

The American Middle Class Is No Longer the World's Richest

The American middle class, long the most affluent in the world, has lost that distinction.

By David Leonhardt and Kevin Quealy, NY Times, 4/21/14

While the wealthiest Americans are outpacing many of their global peers, a New York Times analysis shows that across the lower- and middle-income tiers, citizens of other advanced countries have received considerably larger raises over the last three decades.

After-tax middle-class incomes in Canada — substantially behind in 2000 — now appear to be higher than in the United States. The poor in much of Europe earn more than poor Americans.

The numbers, based on surveys conducted over the past 35 years, offer some of the most detailed publicly available comparisons for different income groups in different countries over time. They suggest that most American families are paying a steep price for high and rising income inequality.

Although economic growth in the United States continues to be as strong as in many other countries, or stronger, a small percentage of American households is fully benefiting from it. Median income in Canada pulled into a tie with median United States income in 2010 and has most likely surpassed it since then. Median incomes in Western European countries still trail those in the United States, but the gap in several — including Britain, the Netherlands and Sweden — is much smaller than it was a decade ago.

Three broad factors appear to be driving much of the weak income performance in the United States. First, educational attainment in the United States has risen far more slowly than in much of the industrialized world over the last three decades, making it harder for the American economy to maintain its share of highly skilled, well-paying jobs.

Americans between the ages of 55 and 65 have literacy, numeracy and technology skills that are above average relative to 55- to 65-year-olds in rest of the industrialized world, according to a recent study by the Organization for Economic Cooperation and Development, an international group. Younger Americans, though, are not keeping pace: Those between 16 and 24 rank near the bottom among rich countries, well behind their counterparts in Canada, Australia, Japan and Scandinavia and close to those in Italy and Spain.

A second factor is that companies in the United States economy distribute a smaller share of their bounty to the middle class and poor than similar companies elsewhere. Top executives make substantially more money in the United States than in other wealthy countries. The minimum wage is lower. ***Labor unions are weaker.***

And because the total bounty produced by the American economy has not been growing substantially faster here in recent decades than in Canada or Western Europe, most American workers are left receiving meager raises.