

Middle class 20% poorer than in 1984

By Matt O'Brien, Washington Post

Nostalgia is just about the only thing the middle class can still afford. That's because median wealth is about 20 percent lower today, in inflation-adjusted dollars, than it was in 1984.

Yes, that's three lost decades.

Now, as you might expect, the middle class has been hit particularly hard by the Great Recession and the not-so-great recovery. It's all about stocks and houses. The middle class doesn't have much of the former, but it does have a lot of the latter. And that's bad news, because, even though the crash decimated both, real estate hasn't come back nearly as much as equities have. So the top 1 percent, who hold more of their wealth in stocks, have made up more of the ground they lost. But, as the Russell Sage Foundation points out, the slow housing recovery means that, in 2013, median households were still 36 percent poorer than they were a decade earlier.

In fact, the housing bust was big enough to erase all the gains the middle class had made the past 30 years—and then some. As you can see below, median households didn't add much wealth between 1984 and 2007. That's what happens when real wages don't increase, and the cost of a middle class lifestyle—housing, healthcare, and higher education—does. So, as Dean Baker points out, when the crisis did come, it devoured these meager gains and left the middle class with 20 percent less wealth than they had when it was “Morning in America.”

Read the whole story