Written by Charles Scaliger on February 18, 2014
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The Fading Middle Class

As a boy back in the 1970s, I sometimes enjoyed, in the basement bedroom of my best friend, the guilty pleasure of perusing *Mad* magazine, a then-fresh satirical publication designed to educate teens and young adults, tongue in cheek, in the ways of the world. One particular piece, written and drolly illustrated by one Lloyd Gola, left a particular impression on me. It was entitled "Middle Class Poverty Is … ," and laid out a number of humorous scenarios typical of the recession-ridden American middle class of the mid-1970s. "You've heard of 'Inner City Poverty' and 'Appalachian Poverty' and 'Old Age Poverty,'" the subtitle proclaimed. "And yet, millions of our citizens are being inflicted with another type of poverty. We're referring, of course, to the great American Middle Class … working … paying bills and taxes … and somehow, just about making it through from payday to payday!" According to the article, the symptoms of "Middle Class Poverty" included:

"Hiding inside your $30,000.00 house because you don't have the money to pay the paper boy."

"Receiving compliments from your friends on your antique furniture … and you never even knew you owned any antiques."

"Getting a moonlighting job at your local gas station, and hoping none of your neighbors show up."

"Watching the President on TV announcing that the recession is over … the same day you were canned."

"Encouraging your daughter and her fiancé to elope."

"Helping your working wife clean the house on Saturday."

"Having to wait to read the latest best-seller until it comes out in paperback."

"Not being able to scream at your kid to get a haircut because you can't spare the three bucks."

Symptoms of the Slide

While the prices seem positively quaint by today's standards, the symptoms have a very familiar ring, although many middle-class families in 2014 probably wish they could make ends meet merely by picking up extra part-time work at a gas station or convenience store. The '70s were a decade of economic and financial turmoil that led to significant declines in the American standard of living, especially for a middle class only recently flush with the fruits of the booming 1950s and ’60s. But those hard economic times, which also saw the Vietnam War, Watergate, and the Carter presidency, have been surpassed by the political and economic tumult of the new century.

Although the American economy appears to be in sluggish recovery these days, at least in contrast with the havoc wrought by the recent recession, the long-term trends are clear: The American middle class has been in unmistakable long-term decline since at least the 1970s, and the rising generation can expect to enjoy a significantly lower standard of living and financial well-being than its immediate predecessors.

The existence of a large, vibrant middle class is pivotal to maintaining a free society, for it is the middle class that furnishes all of the new business startups — some of which become Walmarts and Amazon.coms — and that provides the lion’s share of employment thanks to the myriad small businesses that keep the Main Street economy up and running. Every great Fortune 500 corporation began in some middle-class garage, basement, warehouse, or mom and pop storefront. With a vibrant middle class and economic freedom, society will progress and anyone can accumulate capital. Without a middle class, society will revert to feudalism, in which all the wealth is controlled by a few oligarchs and no one not born into privilege can aspire to rise above his lowly station.

In times of relative plenty, like the great financial boom of the 1980s and ’90s, the overall trend isn’t obvious to many people, because the masters of the modern fiat currency-driven economy have perfected the art of concealing economic weakness with what former Federal Reserve Chairman Alan Greenspan termed “irrational exuberance.” This has meant that asset values have soared even in the face of fundamentals that would have once elicited great concern — the vertiginous rise in public and private indebtedness, the relentless growth of government controls and regulations, and the continuation of rates of taxation at the local, state, and national level that far exceed those levied by the worst European despots of only a few generations past. Add to that the ruinous cost of endless warfare and empire maintenance on six continents and four oceans, and no sober observer can fail to wonder why the American economy, and the middle class with it, has not collapsed irretrievably already.

Yet in defiance of common sense and decades of dire warnings and despite the debts, regulations, and taxes that continue to mount, the techno-wizards of Silicon Valley continue to push forward the high-tech revolution of the 21st century, stock values continue to rise, advances in science and medicine continue apace, and, in general, the long-forecast economic, social, and political meltdown seems nowhere in sight.

But because we have come to equate material prosperity and technological advances with standard of living, without regard for the cost of purchasing them, we sometimes ignore subtler, longer-term trends that do indeed suggest that America, and in particular, her enormous middle class, is under great threat.

Economic growth as measured in ways that are directly meaningful to average Americans is perhaps best encapsulated by the so-called standard of living, which in 1980 — less than two generations ago — was the highest in the world. In every metric associated with standard of living — home ownership, number of TV sets, and number of cars per household, for example — the United States of America was the undisputed world leader, the standard that all other nations strove to emulate. This was particularly impressive considering that the United States 34 years ago had only a few years earlier extricated itself from a ruinous military adventure in Southeast Asia, and had endured years of economic malaise that included several severe recessions, an oil embargo, and persistent double-digit inflation. Just around the corner lay another debilitating recession that would continue to dampen hopes and economic prospects well into Ronald Reagan's first term in office. Yet American prosperity — at least on the surface — continued to surge well into the 1990s, with that most reliable of all economic statistics — median household income — reaching an all-time, inflation-adjusted high around 1999.

Then, something happened. From 1999 to the present, median household income has been in more or less steady decline, creeping downward in the early years of the last decade before plummeting like a wounded dove from 2007 to 2011. Today, median household income stands at roughly 1997 levels, with no realistic prospects for a return to the salad days anytime soon. The handwriting on the wall has finally become legible for even the economically illiterate.

But in reality, much of the growth in the median household income — and the soaring standard of living it fueled for several decades — came at an unremarked social price: the arrival of the two-income family as the new socio-economic standard. The years from 1960 through the 1990s were characterized by the massive entry of married women into the full-time work force, and the near-total abandonment of the traditional one-income family model with a stay-at-home mother and a large number of children. The fertility rate in the United States in 1960 was roughly 3.8 children per woman, whereas today it is little more than half that — around 2.1. Moreover, prior to the 1970s, most working women sought professions — such as teaching — that allowed them to enter and leave the labor force in order to stay at home and care for children. But beginning in the 1970s, women began to think primarily in terms of a career and only secondarily of motherhood and homemaking as important life objectives. They flooded into graduate schools and professional degree programs such as business, law, and engineering, which had previously been mostly a "man's world"; that same generation then became one half of the "power couple" generation of the 1980s onward, where two middle-class, white-collar incomes became the new standard. And as women's participation in the workforce ballooned, family size shrank correspondingly, as two-income professional couples had less time and interest in raising large numbers of children.

These are trends that must be taken into account for an honest appraisal of the American standard of living. Fifty years ago, a single professional (or even blue-collar) income was sufficient to buy a house, support a family, put children through college, and save for an eventual well-earned retirement. Today, two professional incomes are barely sufficient to do the same — and indeed, for many dual-income households, are proving increasingly insufficient.

And there is another hidden factor that tells a very bleak tale indeed: household debt, particularly household consumer credit debt, which includes credit card debt, auto loans, student loans, and all other types of consumer debt except for home mortgages. This figure was practically zero in 1950, a time when Americans, recently chastened by the Great Depression, insisted on living within their means, and lending standards were much stricter than they are today. Nowadays, the total household consumer credit debt is around $13 trillion, or 112 percent of total disposable income and 77 percent of nominal GDP (by way of comparison, these same figures in 1980 were about $1.3 trillion, 68 percent, and 47 percent, respectively).

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Not Quite Picture Perfect

The picture of America's standard of living — and of the vitality of the pivotal middle class — is certainly more complicated than a few statistics can possibly convey, but several trends are unmistakable. For one thing, the standard of living by any metric has declined somewhat since the late 1990s, although it is impossible to say whether that trend is merely the by-product of the stock market crash in 2000 compounded by the Great Recession, and may be reversed if America returns to an economic boom comparable to the '80s and '90s. For another thing, there can be no doubt that, in terms of technology and creature comforts, America has made great advances in the last 60 years or so since the postwar economic boom of the 1950s and early '60s. Enormous progress has been achieved in areas such as medicine, food production, transportation, communication, and information technology, with today's wonder drugs, modern jet planes, Internet, satellite networks, and personal computers being the stuff of visionary science fiction back in the mid-20th century. Modern homes and automobiles are brimming over with once-unimaginable conveniences and luxuries, and ordinary Americans now have within their grasp opportunities for travel, education, entertainment, and careers once beyond the reach of all but the wealthiest.

But all of this has been purchased at considerable social and economic cost. Whereas the typical American household in the early 1950s was free of debt aside from a home mortgage (and those were typically paid off by early middle age, when 30- and 40-something couples celebrated by burning the mortgage note), Americans nowadays face rather different prospects. Today, even Americans who use credit cards responsibly still face the formidable barrier of student debt, which recently surpassed credit card debt as the number one source of household indebtedness aside from mortgages. Housing costs, meanwhile, have gone stratospheric, with the vast majority of middle-class families looking forward to still servicing mortgage debt into their retirement years (a fact that never seems to come up when overeager economists argue for policies that will "re-inflate" the real estate markets).

Additionally, the households finding it necessary to accumulate such debts aren't old-fashioned single-income households with the father driving a milk truck or running a local store. They are households raking in high five or six figure incomes from husband and wife each holding white-collar professional jobs, who typically sport baccalaureate and even postgraduate-level educations. And to top it off, they are rearing fewer children than their parents and grandparents. In a word: American middle-class households are getting far, far less bang for their buck than was the case a half-century ago, forced into the two-income regime and deep into debt to finance a standard of living that — technological improvements aside — is now significantly inferior to that of two decades ago.

And other factors are contributing to the slow erosion of America's middle-class standard of living. One of them is the remarkable decline in affordable healthcare, which has been paralleled by a precipitous drop in health insurance standards. When I was a boy in the 1970s, the same large university that employs me today employed my father. But the health insurance benefits provided in those days were truly remarkable. There were no HMOs, so my father could go to any medical practitioner he wanted and receive full coverage. My orthodontic and dental care was fully covered, as were pharmaceuticals. The monthly premium for a family of five was a nominal amount, and working for just about any white-collar employer conferred comparable benefits. But today, the same employer charges this author nearly $200 per month for health insurance (for a family of three) that is diluted by significant deductibles and all types of surprise expenses that the insurer more or less arbitrarily decides not to cover in full. For example, an ear operation for a family member last year cost around $500 out of pocket. Other medical expenses over the past few years have cost several thousand more in expensive drugs and treatments for life-threatening conditions that the insurance company simply refused to cover in full — procedures that, a generation ago, would have been completely covered for a premium costing a fraction of what it does today. Basic dental is covered (a rarity among today's employer-provided health plans), but not major dental surgery, such as root canal work — all things that were covered a generation ago. And my current health plan is considered a gold standard health plan compared with what most people are paying (indeed, under ObamaCare, are now compelled to pay) for premiums with deductibles in the thousands and even tens of thousands of dollars.

All of this is a drearily familiar litany of latter-day middle-class economic woes, which many Americans are becoming conditioned to accept, because they are not old enough to remember how different things once were. Most so-called middle-class families today are in debt five or six figures, working night and day (if they are fully employed at all) not to miss the mortgage, car, and credit card payments. Levels of personal savings are near an all-time low ebb, with millions of households living paycheck to paycheck.

Nor have things improved greatly since the official end of the Great Recession. The profligacy of the boom years has dissipated, and Americans are rediscovering their grandparents' frugal ways. But that frugality is being offset by an unprecedented expansion of federal government power, resulting in steeply higher tax rates and a blizzard of new regulations designed to control and micromanage the American economy — including small business — like never before.

There is, for example, the enormous new federal bureaucracy that is ObamaCare, which has for the first time created full-blown federal government healthcare in the United States — a mere stone's toss away from the single-payer socialized medicine that leftist Utopians such as President Obama hope to bring about. Tens of millions of Americans have already seen the cost of their health insurance premiums rise, sometimes by several hundred percent, as a direct consequence of the new impositions that ObamaCare has visited on the insurance sector. Millions more had their insurance policies cancelled outright in the run-up to the New Year, when the first wave of ObamaCare controls and restrictions came into force. And more pain is on the way, as larger employers begin hiking health insurance rates. ObamaCare, all the glib assurances of the president and his supporters notwithstanding, has already been revealed as — among many other things — a massive tax hike on Americans, especially the middle class, at a time when they could least afford it.

President Obama, during his first term — following a precedent set by his predecessor — instituted massive bailouts of banks and other giant corporations deemed too large or too important to fail. These included, we now know, infusions of cash to a number of foreign corporations, including European banks, all underwritten by the American taxpayer. And the bailout of big banks and financials continues — in the form of near-zero "stimulus" interest rates, which have driven the run-up in stocks and other asset prices that have benefited ultra-wealthy bankers, hedge fund managers, and others of America's wealthiest. During the same period, of course, near-zero interest rates have ruined savings for the middle class, for whom traditional interest-paying accounts such as CDs, savings accounts, and money market accounts have little remaining attraction.

Add to all of this last year's January tax hike (technically, a repeal of several years of tax relief) in FICA withholdings, and the creation of gargantuan new government controls over the financial and insurance sectors (in the name of reining in the excesses of unfettered capitalism, naturally), and we are confronted with a veritable toxic brew of new taxes, regulations, controls, exactions, and wealth extraction that appears designed to prevent the American middle class from ever regaining its lost vitality and, indeed, hasten its demise.

Policy of Poverty

All of which prompts the question: How can American policymakers, from the president on down, possibly be so foolish?

To understand why so-called "liberals" appear to be acting so egregiously against the interests of all but the wealthiest fraction of Americans, it is important to understand the ideological and organizational pedigree of the modern American Left. What we now style the "left wing" of politics — that portion of organized power sympathetic with the goals and ideology of socialism, welfarism, and kindred "isms" dedicated to the enlargement of government power to serve secular Utopian aims — did not exist in America at the time of its founding. In Europe it birthed the monstrous convulsion known as the French Revolution, and French revolutionaries, especially one Citizen Genet, who served as Revolutionary France's ambassador to the United States during George Washington's presidency, attempted to introduce their doctrines in the United States in the late 18th century. With the failure of the French Revolution and the rise of Napoleon, the leftist revolutionary movement went underground in Europe, eventually coalescing in the communist movement, whose chief propagandist was Karl Marx. Marx, in his influential *Communist Manifesto*, published in 1848 (Europe's calamitous "year of revolutions") and soon introduced to America by Stephen Pearl Andrews, set forth a program to advance the cause of communism in his famous "ten planks," many of which have been enthusiastically embraced by the United States and the rest of the free world. To hasten the arrival of communism, Marx recommended (among other things) the creation of "a heavy progressive or graduated income tax" (plank #2), "centralization of credit in the hands of the state, by means of a national bank with State capital and an exclusive monopoly" (plank #5), and "free education for all children in public schools" (part of plank #10).

And against whom or what was Marx's program directed? As nearly every high-school civics student knows, Marx held the "bourgeoisie" responsible for the alleged ills of capitalism, a social class frequently assumed to be the ultra-rich elites.

In reality, Marx portrayed the bourgeoisie (cognate with "burgher," a term for members of the urban mercantile class in early modern Europe) to be what we would now call entrepreneurs and business owners large and small, the very backbone of the middle class (as well as the entrepreneurial upper class such as today's dot.com billionaires). Contrary to popular conception, Marx was not particularly egalitarian; he despised the bourgeoisie for disrupting the old European feudal system:

The bourgeoisie, wherever it has got the upper hand, has put an end to all feudal, patriarchal, *idyllic* relations. *It has pitilessly torn asunder the motley feudal ties that bound man to his "natural superiors,"* and has left remaining no other nexus between man and man than naked self-interest, than callous "cash payment." It has drowned the most heavenly ecstasies of religious fervour, of chivalrous enthusiasm, of philistine sentimentalism, in the icy water of egotistical calculation. [Emphasis added.]

Marx's beef was not with Europe's feudal aristocrats but with the power of the free market to allow anyone to accumulate capital, revolutionize commerce, and found enterprises that would provide employment for others (Marx's woebegone proletariat). He objected to all levels of entrepreneurial activity and job creation, not merely that of the handful of super-rich "robber baron" types who became the foils of American leftism in the latter half of the 19th century:

No sooner is the exploitation of the laborer by the manufacturer, so far, at an end, that he receives his wages in cash, than he is set upon by the other portions of the bourgeoisie, the landlord, the shopkeeper, the pawnbroker, etc.

The lower strata of the middle class — the small tradespeople, shopkeepers, and retired tradesmen generally, the handicraftsmen and peasants — all these sink gradually into the proletariat.

Inexplicably, Marx rails against the way in which international trade and other features of bourgeois society act to improve standards of living and to promote peace and understanding:

The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilization. The cheap prices of commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate.

Marx's program advocates nothing more than a return to feudalism and serfdom, disguised by modern political jargon. His intense hostility toward material progress, free trade, and commerce, and toward the power of free market capitalism to allow men to accumulate wealth other than by inheritance and privilege, has characterized Marxism and leftism ever since. In the *Manifesto* we recognize many elements of the anti-capitalist narrative still being recited by leftist politicians and their supporters. In press conferences, in congressional debate, in State of the Union addresses, in news analysis, and in college classrooms everywhere, we constantly hear of the need to curb the growth of the economy by shackling the free markets, of the putative vicious exploitation of the working class by predatory capitalists, and of ruthless exploitation of resources by runaway consumerism. More subtly, we hear echoes of Marx's derisive caricatures of the upwardly mobile bourgeoisie in the snide criticisms of American middle-class taste and sensibilities by self-assured intellectual elitists, who sneer at the values of small-town America (aka "flyover country") and decry the ignorance of the "materialistic" middle class.

The reason for this reflexive hatred, as much in our day as in Marx's, is that the privileged elites — the aristocrats, the intellectuals, the political class and their hangers-on, and the financial elites in cahoots with government interests — view the middle class as a vast pool of potential competitors. As long as anything resembling a middle class exists, with something like a free market to energize it, no band of elites can have perfect control over a nation's resources. As Marx himself lamented, the bourgeoisie, with their spirit of innovation, will constantly be improving upon the means of production, leading to constant progress.

There is every reason to believe that much of the decline of the American middle class is being deliberately engineered, a fact that America's elites occasionally acknowledge. Former Federal Reserve Chairman Paul Volcker — the last Fed chairman to tighten rather than loosen the reins on the money supply — admitted in 1979 to a congressional committee that "the standard of living of the average American has to decline. I don't think you can accept that" — this, allegedly, in the name of combatting inflation, a malady that men such as Volcker (and more modern counterparts such as Ben Bernanke) have created thanks to the power of central banks such as the Federal Reserve to pump unlimited amounts of new money into the economy.

As to recently departed Fed Chairman Ben Bernanke, his policies during his tenure as head of the Fed have drained wealth from the middle class and lavished it on his cronies in high finance. As billionaire hedge fund manager Stanley Druckenmiller told CNBC's *Squawk Box* last fall, "[The Fed's easy money policy] is fantastic for every rich person. This is the biggest redistribution of wealth from the middle class and the poor to the rich ever."

The game plan also calls for America's standard of living to be harmonized with that of the rest of the world. Back in 1953, Rowan Gaither, chairman of the Rand Corporation and president of the Ford Foundation, told Norman Dodd, an investigator who worked on behalf of Congressman B. Carroll Reese's Special Committee on Tax-Exempt Foundations

We operate here [in the Ford Foundation] under directives which emanate from the White House.... The substance of the directives under which we operate is that we shall use our grant making power to alter life in the U.S. so that we can comfortably be merged with the Soviet Union

While the Soviet Union has ceased to exist, Gaither's prediction appears to be approaching fulfillment regarding not only its successor state, Russia, but a number of other of the world's largest nations. In varying degrees, other parts of the world, especially among the leaders of the former Third World and communist countries (Brazil, Russia, India, China, and South Africa — the so-called BRICS — for example), have come increasingly to embody what journalist and commentator Fareed Zakaria has called "the rise of the rest," that is, the levelling of global standards of living so that formerly impoverished countries such as India, China, and Brazil are now approaching the United States and other Western nations in productivity and standard of living.

Of course, "the rise of the rest" has been due in part to liberalization of economic policies in many parts of the world, which have allowed such countries to create capital bases of their own. To the extent that this is the case, we should welcome the appearance of middle classes and of entrepreneurial activity, and the reduction of poverty in many parts of the world.

But it has also been due to deliberate hamstringing of the U.S. economy from within, as globalist elites who resent the success of America, and especially of her vibrant middle class, have tried to sabotage her progress — by gradual devaluation of the dollar thanks to the activity of the Federal Reserve, America's central bank that enjoys monopolistic control of the money supply; by heavy taxation of income, capital gains, and other activities that otherwise would lead to much greater capital accrual in private hands; by the imposition of an unprecedented regime of controls on all economic activity; and by brainwashing generations of Americans, via a compliant and complicit media and public education system, to accept this state of affairs as normal and desirable. In other words, the program of Karl Marx and his latter-day ideological heirs is working precisely as advertised.

And there can be no doubt that the current administration shares the Marxist hostility to progress — as witness, for example, Obama's stubborn refusal to authorize the construction of the Keystone pipeline to ship crude oil from the tar sands of northern Alberta to the refineries of Texas. Such a project would create thousands of new jobs and significantly reduce America's reliance on Middle Eastern oil, yet Obama — citing fatuous environmental scaremongering — has blocked the project at every pass. Meanwhile, our neighbor to the north continues to boom, and has now — along with a number of nations in Europe — significantly surpassed the United States' overall standard of living.

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On index after index — measuring indicators as diverse as economic freedom, quality of life, and level of education — the United States is no longer at the top of the list, or even close. We no longer have the highest standard living in North America, let alone Europe or Asia. This would have been unthinkable only a few decades ago.

The United States is increasingly evolving into a sort of oligarchic feudalism, where the lion's share of the wealth is concentrated in the hands of a few thousand plutocrats, every aspect of daily life is supervised and regulated by government, and the middle class is evolving from a reservoir of entrepreneurial talent into a corps of underpaid, upwardly immobile managerial professionals increasingly resembling the nomenklatura of Soviet Russia and the former Eastern Bloc countries. And much of this is by design, urged on us by the enemies of freedom channeling Karl Marx and his "specter of Communism."

To rescue the foundering middle class — and the country as a whole — we need but use the same recipe devised by our Founding Fathers: limited government and a return to a free market economy. And it had better happen soon.

Serfs, after all, do not make very effective reformers.

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