report the wealth of lower, middle and upper income families by race and ethnicity. A detailed analysis of wealth by race and ethnicity is available in Kochhar (2004).

Net Worth, Assets and Liabilities

A family's net worth will increase as long as the value of its assets, in absolute amount, increases by more than its liabilities. Thus, a family can take on more debt but still increase its net worth as long as its assets holdings increase by a sufficient amount. This section presents trends in the *mean* net worth, assets and liabilities of lower, middle and upper income families.⁴⁴ There are notable differences across income groups in this regard, especially with respect to changes in the level of debt. Subsequent sections present evidence on the composition of assets and liabilities held by families from different income groups.

Between 1983 and 2004, all U.S. families, as well as lower, middle and upper income families separately, increased the values of the assets they owned by more than their level of debt. For all U.S. families, the real mean value of assets increased by \$313,524 from 1983 to 2004. In contrast, the real mean value of debt increased only by \$52,506. The net result was an increase of \$261,018 in mean net worth (Table 1).

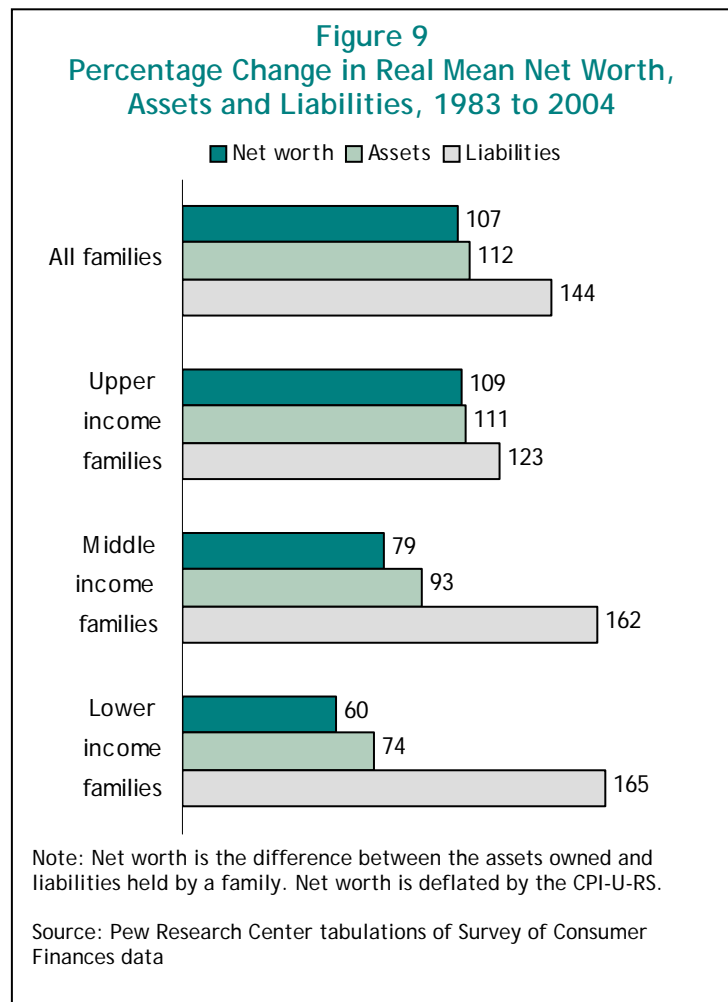
Table 1 Mean Net Worth, Assets and Liabilities of Lower, Middle and Upper Income Families (January 2008 dollars)			
	1983	2004	Change 1983 to 2004
All families			
Assets	\$279,560	\$593,085	\$313,524
Liabilities	\$36,478	\$88,984	\$52,506
Net Worth	\$243,083	\$504,101	\$261,018
Upper income families			
Assets	\$681,838	\$1,435,897	\$754,058
Liabilities	\$79,222	\$177,059	\$97,837
Net Worth	\$602,616	\$1,258,838	\$656,222
Middle income families			
Assets	\$159,278	\$307,926	\$148,647
Liabilities	\$28,253	\$73,919	\$45,666
Net Worth	\$131,025	\$234,006	\$102,981
Lower income families			
Assets	\$71,800	\$125,275	\$53,475
Liabilities	\$10,085	\$26,739	\$16,654
Net Worth	\$61,715	\$98,536	\$36,821
Note: Net worth is the difference between the assets owned and liabilities held by a family. All figures are deflated by the CPI-U-RS.			
Source: Pew Research Center tabulations of Survey of Consumer Finances data			

⁴⁴ Mean, rather than median, values are presented here because mean liabilities can be subtracted from mean assets to yield mean net worth. The same cannot be done with median values of assets and liabilities. Mean values of net worth, assets and liabilities are typically higher than the medians because they are pulled up by high levels of assets and liabilities at the top end of the distribution.

What is observed for all U.S. families is also true for lower, middle and upper income families. For each type of family, the absolute increase in asset values was well in excess of increases in debt holdings. The net result was an increase in mean net worth of \$36,821 for lower income families, \$102,981 for middle income families, and \$656,222 for upper income families.

However, even as families were accumulating wealth, they were seeing greater rates of growth in their liabilities than in their assets. This was especially true among lower and middle income families. The debt held by lower income families increased by 165% between 1983 and 2004, more than double the 74% increase in their assets. Similarly, middle income families increased their debt level by 162%, much higher than the 93% increase in their asset values (Figure 9).

Only upper income families witnessed roughly balanced growth in assets and liabilities between 1983 and 2004. For these families, debt levels increased 123% and asset values increased 111%. The fact that lower and middle income families have taken on debt at a faster rate than upper income families helps explain why their net worth has increased at a slower rate.



The Composition of Assets

Families with different levels of income not only differ in the level of their wealth but also in the composition of that wealth. Generally speaking, the diversity of a family's assets increases with its income and wealth. One type of asset stands out from the rest: for most families, the primary asset in their portfolio is their house.⁴⁵ But here, too, there are differences across families. An owned home is the dominant asset for lower and middle income families, but its importance is greatly diminished for upper income families.

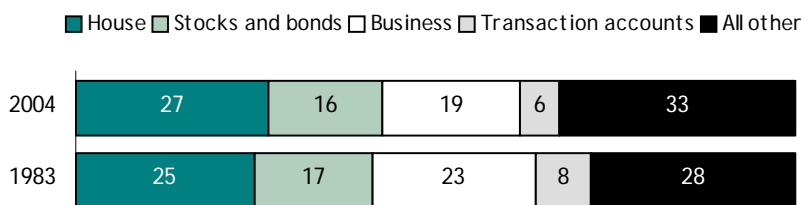
Among lower and middle income families, the value of their house accounted for about 50% of the total mean value of assets in both 1983 and 2004 (Figure 10). But for upper income families, the value of the house accounted for only about one-quarter of the total mean value of assets in both

1983 and 2004. Upper income families also have sizable shares of their assets in the form of stocks, bonds and owned businesses. Thus, the portfolios of upper income families are more diverse.

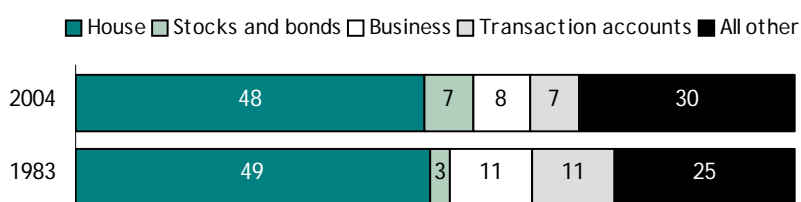
On the whole, the asset distribution of lower and middle income families did not change much between 1983 and 2004. The shares of stocks and bonds increased slightly and the shares of business equity and transactions accounts decreased slightly. Larger shares of the portfolios for lower and middle income families were also accounted for by all other assets, a category that includes retirement accounts, the value of secondary residences and the value of vehicles owned. A similar pattern is observed for upper income families.

Figure 10
The Percentage Distribution of Assets Owned by Families,
1983 and 2004

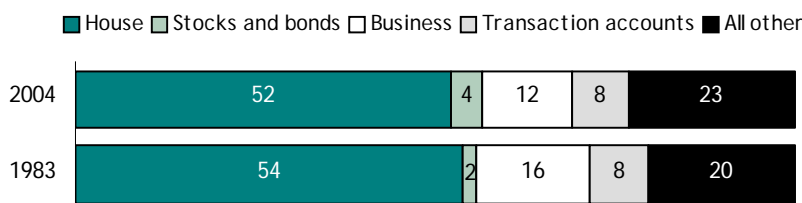
Upper income



Middle income



Lower income



Note: The chart shows the percentage distribution of the mean value of assets for lower, middle and upper income families, including families that own no assets. Transaction accounts include money market accounts, checking accounts, savings accounts, call accounts, and certificates of deposit.

Source: Pew Research Center tabulations of Survey of Consumer Finances data

⁴⁵ More specifically, the reference is to a family's primary residence.

Debt and the Role of Debt Secured by Housing

Debt, as noted above, has risen faster than the value of assets owned by families since 1983. This trend is manifested in both a rising ratio of debt to family income and a rising ratio of debt to a family's assets. Most of the increase in these measures of indebtedness took place in the 1990s.

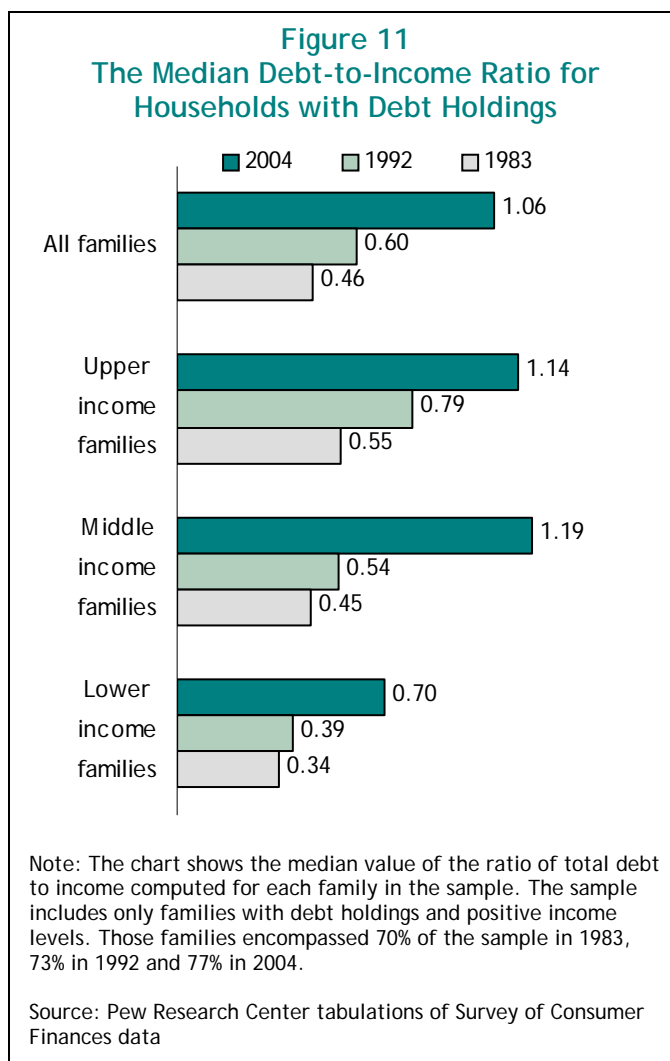
Housing is an important factor behind increases in the debt held by U.S. families. In addition to being the principal component of family assets, housing serves as the principal collateral for family debt. Three factors appear to have pushed up the amount of debt secured by housing in the recent past: rising homeownership rates between 1992 and 2004, especially among middle and upper income households; rising home prices in the 1990s; and a greater likelihood of securing debt with housing than with other means (Dynan and Kohn, 2007).

The recent turmoil in the housing market has led to dramatic drops in home prices and record high rate of foreclosures.⁴⁶ These developments, no doubt, have had an impact on the net worth of families. Because of the lack of data beyond 2004, this section is not able to offer an analysis of how recent, sharp declines in home prices have impacted the net worth and indebtedness of families. But the trends through 2004 offer a context for, and perhaps even foreshadow, more recent developments.

Rising Level of Indebtedness

For all U.S. families, the real mean level of debt increased 144% between 1983 and 2004 (Table 1). The real median debt level (not shown in Table 1) increased even faster—from \$5,070 in 1983 to \$25,294 in 2004, or by 399%. One result of the rapid growth in debt is that households now carry more debt relative to their income and assets than in 1983.

The median value of the debt-to-income ratio for U.S. families with some debt was 1.06 in



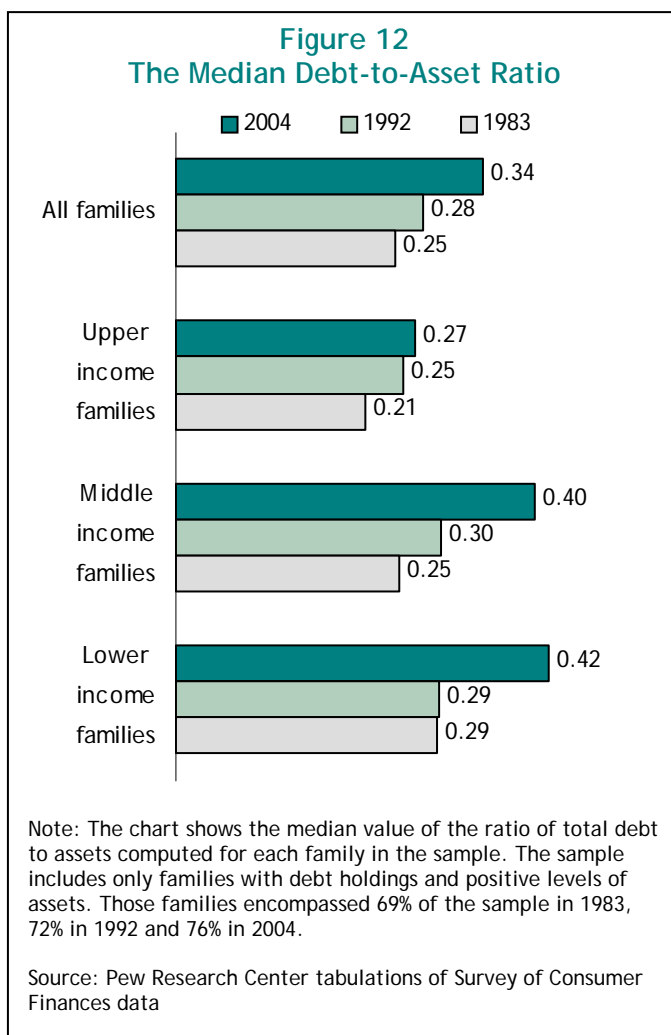
⁴⁶ The National Association of Realtors® reports that the national median sales price of existing single-family homes decreased 5.8% from the fourth quarter of 2006 to the fourth quarter of 2007 (<http://www.realtor.org/Research.nsf/Pages/MetroPrice>). The S&P/Case-Shiller® Home Price Index, which measures the change in repeat-sales prices in 20 metropolitan areas, fell 10.7% between January 2007 and January 2008. According to Realty Trac Inc., foreclosure activity in February 2008 was nearly 60% higher than in February 2007 (<http://www.realtytrac.com/ContentManagement/pressrelease.aspx?ChannelID=9&ItemID=4284&acct=64847>).

2004 (Figure 11). In other words, in 2004, half the families in the U.S. with some debt (those with debt-to-income ratios higher than the median) were holding an amount that exceeded their annual income—for a family with an income of \$50,000 this implies a total debt level of \$53,000 at the median debt-to-income ratio. The median debt-to-income ratio was up sharply compared with 1992, when it stood at 0.60—again, for a family with an income of \$50,000 this implies a total debt level of \$30,000. The increase in this ratio had been more modest between 1983 and 1992—from 0.46 to 0.60.

The increase in the ratio of debt to income between 1983 and 2004 was prevalent among all income levels. In particular, the ratio more than doubled among middle income families between 1992 and 2004. For those families, the median debt-to-income ratio was 0.45 in 1983 and 0.54 in 1992. But it jumped to 1.19 by 2004. The debt-to-income ratio among lower and upper income families doubled between 1983 and 2004—increasing from 0.34 to 0.70 for lower income families and from 0.55 to 1.14 for upper income families.

A related indicator of increased debt levels is the debt-to-asset ratio. That, too, increased for U.S. families with some debt. In 1983, the median debt-to-asset ratio for all families with some debt was 0.25 (Figure 12). That means that for half the families with some debt, asset values exceeded debt holdings by at least a ratio of 4 to 1—for a family with assets totaling \$100,000, debt level would be \$25,000 at the median debt-to-asset ratio. By 2004, the median debt-to-asset ratio had increased to 0.34. In other words, for half of all families, asset values now exceeded debt holdings by a ratio of 3 to 1.

The most notable increase in the debt-to-asset ratio occurred among lower and middle income families with some debt. In 1983, the median of the debt-to-asset ratio for middle income families was 0.25. By 2004 that ratios had increased to 0.40. For lower income families, the ratio increased from 0.29 in 1983 to 0.42 in 2004.



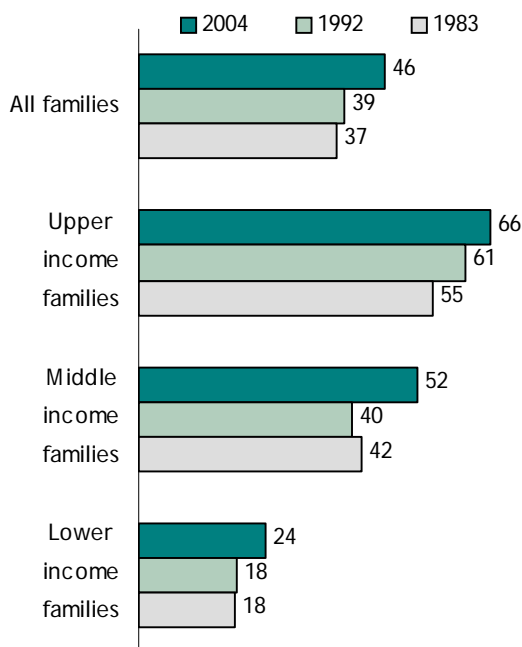
The Role of Housing in Family Debt

One of the reasons housing has assumed a more important role in debt holdings is an increase in the homeownership rate. After remaining steady at about 63% between 1983 and 1992, the homeownership rate among U.S. families increased to 69% in 2004. The most notable gains between 1992 and 2004 were among middle income families, whose homeownership rate increased from 66% to 73%, and upper income families, whose homeownership rate went up from 82% to 88%.

Increases in the homeownership rate mean that more families are holding debt secured by their primary residence. In 1983, 37% of U.S. families held debt secured by their primary residence, such as mortgage debt, home equity loans and lines of credit (Figure 13). That proportion increased slightly to 39% by 1992 and then jumped to 46% by 2004. Underlying this increase was the proportion of middle income families with some debt secured by their primary residence. For middle income families, the proportion increased from 40% in 1992 to 52% in 2004. The proportion of lower income families with debt secured by their primary residence, unchanged between 1983 and 1992, climbed from 18% in 1992 to 24% in 2004.

Increases in the rate of homeownership also push up overall levels of debt in part because homeowners hold more debt. It was shown above that the median debt-to-income ratio for U.S. families was 1.06 in 2004. But, among homeowners, the median debt-to-income ratio was 1.47 and it was only 0.26 among non-homeowners, a difference of 1.21 (Figure 14). The spread in the debt-to-

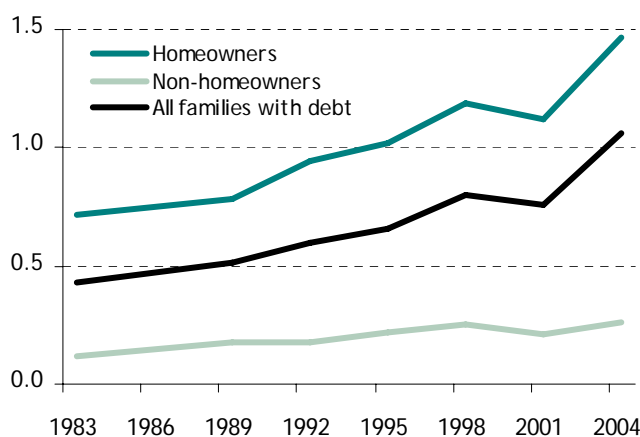
Figure 13
Percentage of Families with Debt Secured by Primary Residence



Note: Debt secured by primary residence includes mortgage debt and home equity loans and lines of credit.

Source: Pew Research Center tabulations of Survey of Consumer Finances data

Figure 14
Median Debt-to-Income Ratio of Families, by Homeownership: 1983 to 2004



Note: Karen Dynan of the Federal Reserve Board graciously provided the data for this chart.

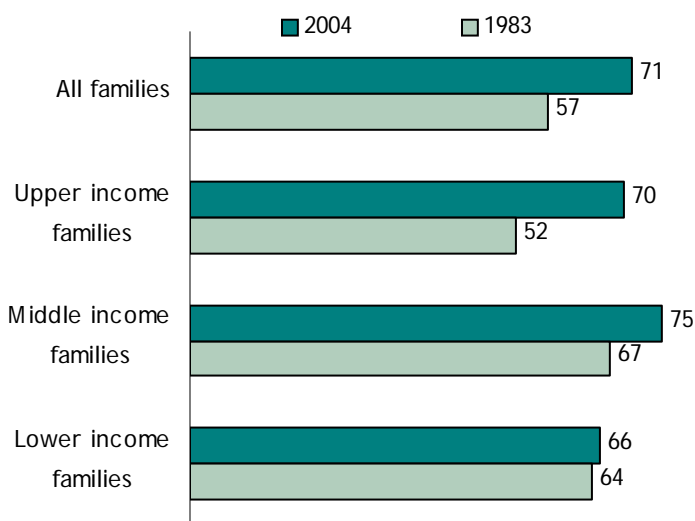
Source: Dynan, Karen E., and Donald L. Kohn. "The Rise in U.S. Household Indebtedness: Causes and Consequences," Finance and Economics Discussion Series 2007-37, Divisions of Research & Statistics and Monetary Affairs, Federal Reserve Board, Washington, D.C. (August 8, 2007)

income ratio between homeowners and others has also increased over time, mostly since 1992. In 1983, the debt-to-income ratios for homeowners and others were 0.72 and 0.12 respectively, or a gap of 0.60. In 1992 the debt-to-income ratios for homeowners and others were 0.94 and 0.18 respectively, a separation of 0.76.

Higher rates of homeownership have been accompanied by increases in the proportion of family debt that is secured by housing. Among U.S. families, 57% of total debt in 1983 was secured by primary residences (Figure 15). That share increased to 71% by 2004. Among lower income and middle income families, about two-thirds of debt in 1983 was secured by their primary residence. That share did not change between 1983 and 2004 for lower income households. However, there were notable increases for middle income and upper income households—from 67% to 75% for middle income households and from 52% to 70% for upper income households.

Consistent with the rising importance of debt secured by primary residences is the fact that most of the *increase* in family debt since 1983 is also attributable to this type of debt. For all U.S. families, three-fourths of the increase in debt between 1983 and 2004 was due to higher levels of debt secured by housing (Figure 16). A similar statement can be made about middle and upper income families. For middle income families, 78% of the increase in debt since 1983 was due to debt secured by the primary residence. Among upper income families, 75% of the increase in debt could be traced to debt secured by housing.

Figure 15
Percentage of Total Debt Secured by Primary Residence, 1983 and 2004



Note: The chart shows the ratio of the mean value of debt secured by the primary residence to the mean value of total debt. Debt secured by primary residence includes mortgage debt and home equity loans and lines of credit. Mean values of debt are computed over all families, including families that hold no debt.

Source: Pew Research Center tabulations of Survey of Consumer Finances data

Figure 16
Proportion of Total Change in Debt Accounted For by the Increase in Debt Secured by Primary Residence, 1983 to 2004



Note: The chart shows the ratio of the change in the mean value of debt secured by the primary residence to the change in the mean value of total debt. Debt secured by primary residence includes mortgage debt, home equity loans and lines of credit. Mean values of debt are computed over all families, including families that hold no debt.

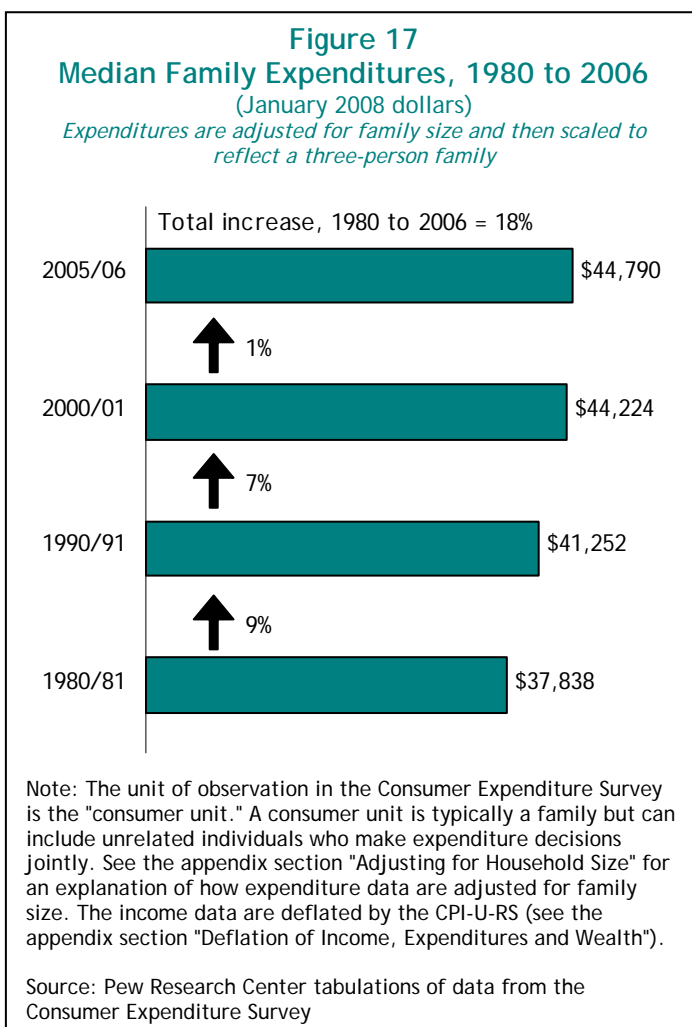
Source: Pew Research Center tabulations of Survey of Consumer Finances data

III. Expenditures

Consumer expenditures show less variation across income groups than income or wealth. One reason is that consumers adjust expenditures to reflect longer term expectations of income. For example, a temporary decline in income, perhaps due to an unemployment spell, may be offset by borrowing or dipping into savings to maintain the existing level of expenditures.⁴⁷ Also, the lower income group includes retirees whose income flows are relatively low but whose consumption is maintained through past accumulation of savings.

Nonetheless, trends in expenditures, like the trends in income and wealth, show a tendency toward rising inequality. Real median expenditures for all U.S. families, and for lower, middle and upper income families, have increased since 1980. However, the largest increases in expenditures are accounted for by upper income families, and the expenditure gap has grown in recent decades.⁴⁸

The median level of expenditure by U.S. families in 2005/06 was \$44,790 (expressed in January 2008 dollars).⁴⁹ Median expenditures in 2005/06 represented an 18% increase compared with expenditures in 1980/81 (\$37,838). The growth in expenditures was steady in the first two decades—9% in the 1980s and 7% in the 1990s—but expenditures increased only 1% between 2000 and 2006 (Figure 17).



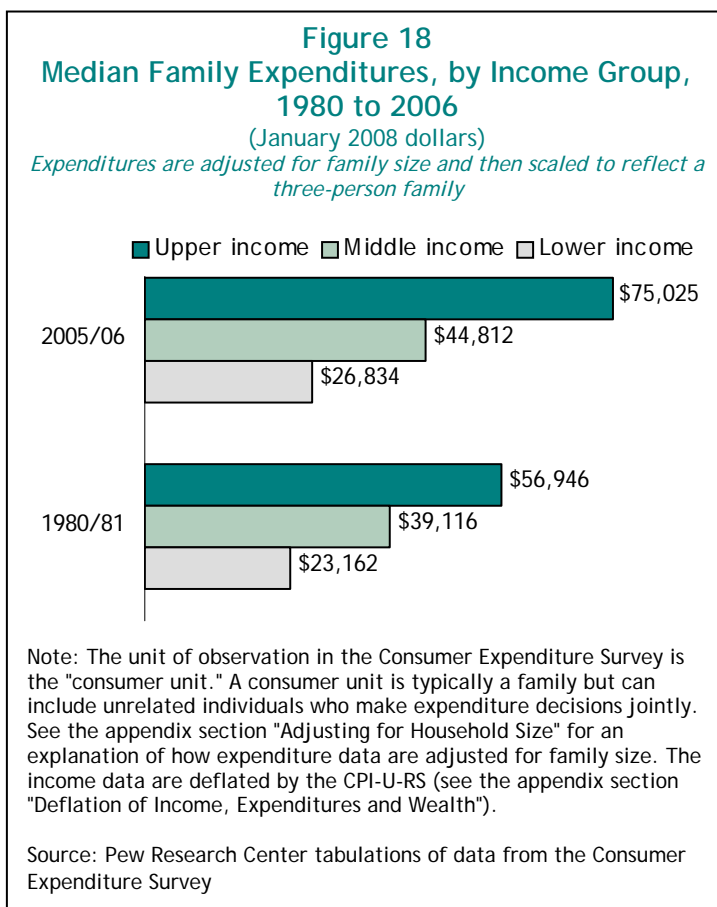
⁴⁷ See Johnson, Smeeding and Torrey (2005), Johnson and Shipp (1997), and Rogers and Gray (1994) for comparative analyses of family well-being measured through the prisms of income or consumption.

⁴⁸ As noted earlier, a family may include unrelated individuals who live together and make joint financial decisions.

⁴⁹ As is the case with income data reported in this study, estimates of expenditures reflect controls for family size, both for size differences across families at a point in time and changes in family size over time. Expenditures are then scaled to reflect a three-person family. The estimates represent coverage for two years at the turn of the last two decades—1980/81, 1990/91 and 2000/01—and the mid-point of the current decade—2005/06.

Expenditures of Lower, Middle and Upper Income Families

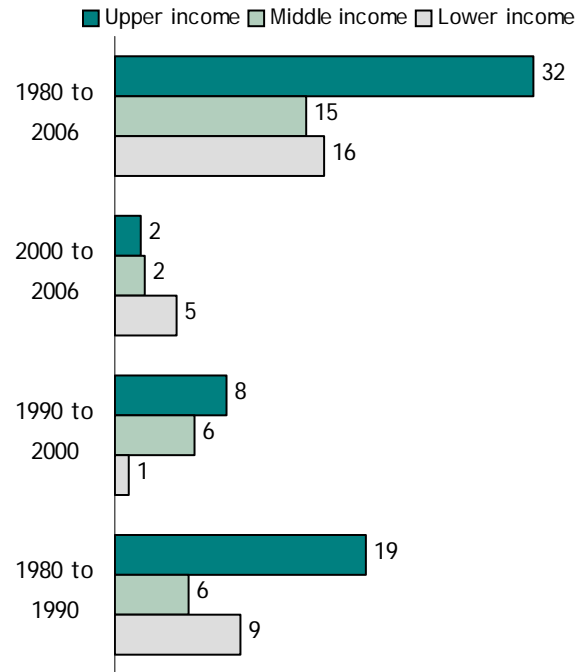
There are notable gaps in the expenditures of lower, middle and upper income families, albeit less than the gaps in income and wealth across these groups. In 2005/06, median expenditures by lower, middle and upper income families were \$26,834, \$44,812 and \$75,025 respectively. The ratio of expenditures by upper income families to expenditures by lower income families was 2.8. In contrast, the income ratio, based on 2006 census data for U.S. households, was 5.1, and the wealth ratio, based on 2004 Survey of Consumer Finances data, was 27.5. Real median expenditures by families increased between 1980/81 and 2005/06. In 1980/81, lower income families spent \$23,162, middle income families spent \$39,116 and upper income families spent \$56,946 (Figure 18). The ratio of expenditures by upper income families to expenditures by lower income families was 2.5.



The expenditures of upper income families increased more than the expenditures of other families in the 1980s and 1990s, but not so in the current decade. Over the entire 25-year period from 1980/81 to 2005/06, median expenditures increased 16% for the lower income groups, 15% for the middle income group and 32% for the upper income group (Figure 19). For upper income families, the largest gain in expenditures—19%—took place in the 1980s. Not coincidentally, this decade was the period of greatest growth in income inequality. Expenditure growth for upper income families moderated in the 1990s, falling to 8%. But expenditure growth also fell for lower income families, amounting to only 1% between 1990/91 and 2000/01. Among middle income families, expenditures increased 6% in both the 1980s and 1990s. Contrary to the trend in household income, expenditures increased the most for lower income families between 2000 and 2006—5% compared with 2% each for middle income and high income families.

Figure 19 Percentage Change in Real Median Family Expenditures

Expenditures are adjusted for family size and then scaled to reflect a three-person family



Note: The unit of observation in the Consumer Expenditure Survey is the "consumer unit." A consumer unit is typically a family but can include unrelated individuals who make expenditure decisions jointly. See the appendix section "Adjusting for Household Size" for an explanation of how expenditure data are adjusted for family size. The income data are deflated by the CPI-U-RS (see the appendix section "Deflation of Income, Expenditures and Wealth").

Source: Pew Research Center tabulations of data from the Consumer Expenditure Survey

Distribution of Expenditures

The three most important items in a family budget are housing, transportation, and food and beverages. On average, U.S. families devoted 66% of their budget to these three commodity groups in 2005/06. Housing, including utilities, home maintenance and furnishings, is the single most important item and consumed 34% of an average family budget that year.⁵⁰ Transportation, encompassing vehicle purchases, gasoline and public transportation, accounted for 18% of total expenditures. Food and beverages, including food away from home, consumed 14% of family expenditures (Table 2).

Table 2 The Distribution of Expenditures by Major Commodity Groups: All U.S. Families, 1980/81 and 2005/06 <i>Expenditures (in current dollars) are adjusted for family size</i> <i>and then scaled to reflect a three-person family</i>		
	1980/81	2005/06
Mean expenditures	\$17,690	\$52,684
Percent distribution		
Total	100.0	100.0
Food and beverages	20.2	13.9
Housing	28.2	33.9
Transportation	20.0	18.1
Apparel	5.4	2.8
Medical care	4.6	5.9
Education	1.1	1.6
Recreation	6.2	5.3
Personal care and tobacco	2.0	1.4
Pensions, insurance, charity and other	12.4	17.1
Note: The unit of observation in the Consumer Expenditure Survey is the "consumer unit." A consumer unit is typically a family but can include unrelated individuals who make expenditure decisions jointly. See the appendix section "Adjusting for Household Size" for an explanation of how expenditure data are adjusted for family size.		
Source: Pew Research Center tabulations of data from the Consumer Expenditure Survey		

⁵⁰Total average expenditures and their distribution encompass all families. Housing expenditures include rent (for renters), mortgage interest, property taxes, etc. (for homeowners), utilities, home maintenance and furnishings. Payments on the mortgage principal are excluded.

The collective importance of the three major commodity groups has remained about the same over time. In 1980/81 their share in total expenditures was 68%. However, there has been a sizable shift in the proportions of expenditures devoted to food and beverages on the one hand and housing on the other. In keeping with a long-term trend, the share of food and beverages dropped from 20% to 14% between 1980/81 and 2005/06.⁵¹ At the same time, the share of housing increased by six percentage points, from 28% to 34%. The share of transportation decreased slightly from 20% to 18% (Table 2).

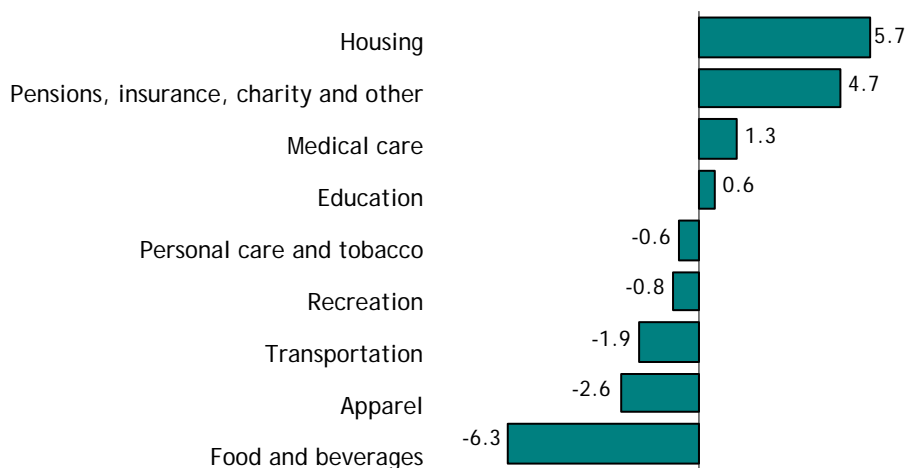
Other than housing, items consuming greater shares of average family expenditures are medical care; education; and pensions, insurance, charity and other. After food and beverages, expenditures on apparel, as a share of total expenditures, have declined the most since 1980/81 (Figure 20).

The patterns of overall expenditures and changes in them over time also apply to the budgets of lower, middle and upper income families. Housing, transportation, and food and beverages are major components of any family's expenditures. But there are some notable differences across the three income groups.

For lower income families, housing, transportation, and food and beverages accounted for 72% of expenditures in both 1980/81 and 2005/06 (Table 3). Reflecting the trend for all families, the share of expenditures on food and beverages fell by six percentage points, from 24% to 18%. But housing consumed a greater share of lower-income family expenditures, up from 31% to 37%, and the share of transportation was unchanged at 17%.

Middle income families, compared with lower income families, spend a smaller share of their overall budget on these three commodity groups: 69% in 1980/81 and 68% in 2005/06. Again, the share of food and beverages fell by six percentage points, while the share of expenditures going to housing increased from 27% to 34%. A similar pattern is observed for upper income families, who spent 66% of their total budget on these commodities in 1980/81 and 62% in 2005/06.

Figure 20
Percentage Point Change in Share of Expenditures on
Major Consumer Items
All U.S. Families, 1980/81 to 2005/06



Note: The unit of observation in the Consumer Expenditure Survey is the "consumer unit". A consumer unit is typically a family but can include unrelated individuals who make expenditure decisions jointly.

Source: Pew Research Center tabulations of data from the Consumer Expenditure Survey

⁵¹ Historical data on food expenditures are analyzed in Jacobs and Shipp (1990). Also, see "[At issue: Tracking changes in consumers' spending habits](#)," *Monthly Labor Review* vol. 122, no. 9 (September 1999).

One notable difference across income groups is that lower income families devote much more of their budget to out-of-pocket medical expenditures than upper income families. In 2005/06, lower income families spent 8% of their budget on medical expenses, compared with 7% for middle income families and 5% for upper income families.

Another difference of note is that expenditures on pensions, insurance, charity and other items increase sharply with income. In 2005/06, lower income families allocated about 10% of their budget to these items. That compares with 15% among middle income families and 22% among upper income families.

Over time, expenditure patterns changed in similar fashions across income groups. The largest decrease in the share of expenditures was for food and beverages, and the extent of the drop was similar across income groups. The trend toward larger, more expensive homes also appears to have pushed up the share of total expenditures allocated to housing by all income groups, although it increased more for lower and middle income families than for upper income families. The rising costs of medical care and education have also meant larger shares of expenditures are devoted to them. However, private health insurance and public sharing of expenditures on these items seems to have limited the increase in the share of the family budget that goes to these items.⁵²

Table 3
The Distribution of Expenditures by Major Commodity Groups:
Lower, Middle and Upper Income Families, 1980/81 and 2005/06
Expenditures (in current dollars) are adjusted for family size and then scaled to reflect a three-person family

	Lower Income Families		Middle Income Families		Upper Income Families	
	1980/81	2005/06	1980/81	2005/06	1980/81	2005/06
Mean expenditures	\$11,891	\$30,317	\$17,348	\$47,807	\$25,951	\$85,559
Percent distribution						
Total	100.0	100.0	100.0	100.0	100.0	100.0
Food and beverages	24.1	17.6	20.6	14.7	17.4	11.7
Housing	31.2	37.4	26.8	33.7	27.6	32.5
Transportation	17.0	17.1	21.3	19.4	20.7	17.6
Apparel	5.3	2.7	5.2	2.5	5.5	3.0
Medical care	6.8	7.9	4.7	6.6	3.3	4.7
Education	0.9	1.5	1.0	1.3	1.2	2.0
Recreation	5.3	4.5	6.2	5.0	6.7	5.9
Personal care and tobacco	2.4	1.9	2.1	1.5	1.7	1.0
Pensions, insurance, charity and other	7.0	9.5	12.1	15.2	15.9	21.6

Note: The unit of observation in the Consumer Expenditure Survey is the "consumer unit." A consumer unit is typically a family but can include unrelated individuals who make expenditure decisions jointly. See the appendix section "Adjusting for Household Size" for an explanation of how expenditure data are adjusted for family size.

Source: Pew Research Center tabulations of data from the Consumer Expenditure Survey

⁵² Data from the Centers for Medicare and Medicaid Services show that out-of-pocket payments as a share of total personal health care expenditures have fallen from 39.6% in 1970 to 14.6% in 2006. The shares of private health insurance and federal payments have increased commensurately (<http://www.cms.hhs.gov/NationalHealthExpendData/downloads/tables.pdf>). Also, see Acs and Sabelhaus (1995).

Section II Appendix

Adjusting for Household Size

Household income data reported in this study are adjusted for the number of persons in a household. That is done in recognition of the reality that a four-person household with an income of, say, \$50,000 faces a tighter budget constraint than a two-person household with the same income. In addition to comparisons across households at a given point in time, this adjustment is useful for measuring changes in the income of households over time. That is because average household size in the United States has decreased from 3.1 persons in 1970 to 2.5 persons in 2006, a drop of 19%. Ignoring this demographic change would mean ignoring a commensurate loosening of the household budget constraint.

At its simplest, adjusting for household size could mean converting household income into per capita income. Thus, a two-person household with an income of \$50,000 would be acknowledged to have more resources than a four-person household with the same total income. The per capita income of the smaller household would be \$25,000, double the per capita income of the larger household.

A more sophisticated framework for household size adjustment recognizes that there are economies of scale in consumer expenditures. For example, a two-bedroom apartment may not cost twice as much to rent as a one-bedroom apartment. Two household members could carpool to work for the same cost as a single household member, and so on. For that reason, most researchers make adjustments for household size using the method of “equivalence scales” (Garner, Ruiz-Castillo and Sastre, 2003, and Short, Garner, Johnson and Doyle, 1999).

A common equivalence-scale adjustment is defined as follows:

$$\text{Adjusted household income} = \text{Household income} / (\text{Household size})^N$$

By this method, household income is divided by household size exponentiated by ‘N,’ where N is a number between 0 and 1. Note that if N = 0, the denominator equals 1. In that case, no adjustment is made for household size. If N = 1, the denominator equals household size, and that is the same as converting household income into per capita income. The usual approach is to let N be some number between 0 and 1. Following other researchers, this study uses N = 0.5 (for example, see Johnson, Smeeding and Torrey, 2005). In practical terms, this means that household income is divided by the square root of household size, or 1.41 for a two-person household, 1.73 for a three-person household, 2.00 for a four-person household, and so on.⁵³

Once household incomes have been converted to a “uniform” household size, they can be scaled to reflect any household size. Because the average number of persons in a U.S. household has varied from 3.1 in 1970 to 2.5 in 2006, the income data reported in this study are computed for three-person households. That is done as follows:

$$\text{Three-person household income} = \text{Adjusted household income} * [(3)^{0.5}]$$

⁵³ One issue with adjusting for household size is that while demographic data on household composition pertain to the survey date, income data typically pertain to the preceding year. Because household composition can change over time, for example, through marriage, divorce or death, the household size that is measured at the survey date may not be the same as that at the time the income was earned and spent (Debels and Vandecasteele, 2008).

As discussed in the main body of the report, adjusting for household size has an effect on trends in income since 1970. However, it is important to note that once the adjustment has been made, it is immaterial whether one scales incomes to one-, two-, three- or four-person households. Regardless of the choice of household size, exactly the same results would emerge with respect to the trends in the well-being of lower, middle and upper income groups.

The method used to adjust income for household size is also applied to adjust consumer expenditure for family size. However, for reasons explained in the text, no adjustment is made to estimates of wealth.

Deflation of Income, Expenditures and Wealth

The consumer price index has undergone numerous methodological changes in the past three decades. One of the more significant revisions occurred in 1983, when the Bureau of Labor Statistics (BLS) introduced the rental-equivalence method for measuring changes in the cost of homeownership (see Stewart and Reed, 1999 for more detail on the revisions). Therefore, when deflating income data, it is desirable to use a price series that reflects a common approach to measuring price change over time.

The price index used in this study is the one used by the U.S. Census Bureau to deflate the data it publishes on household income (see DeNavas-Walt, Proctor and Smith, 2007). From 1978 onwards, this is the CPI-U-RS index as [published](#) by the BLS. For years prior to 1978, the Census Bureau made its own adjustment to the CPI-U to approximate the trend in the CPI-U-RS.

The choice of a price index does not affect the allocation of households into lower, middle or upper income categories at a point in time. That is because the same price index, regardless of which type, applies to all households and does not affect their income-based rank. However, the choice of a price index does affect measures of absolute progress over time. For example, between 1978 and 2006, the price level rose either 209.2% (CPI-U) or 183.6% (CPI-U-RS). This means that someone earning \$10,000 per year in 1978 would be just as well off in 2006 earning either \$20,920 (using the CPI-U) or \$18,362 (using the CPI-U-RS). The difference between the two incomes is 14%.

It is also necessary to note that the income data collected in a Decennial Census actually pertain to the year preceding the census. For example, the income data collected in the 1970 census reflect household income in 1969. In the 2006 American Community Survey, income data refer to earnings in the 12 months preceding the date of the survey. Because the ACS is a rolling survey conducted from January 2006 to December 2006, the income data essentially span the period from January 2005 to November 2006. The price deflators applied to the income data in this study are for the dates reflected in the income data. Thus, income data collected in the 1970 Decennial Census are deflated by the 1969 price index, income data from the 1980 Decennial Census are deflated by the 1979 price index, and so on. Data from the 2006 American Community Survey are deflated by the average of the price indexes for 2005 and 2006.

The Choice of Time Periods

When examining trends in economic indicators over time, it is desirable to avoid comparisons across different points of the business cycle. For example, comparing income at the peak of an economic expansion with income during a recession would present a misleading portrait of underlying trends in income growth. The income comparisons in this study are based on data pertaining to 1969, 1979, 1989, 1999, and 2005/06. The first four dates are either close to or at the peak of economic expansions. However, the final date—2005/06—follows close behind a three-year period encompassing a recession and an economic slowdown.

For the consumption analysis in this study the periods of comparison are 1980/81, 1990/91, 2000/01 and 2005/06. The first three periods encompass recessions and, as just noted, 2005/06 follows a recession and an economic slowdown. With regard to the wealth analysis, the dates of reference are 1983, 1992 and 2004. Each of these years follows closely on the heels of a recession and/or slowdown.

Households and Families in Census Data

The Census Bureau defines a household as the entire group of persons who live in a single dwelling unit. A household may consist of several persons living together or one person living alone. It includes the household head and all his or her relatives living in the dwelling unit and also any lodgers, maids and other residents not related to the head of the household.

A family by contrast is composed of all related individuals in the same housing units. Single people living alone or two or more adult roommates are not considered families according to the Census Bureau approach. In the vast majority of cases, each housing unit contains either a single family or single person living alone. In the case of roommates, one person is designated the “householder” (usually whoever owns the unit or in whose name the lease is held), and the other person or persons are designated secondary individuals. In a few cases, there are households with families in which neither adult is the householder. These families are designated as either related or unrelated subfamilies, depending on whether one of the adults is related to the householder.

A Note on Data Sources

The demographic and income data in this report are derived from the [Decennial Censuses](#) of 1970, 1980, 1990 and 2000 and the 2006 [American Community Survey](#) (ACS). The ACS is the largest household survey in the United States, with a sample of about 3 million addresses. It is conducted by the U.S. Census Bureau and covers virtually the same topics as those in the long form of the decennial census. The specific microdata used in this report are the 1% samples of the decennial censuses and the 2006 ACS Integrated Public Use Microdata Series (IPUMS) provided by the University of Minnesota. Demographic tabulations from the 1980, 1990 and 2000 decennial censuses and the 2006 ACS used one-third of the cases, randomly extracted, from the IPUMS files. Tabulations of income are based on the full IPUMS files.

The IPUMS assigns uniform codes, to the extent possible, to data collected by the decennial census and the ACS from 1850 to 2006. More information about the IPUMS, including variable definition and sampling error, is available at <http://usa.ipums.org/usa/design.shtml>.

The [Survey of Consumer Finances](#) (SCF) is sponsored by the Federal Reserve Board and the Department of Treasury. It has been conducted every three years since 1983 and is designed to provide detailed information on the finances of U.S. families. The SCF sample consists of approximately 4,500 families. Unlike the decennial censuses and the ACS, the sampling unit in the SCF is the “primary economic unit” (PEU), not the household. As stated by the Federal Reserve Board “the PEU consists of an economically dominant single individual or couple (married or living as partners) in a household and all other individuals in the household who are financially interdependent with that individual or couple.”

There are notable differences between the SCF data the Federal Reserve Board releases for public use and the data it uses to publish estimates of family income and wealth. One difference is that estimates published by the Federal Reserve Board are often based on preliminary data, whereas the public-use files represent edited versions of the data. Also, prior to public release, the Federal Reserve Board alters the data using statistical procedures that may affect the estimates, albeit not significantly. That is done for reasons of confidentiality.

The [Consumer Expenditure Survey](#) (CE) is conducted by the U.S. Census Bureau for the Bureau of Labor Statistics. The goal of the survey is to collect data on the spending patterns of American consumers. The current form of the CE dates to 1980, but it has undergone revisions in the interim that affect the comparability of data over time. The survey has two components—a quarterly Interview Survey and a weekly Diary Survey, each with its own questionnaire and sample. In the Interview Survey, families in the sample are interviewed every three months over five calendar quarters. Respondents to the Diary Survey maintain a detailed record of expenditures for two consecutive weeks. At the present time, the Interview and Diary components collect completed surveys from approximately 7,000 housing units each.

The expenditure data are collected and reported for “consumer units.” Most consumer units are families, i.e. related individuals living together in a single housing unit. A consumer unit can also consist of a single person who is financially independent or two or more unrelated persons who live together and make joint expenditure decisions.

In this report, the 1980/81, 1990/91 and 2000/01 CE data were obtained from the [National Bureau of Economic Research](#) (NBER). The NBER files make [adjustments](#) to the CE microdata to simplify access for the researcher. In particular, the NBER files match the four possible quarterly records for a family to create a single annual record for that family. A drawback of this procedure is that the data are limited to families who completed all quarterly interviews. Families who exit the sample in the interim are excluded, potentially leading to attrition bias in the data. Therefore, the NBER files include sample weights that have been adjusted to limit the extent of the bias.

The 2005/06 expenditure analysis is based on public-use CE data from the BLS. Four quarterly files from 2006 are used to derive estimates for expenditures spanning the October 2005 to November 2006 period. In any given interview month, expenditure data are collected with reference to the preceding three months. In the first set of interviews in 2006 (in January 2006) data are collected for October to December 2005. In the last set of interviews in 2006 (in December 2006) data are collected for September to November 2006. Unlike the estimates from the NBER files, the analysis of the 2006 CE data is not limited to families who completed all

possible interviews. Like the NBER files, however, public-use CE files are limited to data collected in the Interview Survey. Those data account for up to 95% of total expenditures.

Section II References

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