

Middle America's standard of living

Lane Kenworthy

Spring 2010

Outline

Prosperity and improvement in living standards

Slow income growth for middle America

Interpretations

"It's better than it looks"

"It's worse than it looks"

"It's better than the alternative"

Prosperity and improvement in living standards

What is prosperity?

"A successful, flourishing, or thriving condition, especially in financial respects"

Prosperity and improvement in living standards

In this section of the course the focus will be on "middle America"

In later sections we'll look at the poor, the rich, and other groups

Prosperity and improvement in living standards

By historical and comparative standards, the American middle class is quite well-off

Median household income is \$50,000

Most middle-class Americans own a house

Food, clothing, and entertainment are plentiful and affordable

K-12 schooling is free and generally good

Most have affordable health insurance

Prosperity and improvement in living standards

Is a high *level* of well-being enough to ensure flourishing?

Or does prosperity depend on further *improvement* in living standards?

Prosperity and improvement in living standards

Many of us want improvement in living standards for the *material* gains

According to Benjamin Friedman (*The Moral Consequences of Economic Growth*, 2005), people also flourish in *nonmaterial* respects when they see themselves as significantly better off compared to previous generations

- More tolerant

- More generous

- More committed to good government and democracy

- More participatory

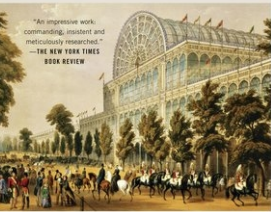


BENJAMIN M. FRIEDMAN

**THE MORAL CONSEQUENCES
OF ECONOMIC GROWTH**

*"An impressive work,
commanding, insistent and
meticulously researched."*

**—THE NEW YORK TIMES
BOOK REVIEW**



Prosperity and improvement in living standards

Is Friedman correct?

The classic comparison: 1960s vs. 1980s

the poor, African Americans, immigrants, crime

What about the 1930s?

Improvement in the 1990s

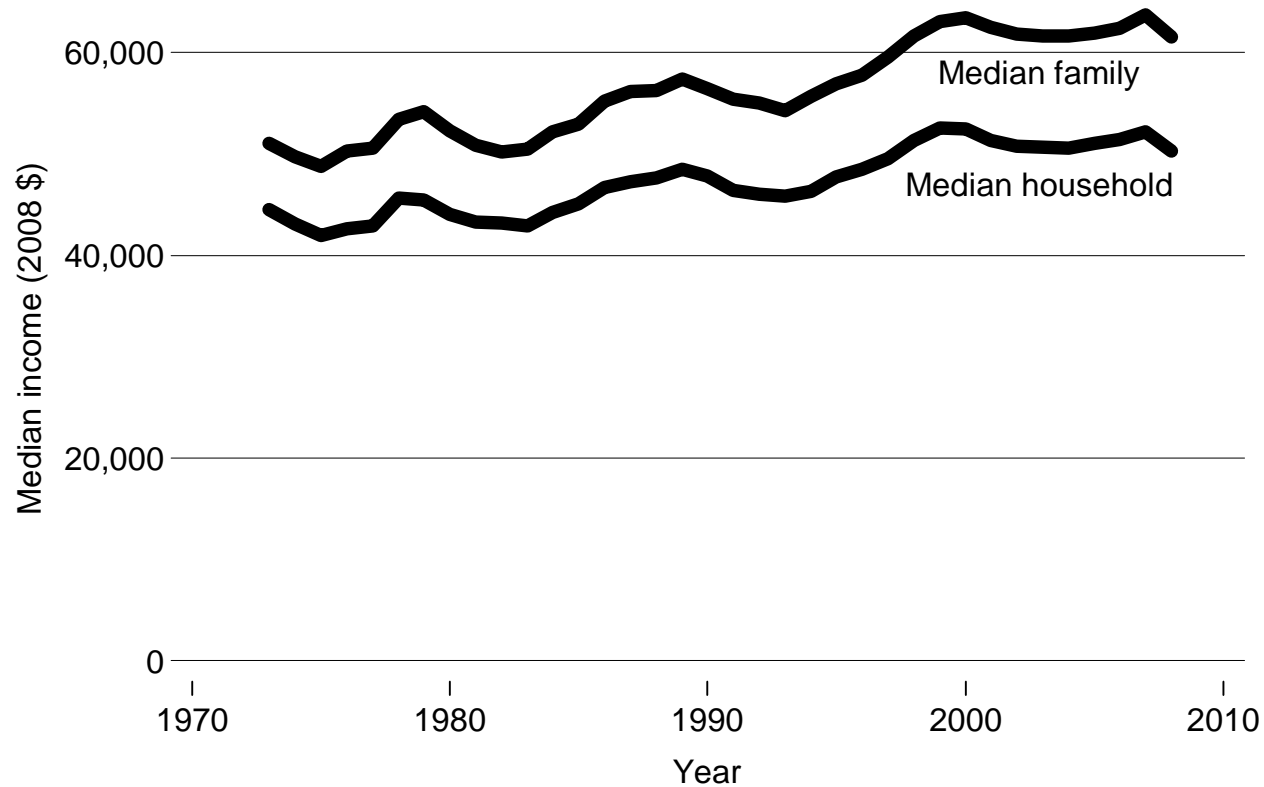
Americans' ambivalence about Obama's agenda

Slow income growth for middle America

Slow income growth for middle America

Since the mid-1970s, the income of the median American family/household has increased slowly

Slow income growth for middle America



Note: In this and all subsequent charts, incomes are adjusted for inflation using the CPI-U-RS.

Source: My calculations using Census Bureau data, www.census.gov/hhes/www/income/histinc/histinctb.html.

Adjusting for inflation

What is inflation?

Why "adjust" for it?

Why the median?

For incomes and income growth, average \neq typical

Families or households?

"Household" is a better unit: it includes single adults living alone, whereas "family" does not

But I mainly use families, because data for households aren't available until 1967

Why focus on income?

It's a resource that people can use to get things they need or want: food, a home, entertainment, health care, education, travel, leisure, peace of mind, etc.

We have good data on income — not perfect, but much better than for wealth, consumption, subjective well-being, "quality of life," or others

Slow growth, not stagnation or decline

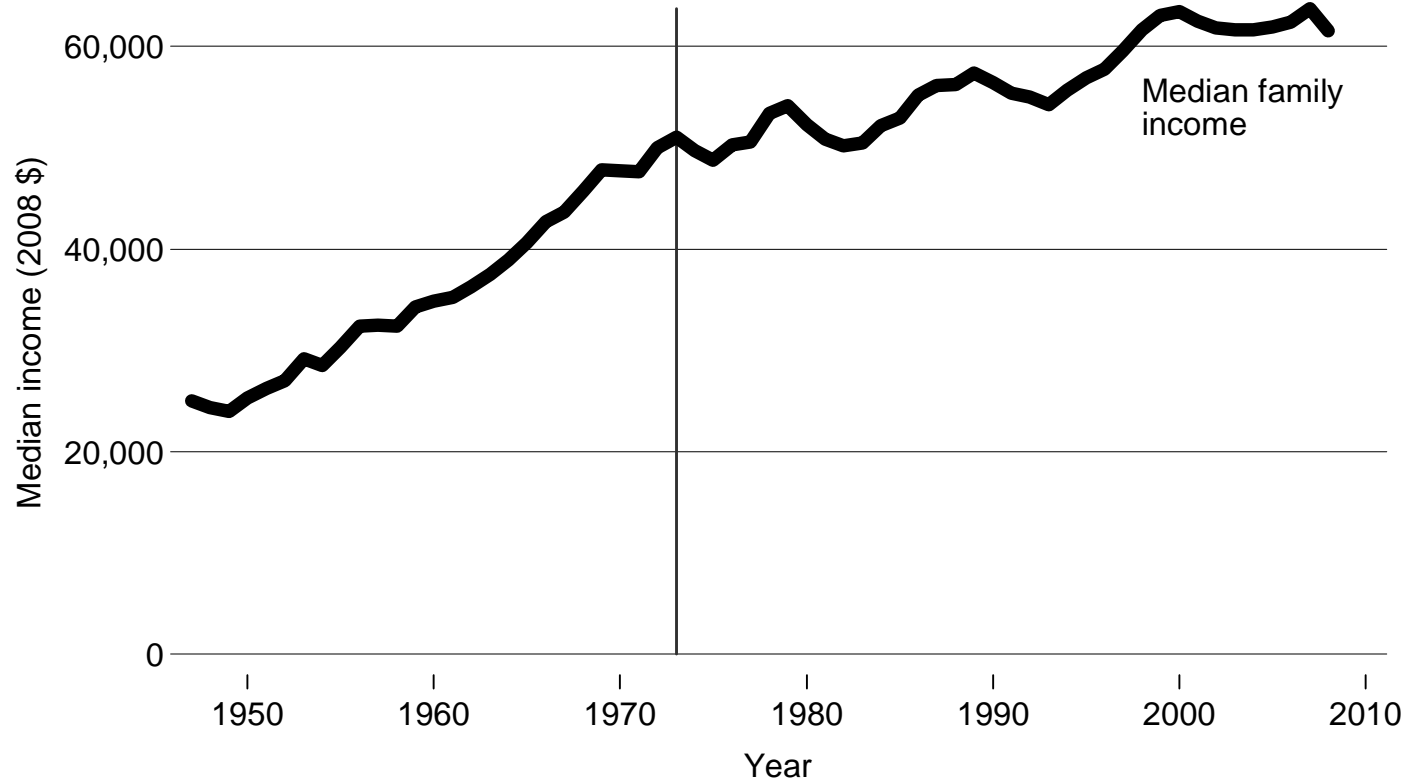
The concern isn't that there has been no improvement or that incomes have decreased

What we observe in the data is a *slow increase*

Slow relative to what?

1. Relative to the period from 1945 to 1973
2. Relative to growth of the economy (GDP per capita) since the mid-1970s

Slow relative to 1945-73



Note: Dollar increase: \$26,000 during 1947-73 vs. \$12,700 during 1973-2007. Percentage increase: 104% vs. 25%.

Source: My calculations using Census Bureau data, www.census.gov/hhes/www/income/histinc/histinctb.html.

Slow relative to 1945-73

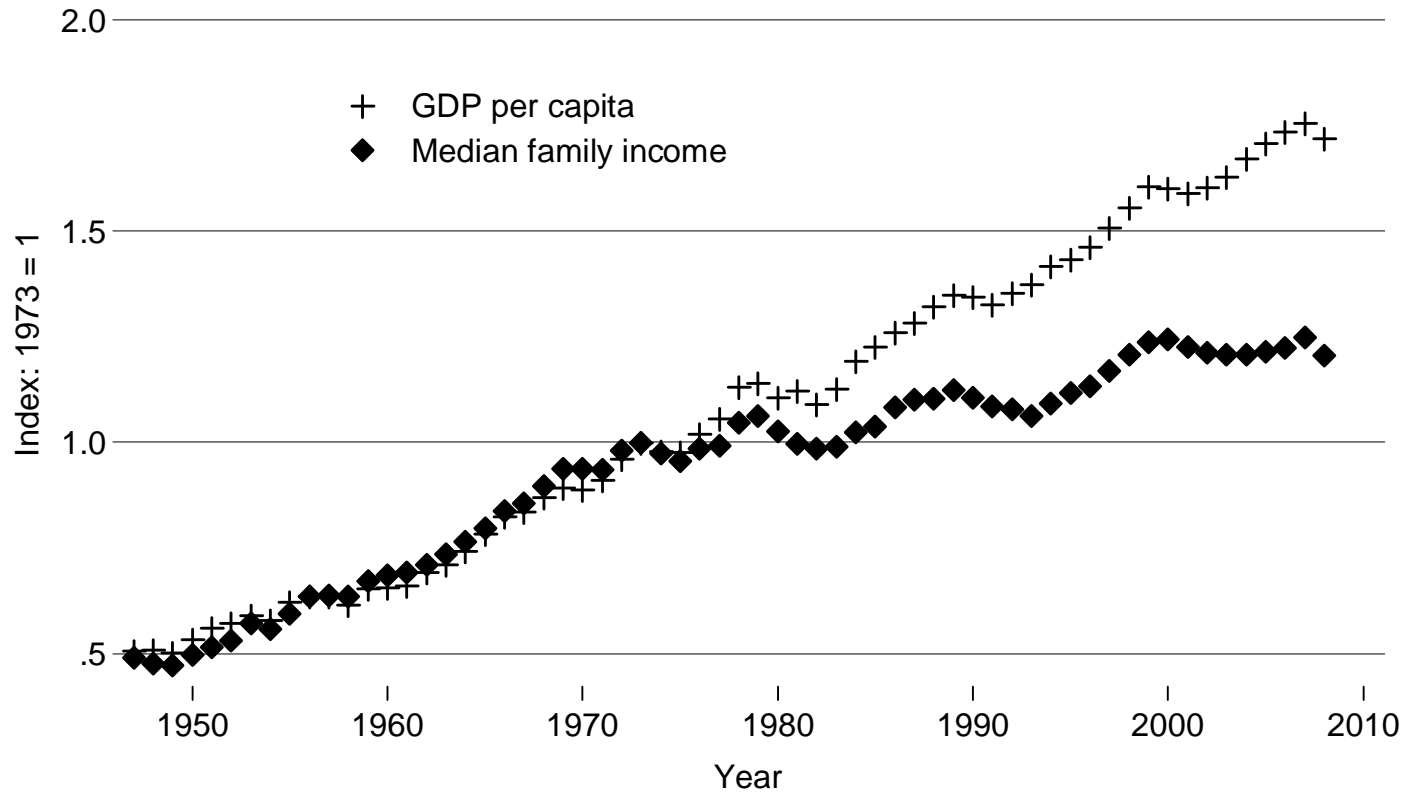
This is neither surprising nor damning

The 1945-73 period was exceptional; we shouldn't expect to duplicate it

Income growth has slowed in most other rich countries too

More disappointing about the period since the mid-1970s is that middle-class incomes have grown slowly relative to the economy

Slow relative to growth of the economy



Note: Inflation adjustment for both GDP and family incomes is via the CPI-U-RS.

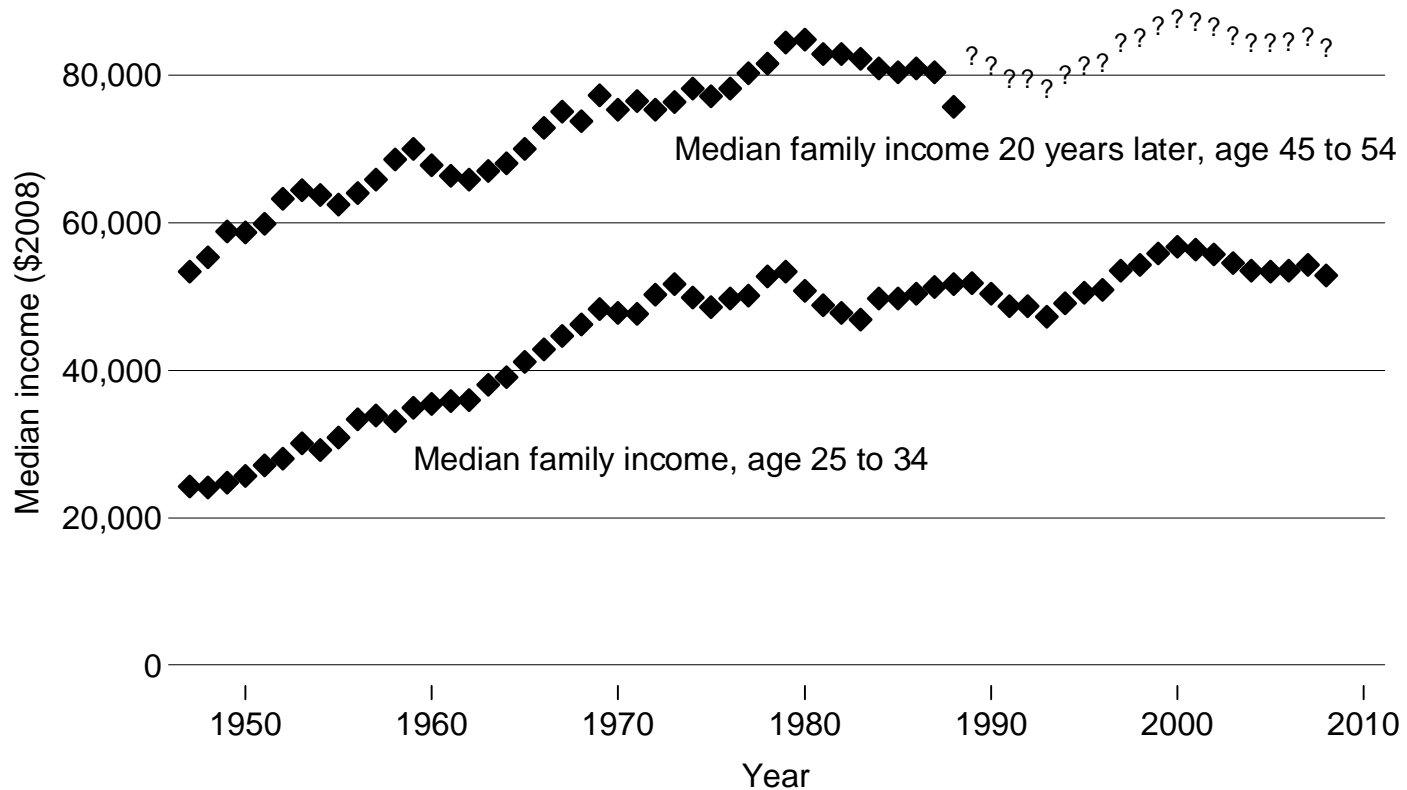
Source: My calculations using Bureau of Economic Analysis and Census Bureau data, www.bea.gov/national/index.htm#gdp and www.census.gov/hhes/www/income/histinc/histinctb.html.

Does it matter that these income data miss upward movement over the life course?

Do these data mean that individual families have experienced little increase in income over their life course?

No: a typical family experiences a gain of about \$30,000 over the two decades from age 25-34 (early employment years) to age 45-54 (peak earning years)

Does it matter that these income data miss upward movement over the life course?



Note: The average difference in median family income between families with a "head" age 25-34 and families with a "head" age 45-54 twenty years later is \$31,000.

Source: My calculations using Census Bureau data, www.census.gov/hhes/www/income/histinc/histinctb.html.

Does it matter that these income data miss upward movement over the life course?

But this does not diminish the significance of the slowing of income growth

Until the middle or late 1970s, the typical family would start higher and end higher than the typical family of prior years

Since then that has continued to be true, but the increases have been small

What caused the slowdown in income growth for middle America?

I'll get to this later. A key part of the story is rising inequality, the topic of the next section.

My focus here will be on how we should understand the slowdown

Does it give us an accurate picture of changes in living standards? Does it understate gains? Overstate them?

Even if this limited improvement isn't ideal, is it nevertheless better than the alternative?

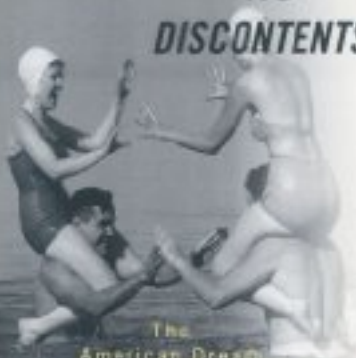
Interpretation #1:
"It's better than it looks"

"It's better than it looks": arguments

1. Families have gotten smaller
2. More people are in college and retired
3. There are more immigrants
4. Employer-provided benefits have increased
5. Consumption has continued to rise rapidly
6. Wealth has increased sharply
7. There have been improvements in quality of life that data on income, spending, and wealth don't capture

Original, unadorned, and unvarnished
—*Wall Street Journal*

THE GOOD LIFE AND ITS DISCONTENTS



The
American Dream
in the Age of Entitlement

ROBERT J. SAMUELSON

WITH A NEW AFTERWORD

June 13, 2008

OPINION

Life Is Good, So Why Do We Feel So Bad?

By GREGG EASTERBROOK

June 13, 2008

The Democratic National Committee recently ran an ad blasting John McCain for saying the country is "better off" than in 2000. Yet, arguably, except as regards the Iraq war, Mr. McCain's statement is true. In turn, Mr. McCain is blasting Barack Obama for suggesting that international tensions are not as bad as they've been made to seem. Yet, arguably, Mr. Obama is right.

Democratic attacks on Mr. McCain and Republican attacks on Mr. Obama both seek to punish impermissibly positive thoughts. At a time when there exists a sense of crisis over the economy, fuel prices and many other issues, this reinforces the odd, two realities of life in the United States today: The way we are, and the way we think we are. The way we are could use some work, but overall, is pretty good. The way we think we are is terrible, horrible, awful. Possibly worse.




Chad Crowe

The case that things are basically pretty good? Unemployment is 5.5%, low by historical standards; income is rising slightly ahead of inflation; housing prices are down, but the typical house is still worth a third more than in 2000; 94% of Americans do not have threatened mortgages, and of those who do, most will keep their homes.

Inflation was up in 2007, but this stands out because the 16 previous years were close to inflation-free; living standards are the highest they have ever been, including living standards for the middle class and for the poor.

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"It's better than it looks": proponents

Robert Samuelson, *The Good Life and Its Discontents*, 1995

Michael Cox and Richard Alm, *Myths of Rich and Poor: Why We're Better Off Than We Think*, 1999

Stephen Moore and Julian Simon, *It's Getting Better All the Time*, 2000

Gregg Easterbrook, *The Progress Paradox*, 2003

Stephen Rose, "What's (Not) the Matter with the Middle Class?"
The American Prospect online, 2006

"It's better than it looks"

These are *arguments, assertions, hypotheses*

Are they correct?

1. Families have gotten smaller

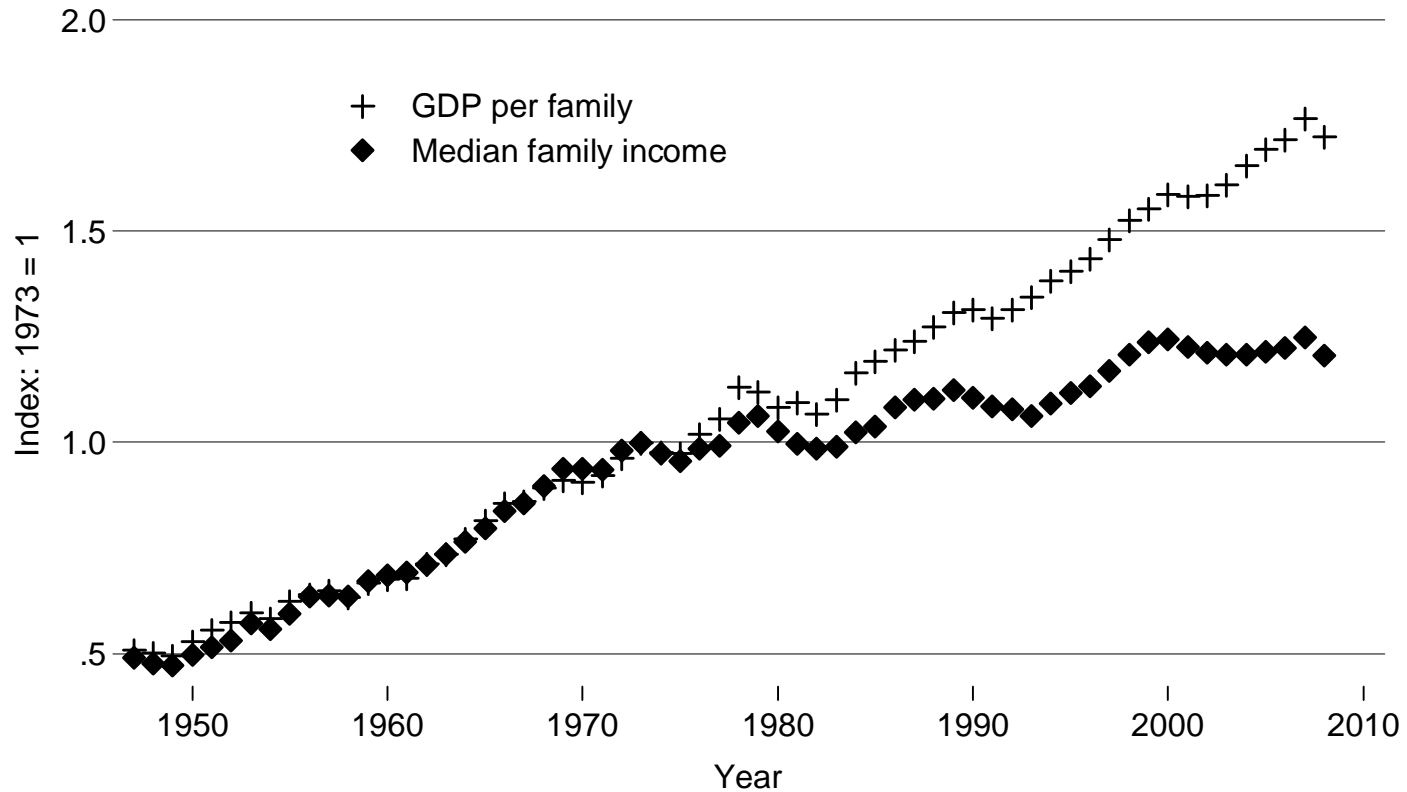
The size of the typical American family and household has been shrinking since the mid-1960s, when the "baby boom" ended

Perhaps, then, incomes don't need to grow as fast as they used to

1. Families have gotten smaller

Using GDP per family (rather than per person) makes little difference

1. Families have gotten smaller



Note: Inflation adjustment for both GDP and family incomes is via the CPI-U-RS.

Source: For GDP per capita and median family income, see earlier charts. Size-specific median family income: my calculations using Census Bureau data, www.census.gov/hhes/www/income/histinc/histinctb.html.

2. More people are in college and retired

The income data include all families and households headed by a person age 15 or older

Among these, the shares going to college and in retirement have been increasing

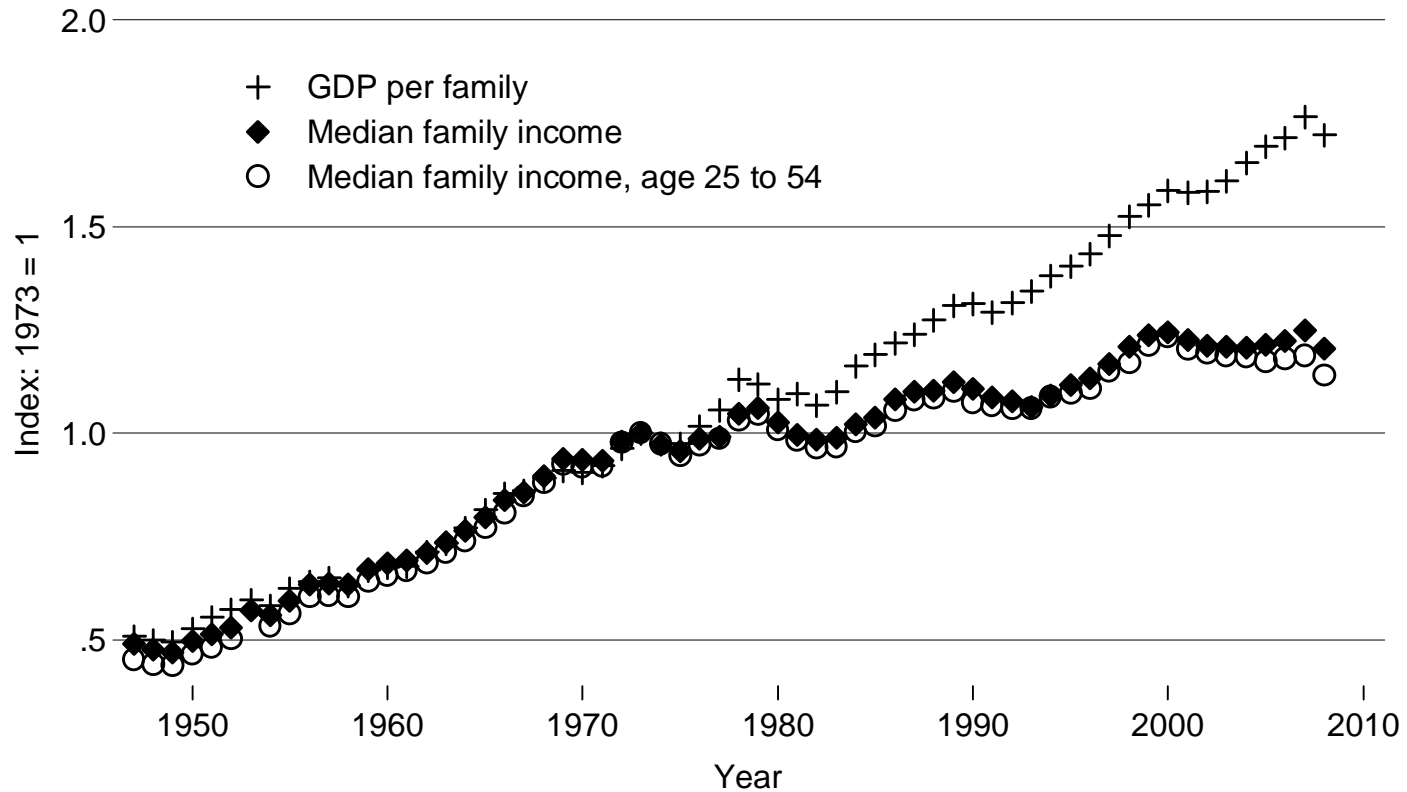
Students and retirees tend to have low incomes

Perhaps, then, the median income figures are misleading because they include more and more such families

2. More people are in college and retired

If we look only at families with a "head" age 25 to 54, the pattern is virtually identical

2. More people are in college and retired



Note: Inflation adjustment for both GDP and family incomes is via the CPI-U-RS.

Source: For GDP per capita and median family income, see earlier charts. Age-specific median family income: my calculations using Census Bureau data, www.census.gov/hhes/www/income/histinc/histinctb.html.

3. There are more immigrants

The foreign-born share of the population has increased steadily during this period, unlike in the early post-WW2 decades

1970: 5%

2007: 13%

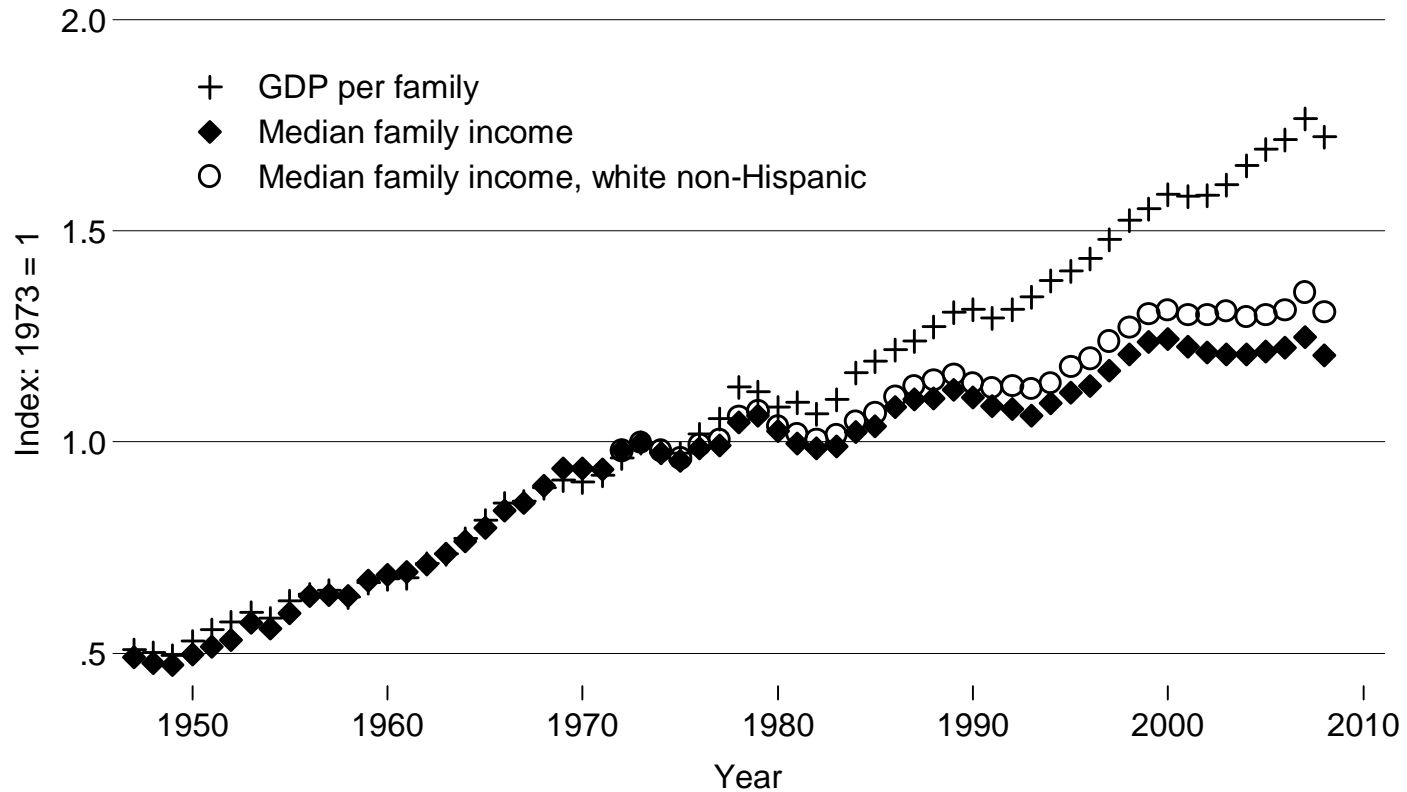
Many immigrants have relatively little education and don't speak English, so their incomes tend to be low

Perhaps median income growth has slowed due to a rising share of low-income immigrants

3. There are more immigrants

Looking only at white non-Hispanic families improves the trend in median income, but only a little

3. There are more immigrants



Note: Data for white non-Hispanic families are available beginning in 1972. Inflation adjustment for both GDP and family incomes is via the CPI-U-RS.

Source: For GDP per capita and median family income, see earlier charts. White non-Hispanic median family income: my calculations using Census Bureau data, www.census.gov/hhes/www/income/histinc/f05.html.

4. Employer-provided benefits have increased

Maybe employers switched from giving people pay raises to increasing their benefits, such as pension (retirement) money and health insurance

This might compensate for the slow rise in incomes



January 9, 2010

Unions Rally to Oppose a Tax on Health Insurance

By [STEVEN GREENHOUSE](#)

When millions of blue-collar workers were leaning toward [John McCain](#) during the 2008 campaign, labor unions moved many of them into [Barack Obama](#)'s column by repeatedly hammering one theme: Mr. McCain wanted to tax their health benefits.

But now labor leaders are fuming that [President Obama](#) has endorsed a tax on high-priced, employer-sponsored health insurance policies as a way to help cover the cost of [health care reform](#). And as Senate and House leaders seek to negotiate a final health care bill, unions are pushing mightily to have that tax dropped from the legislation. Or at the very least, they want the price threshold raised so that the tax would affect fewer workers.

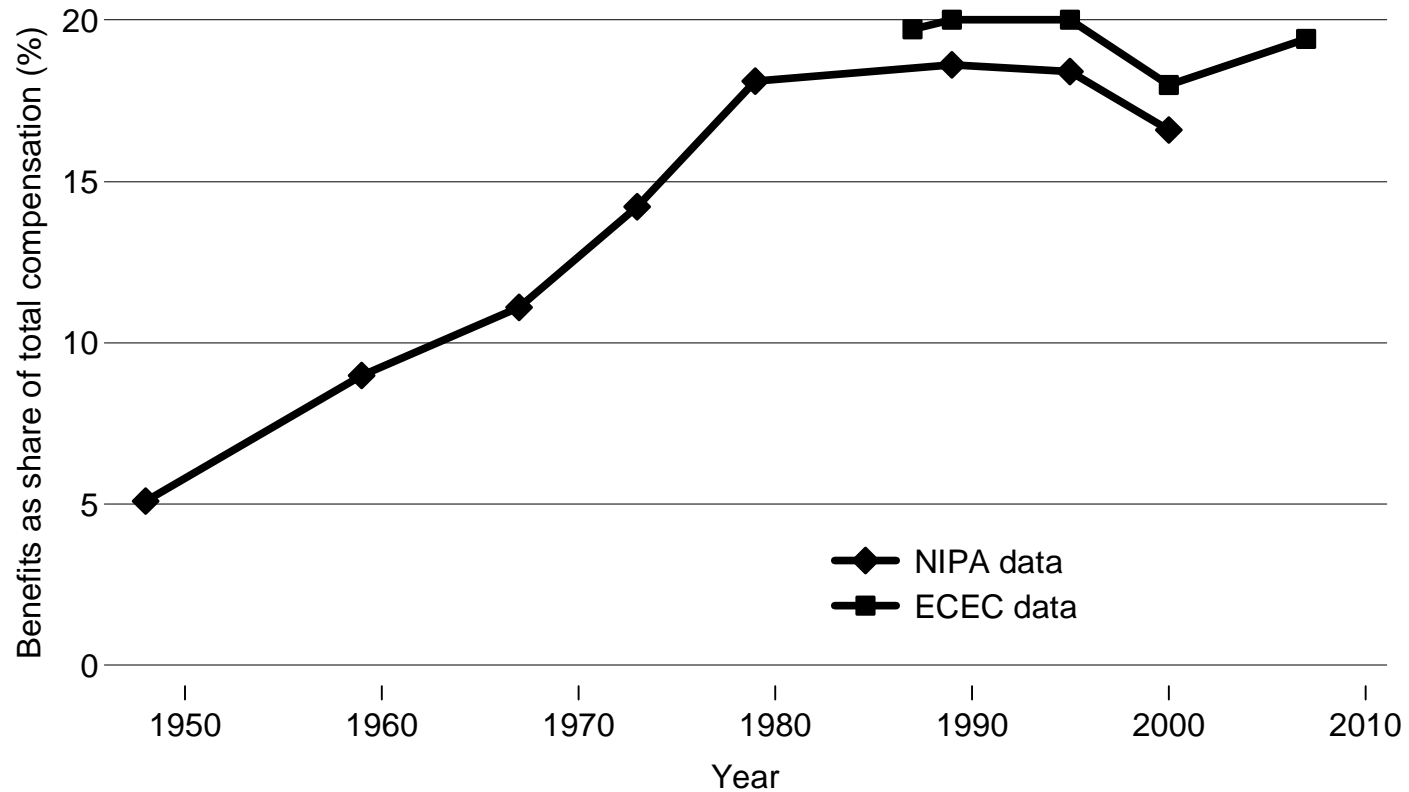
Labor leaders say the tax would hit not only wealthy executives with expensive health benefits, but also many rank-and-file union members who have often settled for lower wage increases in exchange for more generous health benefits.

The tax would affect individual insurance policies with annual premiums above \$8,500 and family policies above \$23,000, which by one union survey would affect one in four union members.

4. Employer-provided benefits have increased

Actually, employer-provided benefits as a share of total compensation haven't increased since the late 1970s

4. Employer-provided benefits have increased



Note: NIPA = National Income and Product Accounts, Bureau of Economic Analysis; ECEC = Employer Costs for Employee Compensation, Bureau of Labor Statistics

Source: Lawrence Mishel, Jared Bernstein, et al., *The State of Working America*, various editions.

5. Consumption has continued to rise rapidly

According to one view, *spending* is a better indicator than income of people's standard of living

Even if incomes have grown slowly, middle-class Americans may be able to use assets (home equity, savings) and/or debt to maintain a rapid increase in consumption

5. Consumption has continued to rise rapidly

Data on household expenditures come from the Consumer Expenditures Survey (CES), administered by the Bureau of Labor Statistics. There was a survey every ten years prior to 1980 and annually since then.

The best analyses of these data are by David S. Johnson, formerly a BLS statistician and now Chief of the Census Bureau's Housing and Household Economic Statistics Division

Johnson finds that during the 1980s and 1990s median consumption expenditures increased at the *same pace* as median income. (Not sure about the 2000s yet.)

6. Wealth has increased sharply

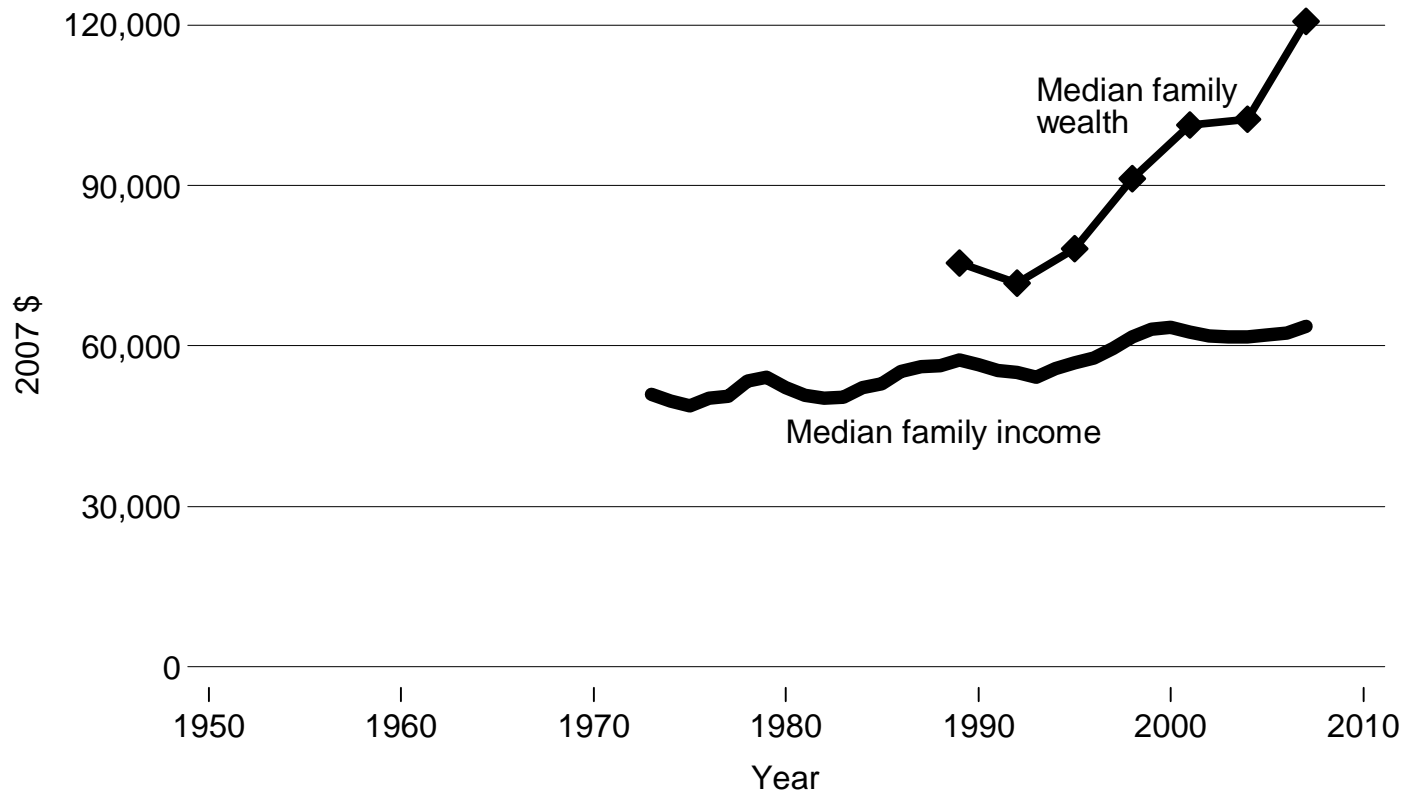
Maybe slow growth of income has been offset by rapid growth of wealth (assets minus debts)

Perhaps many middle-class Americans benefited from the housing and stock market booms in the 1990s and 2000s

6. Wealth has increased sharply

Consistent with this argument, median family wealth did grow rapidly between the mid-1990s and 2007

6. Wealth has increased sharply



Note: Wealth = assets minus liabilities.

Source: For median family income, see earlier charts. Median family wealth: Federal Reserve, *2007 SCF Chartbook*.

6. Wealth has increased sharply

But the crash in home and stock prices has surely wiped out much of the 1995-2007 rise in median wealth



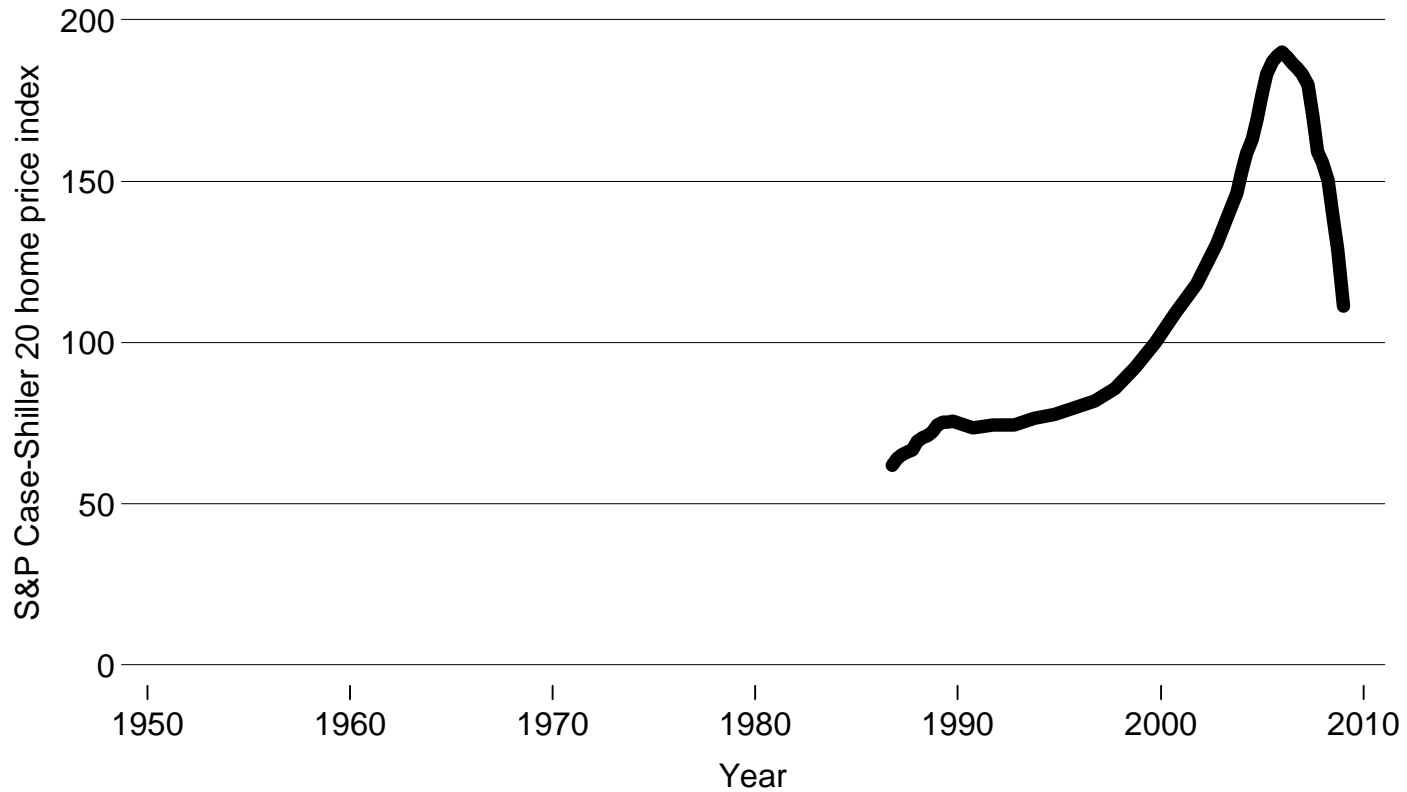
LENDER FORECLOSURE

HOME AUCTION!

OPEN HOUSE
5/6, 5/12, 5/13

REDC
1-800-480-5

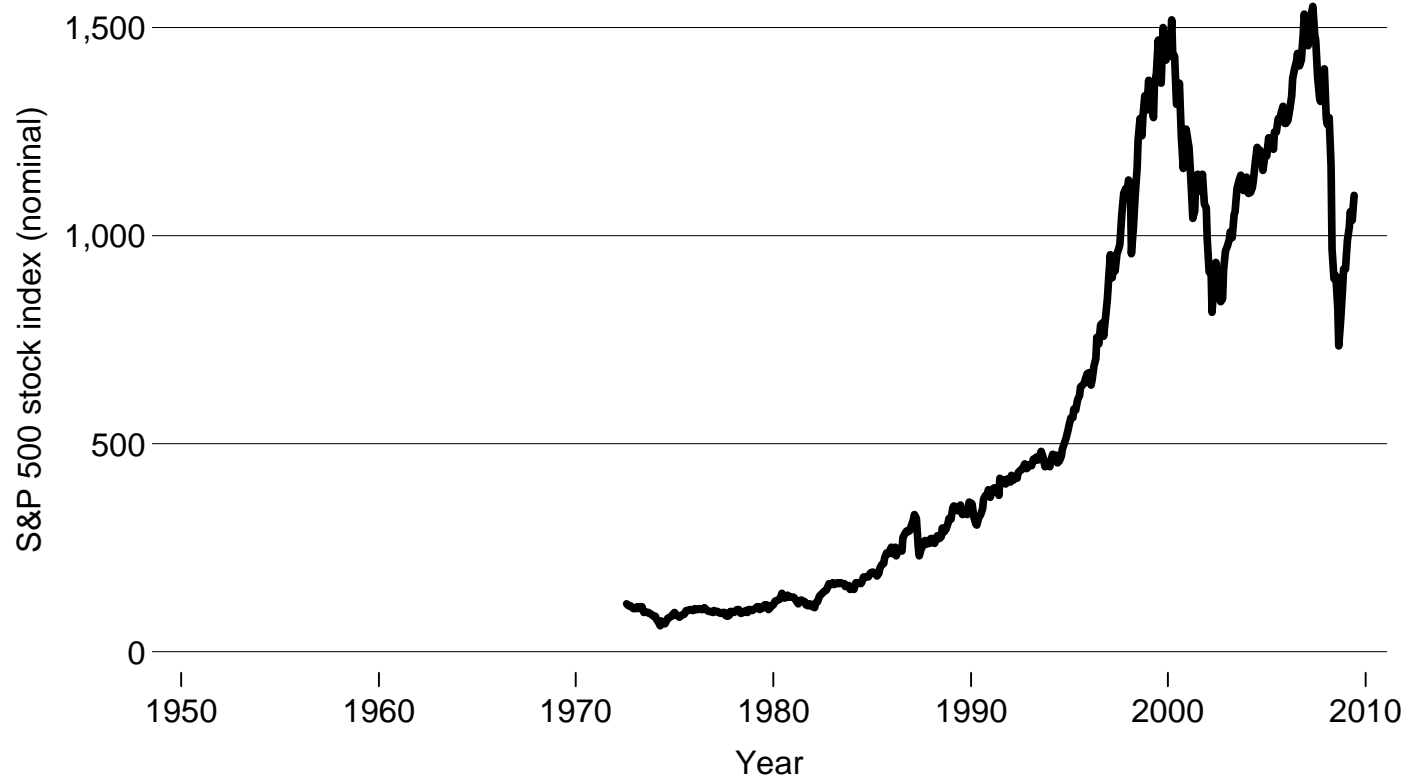
6. *Wealth has increased sharply*



Note: S&P/Case-Shiller index of housing prices in 20 metropolitan areas. First quarter of 1987 through second quarter of 2009. *Not* adjusted for inflation.

Source: en.wikipedia.org/wiki/Case-Shiller_index.

6. Wealth has increased sharply



Note: S&P 500 stock index. Closing value on last trading day of each month, January 1973 to December 2009.
Not adjusted for inflation.

Source: www.econstats.com/eqty/eq_d_mi_1.csv.

7. There have been significant improvements in quality of life

A common trick here is to show how much better things are now compared to a century ago

If we want to assess progress since the mid-1970s, the relevant comparison is with the early 1970s, not with the early twentieth century

7. There have been significant improvements in quality of life

Work ... fewer jobs require hard physical labor; workplace safety has improved substantially

Health ... life expectancy up from 71 in 1973 to 78 in 2006, cancer survival rate up, infant mortality down, pharmaceuticals to relieve various conditions, organ transplants, hip and knee replacements, lasik eye surgery, CAT scans

Safety ... violent crime has fallen sharply since the early 1990s, and is now at pre-1970s levels

Environment ... air and water quality are much improved

7. There have been significant improvements in quality of life

Housing ... median size of new homes increased from 1,500 square feet in 1973 to 2,200 in 2007

Transportation ... cars are safer and get better gas mileage

Conveniences ... personal computers and printers, scanners, microwave ovens, TV remote controls, TIVO, camcorders, digital cameras, 5-blade razors, home pregnancy tests, home security systems, handheld calculators

Product variety ... has increased for almost all goods and services, from cars to restaurant food to toothpaste to TV programs

7. There have been significant improvements in quality of life

Food and clothing ... are cheaper than a generation ago

Access to information ... the internet, Google, cable TV, travel guides, MapQuest and GPS

Communication ... cell phones, call waiting, voicemail, email, social networking websites

Entertainment ... cable TV, high-definition televisions, home entertainment systems, the internet, MP3 players, CD players, DVD players, Blockbuster and Netflix, satellite radio, video games

7. There have been significant improvements in quality of life

Discrimination ... based on race, gender, and sexual orientation has declined (not disappeared)

7. There have been significant improvements in quality of life

The question is whether these improvements

1. exceed those that occurred during the 1945-73 period, when incomes were rising rapidly
2. were aided by slow income growth

Both questions are difficult to answer

I suspect the answer to each is *no*

7. There have been significant improvements in quality of life

Quality of life improvements between the 1940s and 1970s:

Work ... decline in jobs requiring hard physical labor; the share of employment in manufacturing and agriculture fell almost as much between the mid-1940s and 1973 as since then

Health ...

Life expectancy up from 66 in 1945 to 71 in 1973

Antibiotic use began in the mid-1940s

Open-heart bypass surgery introduced in the late 1960s

Employer-provided health insurance became common in the 1950s; Medicare and Medicaid began in 1965

7. There have been significant improvements in quality of life

Homeownership ... 44% in 1940, 64% in 1970

<i>Home features</i>	1940	1970
Indoor flush toilet	60%	96%
Running water	70%	98%
Electric lighting	79%	99%
Central heating	40%	78%
Air conditioning	very few	>half
Refrigerator	47%	99%
Washing machine	<half	92%
Vacuum cleaner	40%	92%

7. There have been significant improvements in quality of life

Transportation ...

Car ownership: 52% of households in 1940, 80% in 1970

Roads: the interstate highway system was begun in 1956

Air travel: 4 million passengers in 1940, 154 million in 1970

Communication ...

Only 46% of households had a phone in 1945

Long-distance calls were rare before the 1960s

Conveniences ... disposable diapers, photocopiers

7. There have been significant improvements in quality of life

Entertainment ...

TVs: 32% of homes in 1940, 99% in 1970

Music: the "album" (LP) was created in 1948; rock-n-roll was invented in the early 1950s

Leisure ...

Employed Americans taking a vacation: 60% in 1950, 80% in 1970

The bikini was invented in 1946

Access to college ... College attendance expanded massively from the early 1960s through the mid-1970s

7. There have been significant improvements in quality of life

Opportunity and discrimination ... The Civil Rights Act of 1964 outlawed gender and race discrimination in public places, schools, and employment

Women's freedom and opportunity ...

Female labor force participation: 30% in 1940, 49% in 1970

Norms inhibiting divorce relaxed in the 1960s

Contraceptives: "the pill" was introduced in 1960

Abortion was legalized in 1973

7. There have been significant improvements in quality of life

Conclusion

It isn't clear that the pace of innovation and advance has been more rapid since the mid-1970s than before

Nor does there seem good reason to think it would have been slower if those in the middle had gotten more of the economic growth

Interpretation #2:

"It's worse than it looks"

"It's worse than it looks": arguments

1. Incomes have grown slowly despite the fact that many more households now have two adults in employment
2. Costs for key middle-class expenses, such as housing and college, have jumped sharply. And having both adults employed has increased the need for child care and a second car. This has led to rising debt.
3. Taxes on the middle class have increased
4. Economic security has decreased
5. With the continued movement of women into the workforce, balancing work and family has become more difficult

"It's worse than it looks": proponents

Elizabeth Warren and Amelia Warren Tyagi, *The Two-Income Trap*, 2003

Kevin Leicht and Scott Fitzgerald, *Postindustrial Peasants: The Illusion of Middle-Class Prosperity*, 2007

Lawrence Mishel, Jared Bernstein, and Heidi Shierholz, *The State of Working America 2008-09*

"Read this riveting book to learn how to make your family secure again" — JANE BRYANT QUINN

The TWO- INCOME TRAP

The breakthrough book that explains why middle-class mothers and fathers are going broke — *with* clear-eyed solutions to the biggest crisis families face today

With a New Introduction by the Authors

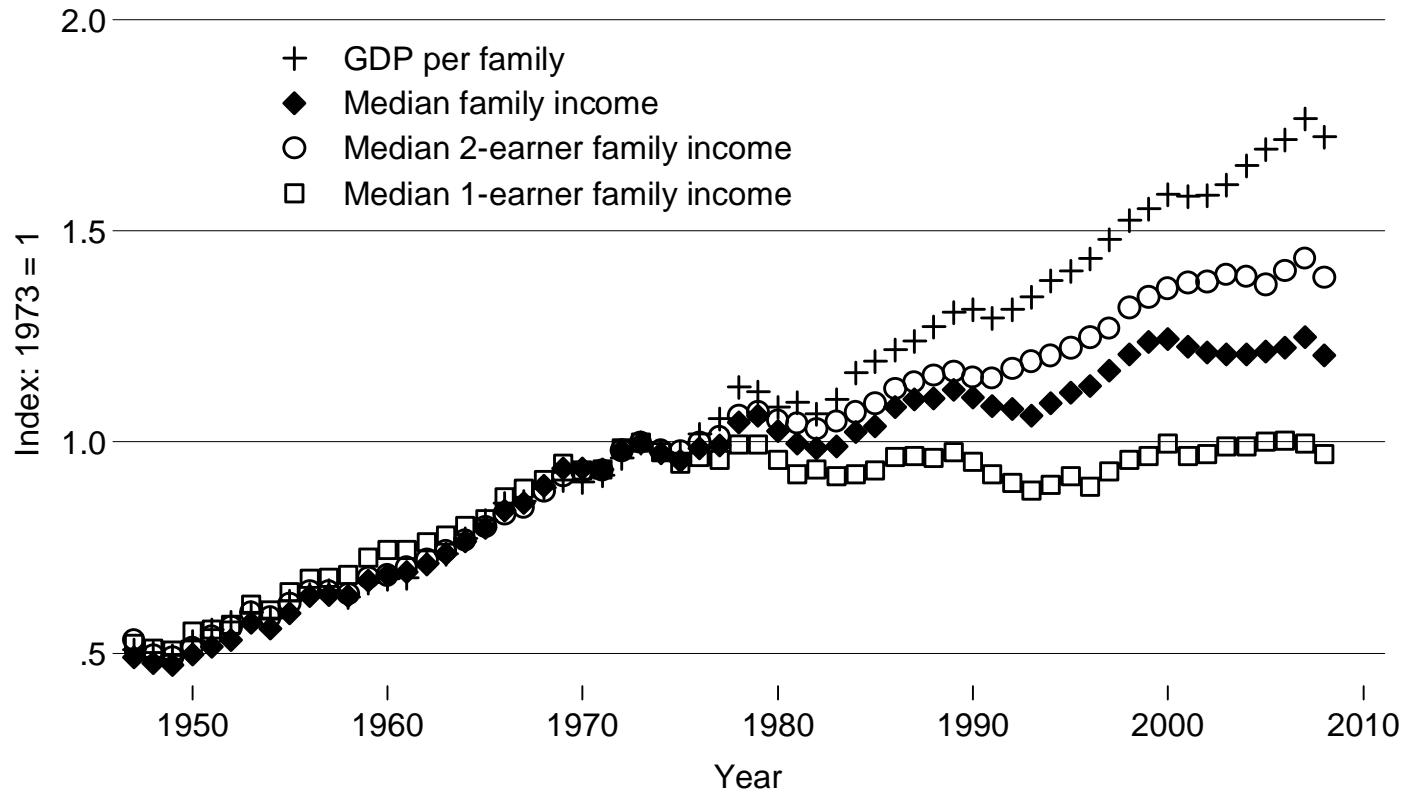
ELIZABETH WARREN &
AMELIA WARREN TYAGI

1. Income growth requires two earners

Median earnings for men have been stagnant — actually, declined slightly — since 1973

As a result, only households with two earners have experienced rising incomes

1. Income growth requires two earners



Note: In 2008, median income was \$42,000 for one-earner families and \$81,000 for two-earner families. Inflation adjustment for both GDP and family incomes is via the CPI-U-RS.

Source: For GDP per capita and median family income, see earlier charts. One- and two-earner median family income: my calculations using Census Bureau data, www.census.gov/hhes/www/income/histinc/histinctb.html.

1. Income growth requires two earners

At the same time, it's important to recognize that most of the movement of women into employment has been *voluntary*

It's a product of improved education and pay and changing norms, not simply a response to slow income growth

2. Costs have increased, causing a rise in debt

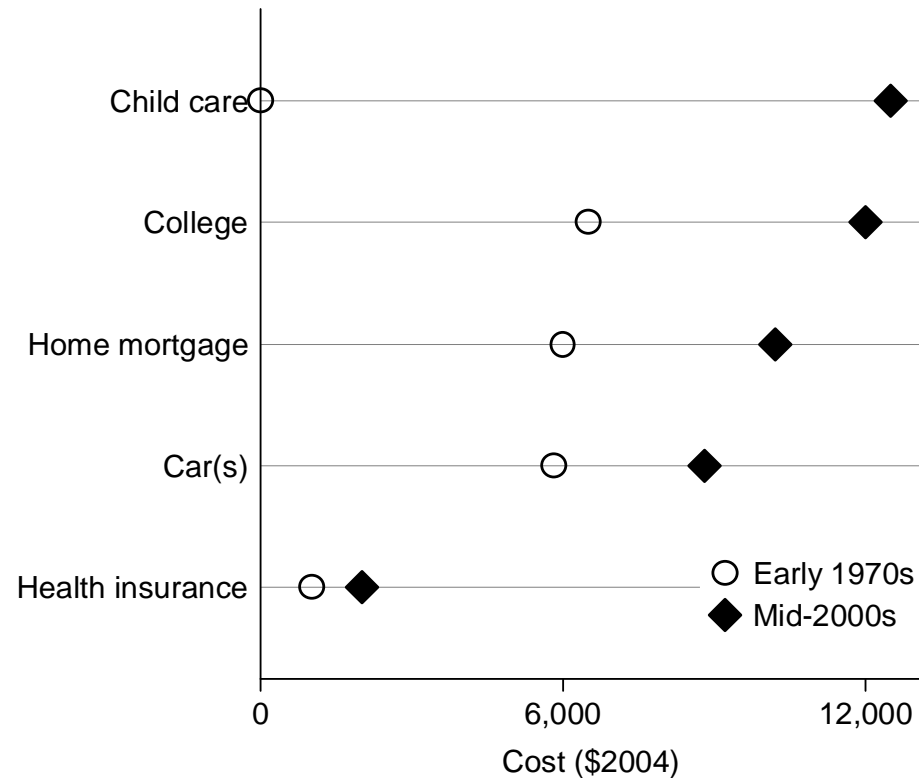
Child care and transportation ... With both adults employed, more households now need paid child care and two cars

Home mortgage ... The median home price (adjusted for inflation) rose from \$125,000 in 1975 to \$218,000 in 2007. As a result, mortgage payments have increased.

Health care ... Out-of-pocket health care expenses — mainly insurance premiums and co-payments — have increased

College ... A majority of Americans now attend (some) college. College costs, even for public universities, have increased very rapidly.

2. Costs have increased, causing a rise in debt



Note: Early 1970s: four-person family with one employed adult, one stay-at-home adult, and two preschool-age children. Mid-2000s: four-person family with two employed adults and two preschool-age children. Total costs: \$19,300 in the early 1970s, \$45,500 in the mid-2000s.

Source: Child care, home mortgage, car, and health insurance estimates are from Monica Lernerises, "The Middle Class at Risk," 2007, figure 12, www.tcf.org/list.asp?type=PB&pubid=625, using data from Elizabeth Warren and Amelia Warren Tyagi. College cost data include tuition, fees, and room/board at public four-year institutions; the data are from College Board, "Trends in College Pricing 2006," table 4a, www.collegeboard.com.

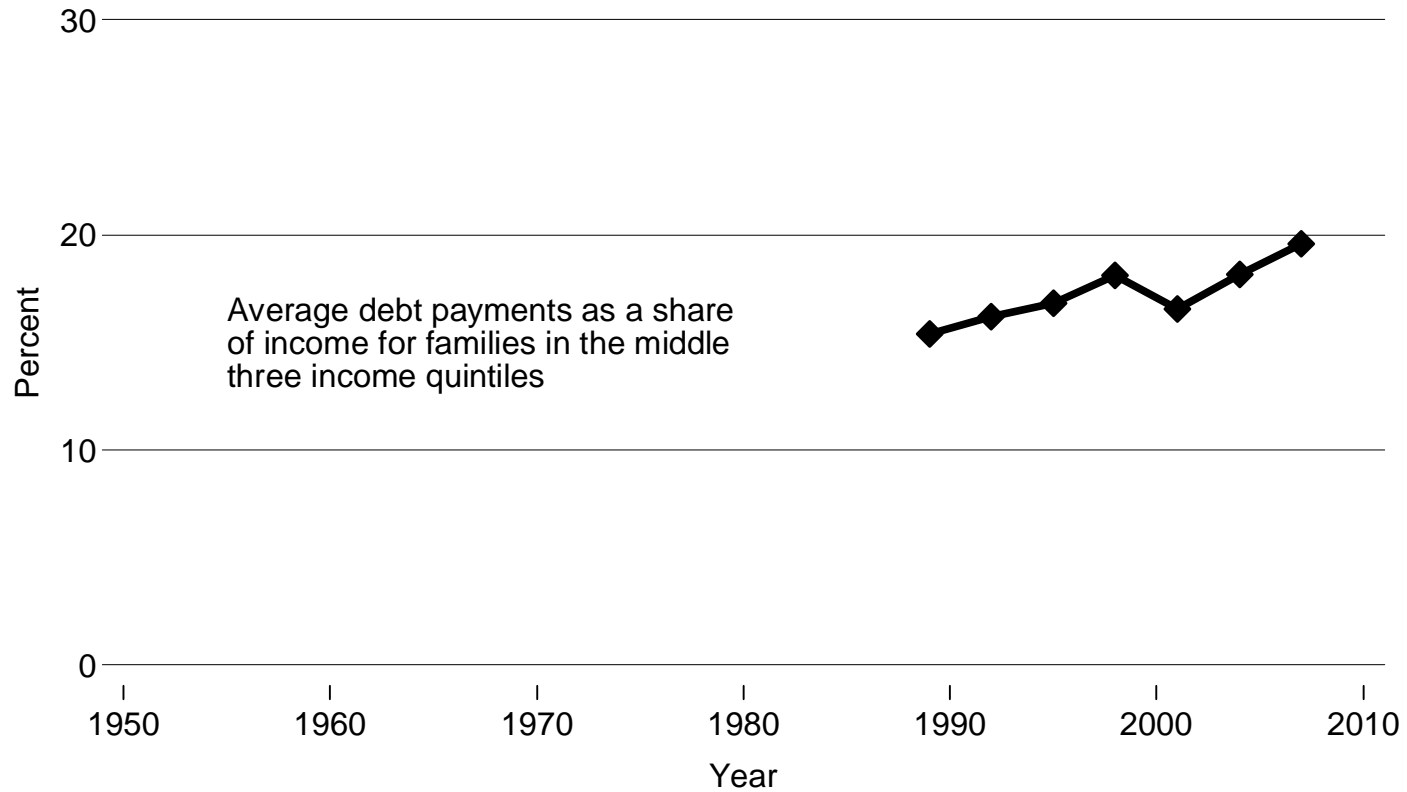
2. Costs have increased, causing a rise in debt

Have these rising costs and needs resulted in a big increase in debt? Yes and no

Debt as a share of disposable personal income jumped from 70% in the early 1980s to 140% in 2007. Some of this is credit card debt; most of it is mortgage debt.

But the key statistic is debt *payments* relative to income. For middle-class families, the data suggest only a small rise between 1989 (the first available year) and 2007.

2. Costs have increased, causing a rise in debt



Source: Brian Bucks, Arthur Kennickell, et al., using Survey of Consumer Finances (SCF) data.

3. Taxes on the middle class have increased

The income data shown in earlier charts don't subtract taxes

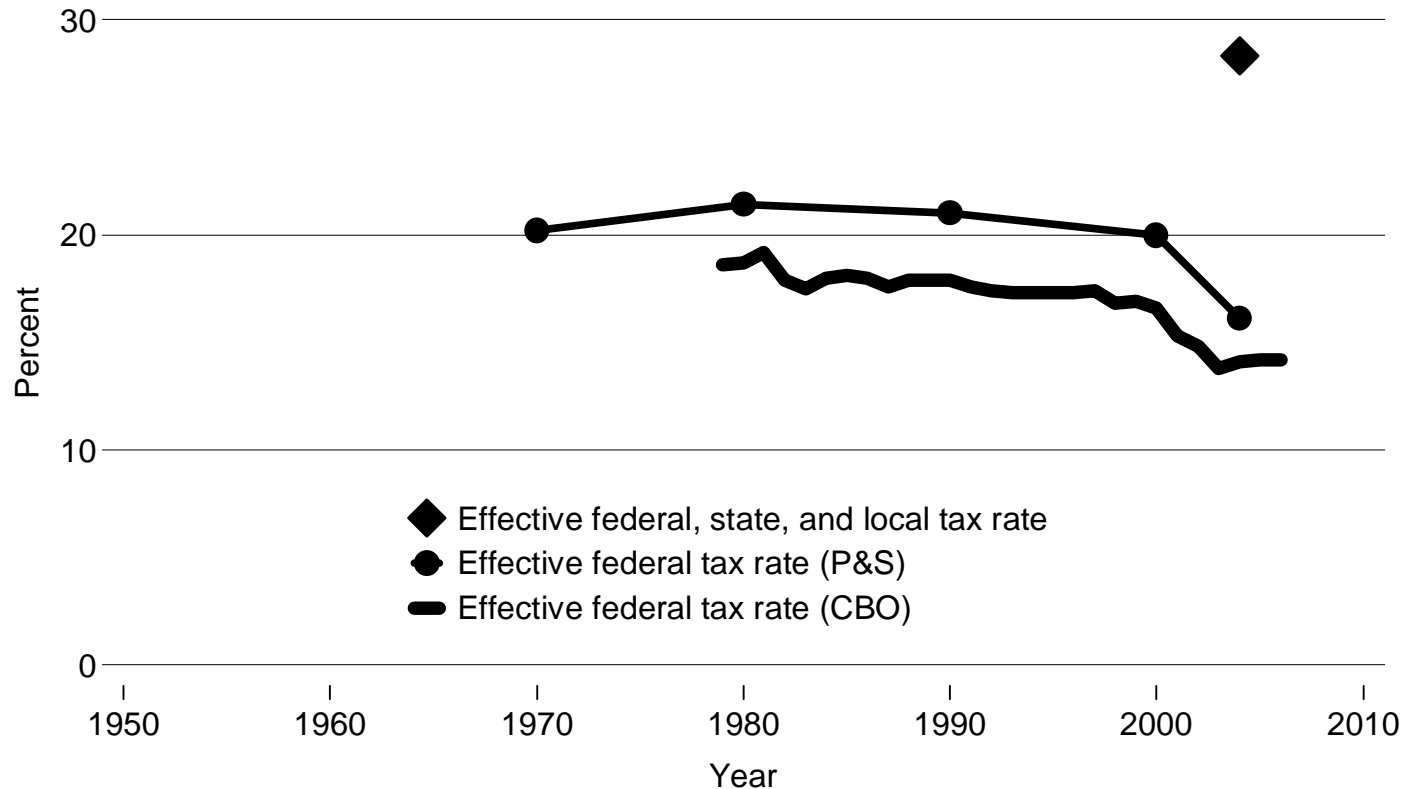
Since the late 1970s, taxes on corporate and personal income have been decreased while payroll and state/local sales taxes have increased

These changes may have increased the effective tax rate on middle-income households

3. Taxes on the middle class have increased

Given the lack of good data on sales tax payments, it's difficult to know if this is true or not

3. Taxes on the middle class have increased



Note: Effective tax rate on the middle quintile of the income distribution. P&S = Piketty and Saez. CBO = Congressional Budget Office.

Source: Andrew Chamberlain and Gerald Prante, "Who Pays Taxes?" www.taxfoundation.org/publications/show/2282.html; Thomas Piketty and Emmanuel Saez, Piketty and Saez, elsa.berkeley.edu/~saez/jep-results-standalone.xls; Congressional Budget Office, Historical Effective Federal Tax Rates, www.cbo.gov/publications/collections/taxdistribution.cfm.

4. Economic insecurity has increased

I'll examine this later in the course

5. Balancing work and family has become more difficult

A variety of trends are making it more difficult to balance work and home life

More households without a stay-at-home adult (more dual-employed couples and more single-adult households)

Longer work hours for some

Odd or irregular work hours

Longer commutes

5. Balancing work and family has become more difficult

25% of employed men and 10% of employed women work 50+ hours per week. Most of these, and many others employed full-time, say they would prefer to work fewer hours. (Jerry Jacobs and Kathleen Gerson, *The Time Divide*, 2004)

“Important, provocative, groundbreaking.”

—*Newsweek*

NATIONAL
BESTSELLER

The
Time
Bind

When Work
Becomes Home and
Home Becomes Work

Arlie Russell Hochschild

AUTHOR OF THE SECOND SHIFT

WITH A NEW INTRODUCTION BY THE AUTHOR

5. Balancing work and family has become more difficult

35-40% of Americans work outside regular hours and/or days, in part to accommodate family needs (Harriet Presser, *Working in a 24/7 Economy*, 2003)

SEPTEMBER 17, 2009, 10:38 AM ET

No Rushing During Rush Hour: Traffic Woes on the Rise

Not a lot of rushing takes place during “rush hour.” In fact, commuters in big cities now spend nearly a week’s vacation time each year stuck in traffic.

That’s one of the findings of a [recent study](#), the Urban Mobility Report, from the Texas Transportation Institute, that my colleague Joseph B. White [reported on this summer](#). According to the report, the number of hours each year that the average traveler spent in rush-hour traffic jams rose to 36 in 2007 from 14 in 1982. In the process, that same average commuter wasted 24 gallons of fuel in 2007, compared with nine in 1982. Big-city commuters pay an average of \$750 per person each year in the form of lost time and fuel wasted while inching their way through traffic.

Solving the nation’s traffic woes won’t happen overnight, despite growing awareness of the economic and environmental harm of such jams. Federal housing and highway policies for years encouraged city dwellers to become suburbanites. Meanwhile, in the U.S., there’s almost one registered passenger vehicle per person. But changing where you live or work to minimize traffic is a lot easier said than done. “People live where they do and commute long distances to work for complex reasons, involving family ties, schools, housing costs, economic necessity and differing definitions of what makes a pleasant living environment,” [Mr. White writes](#).



Associated Press

Interpretation #3:

**"It's better than the
alternative"**

"It's better than the alternative": argument

The world economy has changed in such a way that economic growth will be rapid only if it's distributed very unequally

Very large salaries and incomes create incentives for hard work and innovation

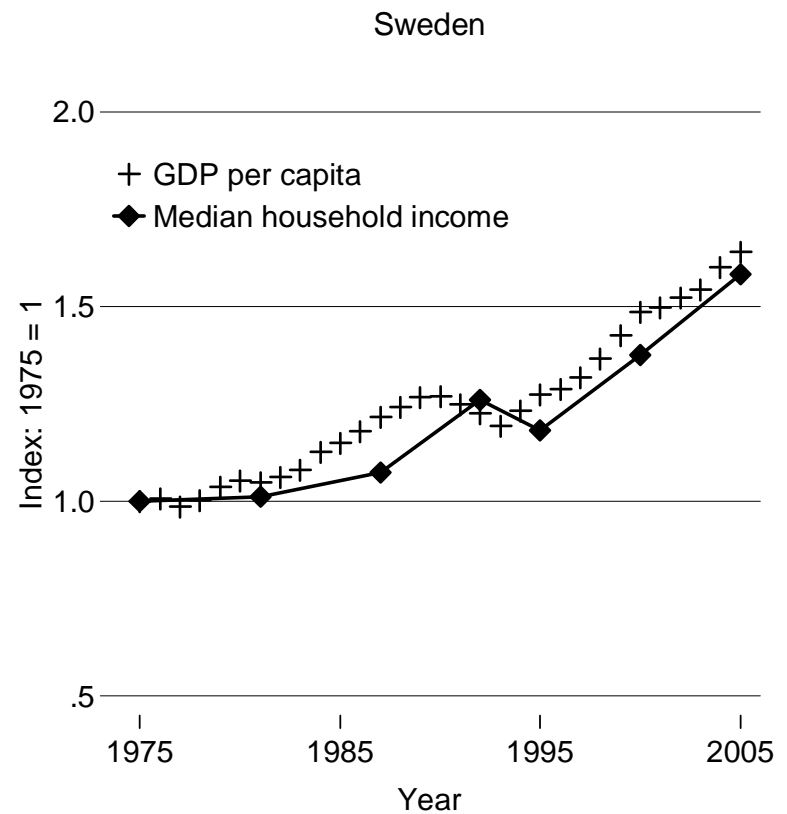
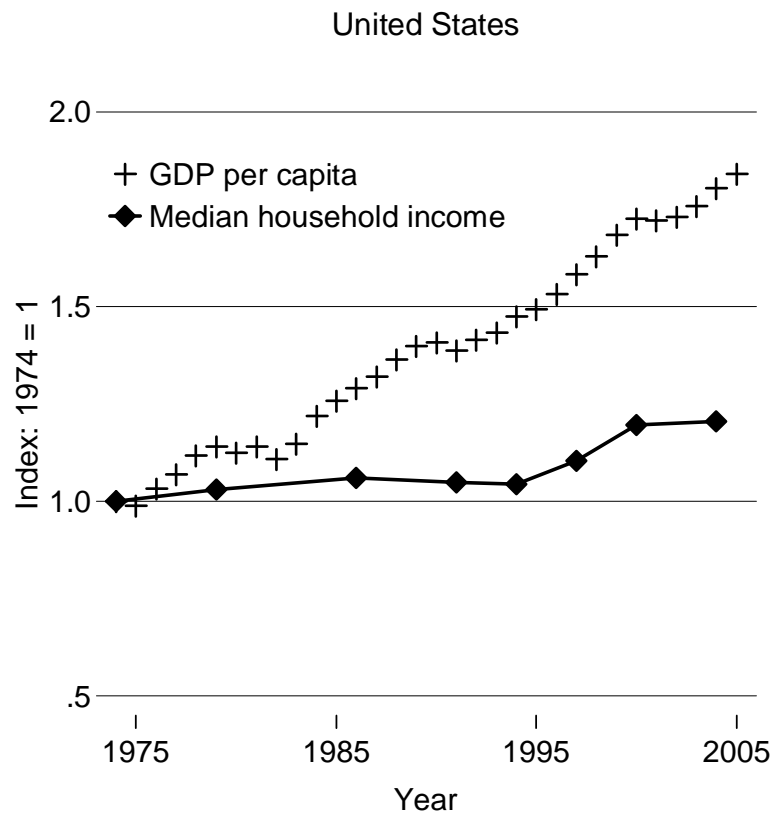
"It's better than the alternative"

Is there an effective way to test this assertion?

Not really. It would require a historical "do-over" — replaying the past generation with everything the same except that economic growth is distributed more equally

The best we can do is to look at other rich countries to see if their experience was any different

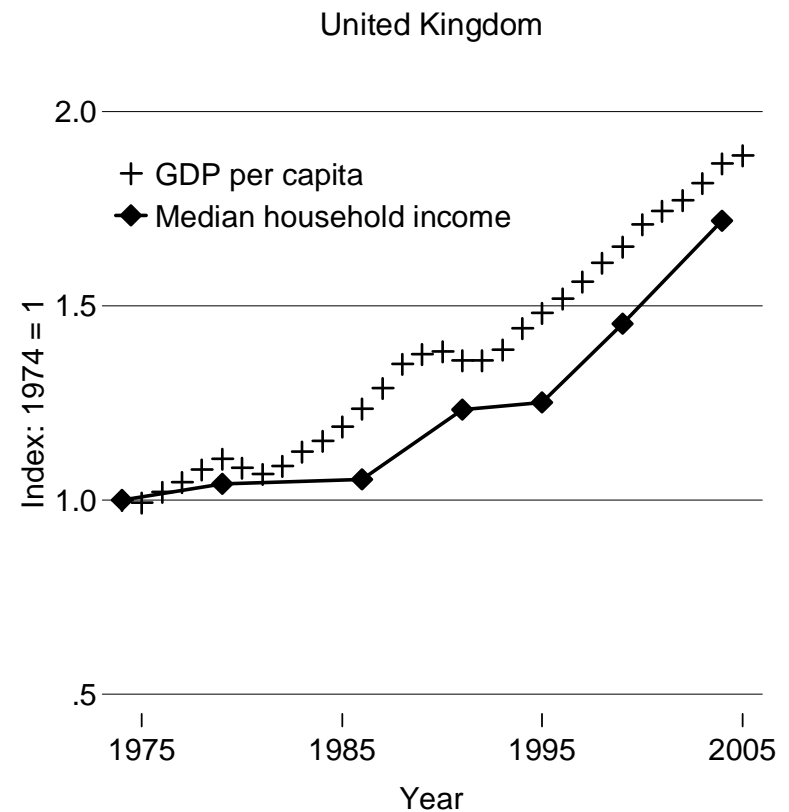
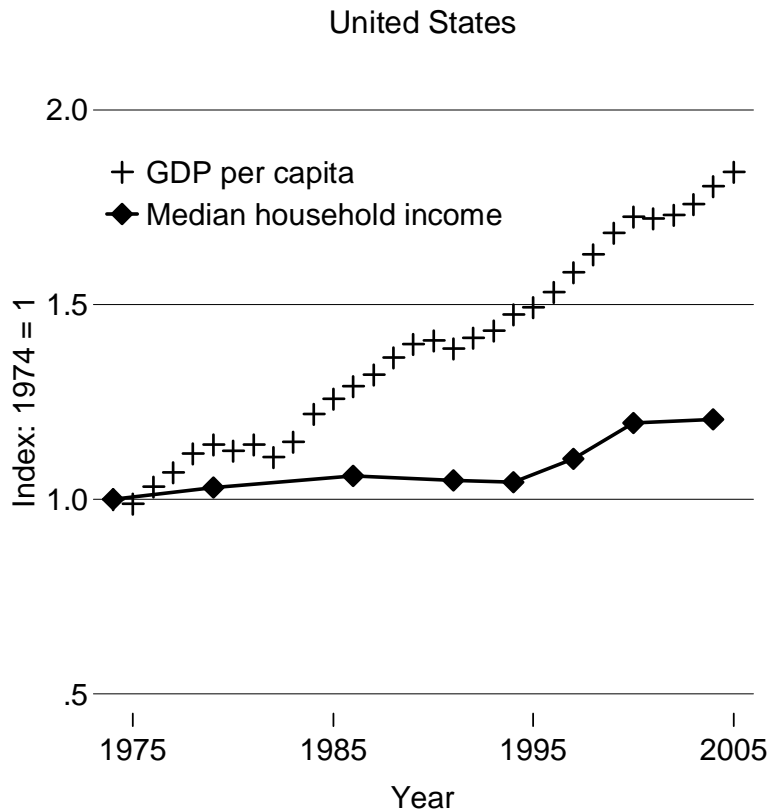
"It's better than the alternative"



Note: Income data are for inflation-adjusted median posttransfer-posttax income adjusted for household size.

Source: My calculations using OECD and Luxembourg Income Study (LIS) data, stats.oecd.org and www.lisproject.org.

"It's better than the alternative"



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Summary

Summary

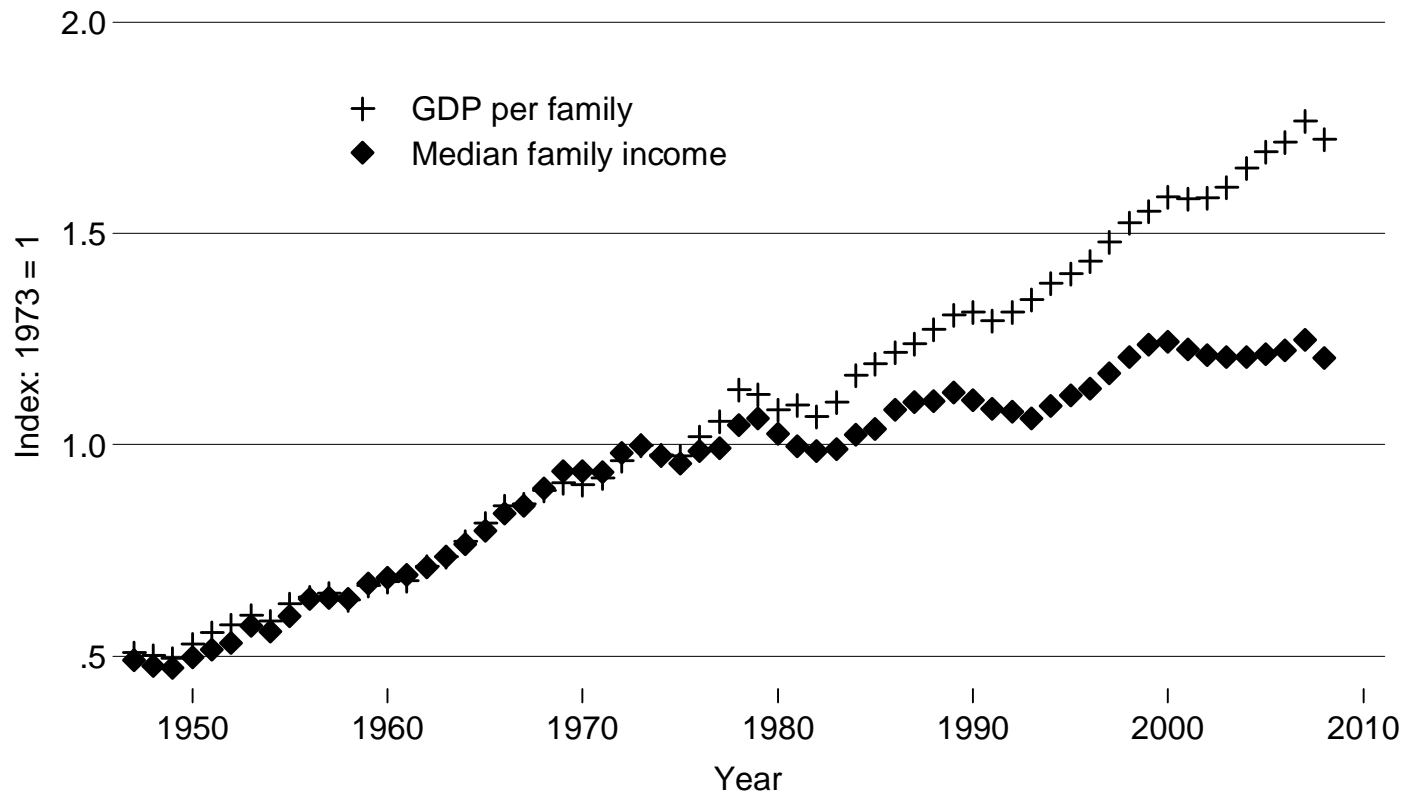
Since the mid-1970s, median income has grown slowly relative to the economy

The concern is slow growth, not stagnation or decline

There are lots of arguments suggesting that "it's not as bad as it looks," but most are not supported by the data

There have been considerable improvements in quality of life for middle-income Americans, but there's good reason to think those improvements would have occurred had median income grown more rapidly

The key image



Note: Inflation adjustment for both GDP and family incomes is via the CPI-U-RS.

Source: My calculations using Bureau of Economic Analysis and Census Bureau data, www.bea.gov/national/index.htm#gdp and www.census.gov/hhes/www/income/histinc/histinctb.html.