

Understanding the 2026 economic landscape: A K-Shaped Economy

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After listening to *The Journal's* podcast episode "It's Almost 2026. How's the Economy?" featuring Ryan Knutson and WSJ economic reporters Justin Lahart, Rachel Wolfe, and Jeanne Whalen, one of the main points emphasized was the growing wealth gap between high-income individuals and lower-income earners. The hosts explained the gap continues to widen and described this phenomenon as a K-shaped economy. In simple terms, this means different groups are experiencing economic conditions very differently, where those at the top are thriving, and those at the bottom are struggling. This can be seen in many examples and I will go through those in depth in this paper. I will cover the experiences of those at the top and bottom, and the economic conditions contributing to this.

The K-shaped economy matters socially and politically especially in a time like 2026 where we see economic uncertainty, political tension, and lingering effects of the pandemic. It's important to examine who is benefiting from the K-shaped economy, and who is not, to help explain why there is low public confidence in the economy, despite strong market indicators.

While the economy and stock market are performing well overall, this success is not evenly felt. Those who own well performing stocks are continuing to invest more and spend more as their portfolios are consistently growing. As a result, those with assets feel financially secure and safe to splurge. Older generations, in particular, are less concerned about the economy. Because there are relatively fewer layoffs and little job turnover, people feel comfortable in their job security. Wealthy households are accounting for a large portion of overall consumer spending, with the top 10% of households responsible for nearly half of all spending (Kelley, 2025). Kelley from the *New York Times* explains holiday spending surpassed \$1 trillion for the first time in 2025. This was driven largely by wealthy consumers making expensive purchases, while lower-income individuals were focused on discounted items. This difference in spending behavior clearly defines the K-shaped economy.

Lower-income workers and those who tend to switch jobs more frequently are facing greater challenges. Because hiring has slowed, these individuals may experience unemployment for longer periods of time, making financial stability harder to achieve. This divide becomes even clearer when looking at corporate earnings. Delta Air Lines' quarterly earnings report showed that main cabin ticket sales were down 7%, while premium cabin ticket sales increased

by 9% year over year (Morrow, 2026). Delta CEO Ed Bastian stated that the company plans to expand growth for its premium customers, but not for the main cabin (Josephs, 2025). This highlights how higher-income consumers continue to benefit, while lower-income consumers fall further behind. Large corporations are adjusting their economic strategy to cater towards wealthier consumers, reinforcing the wealth gap and the erasure of the middle class. This leaves lower-income consumers with fewer affordable options strengthening the divide.

This dynamic also appears in the fast-food industry. McDonald's CEO Chris Kempczinski states restaurant traffic among low-income customers declined in double digits, whereas traffic among higher-income consumers remained strong and increased by nearly double (Kempczinski, 2025). In response, McDonald's has expanded its lower-priced menu options. Businesses are now marketing themselves differently to cater both wealthy and lower-income consumers. This is interesting because historically fast food chains have broadly catered towards the middle class consumer with items priced averagely. However, with the shrinking middle class, this leaves companies having to choose between serving the premium consumer or the value-focused one rather than the overall masses.

The housing market is also in a complicated position. Those in a higher tax bracket are bidding more aggressively on homes because their stock portfolios are doing well. However, high interest rates are preventing movement in the market. If rates were to fall to a "sweet spot" of around 5%, buying and selling activity would likely increase. Currently, many homeowners are holding onto their properties because they do not want to give up the low interest rates they secured in pandemic years. This makes it difficult for people wanting to buy or sell. At the same time, they are being priced out of homeownership altogether where wealthy individuals are creating a monopoly.

Housing has historically been one of the primary ways Americans build generational wealth, making this very concerning. If higher income individuals are the ones buying and selling, they are continuing to gain equity, whereas lower-income individuals are stuck renting. Over time, this can be very damaging for wealth mobility and hurts younger adults wanting to build generational wealth. For lower-income individuals, this period has been especially difficult.

Adding to the growing cautiousness, when President Trump implemented tariffs, there was widespread concern that the economy would fall into a recession. While no recession has occurred, public perception of the economy remains overwhelmingly negative. Critics feared tariffs would significantly increase inflation or slow economic growth, but in reality, their impact has been milder than expected. Although there were concerns about shortages and rising prices, such as the spike in egg prices, many of these increases were temporary. Prices fluctuate frequently, and while they are higher than in the past, they are not at historic highs. However, people tend to remember price increases more strongly than decreases, which fuels ongoing frustration.

The job market remains tough, and those suffering the most are recent college graduates. New graduates are struggling to find employment in a slow hiring environment, affecting their long-term earnings and savings. Many also experience frustration during the interview process where some have one-way interviews. Candidates must respond to automated questions without interacting with a real person. These hiring practices can feel impersonal and discouraging, especially for those just starting out wanting to make a splash. Trying to be authentic and purposeful then getting met with an AI recruiter can feel extremely off putting. It is hard to build a network and create meaningful connections when we cannot even talk to a real person. This adds to the growing perception that workers are disposable and can be replaced by technology. Unfortunately this contributes to job search anxiety and negatively affects career growth and professional confidence.

For me, as someone who is constantly searching for jobs and talking with friends about their own job searches, this frustration feels very real. I have friends who graduated in May 2025 and are still looking with no leads, even after applying to 10–20 positions per day. This reality heavily influenced my decision to pursue a master's degree. I felt I would not be able to stand a chance competing with thousands of other new graduates. I thought I needed both a competitive edge and more time before fully entering the job market. This makes me wonder whether I would have pursued this degree if I felt more confident in the job market.

Overall, there is a growing sense of distrust and anxiety surrounding the economy. The Conference Board reported that consumers are feeling pessimistic about the job market and feel

negatively about the economy (Roush, 2025). Many feel uncertain about their current job security and the idea of finding another one in a timely manner. As said in the podcast, the traditional understanding of what employees owe their employers and vice versa seems to be breaking down. As a result, the job market feels increasingly unstable, driven more by uncertainty and perception rather than real economic data.

These experiences highlight how economic instability is not simply measured through statistics, but through our lived realities. The broader societal impacts of these feelings have weight long term. While indicators may suggest economic resilience, widespread frustration among the masses suggest a disconnect between policy outcomes and everyday life. As the wealth gap continues to widen, addressing these disparities is essential for restoring trust in both the economy and the institutions that govern it.

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I used ChatGPT to assist with grammar, active voice, citations, and tips for lengthening. All ideas, analysis, and final edits were reviewed, approved, and were created by me. Prompts I used:

1. How can I make this paper half a page longer?
2. How should I make this sound cleaner?
3. Please edit my writing for punctuation, active voice, and apa citations