



More jobs is best way to restore middle class

Harkin is correct: A living wage, tax equity are needed, too

The Register's Editorial, Tuesday, April 10, 2012

U.S. Sen. Tom Harkin has spent a lot of time over the past year making the case that the great American middle class has lost much of its greatness. He's done a good job, but he faces a tough challenge making the case that government can restore middle class to its former place in the economy.

While the economic growth in this country has gone mostly to a small percentage of people at the tip of the economic pyramid, working class Americans have lost ground. Harkin, D-Ia., believes government can and should do something about that growing imbalance. That is a hard sell today as the idea has taken hold that free markets should decide such things, not politicians in Washington.

Still, Harkin has rolled out a package of legislation that follows on five hearings he held last year on the state of the middle class. He concedes that while some pieces might become law, there is zero chance it will be passed in its entirety. Still, Harkin says he wants to have this issue on the agenda during this election year.

Part of the legislative package is aimed at restoring earning power of the working class. It would raise the minimum wage for the first time since 2009 and index it to inflation; increase federal block grants to subsidize child-care expense; require employers to pay overtime for more workers; require sick leave; guarantee workers' rights to form labor unions; and raise tax credits for employers who hire Americans with disabilities.

Part of the package is aimed at shifting the tax burden to wealthy Americans by enacting the so-called Buffett Rule to "ensure that the wealthiest Americans pay at least as much as middle class families." The Wall Street Trading and Speculators Tax Act would levy a transaction tax of 3 cents per \$100, and close a tax "loophole" used by hedge fund managers and raise the capital gains tax rate.

Critics will call this redistribution of income class warfare. To some extent that is true. But there has been a massive redistribution of wealth in the other direction in recent decades.

As former Secretary of Labor Robert Reich said in testimony before Harkin's committee last year, all Americans' prosperity grew in the three decades after World War II, including those on the lowest rungs of the economic ladder. Since then, real wages have flattened or fallen for most Americans while upper incomes soared. Meanwhile, as sales and payroll taxes increased the

burden for working Americans, wealthy Americans saw capital gains and inheritance taxes reduced.

Tax equity is an important goal, but the most meaningful benefit for the middle class is jobs that pay living wages and benefits and includes help toward building a retirement nest egg.

Harkin's bill does, in fact, have provisions designed to reach those goals. Among other things, it would have the government invest \$300 billion in infrastructure such as roads, bridges and energy efficiency systems, \$20 billion in school modernization, and job training. These pieces could help restore this country's employment base, which would do more than raising the minimum wage to help working Americans.

The best way to restore the great American middle class is to continue rebuilding a strong economy and create more full-time jobs. That would fuel the economy as a whole, and with the equitable tax policies and fair-labor regulations, all working Americans should benefit.