

Middle class continues to erode in U.S.

By Nelson D Schwartz, New York Times

In Manhattan, the upscale clothing retailer Barneys will replace the bankrupt discounter Loehmann's, whose Chelsea store closes in a few weeks. Across the country, Olive Garden and Red Lobster restaurants are struggling, while fine-dining chains like Capital Grille are thriving. And at General Electric, the increase in demand for high-end dishwashers and refrigerators dwarfs sales growth of mass-market models.

As politicians and pundits in Washington continue to spar over whether economic inequality is in fact deepening, in corporate America there really is no debate at all. The post-recession reality is that the customer base for businesses that appeal to the middle class is shrinking as the top tier pulls even further away.

If there is any doubt, the speed at which companies are adapting to the new consumer landscape serves as very convincing evidence. Within top consulting firms and among Wall Street analysts, the shift is being described with a frankness more often associated with left-wing academics than business experts.

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