

What Liberals Get Wrong About the Middle Class

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It's a common refrain: The middle class is hollowing out; Americans overall are increasingly falling short financially while a few are getting exceedingly rich. There's even a [scoreboard of inequality](#). We've persuaded ourselves that many families can no longer achieve the American middle-class dream the way their parents once did. It's a political hot button, too — both parties claim to be fighting to preserve Middle America.

But there's another, much better way the middle class can shrink — when everyone moves up and gets richer. A nation can become so much richer that the ranks of the poor, the working class and the middle class all thin out. The “hollowing out” message requires a curious definition of progress: By its logic, if everyone's income doubles, the same number of families fail to reach the middle class as in the past.

Thinking about the middle class in this way obscures progress because it mixes inequality with people's living standards, and those are two different things. In [a recent report](#), we measured class using constant, inflation-adjusted thresholds. The “core” middle class shrank, but so did the classes below the middle — the poor, the near poor and the lower middle class.

In 1979, 36 percent of families were in the middle class. At first, it looks ominous that by 2024, a smaller number — 31 percent — could claim that status. But it's worrisome only if you overlook that over the same period, the upper middle class grew to 31 percent of families from 10 percent. Meanwhile, the number of Americans falling short of the middle class — once more than half — dropped to 35 percent of all families.

The traditional middle class shrank because so many families became better off over time, not because more people fell short. At the same time, inequality rose, too. The higher up the income ladder a family reached, the more disproportionate the

improvement. Rather than the rich getting richer and the poor getting poorer, rich and poor alike grew richer — albeit at much different rates.

One objection we received to these analyses is that they would have looked very different if we had considered wealth rather than income. That's because income reflects the remuneration people receive in a year while wealth — assets owned less debts owed — reflects resources accumulated over time. But our forthcoming research finds that the share of families whose wealth earned them upper-middle-class status increased, just as the income numbers indicate, while the proportion of families whose wealth fell short of the middle declined.

Even if you account for demographic and economic issues that can skew the data, such as wealthy, aging baby boomers, or the increased student debt loads that younger people now carry, the picture is very much the same. If you remove educational debt and focus on families headed by someone ages 35 to 54, the upper middle class grows while the less wealthy groups shrink.

Certainly, the general increase in income and wealth hasn't been experienced equally across all families. For instance, the share of wealth held by the middle class fell drastically, to 8 percent in 2022 from 24 percent in 1989. The share held by the upper middle class also fell, to 39 percent from 50 percent. The wealthiest families, on the other hand, got a lot wealthier. The share of wealth held by the top group — just 3 percent of families in 2022 — more than doubled, rising to 53 percent from 26 percent. The gaping inequality between the rich and the rest does not change the conclusion: The middle class has not been hollowed out or disappeared. Whether inequality has risen and whether that has been harmful are different questions from what's happened to middle-income Americans.

Our conclusion may seem at odds with popular views of the economy and the politics around issues such as affordability. Consumer sentiment in April hit a 74-year low, after all. Keep in mind that this downturn in sentiment has been a recent development, reflecting elevated prices in the wake of the pandemic. Moreover, while [49 percent](#) of Americans rated national economic conditions as “poor” in the most recent Gallup surveys, [19 percent](#) gave the same assessment of their personal financial situation. The

long-running General Social Survey indicates that roughly one in four Americans was dissatisfied with his financial situation in both 1989 and in 2024.

While we might expect dissatisfaction to have declined as income and wealth rose, Gallup's polling also tells us that feelings about personal finances do not change much when the national mood toward the economy changes. People seem to reset their expectations as they become wealthier, stuck on what psychologists call a "hedonic treadmill." We always want more than we have, however much we have.

Those desires are now running into supply constraints. People who have grown wealthier want to send their kids to the best schools. But the number of "best schools" hasn't increased, although tuition sure has. Similarly, there may be more demand for bigger, nicer homes, but the housing supply hasn't kept up.

Better policymaking could assuage the affordability concerns of the middle class. But let there be no doubt: The rising tide has lifted all boats notably, even if unequally. It has not left everyday Americans stranded on the economic shore.