

The Vanishing Middle Class: Inside Out
TRANSCRIPT

Intro

ANTHONY BROOKS: One of the triumphs of post-war America was mass upward mobility and the growth of the middle class. But somewhere progress stalled, and today financial uncertainty and fear threaten the middle-class dream.

SIDNEY FULLER JONES: It doesn't take the President of the United States to tell me what's going on in my economy, in my pocket, because we know—we're living it!

BROOKS: I'm Anthony Brooks, and this is "The Vanishing Middle Class: Inside Out." Over the past decades wage growth slowed while prices for basics such as health care, housing and education shot up, and job security and pensions became quaint ideas of the past.

KRISTIN HUSHER: I asked the accountant, "What about retirement planning?" and she laughed and said, "You're never going to retire!"

BERNIE SANDERS: Let me be very clear; the middle class in America, it's not a squeeze, it's a collapse.

BROOKS: So what caused that collapse? "The Vanishing Middle Class: Inside Out" is next. First, this news.

Part I

BROOKS: This is a special report from WBUR, Boston, "The Vanishing Middle Class: Inside Out."

[music and voiceover from film clip] "Let's bring our editorial microscope into focus on a very significant phenomenon: the middle-income consumer..."

BROOKS: For the next hour, stories about the challenges facing working Americans, the history of the middle-class American dream, and why it's threatened.

[music and voiceover from "Opportunities Unlimited" Transfilm, Inc. / Time Inc., 1956] "The zoom in the American market after the war, the unprecedented volume of goods of all kinds gobbled up by an insatiable tide of buyers, was largely the work of this middle-income man"

BROOKS: So what does it mean to be middle-class? There's really no precise answer. We can talk about the median annual income for a family of four, which varies state by state: from about \$50,000 in Arkansas to more than \$90,000 in Connecticut, according to the U.S. census. But for many Americans, being middle-class refers to a set of cultural values and aspirations. It's not so much about how much they make, as it is about how they grew up, and how they feel connected to American society—and to the American dream.

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[ambient sound and voiceover from “In the Suburbs” On Film, Inc. / Redbook magazine, 1957] “There’s a whole new generation coming. A bigger-than-ever market of people who have a history all their own. Who remember all the way back to Eisenhower? Who probably never saw their mother use a wringer, think automobiles are household appliances, and have reserved seats on the next rocket to leave the Earth!” [rocket blastoff sound]

KATHLEEN MURRAY: My name is Kathleen Murray. I grew up here in Boston, definitely in the middle class. And my Dad worked for the same company for over 40 years.

BROOKS: These days, lots of people who describe themselves as middle-class say it used to be different. They tell you of a middle-class world of a generation or two ago that was more secure, more financially stable. Kathleen Murray is in her mid-fifties. She recalls how her father, who maintained the lines for the phone company, raised three kids on just one salary.

MURRAY: I mean, I look at my folks now and they are very fortunate because he gets a pension, and they have their Social Security, and he also gets his health care paid for by his former company. All three of us, I have two sisters, we never wanted for anything. We didn’t get everything we wanted, but you certainly had new clothes, we all had good college educations, and they were very pleased to see their children were able to maybe step up a little bit to more of a middle- to maybe nudging the upper-middle-class area.

BROOKS: Kathleen Murray, who is single, was doing pretty well working in financial services in Boston until she was laid off earlier this year. She’s still looking for work, but she’s more fortunate than many. She was making more than \$120,000 a year. She received a good severance package, can still afford her health insurance, and she has quite a bit of money saved for retirement. But she’s still worried.

MURRAY: I’m in my middle fifties and I have to watch my retirement savings really shrink considerably from what it was at the front part of the year.

BROOKS [in actuality]: And that’s because of the market?

MURRAY: It’s because of the market. Oh yeah, it’s just, you know, lost over thirty percent in my 401(k) plan. It’s gone! And I happened to meet with my financial planner last week, and I jokingly said, “I’m working till seventy.” He said, “You’re working for sure beyond sixty—that’s for sure.”

BROOKS: And here’s another voice—or rather, one more set of voices from another family.

NIA JONES: Is it on?

BROOKS [in actuality]: It’s on right now.

NIA: Yaay!

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BROOKS [in actuality]: You don't have to talk loud; you can just talk in a normal—tell me your name.

NIA: Nia.

BROOKS [in actuality]: And how old are you?

NIA: Six.

BROOKS [in actuality]: And you're?

JAMARI JONES: Jamari, the famous football player.

BROOKS [in actuality]: And how old are you?

JAMARI: Six!

BROOKS [in actuality]: So, you guys are twins.

NIA and JAMARI: Yes we are! Ooo-oooh!

[sound of football practice, coaches, boys, whistles, etc.]

BROOKS: It's football practice for Jamari Jones, on a cool autumn evening in the Dorchester neighborhood of Boston. Jamari is about four feet tall and wears shoulder pads, a black helmet and white padded pants. He's here with his twin sister, Nia, and his mother, Sidney Fuller Jones, who beams with pride as she watches the practice.

SIDNEY FULLER JONES: These little boys, they have heart. They have heart! I mean, my son's squad kicked off their season last Saturday in Malden and they played two games back-to-back, and they put a whooping on both teams, so, and we're talking about five and six year-olds, so it warms my heart to see them out there. It just does something to me! [laughs]

BROOKS: But beyond the obvious pride of watching her son, Sidney Fuller Jones is not pleased by her difficult financial circumstances.

JONES: It's been tough. Especially working, you know, one income. My husband, Amos, is on disability because of kidney failure and heart disease. So it's been tough to try and keep our heads above water, falling, you know, behind in the mortgage, utility bills, all our bills, to that matter, I mean, there was a point when our phone didn't stop ringing, and it was literally bill collectors because we were behind. It's been a struggle.

BROOKS: Not long ago, Sidney Fuller Jones and her husband, Amos, had a toehold on the middle-class ladder. Both of them are college-educated. Both of them worked for the state Department of Public Health. Together, they earned about \$80,000 a year—a little below the median income for a family of four in Massachusetts. But when Amos got sick, it fell to Sidney to keep the family going. And it reminded her of life how has changed since her childhood in the 1960s, when her mother was a schoolteacher and her father worked for the I.R.S.

JONES: I believe that they probably still back then considered themselves middle-class. I don't remember, there were no mansions or things like that but we never wanted for anything. I never remember my mother and father, you know, in heated discussions about bills!

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BROOKS [in actuality]: So, do you feel that, a generation later, things are harder for you?

JONES: I—I don't think it's easier. I think, you know, it's much more challenging than what they faced in my mother's and my father's era.

BROOKS [in actuality]: And why do you think that is?

JONES: It's the economy; it's grueling. I mean, everything is more extreme, on every angle: taxes, oil, food. You know, you go in a grocery store, what you used to come home with months ago you will not come home with today spending the same amount of money.

BROOKS: So two quick snapshots of middle-class life: from upper-middle-class, to a family struggling to hold on to the bottom rung of the middle class. Despite differing circumstances, they share a growing feeling of financial insecurity, a sense of wistfulness about what it used to mean to be middle-class. Jarred Bernstein is a senior economist at the Economic Policy Institute in Washington, D.C. who has studied the changing fate of middle-class Americans.

BERNSTEIN: I think the most telling polling question on this is that at this point the majority of middle income households—I think it's slightly above half—will tell you that they're worried that their kids aren't going to fare as well as they did economically. And that really strikes at the heart of middle-class American values. The idea that if you work hard, you play by the rules, your children will have opportunities to surpass you. That basic value is under siege right now.

BROOKS: And, according to Bernstein, there are hard economic data that tell a big part of this story.

BERNSTEIN: For the first time, actually, in the history of the data going back to the mid 1900s you find that middle income families are no better off in 2007 as they were in 2000. So one measure is, are family incomes in the middle of the scale keeping up with the growing economy?

BROOKS: And Bernstein says the answer is, “No.” So does Peter Temin, an economist at M.I.T. who co-authored a recent paper examining post-war income trends. Temin says despite a growing economy over most of the past thirty years, wages for most middle-income Americans haven't kept up with inflation and the cost of living—which is what economists mean by “real income.”

TEMIN: This seems like a paradox. The government reports that income is growing rapidly and people don't feel it. They don't feel it because real incomes have remained essentially flat since about 1980. That's a long time; that's getting to be about thirty years in which people have not seen an increase.

BROOKS: At the same time, incomes for the richest Americans have continued to climb. In fact, government data show that today the richest one percent of Americans hold almost a quarter of all income. Again, Jarred Bernstein.

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BERNSTEIN: There's only one year in the history of data going back to 1913 that the top one percent held a larger share, and that year was 1928. So since the height of the roaring twenties we just haven't seen such an imbalance in the distribution of income in terms of who's getting these gains.

BROOKS: To understand how the country got to this point of historic inequality, and why American middle-class upward mobility seems to have stalled, you need to recall the period when the roaring twenties came crashing down.

[song, "Brother, Can You Spare A Dime?" Bing Crosby with The Lenny Hayton Orchestra, 1932] "Once I built a railroad / I made it run / Made it race against time / Once I built a railroad / Now it's done / Brother, can you spare a dime?"

BROOKS: The 1929 stock market crash and the Great Depression provoked a sea-change in U.S. government policies as it responded to a cataclysmic economic collapse:

BERNSTEIN: Basically in the 1930s there was a recognition that not only can markets like ours fail...

BROOKS: Jarred Bernstein of the Economic Policy Institute.

BERNSTEIN: ...but they can fail deeply, persistently, and so a set of government institutions were set up that helped to offset some of the worst market failures—whether it's minimum wage, unions, Social Security—all of these programs were built from a sensibility that said, markets fail, so government has a role to offset that.

BROOKS: It was, of course, Franklin Roosevelt who pushed this progressive view of government. And it was his New Deal policies, and the post-war economic boom, that helped set the foundation of the modern American middle class.

MATT LASSITER: The dream of owning your own house and being middle class had been there for a long time, but you really don't develop a mass middle class in the United States until after World War Two.

Matt Lassiter is a professor of history at the University of Michigan who has written about the rise of the middle class and the American suburbs.

LASSITER: And it's the depths of the great depression and all of the mobility and instability of World War Two that create the conditions for government to say, "We're going to do what it takes to make sure that people can have a decent home, that they can go to college, that they can get a decent job."

[sound, 1944 FDR "fireside chat #28" radio address, State Of The Union] "In our day, these economic truths have become accepted as self-evident. We have accepted, so to speak, a "Second Bill of Rights" under which a new basis of security and prosperity can be established for all..."

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LASSITER: Franklin Roosevelt, in the 1944 campaign, gave speeches that really captured what historians call the “social contract.”

[sound, 1944 FDR “fireside chat”#28 radio address, State Of The Union] “...the right to earn enough to provide adequate food, clothing and recreation; the right of every family to a decent home; the right to adequate medical care, and the opportunity to achieve and enjoy good health; the right to adequate protection from the economic fear of old age, sickness, accident, unemployment. Finally, the right to a good education...”

*[song, “There’s A New Day Comin’,” Ted Lewis And His Orchestra, 1933]
“New day's comin' as sure as you're born / There's a new day comin', start tootin' your horn / While the cobbler's shoein', the baker will bake / When the brewer's brewin', we'll all get a break / New day comin' for Levy and Burke / New day comin' for boss and for clerk / No more bummin', we'll all get to work / There's a new day comin' soon...”*

[sound, voiceover from newsreel, Army-Navy Screen Magazine #43 “G.I. Bill of Rights,” 1944, explosions, gunfire, voiceover] “What about this time, Mac? When it’s all over is it gonna be like last time for them? No, this time...”

BROOKS: World War Two helped end the Great Depression. And this Army-Navy news clip from 1944 describes one of the keystones of that new post-war social contract.

*[voiceover from newsreel, Army-Navy Screen Magazine #43 “G.I. Bill of Rights,” 1944]
“...when a man gets out of the Army or Navy or Marines, he’s worried most about a job, an education and a home. And that’s why Congress, led by the President, passed a law: The Servicemen’s Readjustment Act of 1944, better known as the G.I. Bill of Rights...”*

BROOKS: Programs like the G.I. Bill to help veterans go to college and buy their own homes, the 1949 housing act to spur urban redevelopment, and a progressive tax code, all helped build middle-class upward mobility. So did F.D.R.’s push to give unions the right to organize, according to Peter Temin of M.I.T. who says all these policies helped make it possible for millions of Americans to latch on to a booming postwar economy.

TEMIN: The grand mass of people, their incomes rose with productivity so they were able to buy houses, they were able to buy cars, they were able to take vacations—all these things that we think are the kind of basis for modern middle-class life.

*[music and voiceover from “Opportunities Unlimited” Transfilm, Inc. / Time Inc., 1956]
“So far, demand has matched the incredible pace of American productivity stride for stride...”*

BROOKS: One of the dominant storylines of postwar America, described in this 1956 marketing clip from Time-Life, was the booming growth of the middle class.

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[music and voiceover from “Opportunities Unlimited” Transfilm, Inc. / Time Inc., 1956]
“The biggest single fact in the story is this: despite higher taxes, despite postwar inflation, the middle- income consumer has roughly fifty percent more spending power today than he had a generation ago, accounting for the housing boom, appliance sales, the rush for prepared foods...”

TEMIN: That is to say, this was truly, in John Kennedy’s famous words, “a rising tide that (lifted) all boats.”

BROOKS: Again, Peter Temin of MIT.

TEMIN: Not everybody, of course. This extension didn’t go to African-Americans so much, women weren’t so much in the labor force; we don’t want to say this was nirvana.

BROOKS: But Jacob Hacker, an economist at the University of California at Berkeley and the author of “The Great Risk Shift,” says it represented an important consensus: that we’re in this together.

HACKER: There are certain risks from abroad and at home that we need to share in common. And that consensus that was so broadly felt that even Richard Nixon pushed for national health insurance, that consensus broke down in the 1970s.

BROOKS: By then, the nation was in recession, plagued by double digit inflation with growing concerns about high taxes excessive government regulation.

HACKER: When Ronald Reagan came to power in the 1980s a very different message was being pushed...

[sound from Ronald Reagan Inaugural address, 1981] “In this present crisis, government is not the solution to our problem—government is the problem.”

HACKER: it was a message that we may be in this together, but the government has grown too big, taxes are too high, programs that provide economic security are too damaging to our economy. The 1970s was a very difficult economic period and it allowed these arguments to gain credence among Americans, and so we’ve faced now I think twenty-five years of very harsh rhetoric about the role of government in helping provide economic security.

BROOKS: For most of the past twenty-five years, the economy has continued to expand. But middle-class wages have grown much more slowly. They essentially decoupled from the nation’s economic growth. It’s a change that coincided with a long period of redefining that contract between government and the people. From the New Deal and the Great Society, to the era of personal responsibility—when the government redefined “welfare,” rejected national health care, and tried to scale back Social Security in favor of personal savings accounts.

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ELIZABETH WARREN: There was a time, starting really postwar America, where every law aimed toward keeping a strong middle class.

BROOKS: This is Elizabeth Warren, a professor at the Harvard Law School, and an expert on bankruptcy and the middle class economy.

WARREN: How do we help poor people get a chance to become middle-class? Let's support education to do that. Let's have an F.H.A. to help them buy houses; let's have strong unemployment insurance. And somewhere in the early 1980s, we really shifted that, and we turned the middle class from being the object of protection to being the profit center—this is who you want to go after.

[sound from 2008 Democratic National Convention speech, Barack Obama] "Give more and more to those with the most and hope that prosperity trickles down to everyone else. In Washington, they call this 'the ownership society,' but what it really means is you're on your own..."

BROOKS: At his nominating convention in Denver this past summer, Barack Obama seemed to signal a shift in this long-running debate about the role of government in people's lives. If Ronald Reagan said government is the problem, Obama seemed to declare there's too little government in peoples' lives.

[sound from 2008 Democratic National Convention speech, Barack Obama] "Out of work? Tough luck, you're on your own. No health care? The market will fix it; you're on your own. Born into poverty? Pull yourself up by your own bootstraps, even if you don't have boots—you are on your own." [applause]

HACKER: To me, it was the most explicit acknowledgement that the conservative critique of government, and the argument that we need to assume more responsibilities, is out of step with the realities we face.

BROOKS: That's Jacob Hacker again, of Berkeley. Hacker says the challenge for the new President—and the country—is to articulate precisely what the new role of government should be. Programs like Social Security, Medicare and Medicaid all helped build a foundation of middle-class security in the last century.

HACKER: But many of these programs require reform themselves. They're based on the idea that people will work for a long time with a single employer and provide a generous health and pension benefits, that families are always going to be a foundation of security because one of the parents, usually the mother, will stay home. All those assumptions are no longer reflected in reality today, but because the debate has been so focused on the evils of government we haven't addressed that larger question of how do we create a twenty-first century framework of economic security to reach for the American dream.

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BROOKS: Coming up: middle-class stress, debt and the housing bubble. This is a special report from WBUR Boston, “The Vanishing Middle Class: Inside Out.” I’m Anthony Brooks.

Part II

BROOKS: This is a special report from WBUR Boston, “The Vanishing Middle Class: Inside Out.” I’m Anthony Brooks.

[music, sound, voiceover from “In the Suburbs,” On Film, Inc. / Redbook Magazine, 1957] “The suburbs: almost as much written about as Madison Avenue—and just as much in need of reflection...

[crossfade to sound and voice over from “Crisis In Levittown,” Dynamic Films, Inc. / New York University, 1957] “It is fairly typical of communities all over America, where families are pursuing the American dream to give their children a better chance in life...”

[crossfade to sound from Payne home, door opening]

RYAN PAYNE: *Come on in, Ryan...*

BROOKS *[in actuality]*: *Hi, Ryan, good to meet you...*

KIM PAYNE: *Hi, how are you...*

BROOKS: *Hi there...hi Kim, nice to meet you...*

KIM: *This is Olivia...*

BROOKS: *Hello there! [sound of children playing, talking]*

BROOKS: The home of Ryan and Kim Payne provides a poignant snapshot of middle-class life in America at the start of the twenty-first century. At first glance, this looks like a young family enjoying a generous slice of the American dream.

[sound of children playing, talking with their parents]

BROOKS: Ryan is twenty-seven years old. Kim is thirty-six. Their two kids—Ryan, junior and Olivia—are two-and-a-half and one. The Payne family lives in Sherborn, an upscale suburb of thick green lawns and attractive colonial houses about twenty five miles west of Boston. The Payne’s house is a nice one: three bedrooms, two baths, a family room, a modern kitchen—with granite counters and a Sub-Zero refrigerator—and a big deck that overlooks a leafy back yard in a large wooded lot. This is where Kim and Ryan Payne chose to start their family.

KIM: *We bought in here knowing that if we ever did want to move we wouldn’t lose the value. We had a good school system, two acres. We could afford it at the time.*

BROOKS: And the Paynes work hard to make this possible. Kim is a dental hygienist. Ryan is a police officer in the neighboring town of Natick, where he works the night-

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shift, midnight to eight a.m. And to afford this piece of the American dream, he also works as many extra shifts as he can.

RYAN: Before I was putting in for two extra shifts a week – like Monday, Wednesday, Friday. But now I put my name in six days a week, saying I'll work extra. I usually work 70 hours a week right now.

BROOKS [in actuality]: So when do you guys get to be together as a family?

KIM: [laughs] There is no time!

RYAN: We don't...weekends...

BROOKS: The Paynes are working harder than ever, but they're struggling to stay afloat—which might be surprising, because they certainly aren't poor. Kim makes \$80,000 a year; Ryan earns at least \$70,000. The median annual income for a family of four in Massachusetts is around \$90,000. By that measure, the Paynes are comfortably middle-class, even well-off. So why are they struggling? Ryan and Kim both grew up middle-class and expected their lives to get easier—not harder.

RYAN: I always just pictured myself probably being middle class, you know, making average money. I never expected to be poor.

BROOKS [in actuality]: Do you feel poor? You don't feel poor now, do you? Or...

RYAN: Oh, no. We're not poor. We just have too many bills. [laughs]

BROOKS [in actuality]: Let me ask you, Kim, Did you grow up with an expectation that things would get easier, bigger, better...

KIM: [laughs] Um, I think I had the expectation of being able to get by...

BROOKS: Among the biggest expenses squeezing the Paynes is day care.

KIM: I don't know, I never thought that it would get to 3000 a month. 3000 a month for two. And they'll be in there for another two-and-a-half years. She'll be in for another, almost four. So we got a long way to go.

BROOKS: Then there's the rising cost of just about everything else.

KIM: Thankfully we just got off of formula for her. But formula was about a hundred-and-twenty a month. But even vegetables—everything's gone up. I'd say our food bill, what used to be a hundred-and-twenty maybe a week is easily about a hundred-and-eighty. The oil bill is really what's killing us now."

BROOKS: In fact, what's really killing the Paynes is their house. They bought it three-and-a-half years ago for \$640,000—just before the real estate bubble burst. They put \$10,000 down, and moved in with a \$630,000 fixed rate mortgage of about \$4,000 a month. At first, they managed. Then, there were two pregnancies and two maternity leaves that diminished their income dramatically. And then, bad news from the mortgage company:

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KIM: We actually got a letter from them and it simply stated we improperly escrowed your taxes. And we made the error and it's our fault, and unfortunately, but we need to collect this now and...

BROOKS [in actuality]: It's our fault, but you have to pay.

KIM: Right.

BROOKS: Because of that error, the mortgage company insisted on collecting an extra \$900 a month for an entire year, which caused the Paynes to fall behind on their payments.

RYAN: We just had so many things happening all at once. We might never have done it three years ago knowing that our payment was going to be that much more than they originally told us it was going to be.

BROOKS: So the Paynes decided to sell—but they can't. The house has been on the market for more than a year. The value has dropped so much they now owe more than it's worth, so they're stuck. And to make ends meet, they rely on their credit cards, and have piled up a staggering amount of debt.

KIM: Twenty-five...

BROOKS [in actuality]: Twenty-five?

KIM: Twenty-five to thirty thousand, about.

BROOKS: That's right: \$30,000 in credit card debt. And because they've fallen behind on their bills, they damaged their credit rating. And Ryan Payne says they've been unable to negotiate a lower monthly mortgage payment.

RYAN: But we've talked to, I think, three different mortgage people, and, uh, they all say we don't qualify for anything, because of how much we make, our credit, the size of our loan—they won't let us do it.

KIM: The government should be more aware of what's going on in the mortgage companies that have been, really been doing a job on people. And they've...

BROOKS [in actuality]: In retrospect, did you just buy too much house?

KIM: Yeah, in a way, I think, too much house. But I don't think we ever thought daycare, three thousand a month. Never thought that!

BROOKS: So like millions of middle-class families snared in the collapsing real estate market, the Paynes are trapped. The real estate bubble, predatory lending, and rising prices are all to blame. But, arguably, so are the Payne's choices. For decades, middle class Americans have felt entitled to their aspirations: to work hard and then enjoy the fruits of their labors, and expect to do better than their parents. But does that mean a young family needs a \$640,000 house? What happened to that other middle-class American value—of living within one's means?

ELIZABETH WARREN: It's real easy to look at people like this young family and just sneer at them, "Ah! How bad could your decisions be?"

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This is Elizabeth Warren, a professor at the Harvard Law School who studies bankruptcy and the credit industry. She says before you judge families like the Paynes, it's important to recall what it was like in places like Massachusetts just three or four years ago.

WARREN: There were real estate agents all over the state saying, "If you don't buy now it just goes up more. And we can give you mortgage money right now at a low, low rate that you'll never again see in your lives." And the real point was, if you want to raise your children in a home in a decent school district, this is the price. And if you don't want to pay it, move over because somebody else does. These weren't people who went out and bought Ferraris, they aren't people who went out and bought fur coats; these are people who tried to buy a life for their kids, that they thought was ordinary middle-class.

[sound from "Father Knows Best" radio episode "Mink Coat Woes" National Broadcasting Company, 1954]

DAUGHTER: Father, why don't you buy Mother a mink coat?

FATHER: Why, sure, next time you're downtown, honey, just pick up two or three.

[audience laughs]

DAUGHTER: Oh, Father, I'm in earnest...

FATHER: I'm in debt! [audience laughs]

BROOKS: Elizabeth Warren says, for millions of American families, debt—debt of all kinds—is now the big risk, threatening their stability and contributing to a growing sense of financial insecurity. The Paynes' crippling mortgage is a case in point.

WARREN: Let's just roll the clock back a little bit; 1978. Uh, mortgages had incredibly low default rates, and the reason was because, quite frankly, banks didn't lend to anyone who couldn't put down about nineteen percent of the purchase price, so you built up equity and, in fact, the portion of your paycheck that had to go to housing was actually declining. Well, we reversed that one over the last eight years with this incredible housing bubble.

[sound from Washington Mutual television commercial, 2006]

VOICEOVER:

The uncertainty of getting a home loan made Paul irritable. [loud slam sound] Then he went to Washington Mutual. Thanks to their flexible lending rules, Paul got a quick approval. Now he's always in a great mood.

PAUL: [maniacal laughter] Hey! [laughs]

BROOKS: Then there's credit card debt, and again, the Payne family is a case in point. Remember how much debt they've amassed?

KIM PAYNE: About twenty-five to thirty thousand...

BROOKS: According to CardWeb.com, which tracks the credit card industry, the average American household owes more than \$10,000 in credit card debt—up more than

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300 percent since 1990. Elizabeth Warren says the Paynes are among some 50,000,000 Americans who can't pay off their credit card bills.

WARREN: So here's this family—trying to cope with a bigger mortgage, trying to cope with higher health insurance costs, higher child care costs, if they've got a child in college it costs more—with about \$1650 a year in interest and fees on their credit cards. BROOKS [in actuality]: That's the average on the 50,000,000 people who are in debt? WARREN: That's right. Of the 50,000,000 who are rolling it over. And think about that—that's \$1,650 every year that wasn't used to buy socks or haircuts, that wasn't used somewhere in the economy, that wasn't put into savings—that's money that just disappears. It just—open your wallet and it just goes “puff,” and it's gone.

[sound from Payne home, children playing, Kim Payne talking]

BROOKS: Back in their home in Sherborn, Mass., Ryan and Kim Payne aren't sure what to do.

KIM PAYNE: We've been told, you know, as you should claim bankruptcy.

BROOKS [in actuality]: Is that really an option?

RYAN PAYNE: It's not an option we want but, you know, there's nothing we can do. If the house doesn't sell, if they can't work with us and lower our mortgage, it's inevitable, eventually.

BROOKS: More than a million families, many of them middle-class homeowners like the Paynes, will file for bankruptcy this year—up almost thirty percent since last year. Bankruptcy may be the only way for the Paynes to protect themselves, but it won't be easy. At the behest of the consumer credit industry, Congress has made it harder and more costly for families like the Paynes to file for bankruptcy protection.

WARREN: What's happened throughout financial services, is they've been carving hunks off the middle class.

BROOKS: Elizabeth Warren, of the Harvard Law School, says working families have been hit by what she calls “a one-two punch.”

WARREN: Let's sell them \$20,000 in credit card debt because they'll find a way to be able to pay. Let's sell them these high-priced, crazy mortgages and they'll find a way to be able to pay. Let's sell, sell, sell, sell, sell! Banks stopped treating ordinary families like customers, and started treating them like prey, like something to be devoured.

BROOKS: So, rising prices for the basics like food, day care and health care, the mortgage crisis, collapsing home values, rising credit card debt, and less protection for families in need.

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WARREN: *I think families feel more anxious because they're really in worse financial shape—not just a few families who went a little crazy, but across the whole wide middle swath of America.*

[song, “Little Boxes,” Randy Newman, 2007] *“Little boxes on the hillside / Little boxes made of ticky-tacky / Little boxes on the hillside / Little boxes, all the same / There’s a green one and a pink one / And a blue one and a yellow one / And they’re all made out of ticky-tacky / And they all look just the same...”*

BROOKS: This is a special report from WBUR, Boston: “The Vanishing Middle Class: Inside Out.” I’m Anthony Brooks. Coming up: middle-class blues in the Green Mountain State.

Part III

BROOKS: This is a special report from WBUR, Boston: “The Vanishing Middle Class: Inside Out.” I’m Anthony Brooks.

[ambient sound from Burlington, Vt. City Hall]

BERNIE SANDERS: *Thank you very much for coming, thank you. Did you enjoy it?*

UNIDENTIFIED WOMAN: *Yes, very much...*

BROOKS: On a warm afternoon this past summer, we caught up with Senator Bernie Sanders of Vermont at one of his regular town meetings in Burlington, a picturesque college town on the shores of Lake Champlain just south of the Canadian border. We wanted to hear from Sanders because he’d been talking a lot about the middle class, and what he calls “a crisis.”

SANDERS: *Now, as a nation, what we have to do is to be honest about the reality. So let me be very clear. In my view: the middle class in America—it’s not a squeeze, it is a collapse.*

BROOKS: As you can hear, Sanders is passionate—and Brooklyn-born. He’s one of two independents in the U.S. Senate; a self-described “democratic socialist.” He attributes that “collapse” to a number of factors, including a decline in union membership, increased globalization, corporate greed, and a steady erosion of progressive government policies.

SANDERS: *You just tell me. In the last seven-and-a-half years under Bush, 8,000,000 Americans have lost their health insurance, five million people have slipped into poverty, three million people have lost their pensions. Median income has declined for working families has declined by \$2500. What you’re seeing now—just in the last few months, because of the foreclosure crisis—is the collapse of the middle class becoming more visible.*

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BROOKS: Sanders is among the more vocal advocates for working Americans, making the case that these are bad times indeed. But there is another view: that, in fact, things aren't so bad for the middle class.

BRINK LINDSAY: People in the middle have experienced a real and significant increase in material living standards over the past generation.

BROOKS: This is Brink Lindsay, a Vice President at the Cato Institute, a libertarian think-tank in Washington, D.C. He's also the author of "The Age Of Abundance—How Prosperity Transformed America's Politics And Culture." First of all, Lindsay takes issue with studies that suggest that median incomes have flattened.

LINDSAY: There is a big statistical food fight about how to measure this and how to measure real income and so forth, but the most recent and careful study I'm familiar with is one by Terry Fitzgerald of the Minneapolis Fed. He looks at median incomes between 1975 and 2005...

BROOKS: And he finds that over the past thirty years, median income actually rose as much as 30 percent. How does that square with other studies we've heard about that show stagnant or declining wages? Well, that Minneapolis Fed study factors in "fringe benefits," the cost to employers for such things as health care and retirement. And it's true; companies are spending more on those benefits. But that doesn't translate into more money in the pockets of working Americans, who face higher prices for food, housing, health care and education. And that same study doesn't dispute that over the past thirty years the biggest gains by far have accrued to the richest Americans. But Brink Lindsay argues most middle class Americans are living much better than they did, say, twenty-five ago, and they have a lot of stuff to prove it.

LINDSAY: Personal computers, the World Wide Web, e-mail, anti-lock brakes, ibuprofen, DVDs, CAT scans, house size, median house size has increased. So anyone who has lived through this period and reflects how typical people lived materially back in 1980 would be hard pressed to argue that ordinary Americans don't live materially better today.

[sound from web video "Living Large: America's Middle Class," reason.tv 2008, interpolating clip from feature film "Wall Street" 1985]

[telephone rings] BUD: Yeah?

GEKKO: Money never sleeps, pal.

[voiceover] DREW CAREY: The classic '80s movie "Wall Street" takes us back to the early days of the cell phone, when corporate bigshots went cordless with their \$4200 bricks...

GEKKO: You done good but you gotta keep doing good.

BUD: Mr. Gekko, I'm there for you 110 percent.

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BROOKS: This is a clip from Reason.tv and conservative comic Hugh Carey, who argues that compared to twenty-five years ago, middle-class Americans enjoy a lot of stuff that's relatively cheap and affordable.

CAREY: Few regular people could actually afford cell phones because the average worker had to sweat for 460 hours to buy one. Boy, how times have changed! The falling cost of living has allowed "regular Joes" to own boats, vacation at lakes, and fly around the world. Check it out...

BROOKS: According to this argument, the problem isn't the high cost of living; it's that Americans are living high, or at least higher than ever before. Greg Easterbrook, a scholar at the Brookings Institution and author of "The Progress Paradox," makes a similar case.

GREG EASTERBROOK: We almost all describe ourselves as living worse than our parents did, even though by statistics the country is improving in almost every way and has been for thirty to forty years: uh, lower crime rates, less pollution, uh, higher income for most people, net longevity is increasing, education's rising, most rates of almost all diseases are declining. People tell pollsters that the country is getting worse even though practically everything that we can measure is improving.

BROOKS: Maybe so, but Bill Curry, a former domestic policy advisor in the Clinton White House, says focusing on the material comforts of the average family misses the point.

BILL CURRY: In the 1950s and 60s, gas stations used to give away steak knives to get you to come and buy their thirty-cent-a-gallon gasoline. Electricity was cheap. Food virtually didn't move in inflation those years. On the other hand, televisions were expensive. The "extras" cost a fair amount and you had to strive a little bit to go out and get those. It's the reverse today; it's the cost of putting a breakfast on the table that's going through the roof, of heating your house, of running your car, and uh, they're giving the TVs away at Best Buy for almost nothing. For the middle class this has created a new feeling of constant anxiety, and of striving and of marginalization.

[music, sound, voiceover from "In the Suburbs," On Film, Inc. / Redbook Magazine, 1957] "...and when they buy a house and have a baby, they come into their purchasing stage, and are off on a wild, non-stop ride..."

PETER GOSSELIN: *There's a whole school of conservative thought that basically loves to focus on air conditioners and color TVs.*

BROOKS: Peter Gosselin is the author of "High Wire," about the increasingly precarious state of American families. He says it's true; there are a lot more wide-screened TVs in middle-class homes than ever before.

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GOSSELIN: But they are owned by people who may well not keep them, in fact, there's an immense amount of debt. So that this assemblage of stuff that make up the middle-class lives of many Americans is sitting not on the bedrock of clear ownership, but on the sea of debt. It's a much more uncertain status than it was a generation ago.

[sound from Burlington, Vt. City Hall, Bernie Sanders]

BROOKS: It's that sense of anxiety and marginalization that brings us back to Burlington, Vermont and Senator Bernie Sanders. Last summer, Sanders put a note on his website inviting his constituents to tell him what the decline of the middle class means to them.

SANDERS: And we expected, frankly, to get a few dozen responses. We ended up getting something like 700. And that number was extraordinary. And what they spoke to was the reality that people who thought they were in the middle class, uh, understood that they no longer were. And there was a level of economic desperation that I just did not imagine existed.

BROOKS [in actuality]: If you're hearing that in a state like Vermont, what does it tell you about what's going on...

SANDERS: It tells me that there are millions and millions and millions of people who are economically sinking, who's dreams are disappearing, who are worrying whether or not their kids are going to have as high a standard of living as they do, and fear very much that they will not. You are seeing people who have worked their entire lives who thought that they would retire with a modicum of security now understanding that is not going to be the case—that's what you're seeing right now.

[sound crossfade to ambient sound outside Husher house: breeze, crickets, motor]

KRISTIN HUSHER [off mic]: ...so he couldn't even shovel out the driveway it was so deep...

HUSHER: I'm Kristin Husher and I live in Brookfield, Vermont. And I'm soundly in the middle age of my life. [laughs] And I responded to Bernie Sander's request for stories about the middle-class squeeze. [sound of wind chimes]

BROOKS: Kristin Husher lives in a cozy log home in Brookfield, Vermont off a quiet dirt road. It's surrounded by green hills and rolling grassy pastures that remind you why Vermont is called "the Green Mountain State."

[sound of Husher and Brooks walking outside Husher house]

HUSHER: ...and I'll show you my vegetable garden

BROOKS [in actuality]: It's beautiful up here.

HUSHER: Isn't it nice?

BROOKS [in actuality]: Look at the view. It's just great.

HUSHER: This is what I do for fun in my spare time.

BROOKS [in actuality]: Oh, good for you. Oh, look at those tomatoes!

HUSHER: I know! [laughs]

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BROOKS [in actuality]: Nice!

HUSHER [entering kitchen]: Well, Naomi, you're still working. Look what I got.

NAOMI: Zucchini.

HUSHER: So we'll add that to our dinner.

NAOMI: You should make zucchini bread... [sound of voices in kitchen]

BROOKS: Kristin Husher has a nine year-old daughter, Naomi, an eighteen year-old son and a twenty year-old daughter, who's away at college. Kristin is fifty. She's a trained nurse and a director of nursing education in the Vermont state college system. Her husband, Neil, is an architect and has been out of work for some time. So Kristin keeps the family afloat on her salary of \$58,000 a year.

HUSHER: ...which in Vermont is a lot of money. So, you know, here I am thinking I'm not making it, I'm falling farther and farther behind. So, I feel squeezed between thinking about, am I ever going to be able to retire? The answer's no, and, uh...

BROOKS [in actuality]: Is that literally true? I mean, you look forward and you really can't...

HUSHER: That's really true. I—I have about fifty thousand in my retirement fund. And when I see what I pay every month, I don't think fifty thousand is going to let me retire! [laughs]

HUSHER: And yet, in many ways, her life looks pretty good—she lives in a beautiful part of the country, her daughter is in a private college and the family has a lot of that “stuff” we talked about earlier: the large family room, the big TV, a done-over bathroom with a Jacuzzi.

[sound of walking through house]

HUSHER: ...so we have the great room here, which is where we do most of our hanging out. [door sound] This is our room...

BROOKS [in actuality]: Oh, fun. Really nice...

HUSHER: ...and we put in this bathroom, so... [sound of walking through house, talking]

BROOKS: Yet Kristin Husher is struggling with financial burdens that are sources of insecurity for an increasing number of middle-class families: housing, health insurance, her kids' college education, and as we heard, retirement.

HUSHER: We spend our money on food, car payments, car insurance, mortgage. Uh, we spend about four thousand on our local taxes that I know are gonna come in November. And then there's the tuition bill. [laughs] And when my daughter came home from college she says, “Oh Mom, by the way, I have to have my wisdom teeth out.”

BROOKS: Loans and grants have covered some of her daughter's college bill, but Kristin struggles to cover the rest, and says her daughter may have to drop out of private college and transfer to a state school. Her son has a medical condition that requires regular treatment, but Kristin's insurance will stop covering him when he turns nineteen

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later this year. And this year, she took a second mortgage out on her house just to afford the heating oil this winter.

HUSHER: I don't know when it started to shift, but in my lifetime it really has taken two incomes to support a household.

BROOKS: That's a theme you hear again and again—and it represents a dramatic shift in reality for baby-boomers like Kristin Husher.

HUSHER: Thinking about my childhood growing up, my father with one income was able to get us on vacations, get us through college, take care of our medical needs. Um, we had a nice house, we had bikes, we had, you know, all the fun things: lessons, camp, whatever, and, here I am, having to work as a mom. I've never had the luxury of really being able to stay home...

BROOKS: [in actuality]: Like your mom did?

HUSHER: Like my mom did.

BROOKS: [in actuality]: Right...

BROOKS: Elizabeth Warren is a professor at the Harvard Law School who studies the credit industry and the middle class economy. She says families like Kristin Husher's—with one spouse out of work—face a risk that wasn't there a generation ago.

ELIZABETH WARREN: It used to be what we called "the added-worker effect."

BROOKS: Warren says once upon a time, the typical family had one spouse in the workplace, like Kristin Husher's father and another at home, like her mother. But with stagnant or declining wages and rising prices for basic needs, families had to adapt and send everybody into the workforce.

WARREN: And that means there's no back-up. Mom has to take off work when the kids get sick. Uh, Dad loses his job; there's nobody new to send in and generate some new income. And that means a kind of safety net that the family used to have has just evaporated.

JARRED BERNSTEIN: The image I have is someone walking on a tight rope without a net.

BROOKS: This is Jarred Bernstein, a senior economist with the Economic Policy Institute in Washington.

BERNSTEIN: I mean, it used to be the case that it wasn't so much a tightrope as a ladder that you could generally depend on moving up, and if you fell off there was a safety net to catch you.

BROOKS: Bernstein says Kristin Husher doesn't have that anymore. She's hurt by stagnant wages, and higher prices for food, energy and her daughter's education. And

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twenty-five years ago almost forty percent of workers like her were covered by pensions, like her father. Today that number is down to twenty percent, so more people like Kristin Husher worry about retirement as a falling stock market diminishes their 401(k)s.

BERNSTEIN: These problems have historically been met by a contract between people, their government, their employer. She can't depend on any of these institutions to play the role that it historically has in rendering her a more secure member of this economy.

BROOKS: Even Husher's employer-based health insurance costs more than it used to and it covers less. And it won't help her son, who could end up among some 47,000,000 Americans with no health coverage at all.

HUSHER: What do we do with these kids that we get to adulthood and they still aren't ready? They can't afford insurance. They can't get a job that gives them insurance. What do we do? And as a nation it just seems like we shouldn't have to be thinking about these choices.

BROOKS: But more and more families are, according to reporter and author Peter Gosselin.

PETER GOSSELIN: Essentially, every single strut that holds up families—jobs, benefits, housing, health coverage, college and retirement savings—in everyone of these areas, you've ended up with families bearing more risk.

BROOKS: Gosselin says risk has shifted from the broad shoulders of business and government on to the fragile backs of working families.

GOSSELIN: It's happened very incrementally so people aren't aware that these risks have been dumped on them. And they only become aware of it in a time such as we're in now where the economy stops performing well. Suddenly they realize that the protections that they thought were there for them aren't.

[sound from Husher kitchen]

HUSHER: So, Naomi, do you think that that's enough cherries for a pie, or should we do more?

NAOMI: I don't know, because I've never made cherry pie.

HUSHER: Oh...

[more kitchen sound]

HUSHER: I don't know, I mean, I just don't know. I think I'm going to have to figure out a way to keep nursing and taking care of patients till I'm ninety.

BROOKS: Again, Kristin Husher of Brookfield, Vermont.

HUSHER: I think I'm always going to have to work. I guess I'm sensitive to the, the mood, you know. We're hearing that every day the stock market is falling and it looks

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like we're really in a recession, uh, but I don't see a way out unless I can figure out some great invention that world needs and will pay me a lot of money to... [laughs]

ELIZABETH WARREN: I think the real question for the survival of the middle class is whether or not it will remain a sort of politics as usual, or whether middle-class families will say, I've had it. I work hard, I deserve better than this, and I demand more than this. I demand more protection for myself and I demand more for my children.

BROOKS: Elizabeth Warren of the Harvard Law School calls this a moment in economic—and political—history; one that could determine whether a robust American middle class will even survive.

WARREN: The big difference here is whether this group that today we know as the middle class is going to be the secure, solid group of our memory, or whether “middle class” will become synonymous with, “You keep working, you keep struggling and some fall down and others drag themselves up, but no assurances.”

[music]

STEVE BROWN [announcer]: “The Vanishing Middle Class: Inside Out” was written and reported by Anthony Brooks. The program was edited by Anna Bensted. The technical director and studio producer was George Hicks. Special thanks to Jessica Alpert for research and production assistance.

For more about the issues and families profiled in this report, and to listen again, please visit our website, InsideOut.org. This program was funded in part by a grant from the Boston Foundation. The Executive Producer of Inside Out Documentaries is Anna Bensted.