

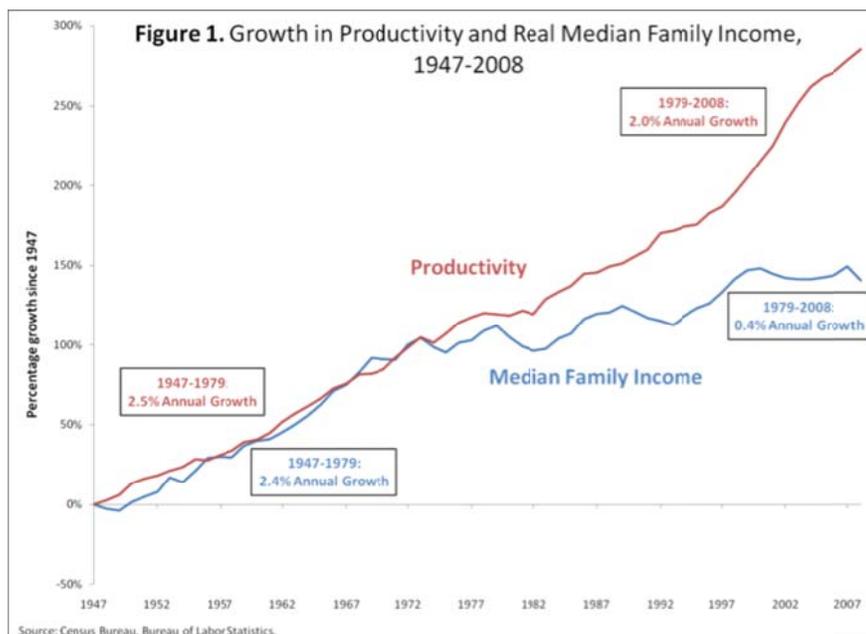
The Endangered Middle Class and the Future of the American Dream

“The American Dream used to mean something: that if you put in a hard day’s work, you could earn good American wages and benefits, and a better life for your kids. Today, we’re in danger of losing that Dream and our middle class with it. A nation can’t be prosperous when most of its people live from paycheck to paycheck, worrying how they’ll put food on the table or pay their mortgage. America can’t have a vibrant economy without a vibrant middle class.”

–**Senator Tom Harkin (D-IA)**, Chairman of the Senate Committee on Health, Education, Labor and Pensions

Middle class families are working harder for less:

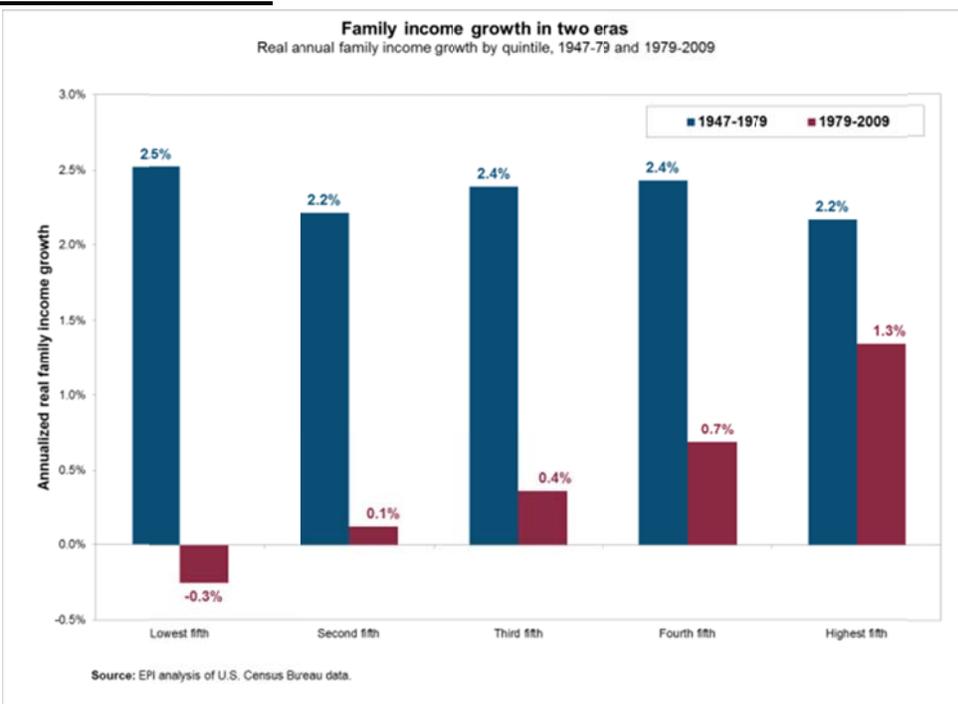
- From 1947 to 1979, productivity and family income grew together, but since then productivity has increased while workers’ incomes have stagnated or declined.
- After strong, widespread economic growth in the 1990s, during the 2000s real median income for working families actually fell.
- Even as wages have stagnated, middle class families are spending more to get by as health care, education, housing, and gas prices have all increased.



Source: Annual Report of the White House Task Force on the Middle Class

Economic growth is not being shared with the middle class:

- Income inequality has risen to levels not seen since before the Great Depression. While in the years following WWII a rising tide lifted all boats, since the late 1970s more and more of the gains have gone only to the very top.
- Despite rising worker productivity and economic expansion, in the aftermath of both the 2001 and 2008 recessions, middle class workers have not shared in the economic recovery.

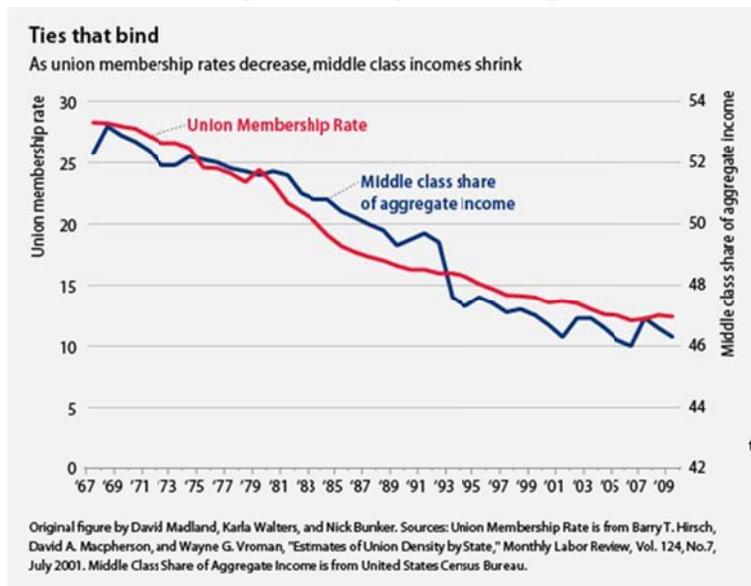


Source: EPI analysis of U.S. Census Bureau data.

Source: Economic Policy Institute

A number of factors have left middle class families behind:

- The ability of workers to negotiate fair wages and benefits through unions – just like corporate CEOs do through contracts – has deteriorated.
- Secure, defined benefit retirement plans have been replaced with minimal retirement contributions that are subject to the whims of the financial markets.
- Good paying, secure manufacturing jobs have been replaced by technology or shipped overseas. Meanwhile, the financial sector has grown to an increasing share of GDP.
- Most jobs being created today are not providing the kinds of wages and benefits needed to grow the middle class. Low-wage industries are far outpacing high-wage industries.



Source: David Madland, Karla Walter, and Nick Bunker. "Unions Make the Middle Class: Without Unions, The Middle Class Withers," Center for American Progress

As our middle class has been squeezed, so has our economy. In previous recoveries, our economy replaced lost jobs within 10 months, on average. But, in the wake of more recent recessions, it has taken much longer for the economy to recover. Even though the economy grew during the 2000s in terms of GDP, it was a “lost decade” for middle class families. Employment didn’t grow at all and family incomes actually fell.

Recessions	Time until job recovery
Post WWII-1989	Average 10 months
1990-1991	23 months
2001	38 months
2007-2009	22 months and counting

We know how families coped with the loss of their economic security in the past decades. Everyone worked longer hours, even mothers with young children, and families financed their basic budgets with credit cards, mortgages, and other forms of debt.

Today, in the wake of the Great Recession, the middle class is in an impossible position. Many homeowners find themselves underwater – owing more on their mortgages than their homes are worth. Rental costs are going up. Job opportunities are severely lacking, hours have been cut back, and the new jobs being created are not offering the same middle class wages and benefits as the ones that were lost.

Where do we go from here?

We did not get here simply because of forces out of our control like globalization and technology changes. Quite the contrary, deliberate policy choices had a large role to play in the decline of the middle class. Now it is up to all of us – including members of the HELP Committee – to make better policy choices that help rebuild it. Over the coming months, Chairman Harkin will lead the HELP Committee in an examination of the various policy options to determine the best path forward for America’s middle class.

There can be no sustainable economic recovery or solution to our budget challenges without the recovery of our middle class. Without a vibrant middle class with the good-paying jobs that enable them to buy the everyday items needed to get by – like food, housing, clothes, and gas – our economy will struggle.

It’s time America worked again for people who work for a living.