



## **New Census Data on Income Gives a Welcome Dose of Fact Checking to “Middle-Class” Rhetoric**

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Throughout the 2008 presidential campaign, candidates from both parties have applied the term "middle class" loosely to anyone who might benefit from their proposals. Economists rarely use the term and will typically use the term "middle income" instead to mean the 20 percent of households whose incomes are in the middle, or sometimes to the 60 percent who are in the middle. But politicians are driven by polls, not income data, and a recent Tax Foundation poll showed nearly four out of five Americans label themselves "middle-class."<sup>1</sup> Only 2 percent consider themselves "upper-class."

In tax policy, this greatly expanded "middle class" has created some strange bedfellows. Even during the current congressional debate over the alternative minimum tax (AMT), an overwhelmingly upper-income tax, prominent tax writers and presidential candidates have proclaimed that they'll be helping "the middle class" by repealing the AMT.<sup>2</sup>

It may be plausible, at least a little, for a person earning \$200,000 a year to feel "middle-class" even in terms of income if half the families in his neighborhood earn more. Similarly, a married couple with \$35,000 in income might label itself "middle-class" in response to a survey. But those are really wrong answers that people give because "middle-class" refers more to how one feels about oneself in relation to society at large. It is a useful term for discussing the values that Americans hold dear: working for a living, participating in community activities, helping the poor, succeeding in a competitive world without a government handout, etc., but less useful for objective discussion of incomes.

In this *Fiscal Fact*, we align the term "middle class" with an objective set of data: the Census Bureau's survey of household income. "Middle class" therefore means "middle income," and middle income will mean the middle range of income in a large cross-section of American households.

We use two different ranges to describe middle income. One is the most commonly used in academic literature: the middle quintile—that is, the 20 percent in the middle with 40 percent of households earning more and 40 percent earning less. The second range of income we call "middle income" is what Senator Max Baucus recently referred to as the middle class while chairing a Senate Finance Committee hearing. This "Baucus middle class" is the middle 60 percent, with 20 percent of households earning more and 20 percent earning less.<sup>3</sup>

## Differences by Household Type

The most commonly cited figures from the Census data are from all households mixed together. Median income among all U.S. households in 2006 was \$48,201. The middle 20 percent ranged from about \$38,000 to \$60,000; and the middle 60 percent—the "Baucus middle class"—stretched from about \$20,000 to \$97,000.

That's the entire country's household income profile. But often single people want to know how they fit into the world of other single people, and married couples want to compare themselves with other married couples. So in Table 1, we divide American households into five categories before dividing those groups of similar households into income ranges.

Type of Household	Median Income (2006)	Middle 20 Percent Range	Middle 60 Percent Range (Not in bottom 20% or top 20%)
All Households	\$48,201	\$37,771 - \$60,000	\$20,036 - \$97,032
Married Households	\$69,716	\$57,200 - \$82,935	\$35,476 - \$121,842
Unmarried Households	\$29,083	\$24,500 - \$39,010	\$13,062 - \$63,500
Households with Unmarried Female Family Head	\$31,818	\$25,200 - \$39,336	\$13,476 - \$63,000
Households with Unmarried Male Family Head	\$47,078	\$38,776 - \$55,500	\$24,300 - \$84,000
Non-Family Households (Single)	\$29,000	\$22,200 - \$36,020	\$12,108 - \$60,300

**Note:** Income measure is cash money income from Census, which includes most market income (except capital gains) and some transfer income such as Social Security payments. However, it excludes the value of employer-provided health insurance, net imputed rental income, Earned Income Tax Credit (EITC) payments, the value of food stamps and other in-kind government services, capital gains realizations, and more. For a detailed description of the income concept Census employs, see <http://www.census.gov/population/www/cps/cpsdef.html>.

Also, technically the fraction of the population falling into those characteristics is based upon March 2007 responses—not exactly the year 2006—even though the income data is all based on 2006 income. (In other words, some households could have a change in their status in that short time period.)

**Source:** 2006 Current Population Survey, Census Bureau

Married households, many of which have two earners, have the highest income profile and appear "rich" compared to unmarried households. Median income for married households was just shy of \$70,000 in 2006. The range of the middle 20 percent was approximately \$57,000 to \$83,000, and the range of the "Baucus middle class"—the middle 60 percent—was about \$35,500 to \$122,000. This \$122,000 figure, then, represents the highest possible income that a married household could accurately call middle income, or "middle class."

By contrast, for all single households, the middle 20 percent of incomes fell between \$22,000 and \$36,000 with a median of \$29,000. That's less than half of the median for married households. The middle 60 percent stretched from about \$12,000 to \$60,000.

The result is that, depending on the definition chosen, a large fraction of the population can be designated as middle-income in some way, which is likely why political rhetoric on the "middle class" or middle income is so frequently used. But because of the different demographics in the United States, such rhetoric can be highly misleading, and a more factual term is "middle-income." We now look at this phenomenon across geographies.

### Differences by Geography

People also frequently compare themselves to others within their own community, and a person who is middle-income in a rich neighborhood may call himself "middle-class" despite the fact that nationwide, he'd likely be considered rich. The table below looks at this issue for the very high- and low-income counties in the United States, showing the ratio of their median income to the nationwide median income in 2006. Fairfax County, Virginia, and Loudoun County, Virginia, (both suburbs of Washington, D.C.) are the highest in median household income (among counties with populations of greater than 65,000). A household living in the wealthy Fairfax County village of McLean, Virginia, making \$100,000 per year may consider itself to be "middle-class," (or even poor) but nationwide, a more accurate label would be "upper-income."

**Table 2. Middle-Class Perspective May Depend Upon Location: Comparing the U.S. Median Income to the Median in the Ten Highest- and Lowest-Income Counties**

County	Ratio of County Median Income to Nationwide Median Income
Fairfax County, Virginia	2.07
Loudoun County, Virginia	2.05
Howard County, Maryland	1.95
Hunterdon County, New Jersey	1.93
Douglas County, Colorado	1.90
Somerset County, New Jersey	1.89
Morris County, New Jersey	1.85
Montgomery County, Maryland	1.81
Arlington County, Virginia	1.80
Nassau County, New York	1.77
DeKalb County, Alabama	0.63
Lauderdale County, Mississippi	0.63
Scioto County, Ohio	0.61
Orangeburg County, South Carolina	0.61
Hidalgo County, Texas	0.59
Cameron County, Texas	0.57
McKinley County, New Mexico	0.56
Robeson County, North Carolina	0.55
Apache County, Arizona	0.55
St. Landry Parish, Louisiana	0.48

**Source:** American Community Survey, Census Bureau

As Table 2 shows, the ratio of median income in Fairfax County to median income nationwide is over 2. That is, the median in Fairfax County is twice that of the nation as a whole. On the other end of the spectrum, the median income in St. Landry Parish, Louisiana, is less than half that of the

nation as a whole. Therefore, a person may be called middle-class in St. Landry and poor nationwide.

In fact, the Census Bureau estimates that those in the lower-middle class (second quintile) of households on the income scale in Fairfax County have incomes that range from \$48,213 to \$82,329, meaning that about 80 percent of the households in the county are above the national household median. On the other hand, in St. Landry Parish, the Census Bureau estimates that 80 percent of households have incomes less than \$60,385.

### **Conclusion**

When politicians discuss the term "middle-class," most people instinctively think, "That's me." The terminology has therefore become essentially useless as a barometer for relative economic status. The data presented above show how truly demagogued the term has become, especially on the issue of AMT, where the middle class has been defined politically to mean households with incomes over three times the national household median.

Those who use the term should specify whether they are using it to refer to a set of values and type of lifestyle, or in its literal sense to refer to a range on the income spectrum. If the latter, they should clearly define the universe (that is, defining characteristics such as family size or geographic area) and the income thresholds they are referring to because, as the data above show, different subsets of the population have different income scales and different ideas about who comprises the middle class. Clarity is crucial in political debates over the middle class (or any class), and political rhetoric should be put aside in favor of accuracy.

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### **Notes**

1. Andrew Chamberlain, "What Does America Think About Taxes? The 2007 Annual Survey of U.S. Attitudes on Taxes and Wealth," *Tax Foundation Special Report*, No. 154 (April 2007), available at <http://www.taxfoundation.org/publications/show/22331.html>.
2. See, for example, <http://www.taxfoundation.org/blog/show/22538.html> and <http://www.taxfoundation.org/blog/show/22514.html>.
3. See <http://www.senate.gov/~finance/sitepages/hearing051007.htm>.

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