

ALICE Americans, slipping out of the middle class

By Andrei Cherny, Published: October 25

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Though trying to reduce the complexity of an election down to a pithy label is a bit like condensing a symphony into a sound bite, the story of future elections will, in fact, come down to a single name — in this case, a female first name.

No, it's not Hillary. It's Alice.

ALICE is an acronym developed in a report for the United Way of Northern New Jersey. It stands for [Asset Limited, Income Constrained and Employed](#). ALICE Americans live on the jagged edge of the middle class. But by virtue of their economic situation and outlook on the future, they are becoming as distinct from the relatively more comfortable parts of the middle class as they are from those living in poverty.

Americans have traditionally divided the country into three bands of income: rich, poor and a broad middle class in which, despite the protestations of statisticians, almost all Americans felt membership. But the distinct, cohesive middle class of the past is being cleaved in two. Last month the Census Bureau released new data pegging the median U.S. household income at [\\$51,017](#). That income level is the new dividing line in American life and politics. Those roughly above that line constitute what is left of the traditional American middle class. Those living below that line, but above poverty, are the ALICE class.

For most of the past 50 years, the income growth lines for the middle 20 percent of Americans and the 20 percent right below them tracked one another. A unified middle class rose and fell together. But increasingly over the past decade, these lines have diverged and a new income gap has grown. While the financial situation for both the bottom 20 percent and the middle of the middle class has stabilized over the past couple of years, the income of the 20 percent in between has continued to fall at such a rate that, as of 2012, their total income growth since 1967 is roughly 60 percent of those below or

above them.

Working harder and yet caught between those in poverty who receive government support and a stable, if not thriving, middle class, the ALICE class's resentments and disappointments continue to grow. The latest survey from the Conference Board shows [consumer confidence has sharply risen](#) over the past couple of years for those making more than \$50,000. It has even ticked up for those making less than \$35,000. But it has tumbled for those making \$35,000 to \$50,000. During past periods of recovery, the lower and upper halves of the middle class shared the same level of economic optimism. At some points this year, ALICE Americans have shown 40 percent less confidence than Americans earning more than \$50,000 — a historically large gap.

In part this is because of their unique experiences over the past generation. According to the Federal Reserve's comprehensive [Survey of Consumer Finances](#), the decade leading up to the Great Recession was one of basic stability or slight growth, respectively, for the assets of the bottom and middle 20 percent of households. The recession brought their assets back to mid-1990s levels. In contrast, the mid-1990s was when the net worth of ALICE Americans peaked. Since then, it has been a long slide in which buffeting economic change has been exacerbated by recessions without recoveries. Today, their median net worth is only two-thirds of what it was in 1989.

This is the story of the United States in recent years: the rich have gotten richer, the poor have gotten poorer, the middle class has treaded water, and the floor has dropped out from under the ALICE class.

For ALICE Americans, asset-building is the ladder of opportunity. From President George W. Bush's "[ownership society](#)" to President Bill Clinton's [USA Accounts](#) to the 2006 proposal by Sen. Chuck Schumer (D-N.Y.) and his then-colleagues Rick Santorum and Jim DeMint to create [progressively funded savings accounts](#) at birth for every child in the United States, there once was a bipartisan consensus around the importance of wealth creation for all. That consensus has been lost. An ALICE agenda — including a refundable Saver's Credit, matching grants for [529 accounts](#), reduced penalties for savings among those on food stamps and universal children's savings accounts — could reasonably fit in the platform of either Democrats or Republicans.

President Obama [won reelection last year](#) with landslides among those who never finished high school and those with graduate degrees. The battleground in 2012 was, as it will be again, those with a high school degree and at least some college education. This encompasses many of the ALICE voters. They were trampled in the Bush years; they are still waiting for an upturn during the Obama years. They are up for grabs, looking for leaders who will rebuild what once was a single, surging American middle class.

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