

# The middle-class: who are they, where did they go, and why does it matter?



“The decline of the Middle Classes around the World?”

Segovia, Spain

29 September, 2014

# A GREAT PANEL

- ***Marco Mira d'Ercole***, Head of the Division for Household Statistics and Progress Measurement, Organization for Economic Co-operation and Development
- ***Brian Nolan***, Director of Employment, Equity and Growth Programme and Professor of Social Policy at the Department of Social Policy and Intervention, Oxford University
- ***Sagrario Segado Sánchez-Cabezudo***, Director, Gregorio Marañón Center, Universidad Nacional de Educación a Distancia
- ***Timothy Smeeding***, Arts and Sciences Distinguished Professor of Economics and Public Affairs, University of Wisconsin



# The importance of the middle class

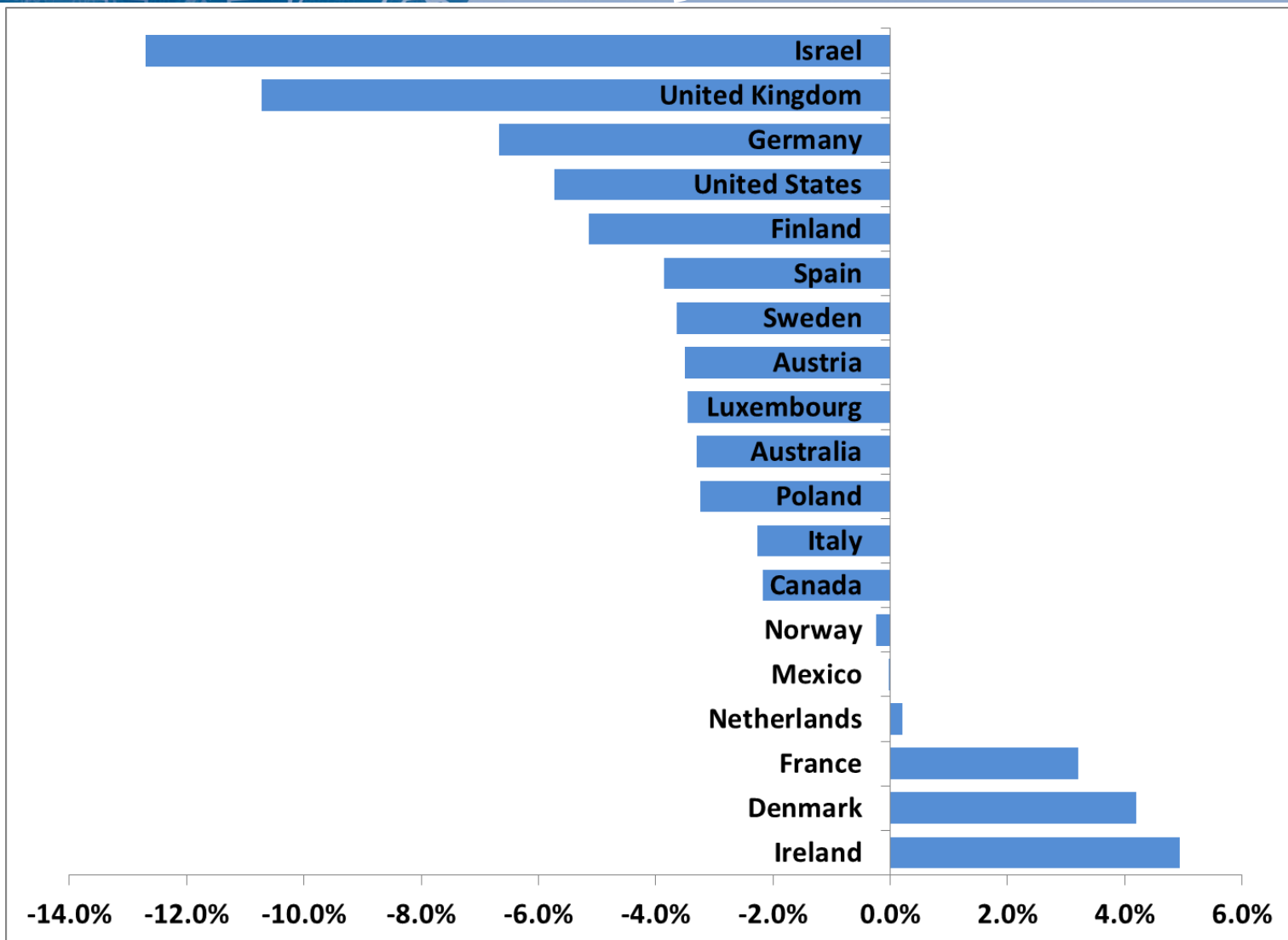
**“The most perfect political community is one in which the middle class is in control, and outnumbers both of the other classes.”**

*Aristotle*

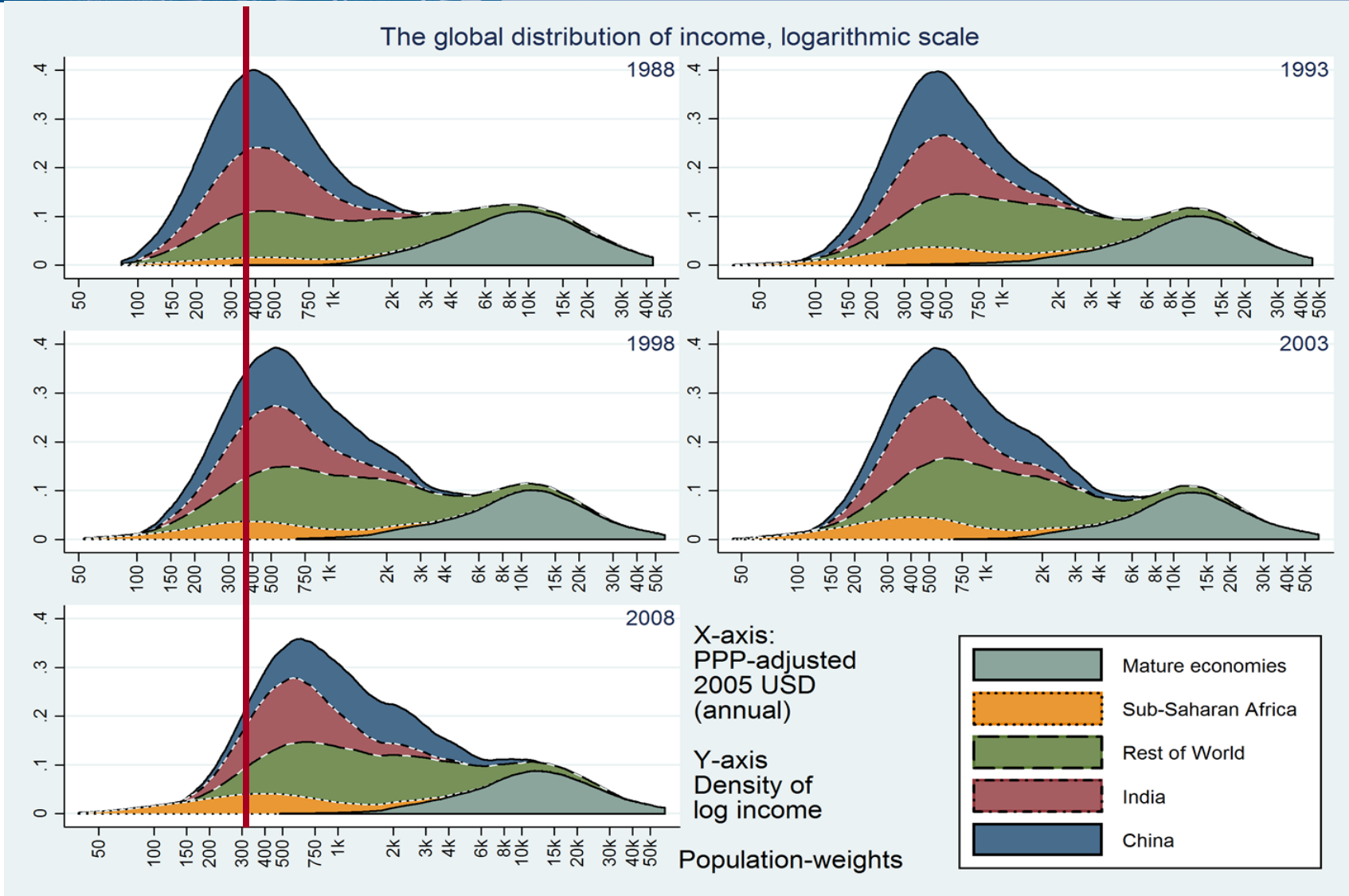
# Our Panel and the middle class

- *“In the current economic crisis, many middle class families find themselves caught up in a context of social exclusion, where not even their economic survival is guaranteed” - **Sagrario***
- *“These are the disaffected middle class who work hard and play by the rules of society, but increasingly see their situation declining by forces beyond their control” - **Tim***
- *“The Great Recession has put the spotlight on the so-called ‘squeezed middle’ but the reality is that the ‘squeeze’ started long before. The growth models of developed economies have driven a gap in living standards and wealth that is not sustainable in the long term.” - **Brian***
- *“One consequence of these large gains at the top of the distribution has been that middle-class families have often lost ground relative to the economy-wide average – the so-called phenomenon of the hollowing out of the middle-class” - **Marco***

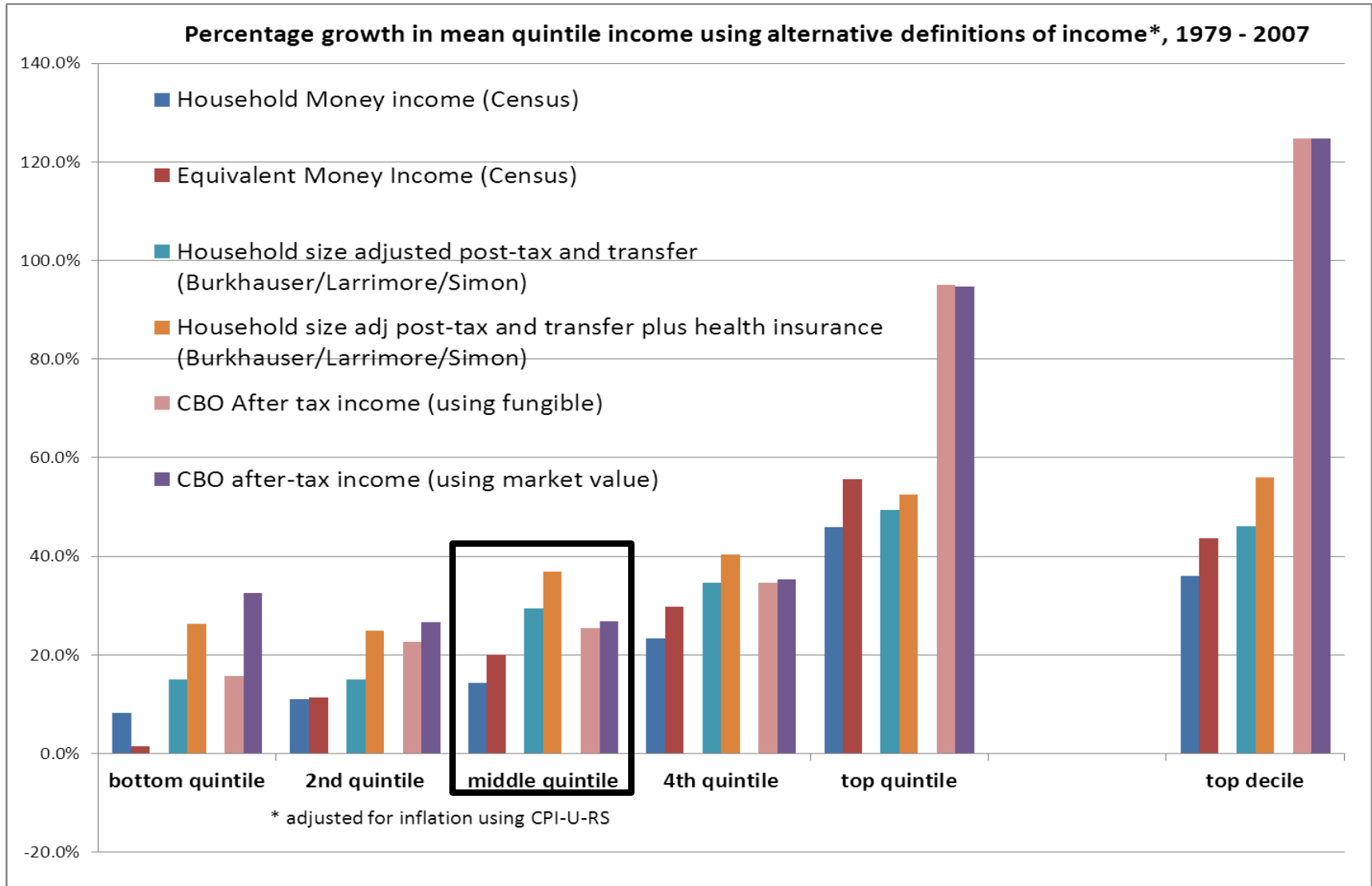
# Share of the middle class fell for most countries between 1980s and late 2000s



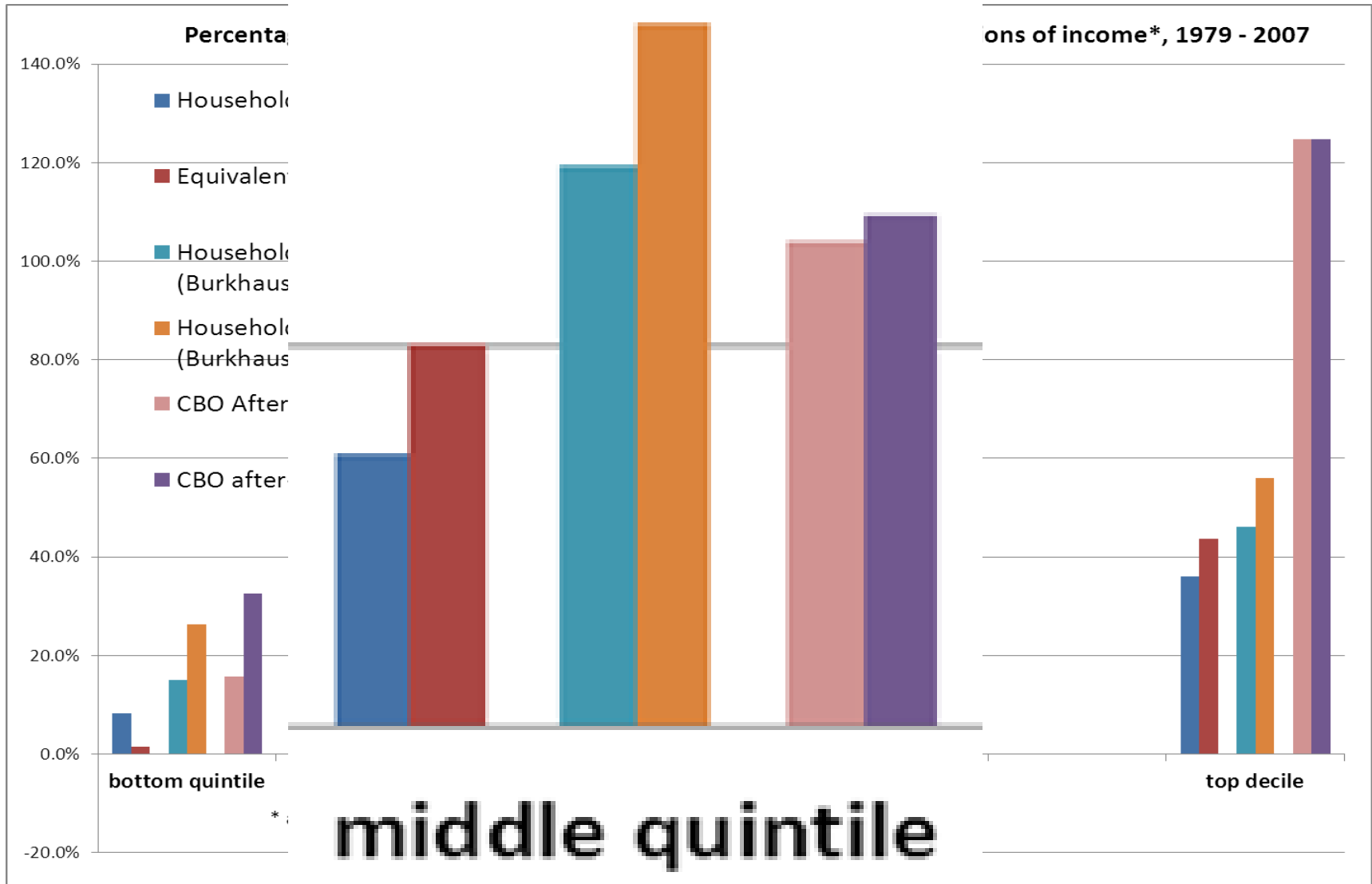
# But there has been an increase in the middle when we look globally



# The changes in the median depend on our measurement and concept of income



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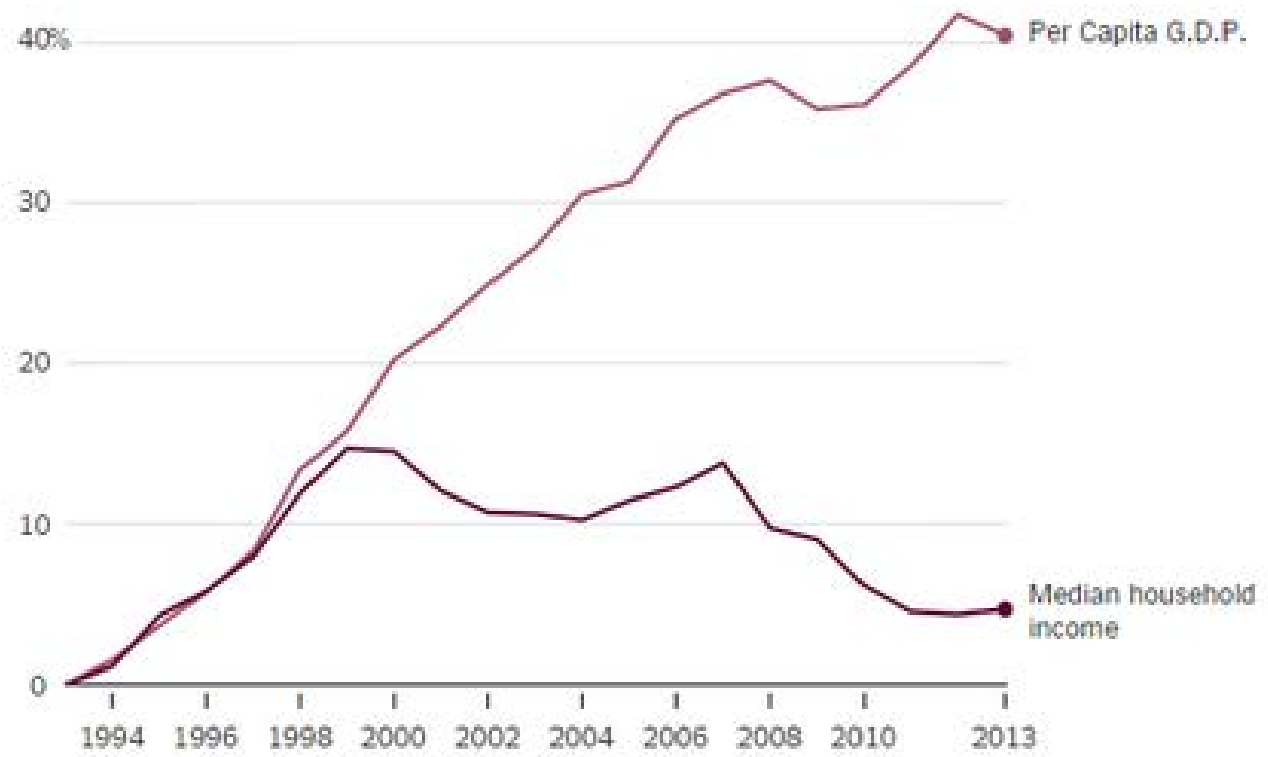


# What happens when growth and median household income diverge?

## Growth Hasn't Translated Into Gains in Middle-Class Income

Until around 1999, overall economic growth tended to correspond with growth in earnings for middle-income Americans. Since then, the two have diverged sharply.

**Percent change indexed to 1993 level**



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