

Yes, the middle class is hollowing out—because more are rising upward.

About That 'Disappearing' Middle Class

We're pleased to report the American middle class is indeed "hollowing out"—because ever more Americans are earning their way into higher income brackets. That runs counter to today's populist gloom on the left and right, so thanks to economists at the American Enterprise Institute for setting the record straight.

The hollowing out of the middle class has become a bipartisan trope. President Trump's supporters use this fear of household economic decline to justify his tariffs and industrial policies. Liberals treat it as an excuse for raising taxes, redistributing income, and adding cradle-to-grave entitlements.

Yet this pessimism is hard to square with the data showing America's economy is larger than it has ever been—and ample anecdotal evidence that Americans across the board enjoy a higher standard of living than any society in history. Now Stephen J. Rose and Scott Winship at AEI are shedding light on the reality.

Most studies purporting to find a shrinking middle class are prone to a variety of measurement and analytical problems. The biggest is the difficulty of defining "middle class". Economists often default to methods that calculate income brackets relative to the median income in a given year. But such analyses purport to find a shrinking middle class even as incomes across the board rise significantly, which should give readers pause.

Messrs. Rose and Winship instead set an absolute marker for different income groups, based on multiples of the federal poverty level in 2024. For instance, for families of three, this defines "poor" as a household income below \$40,000; the core middle class as incomes from \$67,000-\$133,000 and upper-middle-class as incomes up to \$400,000, and so on. They then use inflation data to calibrate these thresholds for previous years going back to 1979, when the necessary data series start. Measured in this way, the story of the past 50 years is steady progress out of the core middle class and into the upper middle class. The share of families in the "core" middle class has declined to 30.8% in 2024 from 35.5% in 1979, but so have the proportions in the poor and lower-middleclass cohorts.

The upper middle class, meanwhile, has exploded. That bracket now accounts for 31.1% of families, up from 10.4% in 1979. "For the first time in American history," Messrs. Rose and Winship write, "more families in 2024 were above the core middle class threshold (35 percent) than below it (34 percent)."

Americans worried about their family budgets aren't imagining things. They face stresses that their forebears didn't, such as badly distorted markets that raise costs for housing, healthcare and higher education (for a start). Americans rightly complain about costs in all three, but the irony is that these are the U.S. industries that have the greatest degree of federal subsidy and regulation, other than perhaps defense. Too bad few in politics or the media understand the role government plays in reducing competition in these industries.

Yet the larger story of American growth and opportunity is a good one. America's stillmostly free market and traditional political focus on economic growth are delivering unprecedented prosperity for more households. Inequality is in part a result of rising incomes at the top and especially in the growing cadres of the affluent middle class.

Government policies that raise costs and limit choices are the real barriers to greater prosperity for everyone.