September 12, 2019

Hearing: Solutions to Rising Economic Inequality

Rising inequality threatens the economic security of our families and of the nation

Our country's economic gains have disproportionately benefited the top 1 percent. Meanwhile, working families and those living paycheck to paycheck have seen slowing wage and income growth even as the costs of housing, health care, and other necessities have grown to consume more of their budgets. Despite recovery efforts following the Great Recession, decades of rising income inequality remain one of the most pressing economic challenges facing our country today. The House Budget Committee will hear testimony on September 19th on the real harm of inequality and solutions that can improve the economic status of working families.

Economic growth has not been shared broadly — From the end of World War II to the early 1970s, a broad spectrum of workers shared in the economic growth of the United States, with real family income doubling across the income distribution. Since the late 1970s, however, average before-tax income for the top 1 percent of households has more than tripled, while incomes for the middle 60 percent and bottom 20 percent have only risen by a third. The distribution of wealth – the value of all assets after subtracting for liabilities – is even more highly concentrated. In 2016, the top 10 percent of the wealth distribution held 78 percent of all wealth. Over the last 30 years, the top 1 percent has seen their wealth grow by nearly 300 percent. The bottom 50 percent experienced no net growth in wealth at all.

The federal minimum wage remains stagnant while CEO compensation soars — It has been nearly 10 years since Congress last raised the federal minimum wage – the longest period in our nation's history without an increase. By contrast, CEO compensation at the top 350 U.S. firms increased by more than 50 percent over that period. What's more, CEO compensation has grown nearly 1,000 percent since 1978. Whereas CEOs made about 32 times more than typical workers in 1978, executives now make 278 times more.

Increasing the minimum wage will help reduce income inequality — A higher minimum wage will help workers and their family afford basic necessities. According to the Congressional Budget Office, the House-passed Raise the Wage Act would provide 27 million Americans with a raise and lift 1.3 million Americans out of poverty, including 600,000 children. Further, the federal minimum wage can again be a tool in addressing economy-wide racial inequality, as the minimum wage increases during the Civil Rights Era reduced the then black-white earnings gap.

Inequality negatively affects both our families and our fiscal health — Income and wealth inequality undermine workers' retirement security, weakening each of the pension, Social Security, and personal savings "legs" of the retirement income "three-legged stool." In the short term, growing inequality hinders families' ability to finance college, job training, homeownership, and other investments that could ultimately increase their wealth and standard of living. Stagnant wages disempower working Americans from spending and investing in their local communities and Main Street businesses.

Rising income inequality also weakens our nation's economic and fiscal futures. It suppresses economic growth, erodes Social Security's tax base, reduces economic mobility, and increases the likelihood of recessions. All of these consequences put pressure on federal, state, and local budgets. Income inequality has cost the United States six to nine percentage points in cumulative economic growth over the past two decades.

Republican policies hurt working families and only exacerbate inequality — This spring workers saw the Tax Cuts and Jobs Act of 2017 for what it really was – a scam that overwhelmingly benefited corporations and the richest Americans. Corporate tax revenue fell by one-third in 2018, yet corporations chose to reward investors with stock buybacks instead of investing in workers, new plants, or equipment. Meanwhile, American workers saw few gains – real wages grew more slowly than the economy, and worker bonuses fell 22 percent.

To add insult to injury, the White House is advancing policies that would pull the rug out from under families that rely on important federal programs. The Trump Administration is considering linking the Official Poverty Measure to an alternative measure that would lower the threshold for assistance and exclude those in need. This is in addition to increasing the amount of required paperwork for nutrition assistance and ratcheting up existing work requirements, all to suppress enrollment. This is especially harmful because federal economic security programs help families in or near poverty meet their basic human needs. New data from the U.S. Census Bureau shows that in 2018 alone, programs such as Social Security, SNAP, and EITC directly kept more than 47 million above the poverty line.

Unions are a tool for reducing inequality, for members and nonmembers alike — Organized labor – particularly among lower-skilled workers – increases wages, expands benefits, and advocates for more equity in the workplace between rank-and-file and management. There is an inverse relationship between unionization rates and income inequality.

Democrats are increasing working families' paychecks and protecting critical programs that support communities — In addition to the Raise the Wage Act, House Democrats passed the Paycheck Fairness Act to end the gender pay gap. The Bipartisan Budget Act of 2019 ends the threat of harsh austerity cuts so that Democrats can continue to address disparities in housing, nutrition, and early childhood education. To date, House Democrats have passed key funding bills that invest in green, modern infrastructure – including transit, broadband, and clean drinking and wastewater facilities.

The Budget Committee will learn more about the need to share economic growth with the American worker at this upcoming hearing. Expert witnesses include:

- **Dr. Heather Boushey (President & CEO, Washington Center for Equitable Growth)**
- **The Honorable William E. Spriggs, Ph.D. (Chief Economist, AFL-CIO and Professor, Department of Economics, Howard University)**
- **Ms. Kismet Evans (Home Healthcare Worker, Las Vegas, Nevada)**
- **Mr. Ramesh Ponnuru (Visiting Fellow, American Enterprise Institute)**