

## The Vanishing Middle Class

*Elizabeth Warren*

A strong middle class is the best ally of the poor.

The issues of poverty are typically framed around the poor themselves—the causes of their problems and the help they need. But lifting the poor out of poverty means finding a place for them in the middle.

A middle class that is rich with opportunity opens the paths out of poverty. A middle class that is financially strong can support the programs needed to give the poor a helping hand. A middle class that is prosperous provides the model for how education and hard work pay off. And a middle class that is secure provides the kind of political stability that wards off xenophobia and embraces the pluralism that is critical for the economic and social integration of the poor into mainstream America.

The best ally of the poor is a strong middle class, but America's middle class is under attack economically. Multiple forces are pushing those families closer to the financial brink. What is bad for the middle class is ultimately disastrous for the poor.

### MAKING IT TO THE MIDDLE

What is the middle class? Whatever it is, most Americans believe that they are in it. When asked in an open-ended question to identify their class membership, more than 91.6 percent of the adult population of the United States volunteer an identification with “working” or “middle” class.<sup>1</sup> Although there

are people who call themselves upper class and others who call themselves lower class, these identifications are numerically somewhat rare.

Although the U.S. government has defined the poverty level, no government agency defines the middle class. One reason is that class status is not a function merely of money or other easily counted characteristics. The running joke of *The Beverly Hillbillies* was that money did not change the social class of the Clampetts. On the other side, people from “good families” who have fallen on hard times might be described as “high class,” but their status is not a matter of current income.

Careful studies of the American population show that Americans determine class identification using many variables, including education, occupational status, cultural factors, lifestyle, beliefs and feelings, income, wealth, and more.<sup>2</sup> Political scientists Kenneth Dolbeare and Janette Hubbell assert, “Middle-class values are by definition those of the American mainstream.”<sup>3</sup>

This discussion is concentrated on the economic median—the numerical middle—of America. Few families hit the dead center of the economic spectrum, but there is a large group that is roughly in the middle. Even if we cannot tell precisely where the middle shifts over to the lower class or the upper class, knowing what happens to the exact middle explains a lot about what happens to America’s middle class.

### HIGHER INCOMES, BUT AT A PRICE

Over the past generation new economic forces have reshaped the middle class. The most profound changes have taken place in family income.

As Figure 3.1 shows, today’s median-earning family is making a lot more money than their parents did a generation ago. (Throughout this discussion all dollar figures will be adjusted for the effects of inflation.) Today the two-parent family right in the middle is earning about \$66,000.<sup>4</sup>

But notice that there are two lines on Figure 3.1. The second line shows what has happened to the wages of a fully employed male over the same time period. The answer is that the typical man working full-time, after adjusting for inflation, earns about \$800 less than his father earned in the early 1970s. After decades of rising incomes earlier in the twentieth century, about 30 years ago wages for middle-class men flat-lined.

How did family incomes rise? Mothers of minor children went back to work in record numbers. In the early 1970s the median family lived on one paycheck. Today the family in the middle brings home two paychecks.

The shift from one income to two has had seismic implications for families across America. It means that all the growth in family income came from adding a second earner. Among two-paycheck families median income is now



Figure 3.1 Median Income of Married Couples and Fully Employed Males, 1970–2004  
 Source: U.S. Bureau of the Census.

\$76,500, but the middle one-paycheck family now earns only \$42,300.<sup>5</sup> This means that one-income households—whether they are couples where one works and one stays at home or households with only one parent—have fallen sharply behind. A generation ago a one-earner family was squarely in the middle, but now that average one-earner family has slipped down the economic ladder. Over the past generation critical economic divisions within the middle class have begun to emerge.

### SAVINGS AND DEBT

While not every family brought home two paychecks, by the 2000s a substantial majority of families sent both parents into the workforce. For those families, it would seem that the economic picture would be rosy. Not so.

In the early 1970s the typical one-income family was putting away about 11 percent of its take-home pay in savings (Figure 3.2).<sup>6</sup> That family carried a mortgage, and it also carried credit cards and other revolving debt that, on average, equaled about 1.3 percent of its annual income.<sup>7</sup>

By 2004 that picture had shifted dramatically. The national savings rate dropped below zero.<sup>8</sup> Revolving debt—largely credit cards—ballooned, topping 12 percent of the average family’s income.<sup>9</sup>

In a single generation the family had picked up a second earner, but it had spent every dollar of that second paycheck. Worse yet, it had also spent the money it once saved, and it had borrowed more besides. By the most obvious financial measures the middle-class American family has sunk financially.

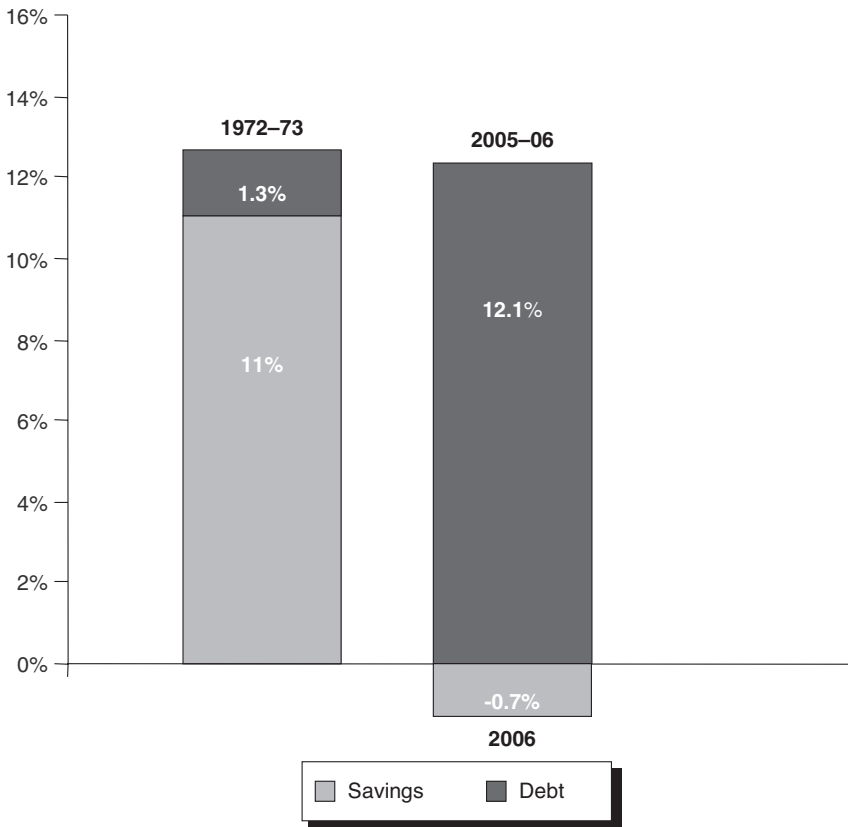


Figure 3.2 Savings and Revolving Debt as Percentage of Annual Income, 1972-73 to 2005-06  
Sources: U.S. Census Bureau, Federal Reserve Bank.

## OVERCONSUMPTION—THE STANDARD STORY

There is no shortage of experts who are willing to explain exactly where the money went. The story is all about overconsumption, about families spending their money on things they do not really need. Economist Juliet Schor blames “the new consumerism,” complete with “designer clothes, a microwave, restaurant meals, home and automobile air conditioning, and, of course, Michael Jordan’s ubiquitous athletic shoes, about which children and adults both display near-obsession.”<sup>10</sup> Sociologist Robert Frank claims that America’s newfound “luxury fever” forces middle-class families “to finance their consumption increases largely by reduced savings and increased debt.”<sup>11</sup> John de Graaf and his co-authors claim that “urge to splurge” is an affliction affecting millions of Americans who simply have no willpower.<sup>12</sup> The distinction is critical: overconsumption is not about medical care or basic housing, and it is not about buying a few goodies with extra income. It is about going deep into debt to finance consumer purchases that sensible people could do without.

The beauty of the overconsumption story is that it squares neatly with many of our own intuitions. We see the malls packed with shoppers. We receive catalogs filled with outrageously expensive gadgets. We think of that overpriced summer dress that hangs in the back of the closet or those new soccer shoes gathering dust there. The conclusion seems indisputable: the “urge to splurge” is driving folks to spend, spend, spend like never before. But is it true? Deep in the recesses of federal archives is detailed information on Americans’ spending patterns going back for more than a century. It is possible to analyze data about typical families from the early 1970s, carefully sorting spending categories and family size.<sup>13</sup> If today’s families really are blowing their paychecks on designer clothes and restaurant meals, then the expenditure data should show that they are spending more on these frivolous items than their parents did a generation earlier. But the numbers point in a very different direction.

Start with clothing. Everyone talks about expensive sneakers, designer outfits, and the latest fashions. But how much more is today’s typical family of four spending on clothing than the same family spent in the early 1970s? They are spending less, a whopping 32 percent less today than they spent a generation ago.<sup>14</sup> The differences have to do with how people dress (fewer suits and leather shoes, more T-shirts and shorts), where they shop (more discount stores), and where the clothes are manufactured (overseas). Compared with families a generation ago, today’s median earners are downright thrifty.

How about food? People eat out now more than ever before, and bottled water turns something that was once free into a \$2 purchase. So how much more is today’s family of four spending on food (including eating out) than

the same family in the early 1970s? Once again, they are spending less, about 18 percent less.<sup>15</sup> The reasons are that people eat differently (less meat, more pasta) and shop differently (big discount supercenters instead of corner grocery stores), and agribusiness has improved the efficiency of food production.

What about appliances? Families today have microwave ovens, espresso machines, and fancy washers and dryers. But those appliances are not putting a big dent in their pocketbooks. Today's family spends about 52 percent less each year on appliances than their counterparts of a generation ago.<sup>16</sup> Today's appliances are better made and last longer, and they cost less to buy.

Cars? Surely luxury vehicles are making a difference. Not for the median family. The per car cost of owning a car (purchase, repairs, insurance, gas) was on average about 24 percent lower in 2004 than in the early 1970s.<sup>17</sup>

That is not to say that middle-class families never fritter away any money. A generation ago no one had cable, big-screen televisions were a novelty reserved for the very rich, and DVD and TiVo were meaningless strings of letters. Families are spending about 23 percent more on electronics, an extra \$225 annually. Computers add another \$300 to the annual family budget.<sup>18</sup> But the extra money spent on cable, electronics, and computers is more than offset by families' savings on major appliances and household furnishings alone.

The same balancing act holds true in other areas. The average family spends more on airline travel than it did a generation ago, but it spends less on dry cleaning; more on telephone services, but less on tobacco; more on pets, but less on carpets.<sup>19</sup> And, when it is all added up, increases in one category are pretty much offset by decreases in another. In other words, there seems to be about as much frivolous spending today as there was a generation ago.

#### WHERE DID THE MONEY GO?

Consumer expenses are down, but the big fixed expenses are up—way up. Start at home. It is fun to think about McMansions, granite countertops, and media rooms. But today's median family buys a three-bedroom, one-bath home—statistically speaking, about 6.1 rooms altogether.<sup>20</sup> This is a little bigger than the 5.8 rooms the median family lived in during the early 1970s. But the price tag and the resulting mortgage payment are much bigger. In 2004 the median homeowner was forking over a mortgage payment that was 76 percent larger than a generation earlier.<sup>21</sup> The family's single biggest expense—the home mortgage—had ballooned from \$485 a month to \$854. (Remember that all the numbers have already been adjusted for inflation.)

Increases in the cost of health insurance have also hit families hard. Today's

family spends 74 percent more on health insurance than its earlier counterparts—if it is lucky enough to get it at all.<sup>22</sup> Costs are so high that 48 million working-age Americans simply went without coverage in 2005.<sup>23</sup>

The per car cost of transportation is down, but the total number of cars is up. Today's family has two people in the workforce, and that means two cars to get to work. Besides, with more families living in the suburbs, even a one-earner family needs a second car for the stay-at-home parent to get to the grocery store and doctor appointments. Overall transportation costs for the family of four have increased by 52 percent.<sup>24</sup>

Another consequence of sending two people into the workforce is the need for child care. Because the median 1970s family had someone at home full-time, there were no child-care expenses for comparison. But today's family with one preschooler and one child in elementary school lays out an average of \$1,048 a month for care for the children.<sup>25</sup>

Taxes also took a bigger bite from the two-income family of 2004. Because their second income is taxed on top of their first income, the average tax rate was 25 percent higher for a two-income family in 2004 than it was for a one-income family in 1972.<sup>26</sup>

The ups and downs in family spending over the past generation are summarized in Figure 3.3. Notice that the biggest items in the family budget—the mortgage, taxes, health insurance, child care—are on the up side. The down side—food, clothing, and appliances—represents relatively smaller purchases.

Also notice that the items that went down were more flexible, the sorts of things that families could spend a little less on one month and a little more the next. If someone lost a job or if the family got hit with a big medical bill, they might squeeze back on these expenses for a while. But the items that increased were all fixed. It is not possible to sell off a bedroom or skip the health insurance payment for a couple of months. If both parents are looking for work, child-care costs will go on even during a job search.

When it is all added up, the family at the beginning of the twenty-first century has a budget that looks very different from that of its early 1970s counterpart. As Figure 3.4 shows, there is more income, but the relationship between income and fixed expenses has altered dramatically.

The family of the 1970s had about half its income committed to big fixed expenses. Moreover, it had a stay-at-home parent, someone who could go to work to earn extra income if something went wrong. By contrast, the family of 2004 has already put everyone to work, so there is no extra income to draw on if trouble hits. Worse yet, even with two people in the workforce, after they pay their basic expenses, today's two-income family has less cash left over than its one-income parents had a generation ago.

## NEW RISKS FOR THE MIDDLE CLASS

The numbers make it clear that the cost of being middle class is rising quickly—much more quickly than wages. Many families have tried to cope by sending both parents into the workforce. But that change has helped push up costs, and it has increased the risks these families face. They now have no backup worker. Instead, they now need both parents working full-time just to make the mortgage payment and keep the health insurance. And when they need twice as many paychecks to survive, they face twice the risk that someone will get laid off or become too sick to work—and that the whole house of cards will come tumbling down.

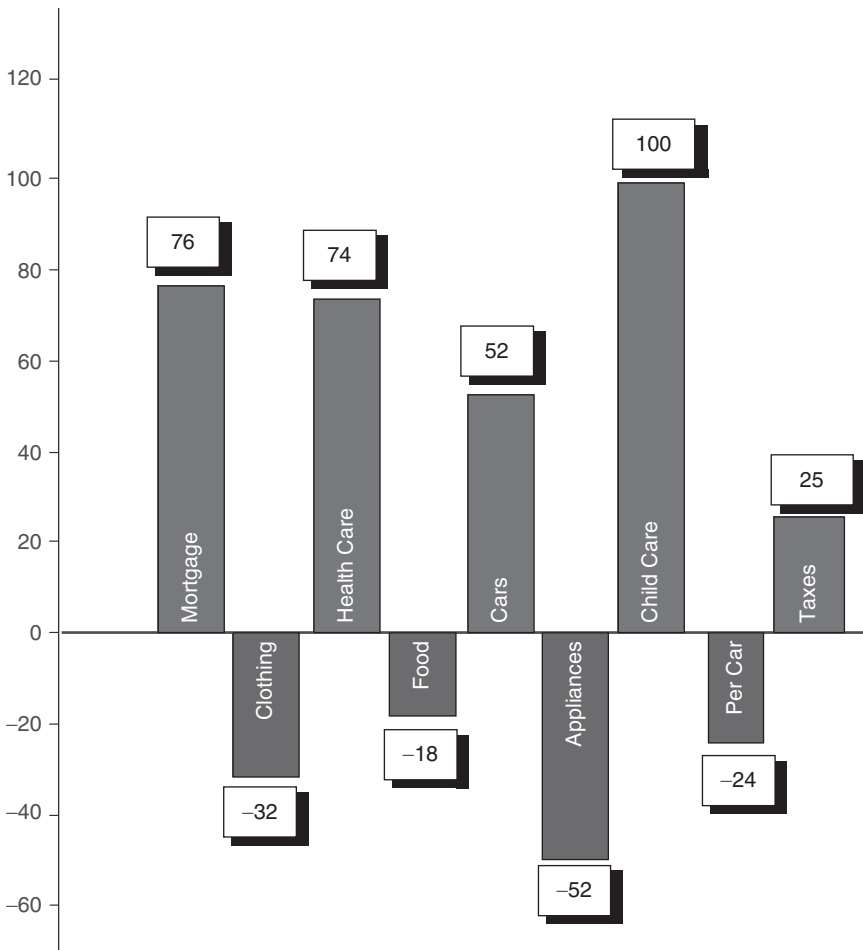


Figure 3.3 Median Family Spending by Category, Percentage Change, 1972–2004

Source: Updated from sources cited in Elizabeth Warren and Amelia Warren Tyagi, *Why Middle-Class Mothers and Fathers Are Going Broke* (New York: Basic Books, 2003).

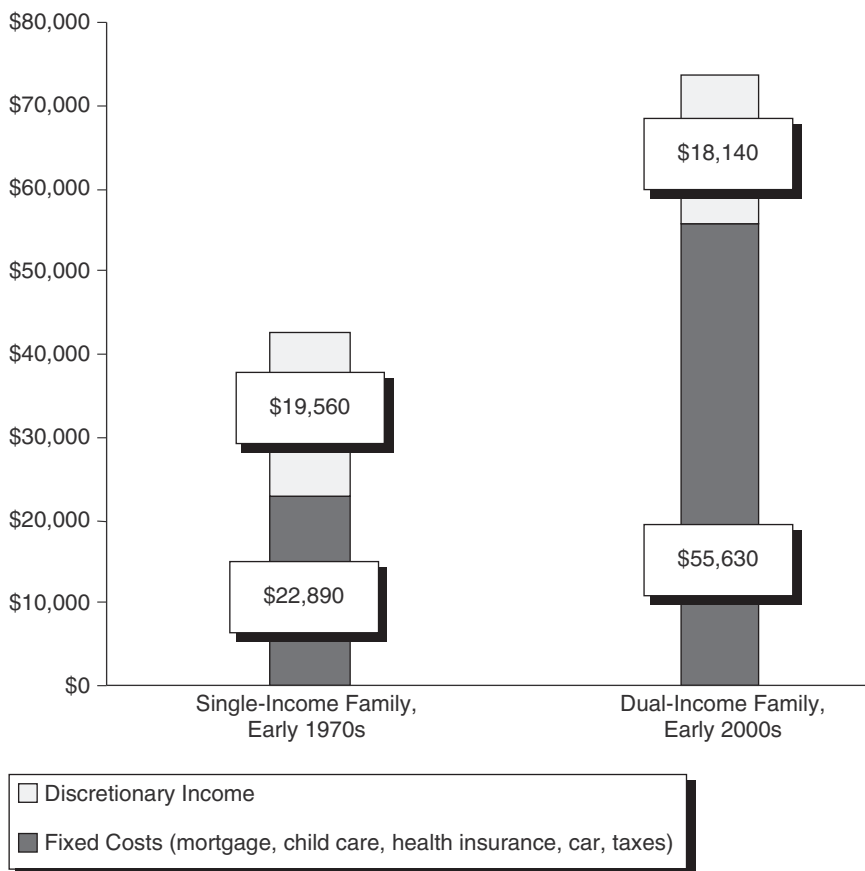


Figure 3.4 Fixed Costs as a Share of Family Income, 1972–2004

Source: Inflation adjusted. Updated from sources cited in Elizabeth Warren and Amelia Warren Tyagi, *The Two-Income Trap: Why Middle-Class Mothers and Fathers Are Going Broke* (New York: Basic Books, 2003).

The new two-income family faces other risks as well. In the 1970s, when a child was ill or grandma broke her hip, there was a parent at home full-time to deal with the needed care, to administer medications, and to drive to doctors' appointments. But someone in the family with no parent at home must take off work whenever anyone else in the family has a serious problem. As a result, problems that were once part of the ordinary bumps of life today have serious income consequences.

New risks keep multiplying. A trip to the emergency room can cost \$10,000. The cost of sending a child to college is rising rapidly, while a family's ability to save continues to fall. Retirement presents another risk as generous pensions disappear and even the Social Security backup system looks shaky.

Some will read these data and conclude that one parent should just stay

home. Whatever the advantages and disadvantages of that idea from a social perspective, for median earners, it is clearly a losing proposition from an economic perspective. Go back to Figure 3.1 and look at what a fully employed male can earn (and remember that a fully employed female will earn even less). Then look at the big, fixed expenses. Sure, the family can save on child care, and taxes will be lower, but the house payment and the health insurance stay the same, and car expenses are unlikely to drop much. That leaves the median one-income family with a 71 percent drop in discretionary income compared with a one-income family a generation ago. In other words, the two-income family can barely afford the basics, and the median one-income family is simply out of luck.

What do these data say to one-parent families? These families get the worst of both worlds. They have no partner to provide child care every day and no backup earner when something goes wrong. In those ways they look like the typical two-income family—except that they do not have that second income either. A typical one-parent household cannot cover even the basic expenses that would put that family squarely in the middle of American economic life.

It is no surprise that an increasing number of middle-class families have turned to bankruptcy. From 1980 until federal law was changed in 2005, the number of households filing for bankruptcy quadrupled.<sup>27</sup> By 2004 more children were living through their parents' bankruptcy than through divorce.<sup>28</sup> In fact, households with children were about three times more likely to file for bankruptcy than their childless counterparts. What were the main reasons cited for these bankruptcies? About 90 percent of the families cited some combination of job loss, medical problems, and family breakup.<sup>29</sup>

## SOLUTIONS

The pressures on the middle class have come from many sources, which is both the good news and the bad news. It is bad in the sense that no single silver bullet will fix everything. But it is good in the sense that many different approaches can make things better—much better—for families across the economic spectrum.

Credit rules offer one option for innovation, providing better protection for the poor and the middle class at the same time. Americans are drowning in debt. Their difficulties are compounded by substantial changes in the credit market that have made debt instruments far riskier for consumers than they were a generation ago. The effective deregulation of interest rates, coupled with innovations in credit charges (e.g., teaser rates, negative amortization, increased use of fees, cross-default clauses, penalty interest rates), has turned ordinary purchases into complex financial undertakings.

In the mid-1980s the typical credit-card contract was about a page long; today it is more than 30 pages, often of dense legalese that even a lawyer cannot understand.<sup>30</sup> Small loans that seem safe in the beginning are repeatedly rolled over in the payday loan industry, making the average effective interest rate more than 400 percent.<sup>31</sup> Credit reports, the foundation of the modern credit system, have errors of 50 points or more in 31 percent of all files, and consumers have little help when they try to straighten out the tangle.<sup>32</sup>

Aggressive marketing, almost nonexistent in the early 1970s, now shapes many consumer choices. Six billion credit-card applications were mailed out in 2005, in addition to on-campus, phone, flyer, in-store, and all sorts of other marketing. Aggressive lenders who line up at the front gates of military installations now have the Department of Defense concerned about combat readiness and the stability of military families. The DoD explained how credit marketing works near military bases:

Predatory lenders seek out young and financially inexperienced borrowers who have bank accounts and steady jobs, but also have little in savings, flawed credit or have hit their credit limit. . . . Most of the predatory business models take advantage of borrowers' inability to pay the loan in full when due and encourage extensions through refinancing and loan flipping.<sup>33</sup>

Consumer capacity—measured by both available time and expertise—has not expanded to meet the demands of a far more dangerous and aggressive credit marketplace.

The rules governing borrowing and lending have a long history, dating back to English rules imported to the colonies in the 1600s. Even the Bible has injunctions against usurious money lending, and the Koran forbids charging any interest at all. Since the founding of the Republic, the states have regulated interest, with detailed laws on usury (the maximum interest rate that a lender can charge on a loan) and other credit regulations. While the states still play some role, particularly in the regulation of real estate transactions, their primary tool—interest-rate regulation—has been effectively ended by federal legislation.<sup>34</sup> Currently any lender that gets a federal bank charter can locate its operations in a state with very high usury rates (e.g., South Dakota or Delaware) and then export those interest rates to customers located all over the country. Even in states that cap interest rates at 18 percent, a credit card from a bank that set up its operations in South Dakota can charge 39 percent. Local state laws suffer from another problem: as credit markets have gone national, a plethora of state regulations drives up costs while creating a patchwork of regulation that is neither effective nor well considered.

The Department of Defense is so worried about the effects of out-of-control lenders that it has asked Congress to impose a national usury ceiling to apply to protect military families.<sup>35</sup> This would be a good first start, but why not give all Americans the same protection? Moreover, is it clear that direct usury regulation, as opposed to several other ways to deal with credit, is the best approach?

I propose that Congress establish a Financial Product Safety Commission (FPSC) on the model of the Consumer Product Safety Commission. This agency would be charged with responsibility to establish guidelines for consumer disclosure, to collect and report data about the uses of different financial products, to review new financial products for safety and to require modification of dangerous products before they can be marketed to the public, and to establish guidelines and monitor creditor behavior to protect consumer information and prevent identity theft. In effect, the Financial Product Safety Commission would evaluate credit products to eliminate the hidden tricks and traps and slipshod practices that make some credit products far more dangerous than others. No customer should be forced to read the fine print in more than 30 pages of legalese in credit-card contracts to determine whether the company claims that it will raise its interest rate by more than 20 points if the customer gets into a dispute with another creditor. Data privacy should not be governed by hidden terms in contracts, and identity theft should be the responsibility of the company that let the data slip rather than the victim who tries to clean up the mess.

With an FPSC, consumer credit companies would be free to innovate, but such innovation should be within the boundaries of clearly disclosed terms and open competition—not hidden terms designed to mislead consumers. Those hidden terms not only disadvantage customers, they also disadvantage honest competitors who do not inflate their profits by using such tactics.

The consumer financial services industry has grown to \$3 trillion in annual business. Credit issuers employ thousands of lawyers, marketing agencies, statisticians, and business strategists to help them increase profits. In a rapidly changing market, customers need someone on their side to help make certain that the financial products they buy meet minimum safety standards. The Financial Product Safety Commission would help level the playing field.

This is just one new idea for uniting the interests of the poor and the middle class, making millions of American families stronger financially. There are more. But the best ideas are those that are aimed at hardworking Americans everywhere, whether they are poor today or not. These are the ideas of opportunity and safety for all Americans who want to work hard and accomplish something important.

## CONCLUSION

The strain on the middle class is growing, and more families are struggling just to make it from payday to payday. That leaves less room for families to move up from poverty. It also means that the middle class can offer the poor less help in their climb.

America was once a world of three economic groups that shaded each into the other—a bottom, a middle, and a top—and economic security was the birthright of the latter two. Today the lines dividing Americans are changing. No longer is the division on economic security between the poor and every-one else. The division is between those who are prospering and those who are struggling, and much of the middle class is now on the struggling side.

The solutions to poverty do not lie with programs aimed only toward the poor. The solutions lie with reuniting America, led by a strong middle class that looks forward to an even brighter future.

## NOTES

1. General Social Survey, 1976–1996, Variable 185A CLASS, <http://www.ssdsc.ucsd.edu>.
2. Mary R. Jackman and Robert W. Jackman, *Class Awareness in the United States* (Berkeley: University of California Press, 1983), 216–17 (reporting that only 4 percent of the population places itself in either the upper class or the lower class).
3. Kenneth M. Dolbeare and Janette Kay Hubbell, *U.S.A. 2012: After the Middle-Class Revolution* (Chatham, N.J.: Chatham House Publishers, 1996), 3.
4. U.S. Bureau of the Census, “2005 American Community Survey, S. 1901, Income in the Past 12 Months (in 2005 Inflation Adjusted Dollars),” [http://factfinder.census.gov/servlet/STTable?\\_bm=y&-qr\\_name=ACS\\_2005\\_EST\\_G00\\_S1901&-geo\\_id=01000US&-context=st&-ds\\_name=ACS\\_2005\\_EST\\_G00\\_-tree\\_id=305](http://factfinder.census.gov/servlet/STTable?_bm=y&-qr_name=ACS_2005_EST_G00_S1901&-geo_id=01000US&-context=st&-ds_name=ACS_2005_EST_G00_-tree_id=305).
5. U.S. Bureau of the Census, *Historical Income Tables—Families*, Table F-13, <http://www.census.gov/hhes/www/income/histinc/f13ar.html>.
6. “Table 2, Personal Income and Its Disposition,” <http://www.bea.gov/bea/dn/nipaweb/TableView.asp#Mid> (savings rates reported by quarter).
7. Computed from data on debt, both revolving and total, from the Federal Reserve (available at [http://www.federalreserve.gov/releases/g19/hist/cc\\_hist\\_sa.html](http://www.federalreserve.gov/releases/g19/hist/cc_hist_sa.html)) and number of households and data on household income from the Bureau of the Census (available at [http://factfinder.census.gov/servlet/ADPTTable?\\_bm=y&-geo\\_id=01000US&-ds\\_name](http://factfinder.census.gov/servlet/ADPTTable?_bm=y&-geo_id=01000US&-ds_name) and [http://factfinder.census.gov/servlet/STTable?\\_bm=y&-qr\\_name=ACS\\_2005\\_EST\\_G00](http://factfinder.census.gov/servlet/STTable?_bm=y&-qr_name=ACS_2005_EST_G00)).
8. The 2006 savings rate was –0.7 percent. Bureau of Economic Analysis, National Economic Accounts, Table 2.1, “Personal Income and Its Disposition,” <http://www.bea.gov/bea/dn/nipaweb/TableView.asp?SelectedTable=58&FirstYear=2004&LastYear=2006&Freq=Qtr>.
9. See data cited in note 7.
10. Juliet B. Schor, *The Overspent American: Upscaling, Downshifting, and the New Consumer* (New York: Basic Books, 1998), 20, 11.
11. Robert H. Frank, *Luxury Fever: Why Money Fails to Satisfy in an Era of Excess* (New York: Free Press, 1999), 45.
12. John de Graaf, David Waan, and Thomas H. Naylor, *Affluenza: The All-Consuming Epidemic* (San Francisco: Berrett-Koehler, 2001), 13.
13. The Bureau of Labor Statistics maintains the Consumer Expenditure Survey (CES), a

periodic set of interviews and diary entries, to analyze the spending behavior of over 20,000 consumer units. Much of the analysis compares the results of the 1972–1973 CES with those of the 2004 CES. In some instances prepublished tables from the 1980 or the 2000 survey are used in order to use the most comparable data available. In both time periods the data used are for four-person families. Available online at [www.bls.gov/ces/](http://www.bls.gov/ces/).

14. 1972–1973 CES, Table 5, “Selected Family Characteristics, Annual Expenditures, and Sources of Income Classified by Family Income Before Taxes for Four Person Families”; 2004 CES, Table 4, “Size of Consumer Unit: Average Annual Expenditures and Characteristics.” See also Mark Lino, “USDA’s Expenditures on Children by Families Project: Uses and Changes over Time,” *Family Economics and Nutrition Review* 13, no. 1 (2001): 81–86.

15. 1972–1973 CES, Table 5; 2004 CES, Table 4. See also Eva Jacobs and Stephanie Shipps, “How Family Spending Has Changed in the U.S.,” *Monthly Labor Review* 113 (March 1990): 20–27.

16. 1972–1973 CES, Table 5; 2004 CES, Table 4.

17. 1972–1973 CES, Table 5; 2004 CES, Table 4.

18. 1972–1973 CES, Table 5; 2004 CES, Table 1400. Electronics comparison includes expenditures on televisions, radios, musical instruments, and sound equipment. Computer calculation includes computer hardware and software.

19. For example, in 2000 the average family of four spent an extra \$290 on telephone services. On the other hand, the average family spent nearly \$200 less on floor coverings, \$210 less on dry cleaning and laundry supplies, and \$240 less on tobacco products and smoking supplies. 1972–1973 CES, Table 5; 2004 CES, Table 1400.

20. U.S. Bureau of the Census, *American Housing Survey, 1975: General Housing Characteristics, Current Housing Reports, H-150-75A*, Table A1; *American Housing Survey, 1997, Current Housing Reports, H150/97* (October 2000), Table 3-3, “Size of Unit and Lot—Owner Occupied Units.”

21. 1984 CES, Table 5; 2004 CES, Table 4.

22. 1972–1973 CES, Table 5; 2004 CES, Table 4.

23. Commonwealth Fund, “Gaps in Health Insurance: An All-American Problem” (2006).

24. Transportation costs, 1972 data: Bureau of Labor Statistics, *Consumer Expenditure Survey: Interview Survey, 1972–73* (1997) Table 5, Selected Family Characteristics, Annual Expenditures, and Sources of Income Classified by Family Income Before Taxes for Four Person Families.

1985–2004 data: Bureau of Labour Statistics, Consumer Expenditure Survey, Customized Tables, Series CXUTR000405, Four Person in Consumer Unit, Transportation. Available at <http://data.bls.gov/PDQ/outside.jsp?survey=cx>.

To estimate 2006 numbers, I used the 2004 CES data as described above, inflated to 2006 dollars using the CPI seasonally adjusted average increase in transportation costs for all urban consumers.

Note: Includes all transportation costs, including privately owned vehicles, fuel, repairs, and public transportation.

25. Day-care costs are calculated from average child-care costs for mothers employed full-time with a child aged 5 to 14, and preschool costs are calculated from average child-care costs for mothers employed full-time with a child under 5. 2004 CES, Table 1A, “Consumer Price Index for All Consumers: U.S. City Average, by Expenditure Category and Commodity and Service Group,” 1999 annual and 2004 annual. Preschool and day-care cost data were adjusted using the consumer price index for “Tuition and Childcare.”

26. Claire M. Hintz, *The Tax Burden of the Median American Family*, Tax Foundation Special Report 96 (Washington, DC: Tax Foundation, March 2000), Table 1, “Taxes and the Median One-Income American Family.” For more details on the complex tax calculations, see Elizabeth Warren and Amelia Warren Tyagi, *The Two-Income Trap: Why Middle-Class Mothers and Fathers Are Going Broke* (New York: Basic Books, 2003), chap. 2, pp. 206–7 n. 115.

27. Administrative Office of the United States Courts, Table F-2, 1980, 2004. In 1980, 287,570 households filed for bankruptcy. In 2004 that number had jumped to 1,563,145. Bankruptcy filing date are available at: [http://www.abiworld.org/AM/Template.cfm?Section=Non-business\\_Bankruptcy\\_Filings&Template=/TaggedPage/TaggedPageDisplay.cfm&TPLID=60&ContentID=34627](http://www.abiworld.org/AM/Template.cfm?Section=Non-business_Bankruptcy_Filings&Template=/TaggedPage/TaggedPageDisplay.cfm&TPLID=60&ContentID=34627).

28. Warren and Tyagi, *Two-Income Trap*, 13.
29. *Ibid.*, 81.
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31. Center for Responsible Lending, "Support SA 4331: Consumer Credit for Service Members," <http://www.responsiblelending.org/policy/congress/page.jsp?itemID=29895875>.
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33. U.S. Department of Defense, "Report on Predatory Lending Practices Directed at Members of the Armed Forces and Their Dependents," (August 9, 2006), 4.
34. For more details on the history of credit deregulation, see Warren and Tyagi, *Two-Income Trap*, 123–62.
35. U.S. Department of Defense, "Report on Predatory Lending Practices Directed at Members of the Armed Forces and Their Dependents," 6–9.