

America We Need a Raise



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PREFACE

Why do so many Americans aspire to be middle class? Quite simply, being middle class is the American Dream that most of us chase. Being middle class means owning an affordable home in a safe neighborhood with good schools and access to recreational activities. It means having a job that pays a livable wage where ordinary people can afford to save for retirement, their children's educational needs, and an annual family vacation. Being middle class is more than earning a livable wage, it is a mindset of peace and security. A mentality that hard work and perseverance will always be rewarded; that the future will be better than the past.

Long before the Great Recession of 2007, the American Dream turned into a nightmare. Worker wages have been stagnant for over 35 years. Since the 1980s, corporations have been downsizing employees in favor of gargantuan profits over keeping productive middle class workers employed. The median household income in 2013 was the same as it was in 1989. The number of Americans living in poverty (income of less than \$23,492 for family of four) in 2013 was an

astounding 48.7 million, or 15.5 percent of the population. Seventy-five percent of Americans near retirement age have less than \$30,000 in their retirement accounts.

The middle class standard of living goes beyond the limited statistics provide by the government. Historical trends and cultural movements provide additional insights into reality. We now have a forty year window into the decline of the middle class. Higher paying middle class manufacturing jobs with overtime opportunities disappeared by the millions. Low paying retail and service industries have replaced factory jobs. Walmart is now America's largest private employer paying an average wage of \$8.81 per hour (\$15,576 per year, 34 hour week).

All across Latin America and Eastern Europe, the middle class has been increasing, in some places tripling, during the past 20 years. America has been experiencing just the opposite. A shrinking middle class surrounded by expanding poverty and wealth classes. This trend jeopardizes the future of America for no country can survive without a strong, healthy, and ample middle class.

America's politicians, economists, and media talk a great deal about the struggling middle class. But despite their Shakespearean cries, they do nothing to improve the standard of living for the average American. In fact, the government

contributes to middle class suffering with needless and costly regulations, wasteful spending of tax dollars, and creating international trade agreements that kill millions of American jobs. Many of the talking head economists and media kings blindly and obediently embrace these hollow economic government policies as if they were the cure for what ails America.

This book reveals the roots of the persistent struggle of the middle class and the barriers that limit access to this lifestyle. Trade deficits, catastrophic job loss, decline in real wages, widespread corporate apathy toward the worker, government rules that favor the wealthiest Americans—all of these things, and more, combined are squeezing the life out of the middle class. But all is not lost, not yet. I offer twelve remedies which, if implemented, could vastly improve the lives of hundreds of millions of Americans and their descendants.

CHAPTER 1. MIDDLE CLASS WOES

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

Middle Class Definition

There has been much debate during recent years about a disappearing middle class. But what exactly is considered ‘middle class’? Before we examine this social placeholder, I must confess that I really don’t like the word ‘class’ as used to describe a level of an individual’s income. The word ‘class’ conjures up images of a feudal society of royals and peasants. There is just something innately wrong about a word that beckons conflict—us versus them thinking. It implies that one group of people is better than another. I don’t like to think in those terms. However, I must put aside my personal bias and use the word ‘class’ throughout this investigation so as not to confuse the reader with the term most commonly used to describe levels of income.

Before we can describe ‘middle class’ we need to identify the types of classes used by politicians, economists, and sociologists to describe America’s family tree.

- Lower class—the homeless, welfare recipients, high debt with little to no income, few or no possessions
- Working class—workers earning minimal wage, often referred to as the working poor, few possessions, no luxuries
- Lower middle class—individuals earning more than minimal wage, usually have high debt to earnings ratio, often referred to as blue-collar workers
- Middle class—highly skilled blue collar worker; teacher; sales representative; nurse; jobs normally associated with a college degree
- Upper middle class—doctors, lawyers, MBA's, other successful professionals, professional athletes
- Upper class—billionaires

Most historical definitions of middle class include references to a well-paid job, owning a home with a white picket fence in a crime free neighborhood, and two cars in the garage. Depending on the time frame in which you lived, this could be achieved with a single wage earner. For example, in the 1960s a family of four could live a comfortable life, including vacations (travel by car) and a savings account, on one middle class wage earners salary. Notice, however, that no specific annual income is assigned to the definition. According to a 2010 reported prepared by the U. S.

Department of Commerce Economics and Statistics Administration for the Office of the Vice President of the United States Middle Class Task Force, the middle class is defined *“by their aspirations more than their income. We assume that middle class families aspire to home ownership, a car, college education for their children, health and retirement security and occasional family vacations.”*¹ How about that! The government assumes that its citizens want to own a home, a car, retirement and savings accounts, and take vacations. By their definition, everyone is middle class. Dreams, not income, put you in the middle class. I’m sure many hungry Americans without two nickels to rub together will sleep better tonight knowing they are middle class. And I’m pretty sure that you cannot buy a loaf of bread on an aspiration. So let’s talk numbers, let’s talk about income.

When sociologists and economists talk about the middle class they are usually referring to those with a median household income (MHI). The government defines MHI in two parts. Household income is measured by the *“income of the householder and all other people 15 years and older in the household, whether or not they are related to the householder.”*² Median is *“the point that divides the household income distribution into halves, one-half with income above the median and the other with income below the median. The median is based on the income*

distribution of all households, including those with no income.”³ The U.S. Census reported MHI for 2013 was \$51,939.⁴ This data was gathered from 122,952,000 American households. Let’s dig a little deeper and see what MHI really represents.

From a purely mathematical perspective, the median is a singular number found exactly in the middle of a string of numbers. This means that \$51,939 is the solitary number that divides the upper class from the lower class, or so it would seem. Let’s take a look at how they come up with MHI. The Census Bureau divides income into eight percentile groups. (Figure 2)

The Census Bureau tells us that 31,530,000ⁱ households live in poverty. That is 26 percent of all American households earning less than \$23,850 per year. (The U.S. Department of Health and Human Services defines poverty for a family of four at or below \$23,850. Subtract or add \$4,060 for each individual above or below a family of four.⁵) On the obverse side of the coin, some 27,600,000 million (22.5 percent) households earn annual wages of \$100,000 or more.

Figure 1Household Income Pie Chart.

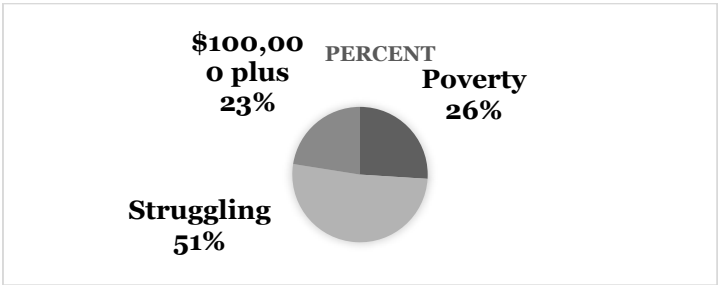
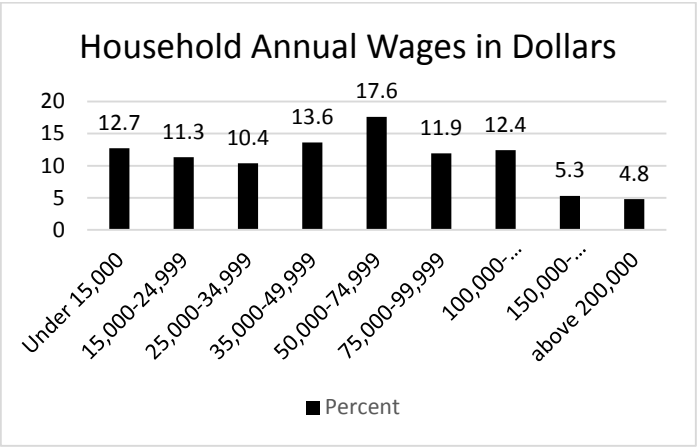


Figure 2. MHI Income Brackets

10th Percentile Limit	\$12,401	Lower Class 26 Percent
20th Percentile Limit	\$20,900	
Poverty Threshold	\$23,850	
40th Percentile Limit	\$40,187	Lower Middle Middle Class Upper Middle 51.5 Percent
50thPercentile Median	\$51,939	
60th Percentile Limit	\$65,501	
80th Percentile Limit	\$106,910	
90th Percentile Limit	\$150,000	Upper Class 22.5 Percent
95th Percentile Limit	\$196,000	

Figure 4. Household Income Distribution

Figure 3. U.S. Family Wages



¹ “Middle Class in America.” *U. S. Department Of Commerce Economics and Statistics Administration*. January 2010.

² Amanda Noss. “Household Income: 2012.” *United States Census Bureau*. September 2013.

³ Ibid.

⁴ DeNavas-Walt, Carmen and Bernadette D. Proctor. “Income and Poverty in the United States: 2013.” *U.S. Census Bureau, Current Population Reports, P60-249*. September 2014

⁵ Ibid.