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FOREWORD

SOCIAL INSECURITY: THE ROLLER COASTER RIDE OF AMERICA'S MIDDLE CLASS

GREGORY D. SQUIRES*

A strong middle class was the backbone of a growing and prosperous economy from roughly the end of World War II through the early 1970s. New institutional structures put in place during the New Deal to pull the U.S. out of the Great Depression (with the help of the war and the dominant position of the U.S. immediately following that conflict), along with further innovations during the Great Society era enabled many working families to move into a growing middle class. At the same time, at least some of the obstacles confronting poor families were eased, allowing more than a few to enter mainstream society. These post-war years constituted the longest period of consistent economic growth and prosperity in the nation's history, and at least for the baby boom generation, a key part of the American narrative.

But in recent years many of those institutional support systems have been weakened. Wages for many have declined or at least failed to keep up with inflation. Economic inequality has skyrocketed. Some have dropped out of the middle class, while others are increasingly plagued with insecurity as they struggle to retain that status. Individuals and their families, who do not have the resources to absorb the mounting costs, are increasingly assuming risks previously absorbed by large institutions (primarily government and employers). Steps can be taken to (re)secure America's middle class and create opportunities for the poor to move up. But those are politically contentious matters and the outcomes are by no means certain.

The newly found sense of insecurity, at least for the baby boomers, has manifested itself in many ways, as illustrated by the articles in this issue of the *Notre Dame Journal of Law, Ethics & Public Policy*. First, as Arne Duncan asserts in *Through the Schoolhouse Gate: The Changing Role*

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of *Education in the 21st Century*, the door to the middle class is now through the classroom and not the factory gate. Unfortunately, particularly in many inner-city school districts and low-income communities throughout the country, not all students have received the education they need when they walk through that door—while far greater challenges confront those who drop out.

Susan Pace Hamill, in her article *A Moral Perspective on the Role of Education Sustaining the Middle Class* picks up on Duncan's challenge. As her title suggests, there are vital moral, as well as social, political, and economic reasons for funding education at an adequate level—particularly in low-income communities where middle-class aspirations depend particularly heavily on access to decent schooling.

At least part of the remedy may be, as student author Margaret E. Azhar argues in *Struggling Middle Class: Merit-Based Scholarships Meet School Vouchers*, a system of merit-based vouchers so that families no longer have to choose between good schools and virtually unaffordable housing, or inadequate schools in a neighborhood they can afford. Most middle-class families place a high priority on the schools their children will attend. As they compete for housing in those communities that have excellent schools, the price of housing is bid up even further, and more out of reach for more families. Ameliorating this vicious cycle is a critical step for securing America's middle class.

Ironically, the nation's future elites—those attending business and law schools—are inculcated with a value system that undercuts the security essential for a stable middle class. As John Mixon demonstrates in *Neoclassical Economics and the Erosion of Middle Class Values: An Explanation for Economic Collapse*, the neo-classical perspective taught in the nation's professional schools, which emphasizes the pursuit of rational self-interest, turns greed into a virtue, if not a duty of citizenship. This undercuts the sense of community and security that underpins a stable middle class.

One consequence of the dominance of the neo-classical perspective is the damage it has done to the labor movement and other collective efforts so critical for creating, and now re-creating, that stable middle class, as David L. Gregory and Stephen Martir discuss in *The Catholicity of the Middle Class: Reflections on Caritas in Veritate*. But as they note, Catholic teaching, along with progressive politics, can lead to a renewal of America's middle class.

Perhaps the greatest threat to the middle class is the declining population of the nation generally. As student author Edward Metzger III observes in *Falling Fertility Rates: The Offspring of the Contraceptive Mentality*, if we fail to replenish our population the economy's losses productive members, creativity and entrepreneurship fall behind, and pen-

sion plans are threatened. The spirit that engages our communities is undercut if the people are not there to give it meaning.

Each of these articles points to specific areas where middle class life has been threatened. The roots of that insecurity go back at least to the Great Depression, when in 1937, President Franklin D. Roosevelt famously saw “one-third of a nation ill-housed, ill-clad, ill-nourished.”¹ Beginning with the New Deal, and continuing with Truman’s Fair Deal and through Johnson’s Great Society, the country took initial steps to respond to the desperation many confronted. Many of these initiatives served as the basis for an emerging and, at least for awhile, a stable middle class. The Wagner Act² and Fair Labor Standards Act³ guaranteed workers the right to organize unions and at least to challenge egregious unfair labor practices. The Federal Housing Administration insured mortgages and helped create middle-class communities (at least in the nation’s suburbs) for decades to come. The GI Bill⁴ put many veterans through college. Social Security has dramatically reduced poverty among the elderly. More recently Medicare and Medicaid provided health care to the elderly and poor. The minimum wage, and in some cities and states living wage requirements, helped families maintain a middle-class lifestyle. These initiatives were hardly perfect, and they often shared the glaring problem that many benefits often available to whites were not available to non-whites.⁵ Often the intent was, basically, to limit political unrest.⁶ But they have lifted many working and poor families into the middle class, and for awhile, helped them stay there.⁷

In recent years, however, the stability and security of middle class life began to unravel. The institutional mechanisms nurturing the middle-class life that seemed like a birthright of the baby boomers in the 1950s and 1960s were weakened. In many ways, the benefits and protections government agencies and employers provided during the post-war

1. Franklin D. Roosevelt, Second Inaugural Address, (Jan. 20, 1937) *in* VITAL SPEECHES OF THE DAY (1936–37), at 227.

2. National Labor Relations Act, Pub. L. No. 111-166, 61 Stat. 449 (codified as amended at 29 U.S.C. §§ 151–169 (2006)).

3. The Fair Labor Standards Act of 1938, Pub. L. No. 75-718, 52 Stat. 1060 (codified as amended at 29 U.S.C. §§ 201–219 (2006)).

4. Servicemen’s Readjustment Act of 1944, Pub. L. No. 78-346, 58 Stat. 284 (codified as amended at 38 U.S.C. § 3011 (2000)).

5. IRA KATZNELSON, *WHEN AFFIRMATIVE ACTION WAS WHITE: AN UNTOLD HISTORY OF RACIAL INEQUALITY IN TWENTIETH CENTURY AMERICA* 18 (2005).

6. FRANCES FOX PIVEN & RICHARD A. CLOWARD, *REGULATING THE POOR: THE FUNCTIONS OF PUBLIC WELFARE* 22 (1971).

7. *See generally* KATZNELSON, *supra* note 5; KENNETH T. JACKSON, *CRABGRASS FRONTIER: THE SUBURBANIZATION OF THE UNITED STATES* (1985).

years have been cut back or eliminated, with individuals and families picking up the costs or going without the services.⁸

One critical area has been workers' rights. Labor laws have not been vigorously enforced during many of the past thirty years, with one consequence being a decline in union membership from 35% of the workforce in the mid 1950s to around 12% today, with just 7.5% in the private sector. Unionized workers earn 20% more than comparable workers in non-union settings, they are 28% more likely to have employer-provided health benefits, and 54% more likely to have employer pensions. But these numbers are declining. In 1980, 80% of workers in companies with 100 or more workers had traditional pensions compared to one-third of such workers today. One-third of unemployed workers receive unemployment insurance compared to one-half in the 1950s. Thirty years ago, 70% of private-sector workers had employer-provided health insurance compared to 55% now. The minimum wage has lost significant buying power. While it was raised in 2007 it is still not indexed to keep up with inflation, so every day it loses value. Wages since 1979 have risen by just 1% after inflation, with male workers experiencing a 5% decline. Since 2001 employee compensation has risen 1% while productivity has increased by 3% and profits by 13%.⁹

Other underpinnings of middle class life, and gateways to that life, have also been weakened. Pell grants that enable many working and poor families to send their children to college fell from 84% of the tuition at a typical public university to 32% since the mid-seventies.¹⁰ Federal housing subsidies have dropped by almost two-thirds in the past three decades while housing prices have shot up.¹¹ In light of recent developments in the financial service industry, homeownership—often the measure of middle class status—has become more tentative. Homeownership rates peaked at 69% in the third quarter of 2006 then dropped to 67.1 percent in the first quarter of 2010.¹² More recently foreclosure rates have been skyrocketing, reaching 3.5 million in 2008 alone with another 8–10 million homes projected by Credit Suisse to go into foreclosure in the next five years.¹³ Not unrelated to the insecurity of homeownership is the increase in bankruptcy with the number of households filing for bank-

8. STEVEN GREENHOUSE, *THE BIG SQUEEZE: TOUGH TIMES FOR THE AMERICAN WORKER* 42–43 (2008); JACOB S. HACKER, *THE GREAT RISK SHIFT: THE ASSAULT ON AMERICAN JOBS, FAMILIES, HEALTH CARE, AND RETIREMENT AND HOW YOU CAN FIGHT BACK* 11–12 (2006).

9. GREENHOUSE, *supra* note 8, at 38–39, 43–44.

10. *Id.* at 43.

11. *Id.*

12. U.S. CENSUS BUREAU, TABLE 14: HOMEOWNERSHIP RATES FOR THE U.S. AND REGIONS: 1965 TO PRESENT (April 26, 2010), available at <http://www.census.gov/hhes/www/housing/hvs/historic/index.html>.

13. David Berenbaum, *Strengthening Oversight and Preventing Fraud in the FHA and Other HUD Programs*, Testimony submitted to the U.S. House of Representatives

ruptcy rising from fewer than 290,000 in 1980 to more than two million in 2005.¹⁴ Much of the turmoil in the housing market reflects the predatory lending of many financial institutions, as well as the failure of federal financial regulatory agencies to enforce the regulations and statutes that could have avoided much of the havoc.¹⁵

Perhaps the clearest longstanding sign of insecurity has been the trajectory of economic inequality over at least three decades. The share of household income going to the top quintile grew from 43.6% in 1967 to 49.7% in 2007.¹⁶ Since the early 1970s, compensation for the 100 highest-paid chief executive officers grew from \$1.3 million, or thirty-nine times the pay of a typical worker, to \$37.5 million, or more than 1,000 times that of an average worker.¹⁷ In April, the Institute for Policy studies reported that John Stumpf, CEO of Wells Fargo Bank, received \$21,340,547 in compensation in 2009, further noting that it would take the President of the United States 53 years to earn that much, and the average worker 665 years.¹⁸ Evidence of the growing vulnerability of the middle class, and the decline of middle-class communities, is revealed by neighborhood-, as well as individual-level data. Between 1970 and 2000 the number of high poverty census tracts in the U.S. (where 40% or more of the residents are poor) more than doubled from 1177 to 2510 while the population of such neighborhoods nearly doubled from 4.1 million to 7.9 million.¹⁹ During these years the number of middle income tracts (where the median family income is between 80% and 120% of that for the metropolitan area) dropped from 58% to 41% of all neighborhoods.²⁰ Perhaps even more problematic, the share of low-income families residing in middle-income tracts fell from more than half

Committee on Financial Services, Subcommittee on Oversight and Investigations, Washington, D.C. June 18.

14. HACKER, *supra* note 8, at 13.

15. DAN IMMERGLUCK, *FORECLOSED: HIGH-RISK LENDING, DEREGULATION, AND THE UNDERMINING OF AMERICA'S MORTGAGE MARKET* (2009); JOSEPH STIGLITZ, *FREEFALL: FREE MARKETS AND THE SINKING OF THE GLOBAL ECONOMY* (2010).

16. CARMEN DE NAVAS-WALT ET AL., U.S. CENSUS BUREAU, *INCOME, POVERTY, AND HEALTH INSURANCE COVERAGE IN THE UNITED STATES: 2007-09* (2008), available at <http://www.census.gov/prod/2008pubs/p60-235.pdf>.

17. Paul Krugman, *For Richer*, N.Y. TIMES MAGAZINE, Oct. 20, 2002, at 62.

18. INST. FOR POLICY STUDIES, *TOO MUCH* (Apr. 19, 2010), <http://toomuchonline.org/weeklies2010/apr192010.html>.

19. PAUL JARGOWSKY, *STUNNING PROGRESS, HIDDEN PROBLEMS: THE DRAMATIC DECLINE OF CONCENTRATED POVERTY IN THE 1990s* 4 (2003); PAUL JARGOWSKY, *POVERTY AND PLACE: GHETTOS, BARRIOS, AND THE AMERICAN CITY* 34 (1996).

20. JASON C. BOOZA ET AL., THE BROOKINGS INSTITUTION, *WHERE DID THEY GO? THE DECLINE OF MIDDLE-INCOME NEIGHBORHOODS IN METROPOLITAN AMERICA* 1 (2006), available at http://www.brookings.edu/reports/2006/06poverty_booza.aspx.

to 37%, making it more difficult for working and poor families to achieve middle-class status.²¹

These, and related inequalities, lead directly to a range of social problems that cannot be accounted for by poverty or income levels alone. In their recent book *The Spirit Level: Why Greater Equality Makes Societies Stronger*, medical researchers Richard Wilkinson and Kate Pickett found that higher levels of inequality are associated with increasing mental and physical health problems, declining educational achievement, greater violence and imprisonment, heightened interpersonal and community mistrust, and other problems that undercut the quality of life for the middle class and society generally.²²

The vulnerability and insecurity that threatens America's middle class is hardly the result of mysterious forces. While there is no single cause, a major factor is the weakening of those social institutions that helped create and maintain a stable middle class for at least a generation following World War II. Many of the risks that families had confronted from the birth of the country were gradually assumed by large organizations—principally governments and employers—as the nation attempted to recover from the Great Depression and to share the nation's wealth through the Great Society. A majority of Americans, and American society generally, benefited. But over the past thirty years those institutions and the security they provided have been weakened. The question now is whether we will rebuild those stabilizing institutions that provided most American families a semblance of security in their lives. The following articles provide guidance if we choose to go down this path. And there is evidence that some leaders in Congress, the business community, and non-profit organizations are starting to listen.

Healthcare reform constitutes one important step in removing a major source of insecurity (financial and otherwise) in the lives of the thirty million people who will obtain health insurance and the many more who will be able to do so under more reasonable terms and conditions. Financial services reform, which is being hotly debated as this foreword is being written, could restore fair access to credit and stable homeownership for current and aspiring members of the middle class. The Employee Free Choice Act has been introduced, which, if passed, would make it far easier for those who want to join a union to do so, and thereby obtain the compensation and benefits that unions have long provided their members. Even many unaffiliated workers would benefit as more employers enhance their compensation packages precisely for the purpose of keeping unions out.

21. *Id.*

22. RICHARD WILKINSON & KATE PICKETT, *THE SPIRIT LEVEL: WHY GREATER EQUALITY MAKES SOCIETIES STRONGER* (2009).

There are many choices to be made. In recent years we have opted for decisions which, in the name of individual freedom and liberty, in fact compromised both for all too many families. There are alternatives. We live in contentious, contested times with few, if any, inevitable outcomes before us. The choices we make will determine how bumpy the roller coaster ride, for the middle class and others, will be in the near future and for generations to come.

