SOLUTIONS TO RISING ECONOMIC INEQUALITY

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, D.C., SEPTEMBER 19, 2019

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SOLUTIONS TO RISING ECONOMIC INEQUALITY

THURSDAY, SEPTEMBER 19, 2019

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, D.C.

The Committee met, pursuant to notice, at 10:01 a.m., in Room 210, Cannon House Office Building, Hon. John A. Yarmuth, [Chairman of the Committee] presiding.

Present: Representatives Yarmuth, Horsford, Moulton, Higgins, Morelle, Scott, Kildee, Lee of California, DeLauro, Cooper, Khanna, Sires; Womack, Johnson, Smith, Holding, Meuser, Timmons, Flores, Hern, Roy, Crenshaw, and Woodall.

Chairman YARMUTH. Good morning and welcome to the Budget Committee's hearing on Solutions to Rising Economic Inequality.

It is possible that we will have votes during this hearing. So I ask unanimous consent that the Chair be authorized to declare a recess at any time.

Without objection, so ordered.

I want to welcome our witnesses here with us today. This morning we will be hearing from Dr. Heather Boushey, President and CEO of the Washington Center for Equitable Growth; the Honorable William E. Spriggs, Chief Economist at the AFL–CIO and Professor of Economics at Howard University; Ms. Kismet Evans, one of Mr. Horsford's constituents and a home healthcare worker from Las Vegas, Nevada; and Mr. Ramesh Ponnuru, Visiting Fellow at the American Enterprise Institute and a frequent television commentator.

Nice to have you all with us today.

I will now yield myself five minutes for my opening statement.

As a Congress, we have a responsibility to support policies that give all hardworking Americans the opportunity to succeed no matter where they started out. Unfortunately, policies implemented over the past few decades have helped usher in an era of economic inequality that remains one of our most pressing economic and fiscal challenges.

During today's hearing, we will examine the causes and consequences of inequality and discuss possible solutions to strengthen our families and our federal budget.

Over the past 30 years, the richest 1 percent of Americans have seen their wealth grow by nearly 300 percent. At the same time, the poorest 50 percent saw no growth, even as the cost of housing, healthcare, food, childcare and other basic necessities have gone up and up and up, making it nearly impossible for millions of American families to make ends meet.

The share of national income held by the wealthiest Americans has also increased to levels not seen since the 1920s, right before the Great Depression.

In short, our economy has left working families behind. The inequality it has created has impacted every generation. Our nation's seniors are struggling to retire. Recent college graduates and young people are putting off buying their first homes or investing in assets that could increase their wealth.

Parents are finding it harder and harder to afford college, job training and childcare, all of which are key to finding success in a changing world.

Our nation's economic future depends on the success of working Americans. Plain and simple, if they do not succeed, our country does not succeed.

Economic inequality is suppressing economic growth and eroding our tax base. It is putting pressure on federal, state, and local budgets, and it is increasing the likelihood of a financial downturn. In fact, income inequality has cost the United States up to 9 percentage points in cumulative economic growth over the past two decades.

But it is important to understand that the rise in inequality is not just rooted in structural changes, globalization, or other forces beyond our control. It is also a result of decades of policy geared to help the very rich at the expense of everyone else.

Beginning in the 1970s, as the United States experienced major technological advancements, our country failed to take the steps needed to ensure shared prosperity. Instead, workers suffered from trickle-down economic policies, financial industry deregulation, and attacks on organized labor.

As a result, wage growth slowed, and income and wealth consolidated with the top 1 percent.

Unfortunately, here we are again. Rapid advancements in automation and artificial intelligence are set to reshape a broad swath of industries. In fact, a top official at IBM told me earlier this year that in the next three years alone, artificial intelligence will eliminate or significantly change 120 million jobs around the world, 120 million jobs in just three years.

We need to make sure that the new industries of the future and the skilled workers they demand will call the United States home, not China or any other country. Instead, we just blew $1.9 trillion on the Republican tax law that overwhelmingly benefitted the wealthy and did little to improve our nation's economy or prepare us for the future.

Continued efforts to deregulate the financial industry and roll back consumer protections are endangering working Americans. Legislation aimed at weakening unions is spreading in state houses across the country, and we are setting a record for the longest period in U.S. history without an increase in the federal minimum wage.

What is worse, the current Administration is advancing policies that would expand work requirements and redefine poverty to make fewer people eligible for assistance, which in turn makes it even harder for them to succeed.

America's greatest asset has always been our people, more specifically, our workforce. And in this rapidly changing world, it is also our greatest opportunity, but the federal government must step up.

We must make a national commitment to early childhood education and work to make college more affordable, raise the minimum wage, expand job training opportunities, and invest in the programs that help struggling families get ahead.

We need to address our aging infrastructure by overhauling our crumbling roads and bridges, updating communications systems, expanding broadband services to rural areas, all while creating the new jobs of the future.

And we need responsible tax policies that will ensure companies invest here, in U.S. workers and in the new industries that will drive innovation for generations.

We must do all of this and more, not only because economic inequality hurts American families and hinders their success, which should be enough, but because it also threatens our ability to compete in a rapidly changing global economy.

I look forward to hearing from our witnesses on the importance of creating an economy that works for all Americans and strengthens our fiscal future.

And now just one unanimous consent request, I ask unanimous consent to submit a letter from First Focus on Children, along with three of their reports entitled "Children's Budget 2019," "Shortchanging our Children Harms the Nation," and "Implementing a Roadmap to Reducing Child Poverty."

I ask unanimous consent to insert those all in the record.

Without objection, so ordered.

[The letter and reports submitted by Chairman Yarmuth follow:]

FIRST FOCUS
ON CHILDREN

1400 Eye Street NW Suite 650 | Washington, DC 20005 | t: 202.657.0670 | f: 202.657.0671 | www.firstfocus.org

September 19, 2019

The Honorable John Yarmuth
Chairman, House Committee on Budget
402 Cannon House Office Building
Washington, D.C. 20003

Dear Chairman Yarmuth,

I appreciate the opportunity to submit three documents in the official record for the House Committee on Budget's hearing "Solutions to Rising Economic Inequality" on behalf of First Focus on Children, a bipartisan advocacy organization dedicated to making children and families a priority in federal policy and budget decisions.

The first item is the summary of First Focus on Children's signature annual Children's Budget publication, which is a comprehensive analysis of how children and families have been faring in the federal budget over the past five years. Unfortunately, our analysis shows a long-term decline in the share of spending on children, reaching an all-time low of just 7.21 percent. The next item is a blog titled "Shortchanging Our Children Harms the Nation," which highlights the various ways in which our children are being left behind and underscores the importance of prioritizing children in our investment decisions. Just last week, data from the US Census confirmed that child poverty remains high with a rate of 16.2 percent, and that children are far more likely to experience poverty than adults. The third item is therefore an analysis by First Focus on Children providing key takeaways from the National Academies of Sciences, Medicine and Engineering's landmark study, A Roadmap to Reducing Child Poverty. This major report outlines policy provisions that, taken together, would cut child poverty in half within the next ten years and should inform legislative efforts to combat poverty and address income inequality experienced by our nation's children.

As these resources demonstrate, we are leaving our children and country's future behind. At a time when child poverty remains stubbornly high, our federal investment in children is dwindling. We ask that Congress start prioritizing children in federal budget and policy decisions in order to reverse this disturbing trend. Please continue to consider First Focus on Children as a resource for you, and I look forward to continuing to work with you on these pressing issues.

Sincerely,

Bruce Lesley

Bruce Lesley
President

FIRST FOCUS ON CHILDREN

CHILDREN'S BUDGET 2019

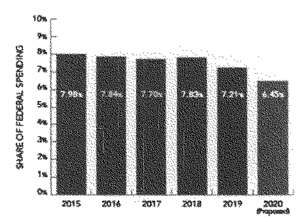
September 10, 2019

First Focus on Children is proud to introduce the 13th annual release of its signature Children's Budget publication, a comprehensive analysis of how kids and families have been faring in the federal budget over the past five years. Our treatment of children today will decide the nation's future—which is why the alarming data in this report should spur immediate action. Unless policymakers take proactive steps to invest in children, they will continue to lag behind.

KEY TAKEAWAYS FROM CHILDREN'S BUDGET 2019

Child Poverty Remains High, but Children's Share of the Budget Continues to Shrink: At a time when the poverty rate is 54.4% higher for children than it is for adults, we should be dedicating more, not fewer, of our federal resources to closing that gap. Yet the share of spending on children has declined to an **all-time low of just 7.21 percent—a near 10 percent decline since FY 2015.** Under the Trump Adminsitration's proposed FY 2020 budget, the share of spending on children would drop even further to just 6.45 percent due to the elimination of 44 programs serving children and families and deep cuts across multiple other accounts.

Children's Share of Total Federal Spending Declined between FY 2015 and FY 2019



Spending on Children is Not Keeping Up with Rising Costs and Growing Need: Spending on children is not keeping pace with inflation, which means that between FY 2018 and FY 2019, total spending on children experienced an inflation adjusted cut of nearly 1 percent. Without significant increases, funding for critical children's services and programs will continue to lose ground, and we will struggle to address the pressing challenges facing children and families.

If Congress Fails to Act, Children Will Fall Further Behind: Our analysis shows a long-term decline in the share of spending on children, and the Urban Institute projects children will receive only 1 percent of all new federal spending between now and 2028. As of FY 2018, we are also spending a larger share of the federal budget on interest on the national debt than on children's programs. **Kids cannot afford the status quo:**

- Almost **80 percent** of eligible 3-5 year old children lack access to Head Start programs
- The Federal Government is not fulfilling **55 percent** of its funding commitment for Individuals with Disabilities in Education Act (IDEA) grants
- Of the households on the waiting list for housing assistance, **60 percent** are families with children
- **75 percent** of poor families in the US who are eligible for cash assistance do not receive it
- Nearly **83 percent** of children who receive free or reduced price lunch during the school year do not have access to the summer meals program

Congress must take concerted, proactive steps to reverse these trends and ensure that our nation's children have the resources they need to thrive.

1 Julia B. Isaacs, Cary Lou, Heather Hahn, Joycelyn Ovalle, and C. Eugene Steuerle. "Kids' Share 2018: Report on Federal Expenditures on Children through 2017 and Future Expenditures," The Urban Institute, Oct. 2018.

SEPTEMBER 16, 2019

Shortchanging Our Children Harms the Nation

Bruce Lesley

Federal Budget
Tax Policy

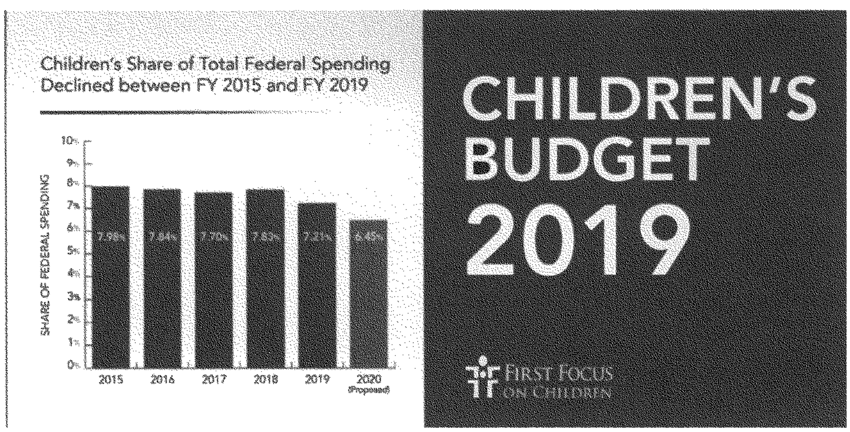
The future of any society, by definition, depends on its ability to boost the health and well-being of the next generation. When we devote the resources necessary to support families and improve the services and programs that help all children be healthy, get a good education, and contribute to our nation's future success, we all benefit.

Instead, we are shortchanging and failing our children. The *Washington Post*'s Catherine Rampell refers to the current situation as a "War on Children" and the *Post*'s Petula Dvorak writes how, on issue after issue, the country is "failing its children."

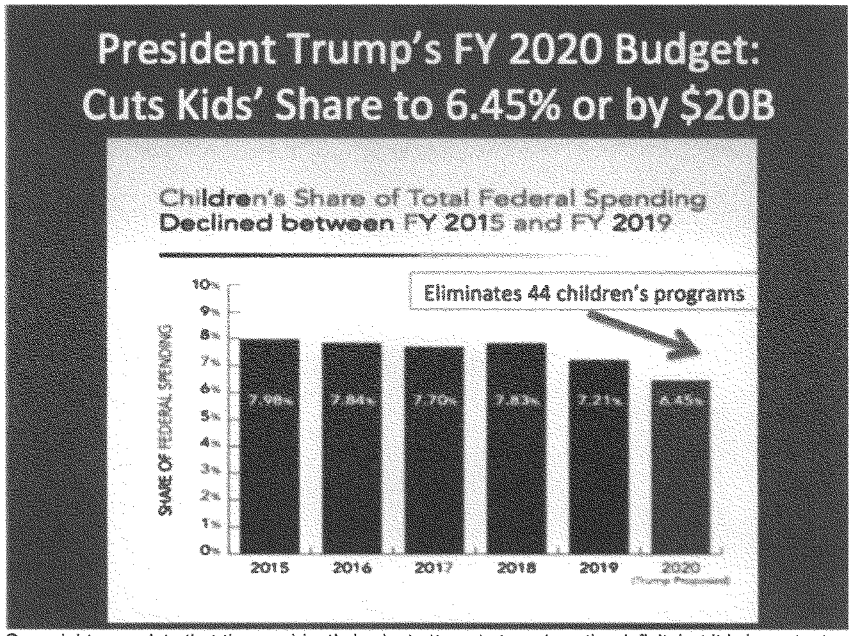
The *Post*'s Colby Itkowitz adds:

The mistreatment or disregard of American and foreign children at the hands of the United States is not a new problem. . . When issues from guns to immigration to health care to foreign affairs are viewed through the lens of how they affect children, it becomes clear the young are an afterthought when it comes to public policy.

This is underscored by what is happening to children in the federal budget. In the *Children's Budget 2019* report we released at the National Press Club last week, we found that the share of all federal spending dedicated to children dropped from 7.98 percent in fiscal year (FY) 2015 to 7.21 percent in FY 2019 — a 9.7 percent reduction over the period.



Even worse, President Trump's proposed FY 2020 budget would cause the share of federal spending on children to drop to just 6.45 percent — a real cut of $20 billion. His budget submission would eliminate 44 separate children's programs and make cuts to far more.

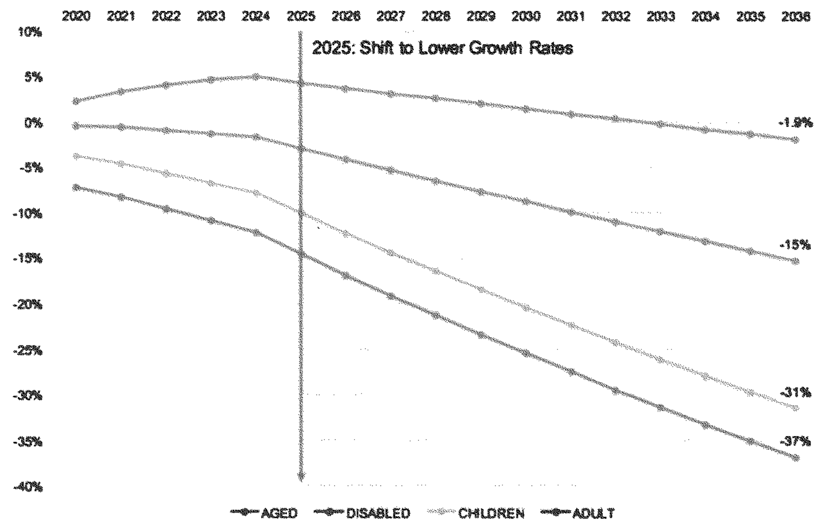


One might speculate that the president's budget attempts to reduce the deficit, but it is important to highlight that children are disproportionately targeted for the cuts. As our report highlights, Trump's budget targets children for 17 percent of the cuts in domestic discretionary spending.

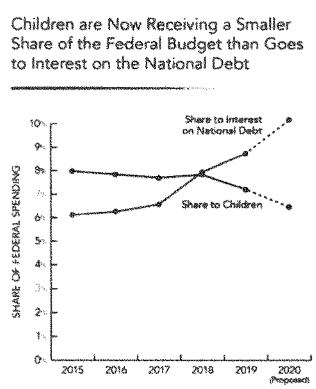
Moreover, we can also be pretty certain that the President's proposed cuts on the mandatory side on the budget would also look to target children with greater harm. For example, according to the President's FY 2020 budget narrative, the Administration supports "enactment of legislation modeled after the Graham-Cassidy-Heller-Johnson bill proposed in September 2017."

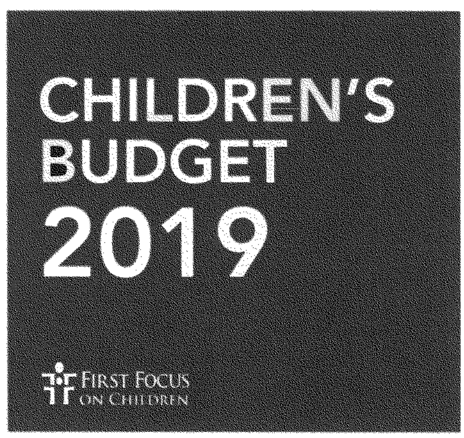
That proposal would have established a Medicaid per capita cap and subjected children to much lower inflation rates and much higher cuts on a per capita cap basis. In fact, according to analysis by Avalere Health, Medicaid spending on children would have been cut by 31 percent compared to less than 2 percent for senior citizens.

FIGURE 4: Percentage Change in Federal Traditional Medicaid Spending Due to Per Capita Cap Under GCHJ, by Basis of Eligibility Group, 2020-2036



In *Children's Budget 2019*, we also estimate that interest on the federal deficit began exceeding all federal spending on children combined this year.





Under current law, things will only get worse over the next decade. The Urban Institute's *Kids' Share 2018* report projects that the downward trend will continue well into the future. As the author's explain:

Children's programs are projected to receive just 1 cent of every dollar of the projected increase in federal spending over the next decade, compared to 61cents for [the adult portion of] Social Security, Medicaid, and Medicaid, and 29 cents for interest on the debt.

These facts all point to a growing crisis for children and our nation's future. Unless dramatic changes are made to the federal budget process, and we begin to prioritize children in our society:

1) Investments in children will be a rapidly declining share of all federal spending;

2) The burden of the fast growing federal debt will be passed on to our children by adults who have favored cutting taxes and increasing defense spending over investment in children and reducing the federal deficit;

3) The rapidly growing share of Medicare and Social Security costs due to the retirement of Baby Boomers will be assumed by the next generation;

4) At some point, fiscal austerity measures will fall disproportionately upon our children and their children.

Economist Eugene Steuerle believes that the budget crisis is already upon us. In a *Washington Post* Op-Ed, Steuerle writes:

The costs are being incurred now; they're not waiting for some fiscal blowup. The evidence is abundant: Education spending and other federal investments in children, as a share of gross domestic product, will fall by about one-eighth in about a decade. Programs that might promote economic mobility and opportunity for everyone make up an ever-smaller portion of the federal budget. Support for working families declines. College students get stuck with huge debts. Anyone visiting from abroad finds our airports and other transportation infrastructure second-rate. . . . These stories all relate to the decline of fiscal democracy.

In other words, even if Congress finds political will to make much needed investments in children, doing so will be difficult because the federal budget process is heavily stacked against kids.

A recent Committee for a Responsible Federal Budget (CRFB) report, *Budgeting for the Next Generation: Does the Budget Process Prioritize Children?*, finds that the budget process systemically disadvantages and shortchanges our nation's children.

CRFB's analysis concludes:

- ***While much of spending on adults is mandatory, spending on children is disproportionately discretionary*** *and thus must be reviewed and renewed with other appropriations.*
- ***Spending on children is disproportionately temporary,*** *and it requires far more regular reauthorization and appropriation than programs for adults.*
- ***Spending on adults is rarely limited while spending on children is often capped,*** *constraining what can be spent for most major children's programs.*
- ***Most programs for children lack built-in growth,*** *leading spending on children to erode relative to spending on adults and relative to the economy.*
- ***Programs for children lack dedicated revenue*** *and thus lack the political advantage and protection of programs for seniors that enjoy this benefit.*

- ***Growing spending on adults is burdening younger generations** by driving up debt and thus reducing future income and increasing costs.*

As CRFB explains, "These features of the current budget process are increasingly leading spending on children to be crowded out, as the burden we place on children rises."

Advocates seeking increased investments in children face serious political and structural barriers. As *Children's Budget 2019* and the reports by the Urban Institute and CRFB illustrate, children are not faring well — not at all.

However, according to a study entitled "A Unified Welfare Analysis of Government Policies" by Nathaniel Hendren and Ben Sprung-Keyser and published by Harvard's Opportunity Insights, found:

- *Direct investments in the health and education of low-income children have historically yielded the highest returns.*
- *Opportunities for high-return investments have persisted throughout childhood.*
- *Many direct investments in low-income children's health and education have paid for themselves.*

Hendren concludes:

The policies that have historically invested in kids tend to be the ones that have the biggest bang for the buck. Because, oftentimes when you put in a dollar when a kid is young, it can have impact that then pays us back when those kids grow up.

Money matters. As Connecticut Rep. Rosa DeLauro (D-CT) points out:

The targeted investments and interventions we make now will make a lifetime of difference for the children they reach.

In an effort to achieve better investments and outcomes for children, more than 80 organizations have come together across all policy areas to form the Children's Budget Coalition. Through this Coalition, child advocates have committed to work together to raise attention as to how the federal budget is shortchanging our children, both overall and within individual programs.

First Focus Campaign for Children, Save the Children Action Network, and other partners are also supportive of S. 1780, the "Focus on Children Act," by Sen. Kamala Harris (D-CA) and S. 1776, the "Children's Budget Act," by Sen. Bob Menendez (D-NJ).

These two bills would direct the Congressional Budget Office (CBO) and the Office of Management and Budget (OMB), respectively, to provide reports to Congress on spending levels related to annual appropriations bills and the President's budget with respect to spending on children.

The status quo of shortchanging our children is unacceptable. It leaves children worse off in both the short- and long-term. We can and must do better by our children, who are the future of our country.

Implementing A Roadmap to Reducing Child Poverty

FIRST FOCUS
CAMPAIGN FOR CHILDREN

The National Academies of Sciences, Engineering and Medicine (NASEM) recently released a landmark study, ***A Roadmap to Reducing Child Poverty***,[1] which confirms that child poverty is a solvable problem when there is the political will to address it. Written by a committee of the nation's leading experts on child poverty, this study puts forward an evidence-based policy agenda that, if prioritized and implemented by our nation's lawmakers, would cut our child poverty rate in half within a decade.

In 2015, First Focus Campaign for Children worked with the offices of Congresswomen Lucille Roybal-Allard (D-CA) and Barbara Lee (D-CA) to secure funding for this study in the 2016[2] and 2017[3] federal spending bills. Congress directed the National Academies to analyze child poverty in America, including its negative developmental outcomes and economic consequences, along with the effectiveness of current domestic and international efforts to reduce child poverty. They tasked the study committee to use that analysis to model a set of policies and program changes to cut our child poverty rate in half within a decade.

First Focus Campaign for Children put together this analysis of the nearly 600-page study to a) highlight the findings and policy options that we find most compelling, b) provide commentary on how its policy and program options line up with current legislative efforts and c) add contextual factors to consider for effective implementation of these policy options.

Child poverty is a solvable problem when there is political will to address it.

The study's overwhelming conclusion is that it is feasible to cut our national child poverty rate in half within a decade. Prioritizing child poverty and setting targets to reduce it has yielded progress in other countries. The United Kingdom cut its national child poverty rate in half between 1999 and 2009 and Canada, which introduced an expanded child allowance in 2016, has already reduced poverty by one-third in just two years. The country is on track to cut its child poverty rate in half in less than a decade.[4]

The United States has also made progress in the past. The U.S. reduced child poverty from 27.9 percent to 15.6 percent between 1967 and 2016, a total of 12.3 percentage points. But decreases in the share of federal spending on children have significantly slowed this progress in the last decade.[5]

While the study committee finds that no single policy or program change on its own can cut our national child poverty rate in

1 National Academies of Sciences, Engineering, and Medicine 2019. *A Roadmap to Reducing Child Poverty*, The National Academies Press, 2019, https://doi.org/10.17226/25246.

2 Public Law No. 114-113 https://www.congress.gov/bill/114th-congress/house-bill/2029/.

3 Public Law No. 115-31 https://www.congress.gov/bill/115th-congress/house-bill/244.

4 Stuart Thomson, "Big Decline in Poverty Rate Offers Good News to a Government that Desperately Needs Some" The National Post, February 26, 2019, https://nationalpost.com/news/politics/big-decline-in-poverty-rate-offers-good-news-to-a-government-that-desperately-needs-some.

5 Children's Budget 2018, First Focus, September 2018, https://firstfocus.org/wp-content/uploads/2018/09/FirstFocus_CB2018.pdf; Julia Isaacs, Cary Lou, Heather Hahn, Ashley Hong, Caleb Quakenbush, C. Eugene Steuerle, Kids Share 2018: Report on Federal Expenditures on Children through 2017 and Future Projections, Urban Institute, July 18, 2018, https://www.urban.org/research/publication/kids-share-2018-report-federal-expenditures-children-through-2017-and-future-projections.

half within a decade, it measured the capacity of four policy and program options to achieve this impact. It is important to note that the study uses an adjusted Supplemental Poverty Measure (SPM)[6] in its analysis, which finds that 9.6 million children (13 percent) were living in poverty in 2015 while 2.1 million children were living in deep poverty (2.9 percent).[7]

Policy and Program Packages

Work-Oriented Package

- Increase the Earned Income Tax Credit (EITC) along the phase-in and flat portions, which increases the credit for the lowest-income working families and the maximum possible credit a family can receive.
- Convert the Child and Dependent Care Tax Credit (CDCTC) to a fully refundable tax credit and concentrate its benefits on families with children who have the lowest incomes.
- Increase the federal minimum wage to $10.25 per hour by 2020 and index it to inflation.
- Make all male heads of families with children and incomes below 200 percent of the poverty line eligible for WorkAdvance programing, with training slots available for 30 percent of eligible men.

Work-Based and Universal Support Package

- Increase the EITC along the phase-in and flat portions, which increases the credit for the lowest-income working families and the maximum possible credit a family can receive.
- Convert the CDCTC to a fully refundable tax credit and concentrate its benefits on families with children who have the lowest incomes.
- Replace the Child Tax Credit (CTC) with a monthly child allowance of $166 per month ($2,000 per year) per citizen child.

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6 The NASEM study committee uses an adjusted SPM to come up with their poverty reduction estimates. The U.S. Census Bureau calculates the SPM as an alternate measure to the Official Poverty Measure using income threshold based on the cost of food, clothing, shelter and utilities, plus a small amount of other needs and adjusts this for family size and geographic differences in housing costs. The Census then considers cash income (including child support), non-cash benefits, minus taxes (or plus tax credits) work expenses, out-of-pocket medical expenses, and child support paid to another household. (Liana Fox, The Supplemental Poverty Measure: 2017, U.S. Census Bureau, 2018, p. 2, https://www.census.gov/content/dam/Census/library/publications/2018/demo/p60-265.pdf). The NASEM study committee then further adjusts the SPM to account for underreporting of income from benefit programs and as a result, finds that that 13 million children (9.6 percent) were living in poverty in 2015.

7 A child is living in deep poverty if he or she is living in a household that earns 50 percent or less of the federal poverty line.

Means-Tested Supports and Work Package

- Increase the EITC along the phase-in and flat portions which increases the credit for the lowest-income working families and the maximum possible credit a family can receive..
- Convert the CDCTC to a fully refundable tax credit and concentrate its benefits on families with children who have the lowest incomes.
- Increase the Supplemental Nutrition Assistance Program (SNAP) by 35 percent, including an increase of $360 per teenager per year and $180 per child for Summer Electronic Benefits Program (EBT).
- Expand the supply of Section 8 Housing Choice Vouchers to supply affordable housing for 70 percent of eligible families.

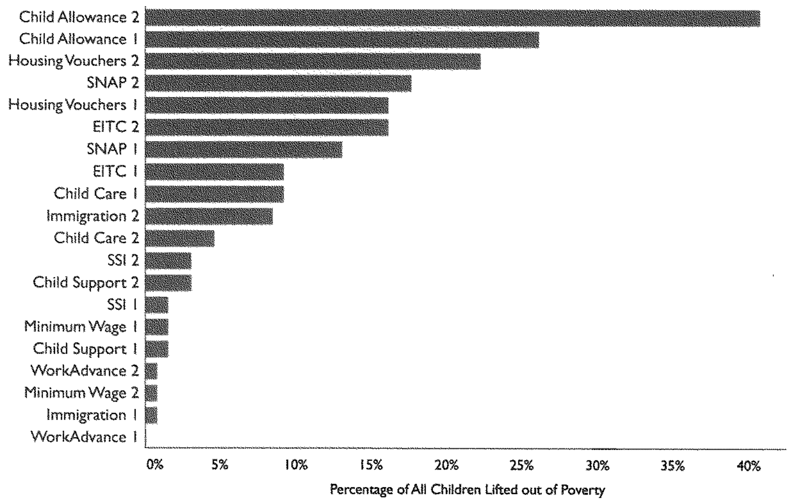
Universal Supports and Work Package

- Increase the EITC by 40 percent.
- Convert the CDCTC to a fully refundable tax credit and concentrate its benefits on families with children who have the lowest incomes.
- Replace the CTC with a monthly child allowance of $225 per month ($2,700 per year) per citizen child.
- Establish a new child support assurance program that provides a minimum payment of $100 per month per child in households with child support orders.
- Increase the federal minimum wage to $10.25 per hour by 2020 and index it to inflation.
- Restore program eligibility for non-qualified legal immigrants (both parents and children) for Medicaid, SNAP, Temporary Assistance for Needy Families (TANF) program, Supplemental Security Income (SSI), and other means-tested benefits.

The study committee finds that if the government were to prioritize and implement the last two policy packages, either could cut our child poverty rate in half within a decade. The Means-Tested Supports and Work Package would reduce child poverty by an estimated 50.7 percent and deep child poverty by 51.7 percent. The Universal Supports and Work Package would reduce child poverty by 52.3 percent and deep child poverty by 55.1 percent.[8]

8 Ibid 1. Page 11.

WHICH POLICY CHANGES WOULD MOST REDUCE POVERTY FOR **ALL CHILDREN?**



Data: National Academies of Sciences, Engineering and Medicine, *A RoadMap to Reducing Child Poverty (2019)*, Appendix D, Table 5-4: Baseline and Post-Program Poverty Rates by Demographic Group. See www.nap.edu/25246. The baseline supplemental poverty rate for all children in the US is 13%.

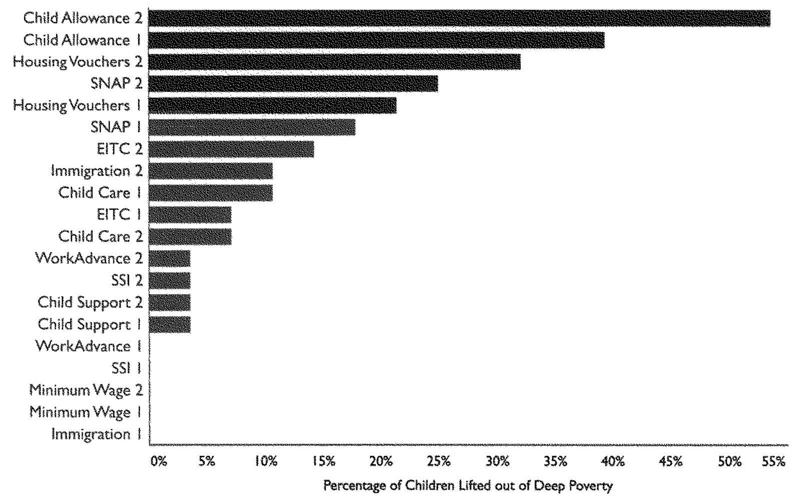
In addition to halving child poverty, these two packages make smart economic sense and have positive impacts on employment and earnings. While the study finds that child poverty costs our country between $800 billion and $1 trillion a year, implementing either of these packages would cost less than $120 billion a year.[9] Both packages would also result in a net increase in employment and earnings for those families that the policy changes affect.[10]

While no single policy would cut overall child poverty in half within ten years, the study committee finds that a monthly $250 child allowance per child would cut deep child poverty in half within a decade. In addition, a minimum child support payment of $100 a month for eligible households combined with a $250 per month child allowance would essentially erase deep child poverty in the United States.[11]

This finding is significant because young children disproportionately experience deep poverty, which has severe negative consequences for their healthy development and long-term outcomes. Yet despite their vulnerability, children living in deep child poverty often lack access to assistance. Many benefit programs are contingent on a household having some income, yet families in deep poverty have little to no earnings due to barriers such as disability, substance abuse, mental health or other complex and persistent issues that prevent them from working full time or at all.

9 Ibid 1. Pages 14, 176-177.
10 Ibid 1. Page 180.
11 Ibid 1. Page 169

WHICH POLICY CHANGES WOULD MOST REDUCE **DEEP CHILD POVERTY?**



Data: National Academies of Sciences, Engineering and Medicine, *A RoadMap to Reducing Child Poverty (2019)*, Appendix D, Table 5-7: Values for Table 5-2. See www.nap.edu/25246. Children are considered to live in deep poverty if their family income is less than 50% of the federal poverty line. The baseline supplemental deep child poverty rate is 2.9%.

The study cites research confirming that the negative outcomes associated with child poverty directly result from a lack of income.[12] Boosting family income allows parents and guardians to provide resources for their children such as nutritious food, stable housing and educational supports that improve children's healthy development. Increased income also relieves parental stress, giving parents increased time and mental energy for their children.

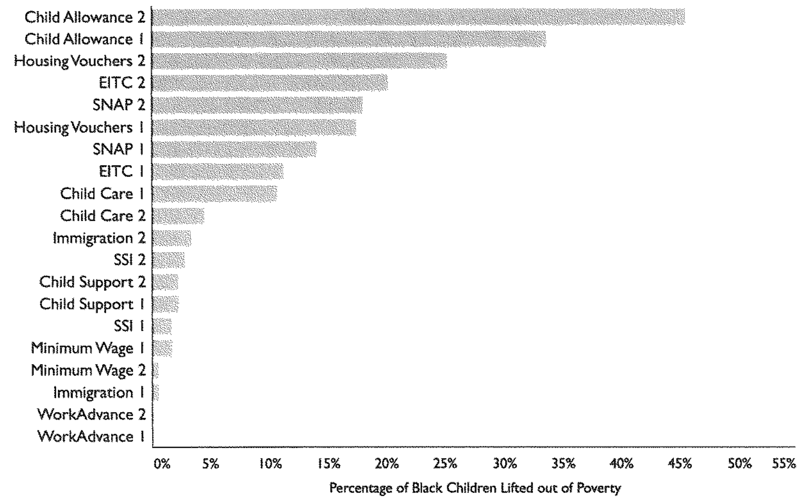
More resources in a household in the short-term also improves children's outcomes for the long-term. Studies show that children in households that received an increase in income through programs such as EITC[13] or SNAP[14] were healthier and earned more as adults, thereby breaking the cycle of generational poverty.

Impacts Across Demographic Subgroups

The study simulates the impact of policy and program changes across various demographic factors including race, family structure, immigrant status, maternal education level, parental employment and more. These simulations are valuable

12 Ibid 1, pages 69-82.
13 Raj Chetty, John N. Friedman, and Jonah Rockoff, "New Evidence on the Long-Term Impacts of Tax Credits," November 2011, https://www.irs.gov/pub/irs-soi/11rp-chettyfriedmanrockoff.pdf.
14 Hilary W. Hoynes, Diane Whitmore Schanzenbach and Douglas Almond, "Long Run Impacts of Childhood Access to the Safety Net," National Bureau of Economic Research, November 2012, https://www.nber.org/papers/w18535.

WHICH POLICY CHANGES WOULD MOST REDUCE POVERTY **FOR BLACK CHILDREN?**



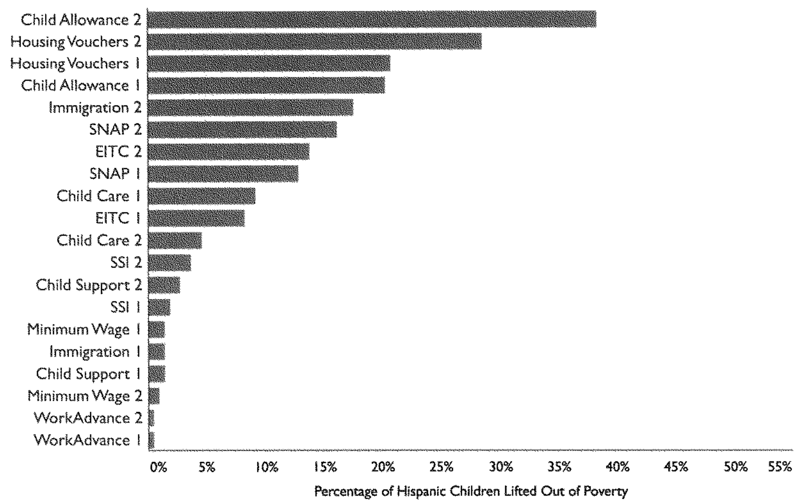
Data: National Academies of Sciences, Engineering and Medicine, *A RoadMap to Reducing Child Poverty (2019)*, Appendix D, Table 5-4: Baseline and Post-Program Poverty Rates by Demographic Group. See www.nap.edu/25246. The baseline supplemental poverty rate for Black children is 17.8%.

because estimates in the study show that, overall, the poverty rates for Black (17.8 percent) and Hispanic (21.7 percent) children are more than double those of non-Hispanic White (7.9 percent) children.[15]

Many of the policy and program changes are found to create a disproportionately large decrease in Black child poverty. Hispanic children would not benefit as substantially, [16] but certain policies, such as implementing a child allowance and eliminating barriers to benefits for immigrant families, would disproportionately benefit both Hispanic children and the children of immigrants.

15 Ibid 1. Page 40.
16 Ibid 1. Page 16.

WHICH POLICY CHANGES WOULD MOST REDUCE POVERTY **FOR HISPANIC CHILDREN?**



Data: National Academies of Sciences, Engineering and Medicine, *A RoadMap to Reducing Child Poverty (2019)*, Appendix D, Table 5-4: Baseline and Post-Program Poverty Rates by Demographic Group. See www.nap.edu/25246. The baseline supplemental poverty rate for Hispanic children is 21.7%.

Note that the study does not provide poverty-reducing estimates for children in communities with some of the highest rates of child poverty, including American Indians and Alaska Natives, Asian and Pacific Islanders and children in Puerto Rico and the other territories.[17] While we understand that the committee faced barriers in its ability to analyze the impact of the policy options for children in these communities due to sample size and the limitations of the SPM, we believe strongly that any strategy to cut our national child poverty rate must include all children living in poverty. We urge Congress to support increased data collection and analysis of the impact of anti-poverty programs for children living in these communities.

Persistent Poverty

Many poor children live in counties defined as "persistently poor," meaning that the child poverty rate has been above 20 percent for over 30 years. [18] These children are likely to be living in households and communities with characteristics such as racial and income segregation, lower quality schools, and lack of infrastructure which perpetuate intergenerational poverty.[19] These characteristics compound the effects of poverty for children and families and make it much harder for them to escape poverty.

17 Note that children and families living in Puerto Rico and the other territories are not included in SPM and therefore are included in population baseline used in this study.
18 Ibid 1. Page 313.
19 Ibid 1. Pages 223-224.

In 2015, 10 million children (13.9 percent) lived in counties with persistently high rates of child poverty.[20] Out of 3,141 counties in the United States, 708 are persistently poor and 1,858 had a child poverty rate above 20 percent. The majority of children living in persistently poor counties live in the South and Northeast – together, these two regions make up 81 percent of the 10.2 million children living in persistently poor counties.[21]

There are large racial and ethnic disparities for children living in persistently poor counties. While slightly more White children live in persistently poor counties, the rate of Black, Hispanic and American Indian and Native Alaskan children living in these counties is much higher. American Indian and Native Alaskan children experience the highest rates of living in persistent poverty,[22] and live within a geographically concentrated area. In fact, 60 percent of the Native American children living in persistently poor counties live in just four states: Arizona, New Mexico, North Carolina and Oklahoma.[23] Black children also experience high rates of persistent poverty and are concentrated in the South and Northeast, while 70 percent of Hispanic children living in persistently poor counties reside in California, New York and Texas. In 10 states and the District of Columbia, more than a quarter of children live in persistently poor counties.[24]

In order for the policy changes modeled in this study to be fully effective and reduce child poverty in the long-term, their implementation must account for the barriers associated with persistent poverty. For example, an increase in the supply of Housing Choice Vouchers must also include anti-discrimination protections so that families of color are able to use them across neighborhoods and communities.

In addition, we need policies beyond the ones modeled in this study to address intergenerational poverty. Such policies might include establishing child savings accounts and asset-building programs that reduce the racial wealth gap; greater investment in public education and equity in per-pupil spending; making high-quality early learning available to all children; increased development of public transportation; improving access to nutritious food by opening grocery stores or affordable farmer's markets and more.

Establishing a national child poverty reduction target offers a mechanism for advocates to hold lawmakers accountable.

Issue-Specific Policy Analysis

Establish a National Child Poverty Target

The study confirms that child poverty can be solved. What we need is the political will to do it. Establishing a national child poverty target — to cut our child poverty rate in half within a decade and eliminate child poverty within 20 years — offers the first step to building that political will and accountability.

The study details several examples from abroad that demonstrate the effectiveness of child poverty targets. In 1999, British Prime Minister Tony Blair declared these exact goals — to cut child poverty in half within a decade and eliminate it within 20 years — as a national target. This child poverty target and the resulting policy changes successfully cut the UK's absolute child poverty rate by 50 percent during

20 Ibid 1. Page 313. The study defines persistently poor counties as those with a child poverty rate that has been above 20 percent through the 1980, 1990 and 2000 decennial censuses as well as through the American Community Survey's 5-year estimates for 2007-2011.
21 Ibid 1. Page 319.
22 Ibid 1 Page 315
23 Ibid 1. Page 320.
24 Ibid 1. Page 319

the effort's first decade.[25] The UK successfully raised incomes, promoted work, and improved child well-being while U.S. progress in these areas stagnated. Canada has also made significant progress toward its goal of cutting overall poverty in half by 2030 with the 2016 creation of a new child benefit that has increased incomes for families with children.[26]

In the United States, The Child Poverty Reduction Act (S. 1630/H.R. 3381), led by Sens. Bob Casey (D-PA), Tammy Baldwin (D-WI) and Sherrod Brown (D-OH), and Reps. Danny Davis (D-IL), Barbara Lee (D-CA), Lucille Roybal-Allard (D-CA) and Gerry Connolly (D-VA), would establish a national child poverty target to cut our rate in half within a decade and eliminate it within 20 years. Creating a target offers a mechanism for advocates to hold lawmakers accountable to meeting these goals, partly by requiring the federal government to issue annual reports documenting progress toward meeting the target.

U.S. states and cities have already created momentum toward establishing a national target. California has a statewide task force and campaign to end child poverty.[27] Maine businesses and organizations have formed an action plan to cut child poverty in half.[28] In Wisconsin, a grassroots campaign is working to join children's advocates and the faith community to create a state child poverty target.[29] The city of Cincinnati has set a goal to lift 10,000 children and 5,000 families out of poverty within five years,[30] and Dallas recently established a Child Poverty Action Lab to cut child poverty in half within a generation.[31]

Building on these efforts, the U.S. Child Poverty Action Group, led by First Focus on Children, launched the End Child Poverty US campaign,[32] with the goal to establish a national target to cut child poverty in half within a decade and eliminate it within 20 years.

A $3,000 per year child allowance would yield the largest reduction in child poverty: 5.3 percentage points over 10 years.

Reform the Tax Code to More Effectively Reduce Child Poverty

A Roadmap to Reducing Child Poverty proposes using the tax code and a child allowance program to successfully tackle child poverty and reduce deep child poverty in ten years. Taken together, the tax proposals offered in the study would also improve the academic, financial and health outcomes of children in poverty.

All four of the policy packages simulated in the study would modify the tax code. Without such policy changes, we cannot meet the child poverty reduction goals. The study highlights the success of the EITC and the refundable portion of the CTC in helping alleviate child poverty. Eliminating these tax credits, the committee notes, would increase child poverty by 5.9 percentage points from 13 percent to 18.9 percent.[33]

Notably, the study recognizes that a $3,000 per child per year child allowance, operating as an extension of the child tax credit, would yield the largest reduction in child poverty: 5.3 percentage points over ten years. Such an allowance also would prove the single most effective policy for reducing deep child poverty.[34] A $2,000 per

25 Branosky, Natalie and Mansour, Jane. "A Look Back at the UK Child Poverty Target: Transferable Themes for the U.S.," First Focus, page 7, April 2015, https://firstfocus.org/resources/report/a-look-back-at-the-uk-child-poverty-target-transferable-themes-for-the-united-states.
26 Government of Canada, "Canada's first poverty reduction target met three years ahead of schedule," Statement, February 26, 2019, https://www.canada.ca/en/employment-social-development/news/2019/02/canadas-first-poverty-reduction-target-met-three-years-ahead-of-schedule.html.
27 End Child Poverty California, "The End Child Poverty Plan," last accessed April 3, 2019, http://www.endchildpovertyca.org/#theplan.
28 Taylor Cairns, "New Initiative aims to end child poverty in Maine," WGME, December 12, 2018, https://wgme.com/news/local/maine-organizations-hope-to-reduce-childhood-poverty.
29 "End Child Poverty Wisconsin," www.endchildpovertywi.org, last visited April 2, 2019.
30 "Child Poverty Collaborative, http://www.childpovertycollaborative.org/, last visited April 2, 2019.
31 "Child Poverty Action Lab," https://childpovertyactionlab.org/, last visited April 2, 2019.
32 End Child Poverty US, www.endchildpovertyus.org, last visited May 8, 2019.
33 Ibid 1. Page 5.
34 Ibid 1. Page 8.

child per year child allowance would reduce child poverty by 3.4 percentage points over ten years.[35] The monthly child allowance implemented in many other industrialized nations, such as Canada, Australia and nearly every European country, proves the success of cash-transfer programs to low-income families.[36]

Many children live in households where the parents, although working, are unable to maintain steady employment and experience unstable incomes. Families with volatile incomes can fall outside the earnings-based eligibility requirements for the current EITC and CTC. A child allowance that complements the work-based tax credits would allow these families to meet the immediate, basic needs of their children, such as food, clothing, school supplies and medicine.[37] A study of the impact that the UK's child allowance had on spending patterns confirms that parents prioritize necessities with the extra income, disproportionately spending it on clothing, footwear, and fruits and vegetables for their children, as well as on items designed to promote child development such as toys, books and computers.[38]

In the U.S., The American Family Act of 2019 (S.690/H.R.1560), introduced by Sens. Michael Bennet (D-CO) and Sherrod Brown (D-OH), and Reps. Rosa DeLauro (D-CT) and Suzan DelBene (D-WA), would create a child allowance in the U.S. by significantly extending the current CTC to reach the families who need it most. The bill would increase the benefit substantially, make it fully refundable, establish a larger tax credit for young children, authorize advance payments on a monthly basis and adjust the benefit for inflation.

Importantly, this legislation would change the current annual payment schedule of the CTC to establish a healthy, steady and monthly payment designed to better meet the daily and emergency needs of families throughout the year. The study committee finds that programs that provide regular income support, whether through tax credits, cash or vouchers, may be more helpful to families if they provide adequate benefits at well-timed intervals.[39] Replacing an annual, lump sum tax refund with a monthly sum would enable low-income families to provide a more consistent level of support for their children. Such consistency creates a less stressful environment, which fosters the development of positive parent-child interactions improving child development outcomes.[40]

Combining significant changes to our tax code with a child allowance and other federal programs would drive down child poverty.

Focusing on the two policy packages that lead to a 50 percent reduction in child poverty within ten years, the study demonstrates that significant changes to our tax code, along with the initiation of a child allowance, would drive down child poverty when matched with additional federal programs. A primary policy change to the current tax code targets expansion of the EITC. The study pursues two options towards achieving this outcome:

1. Increase payments along the phase-in and flat portions of the EITC schedule;

2. Increase payments by 40 percent across the entire schedule, keeping the current range of the phase-out portion.

The first approach would increase the maximum credit for families with children, ensure that the lowest income families eligible for the credit would receive a larger

35 Ibid 1. Page 167.

36 Shafer, Luke H., Collyer, Sophie, Duncan, Greg, Edin, Kathryn, Garfinkel, Irwin, Harris, David, Smeeding, Timothy M, Waldfogel, Jane, Wimer, Christopher, Yoshikawa, Hirokazu. "A Universal Child Allowance: A Plan to Reduce Poverty and Income Instability among Children in the United States," The Russell Sage Foundation Journal of the Social Sciences, Vol 4, No.2, Anti-Poverty Policy Initiatives for the United States (February 2018), pp. 22-42. https://www.jstor.org/stable/10.7758/rsf.2018.4.2.02.

37 Ibid.

38 Gregg, Paul, Waldfogel, Jane and Washbrook, Elizabeth. "That's the Way the Money Goes: Expenditure patterns as Real Incomes Rise for the Poorest Families with Children," A More Equal Society, pages 251-277. Edited by Hills, John and Stewart, Kitty. The Policy Press, University of Bristol, UK, 2005.

39 Ibid 1. Page 215.

40 Ibid 1. Page 64.

benefit, and reduce child poverty by approximately 9.2 percent. The second option would result in a higher maximum credit for all eligible recipients and would reduce child poverty by approximately 16.2 percent over ten years.[41] The Working Families Tax Relief Act (S.1138), introduced by Sens. Sherrod Brown (D-OH), Michael Bennet (D-CO), Dick Durbin (D-IL) and Ron Wyden (D-OR), would boost the EITC by increasing the maximum credit and the phase-in rate, following policy options modeled in the study.

The study also simulates the conversion of the current non-refundable CDCTC to a fully refundable tax credit, concentrating its benefits on families with the lowest incomes and with children under the age of five as a way to support parents in the workforce. This adjustment would help reduce child poverty by 9.2 percent over ten years.[42] Several bills introduced in the 116th Congress would update the CDCTC and make it a refundable credit. The Promoting Affordable Childcare for Everyone Act of 2019 (PACE Act) (S.749/H.R.1696), reintroduced by Sens. Angus King (D-ME) and Richard Burr (R-NC) and Reps. Stephanie Murphy (D-FL) and Jason Smith (R-MO), and the Child and Dependent Care Tax Credit Enhancement Act of 2019 (S.391/H.R.1967), led by Sens. Bob Casey (D-PA) and Mazie Hirono (D-HI) and Rep. Danny Davis (D-IL), both would expand the credit, make it refundable and adjust it annually for inflation.

Both of the study's effective policy packages require improvements to the federal EITC and CDCTC to significantly reduce child poverty in the United States and meet the 50 percent child poverty reduction target over ten years. The NASEM roadmap concludes that "periodic increases in the generosity of the EITC program have improved children's educational and health outcomes."[43] For example, studies show that increased family income has positive effects on achievement both academically and financially, with higher test scores, higher graduation rates and higher earnings in adulthood.[44] Also, more generous EITC rates are associated with better health outcomes for both mothers and their children, including better infant health and maternal mental health.[45] The study also estimates that expanding the EITC and CDCTC will benefit the economy by increasing employment.[46]

The tax policy changes in the study would especially benefit children experiencing the highest poverty levels, including children of single parents and those in households with parents with a high school education. The country's legacy of structural racism and discrimination has made income instability and lack of savings more prevalent in Black and Hispanic families. Changes to tax policy therefore would disproportionately impact Black children in poverty, and Hispanic children to a lesser extent.

The study strongly signals to Congress that it should prioritize children when updating the tax code because it is an important tool for helping reduce child poverty and deep child poverty.

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41 Ibid 1. Page 426.
42 Ibid.
43 Ibid 1. Page 15.
44 Ibid 1. Page 71.
45 Ibid.
46 Ibid 1. Page 179.

Impact of Programs on Child Poverty and Well-Being

Beyond the tax code, the NASEM study also highlights a number of programs that can contribute to cutting child poverty and improving child well-being.

Increase SNAP benefits

With 20 million children relying on the program in 2016, the Supplemental Nutrition Assistance Program (SNAP) is the nation's largest federal food assistance program serving children and acts as the first line of defense against food insecurity among children.[47]

In addition to fighting hunger, SNAP significantly reduces child poverty and helps struggling families make ends meet. In 2017 alone, SNAP benefits lifted 1.5 million children out of poverty. The NASEM study notes that SNAP is "of central importance for reducing child poverty," as well as improving child health, food security, and nutrition.[48] The study calls SNAP "by far the single most important tax and transfer program for reducing deep poverty," and the committee's simulations indicate that eliminating SNAP would nearly double the rate of children living in deep poverty from 2.9 percent to 5.7 percent.[49] At the same time, the report acknowledges three major shortcomings in the program that limit its impact on child poverty:

In 2017 alone, SNAP benefits lifted 1.5 million children out of poverty. SNAP is the single most important tax and transfer program for reducing deep poverty.

- SNAP benefit amounts are often inadequate for participating families, 57 percent of whom report food insecurity and many of whom exhaust their benefits before the end of the month.

- SNAP benefits for children do not currently expand as they age, even though teenagers have nearly the same dietary requirements as adults.

- SNAP does not address summer hunger, when children lose access to school meals and suffer increased rates of food insecurity as a result.

The study finds that modifying SNAP benefits to address these gaps would substantially reduce the rate of child poverty and would also decrease the percentage of children experiencing deep poverty. The study estimates that increasing benefit allotments for teenagers, increasing SNAP benefits for school-aged children in the summer, and increasing overall benefits for households with children by at least 20 percent would reduce the child poverty rate by 1.7 percentage points. A more generous 30 percent increase in overall household benefits would reduce the child poverty rate by 2.3 percentage points. The reductions in deep child poverty would be 0.5 percentage points and 0.7 percentage points, respectively.

The study strengthens the rationale for several ongoing legislative efforts to improve SNAP benefits for children. Sen. Kirsten Gillibrand (D-NY) in the 115th Congress introduced the SNAP for Kids Act of 2018 (S. 2723), which would increase SNAP benefits by 27 percent per school-aged child in a household. Also in the 115th Congress, Sen. Patty Murray (D-WA) and Rep. Susan Davis (D-CA) introduced the Stop Child Summer Hunger Act of 2018 (S. 3268/H.R. 6516), which would expand the Summer Electronic Benefit Transfer pilot program to provide $150 in benefits for every child who qualifies for free and reduced-price lunches. In the 116th Congress, Rep. Alma Adams (D-NC) has introduced the Closing the Meal Gap Act of 2019 (H.R. 1368), which would increase SNAP benefits by a full 30 percent for all participants.

47 "Characteristics of USDA Supplemental Nutrition Assistance Program Households: Fiscal Year 2016 (Summary)," United States Department of Agriculture, November 2017, https://fns-prod.azureedge.net/sites/default/files/ops/Characteristics2016-Summary.pdf.
48 Ibid 1. Page 5-10.
49 Ibid 1. Page 4-20.

It is important to note that the study did not model certain other policies that would reduce child food insecurity, such as expanding access to free and reduced-price meals via the National School Lunch and School Breakfast programs, improving access to meal sites within the Summer Food Service Program, and improvements to the Special Supplemental Nutrition Program for Women, Infants, and Children.

Improve Access to Housing Assistance

Affordable housing remains one of the main barriers to economic stability for many families. Housing costs continue to increase in the United States, yet family income has not kept pace. One-third of U.S. children live in households with a high housing cost burden, meaning their household spends more than 30 percent of its monthly income on housing.[50]

One-third of U.S. children live in households that spend more than 30% of their income on housing.

Housing instability, which includes situations such as falling behind on rent and making multiple moves, is associated with an increased risk of poor child health, including hospitalizations, and of maternal depression.[51] Sustained housing instability can lead to homelessness, further destabilizing families and causing trauma that has severe negative implications for children's healthy development and educational attainment.

Yet due to the limited supply of housing vouchers and subsidized units, only 25 percent of households eligible for housing assistance receive it.[52] Families with children do not receive priority and therefore make up a decreasing share of federal housing assistance beneficiaries[53] even though the majority of households on the waiting list for housing assistance (60 percent) are families with children.[54]

Research shows that housing assistance lifts children out of poverty: the U.S. Census Bureau reported that in 2017, housing subsidies lifted nearly one million children out of poverty. Assistance helps families with the cost of rent and frees up money for them to spend on other basic needs, thereby improving their financial stability and supporting healthy child development. Vouchers can also improve a child's chances for economic mobility. One study finds that children in households receiving vouchers have higher adult earnings and a lower chance of incarceration.[55]

The study committee examined two options for expanding access to affordable housing for families with children through the Housing Choice Voucher Program. The first would increase the number of vouchers directed to families with children so that 50 percent of eligible families not currently receiving subsidized housing would use them; the second would increase that number to 70 percent of eligible families.

These changes are modeled on findings that the take-up rate for families who receive vouchers maxes out at 70 percent.[56]

50 "Children Living in Households with a High Housing Cost Burden," Annie E. Casey Foundation Kids Count Data Center, Population Reference Bureau, analysis of data from the U.S. Census Bureau, 2005 through 2016 American Community Survey, last visited March 22, 2019, https://datacenter.kidscount.org/data/tables/7244-children-living-in-households-with-a-high-housing-cost-burden#detailed/1/any/false/870,573,869,36,868,867,133,38,35,18/any/14287,14288.

51 Megan Sandel, Richard Sheward, Stephanie Ettinger de Cuba, Sharon M. Coleman, Deborah A. Frank, Mariana Chilton, Maureen Black, Timothy Heeren, Justin Pasquariello, Patrick Casey, Eduardo Ochoa, and Diana Cutts, "Unstable Housing and Caregiver and Child Health in Renter Families," Pediatrics, published online January 2018, https://pediatrics.aappublications.org/content/141/2/e20172199.

52 "Federal Housing Assistance for Low-Income Households," U.S. Congressional Budget Office, September 2015, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50782-lowincomehousing-onecolumn.pdf.

53 G. Thomas Kingsley, "Trends in Housing Problems and Federal Housing Assistance," Urban Institute, October 2017, https://www.urban.org/sites/default/files/publication/94146/trends-in-housing-problems-and-federal-housing-assistance.pdf.

54 "The Long Wait for a Home," National Low Income Housing Coalition, Housing Spotlight 6. no. 1, (Fall 2016), https://nlihc.org/sites/default/files/HousingSpotlight_6-1_int.pdf.

55 Fredrik Andersson, John C. Haltiwanger, Mark J. Kutzbach, Giordiano E. Palloni, Henry O. Pollakowski, and Daniel H. Weinberg, "Childhood Housing and Adult Earnings: A Between Siblings Analysis of Housing Vouchers and Public Housing," NBER Working Paper No. 22721 National Bureau of Economic Research, 2016, http://www.nber.org/papers/w22721.

56 Meryl Finkel and Larry Buron, "Study on Section 8 Voucher Success Rates," Volume I, U.S. Department of Housing and Urban Development Office of Policy Development and Research, November 2001, https://www.huduser.gov/publications/pdf/sec8success.pdf.

The first policy option would reduce overall child poverty by 2 percentage points and deep child poverty by 0.6 percentage points. The second option would reduce overall child poverty by 3 percentage points and deep child poverty by 0.8 percentage points. Both options would have a disproportionately high impact on reducing poverty among Black and Hispanic children, as well as children in households where a mother is under 25 and/or lacks a high school degree. [57] However, due to limitations on eligibility for immigrant families, these changes would have a very low impact on non-citizen children and citizen children living with an undocumented parent.

Increasing access to vouchers has the clear potential to disproportionately reduce child poverty for children of color, but expansion of vouchers must coincide with legal protections that ensure that families with children are actually able to use them. The United States continues to have high levels of racial and ethnic residential segregation due to discriminatory practices that keep families of color living in areas of concentrated poverty with lower performing schools. For example, research documents that landlords show fewer units to households of color than to White families.[58] Therefore, we must enforce and strengthen federal fair housing protections to prevent practices that limit households of color from accessing housing even when they can afford it.

Expansion of vouchers must also include source-of-income protections that prohibit landlords from turning families away because they are using a voucher.[59] Currently, 15 states and the District of Columbia as well as more than 80 cities and counties have laws in place to protect tenants against source-of-income discrimination.[60] Several recent proposals from 2020 presidential candidates offer steps to strengthen anti-discrimination protections for various forms of housing, including source of income.[61]

Families receiving vouchers and other forms of housing assistance must also have access to civil legal services and eviction prevention programs. Nearly 30 percent of households living in a rented home have experienced a related civil legal problem in the past year, such as the threat of eviction.[62] Families with children are evicted at much higher rates, and children who experience eviction often face high rates of mobility and unstable living environments that have negative consequences for their education, physical health, mental health and interpersonal relationships.[63]

Families receiving housing assistance must also have access to civil legal services and eviction prevention programs.

Civil legal services and eviction prevention programs help keep children and families in their homes, yet most low-income families lack access to these services. The Legal Services Corporation (LSC) provides grants to civil legal aid organizations, but funding remains limited and the LSC continues to be under threat from the current Administration. The Equal Opportunity for Residential Representation Act of 2017 (H.R. 1146 in the 115th Congress), led by former Rep. Keith Ellison (D-MN), would

57 Ibid 1. Page 153.

58 Margery Austin Turner, Diane K. Levy, Doug Wissoker, Claudia L. Aranda, Rob Pitingolo, Rob Santos, "Housing Discrimination Against Racial and Ethnic Minorities 2012," Urban Institute prepared for the U.S. Department of Housing and Urban Development Office of Policy Development and Research , 2013, https://www.huduser.gov/portal/publications/fairhsg/hsg_discrimination_2012.html.

59 Source of Income Discrimination," National Housing Law Project, 17, November 2017, https://www.nhlp.org/resources/source-of-income-discrimination-2/.

60 "Expanding Choice: Practical Strategies for Building a Successful Housing Mobility Program, Appendix B: State, Local and Federal Laws Barring Source-of-Income Discrimination" Poverty & Race Research Action Council, January 2019, https://www.prrac.org/pdf/AppendixB.pdf.

61 "Warren and Colleagues Reintroduce Historic Legislation to Confront America's Housing Crisis, Office of Senator Elizabeth Warren, Press Release, March 13, 2019, https://www.warren.senate.gov/newsroom/press-releases/warren-and-colleagues-reintroduce-historic-legislation-to-confront-americas-housing-crisis; "Housing Opportunity, Mobility and Equity Act of 2018, S. 3342," Congress.gov, last visited April 16, 2019 https://www.congress.gov/bill/115th-congress/senate-bill/3342/text?q=%7B%22search%22%3A%5B%22S.+3342%22%5D%7D&r=1&s=1.

62 "The Justice Gap: Measuring the Unmet Civil Legal Needs of Low-Income Americans" Legal Services Corporation, 2017, https://www.lsc.gov/media-center/publications/2017-justice-gap-report.

63 Matthew Desmond, An Weihau, Richelle Winkler, and Thomas Ferriss, "Evicting Children," Social Forces 92, no. 1 (September 2013): 303–327, https://scholar.harvard.edu/files/mdesmond/files/social_forces-2013-desmond-303-27.pdf.

create a pilot program to provide grants to organizations that serve families facing eviction, landlord-tenant disputes, fair housing discrimination or other housing-related issues. These grants would require equitable distribution between urban and rural areas, with at least 20 percent guaranteed for rural areas.[64] First Focus Campaign for Children is working to see this legislation reintroduced in the 116th Congress.

Finally, in order for rental assistance to effectively reduce child poverty and improve outcomes, it should coordinate with other systems serving these children. We urge the 116th Congress to take up the Affordable Housing for Educational Achievement Demonstration (AHEAD) Act (S. 1949 in the 115th Congress), led by Sen. Patty Murray (D-WA), which would incentivize partnerships between housing authorities and school districts to keep families permanently housed and improve educational outcomes for children.[65]

It is important to note that the NASEM study did not model other policies that would increase access to affordable housing, such as renters tax credits[66] and increases to the National Housing Trust Fund.

Ensure Affordable, High-Quality Child Care for Working Families

The NASEM study repeatedly acknowledges the importance of access to child care, which severely impacts families' ability to work. It models a policy that would guarantee assistance from the Child Care and Development Fund (CCDF) for all eligible families with incomes below 150 percent of the poverty line. Currently, only about 17 percent of eligible children receive assistance.[67] Part of the CCDF is comprised of discretionary money, the Child Care and Development Block Grant (CCDBG), so not all individuals who qualify for CCDF assistance receive it. States also have discretion to set the eligibility threshold, and a number of them have put it below 150 percent of poverty. (The study assumes that states with higher thresholds would maintain them.) The proposal would help reduce childhood poverty by a significant 0.6 percentage points, and would also increase the labor force participation for families, especially for low-income mothers.

The study does not, however, address the impact of limited access to high-quality child care, which has both short- and long-term effects on young children and their families. First Focus Campaign for Children has supported numerous efforts to improve both access to and quality of child care. These include a push for increased funding through the appropriations process for the CCDBG. Legislation such as the Child Care for Working Families Act (S. 568/H.R. 1364) introduced by Rep. Bobby Scott (D-VA) and Sen. Patty Murray (D-WA) would ensure affordable, high-quality child care for working families and would increase provider rates to help ensure quality. We also support a national apprenticeship program to create a career pathway for early care workers.

Nearly one-in-four American children lives in a family with at least one immigrant parent.

Expand Benefit Eligibility for Immigrant Families

Children of immigrants are the fastest-growing group of American children, with nearly one-in-four children (18 million) living in a family with at least one immigrant parent. Ten percent of children live in mixed-status families where at least one member of the household is not a citizen. While the majority of children in these households are themselves citizens, the fact that at least one member of their household is not authorized to work or has limited or no eligibility for public assistance based on their immigration status means they have higher rates of poverty than children in U.S.-born families.[68]

64 Cara Baldari, "Equal Opportunity for Residential Representation Act of 2017 (H.R. 1146)," First Focus Campaign for Children, Fact Sheet, March 2017, https://campaignforchildren.org/resources/fact-sheet/equal-opportunity-for-residential-representation-act-of-2017-h-r-1146/

65 "The Affordable Housing for Educational Achievement Demonstration (AHEAD) Act S. 1949", First Focus Campaign for Children, February 2018, https://campaignforchildren.org/wp-content/uploads/sites/2/2018/09/AHEAD-ACT-Fact-Sheet-May-16.pdf.

66 Dylan Matthews, Cory Booker and Kamala Harris's affordable housing plans, explained, Feb 2, 2019, Vox, https://www.vox.com/future-perfect/2019/2/2/18205913/rent-kamala-harris-cory-booker-poverty.

67 Ibid 1, Page 217.

68 Ibid 1, Page 140.

As a result, the study committee puts forth two policy options for expanding access to benefits for immigrant children and families.[69] The first policy proposal would restore program eligibility for non-qualified legal immigrant parents and children for SNAP, TANF, Medicaid, SSI, and other means-tested federal programs. The second proposal would eliminate eligibility restrictions for all non-citizen parents and children in SNAP, TANF, Medicaid, SSI, and other means-tested federal programs.

The first policy would reverse provisions in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) that restrict program eligibility for both unauthorized and lawfully present immigrants and define the conditions under which some categories of immigrants may qualify to receive public benefits. Restricting eligibility in this way affects children who are eligible for anti-poverty programs, including U.S. citizen children, because program benefits may be calculated to exclude the non-eligible family member(s) and reduce the overall household benefit.

It is important to note that limits on the simulation of these provisions led the study to find that they would have a small impact on reducing child poverty. For instance, the simulations exclude Medicaid because, as previously noted, the program is not currently measured in the SPM. However, if we were to implement these policy options, thousands of uninsured immigrant children would potentially gain access to healthcare through Medicaid,[70] reducing child poverty for immigrant households by improving children's short- and long-term health outcomes and reducing out-of-pocket medical costs for families with children.

The study also does not model the effect of expanding eligibility for family tax credits to immigrant families with children. Currently, only members of a household with Social Security numbers (SSNs) are eligible for the EITC.[71] In addition, the Tax Cuts and Jobs Act of 2017 eliminated access to the CTC to children with Individual Taxpayer Identification Numbers (ITINs), limiting the credit to children with SSNs. As a result, an estimated one million children are now denied access to the credit.[72]

Despite the overall limited impact of these provisions in reducing overall child poverty, the study documents that these changes would have a disproportionately large impact on reducing poverty for Hispanic children and children of immigrants.[73] Child poverty rates among Hispanic children are 22 percent higher than rates for non-Hispanic White children. One-quarter of children live in immigrant households, and poverty rates for children in immigrant families are 21 percent higher than their non-immigrant counterparts. Expanding their eligibility for public benefits is important both for reducing poverty and promoting social inclusion and equity for Hispanic and immigrant children

While the study references the current Administration's recently proposed "public charge" rule, it does not model its potential chilling effect on the take-up rate of immigrants accessing public benefits. This proposed rule, issued for public comment on October 10, 2018, would expand who may be deemed a public charge (i.e., burden on the public coffers) in consideration of an application for lawful permanent resident status and/or lawful admission to the United States. Government officials would now consider an applicant's use of benefits beyond the existing standards of cash assistance and long-term medical care to include Medicaid, SNAP and housing assistance, such as Section 8 Housing Choice Vouchers, Section 8 Project Based Rental Assistance and Public Housing.[74] While the rule has not been finalized, the threat of the rule

69 Ibid 1. Page 416.

70 "Health Insurance Coverage of Children 0-18, The Henry J. Kaiser Family Foundation, 2017, https://www.kff.org/other/state-indicator/children-0-18/?dataView=1&currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D; "Health Coverage for Immigrant Children," National Immigration Law Center, January 2018, https://www.nilc.org/issues/health-care/healthcoveragemaps/.

71 Social Security Number and Claiming EITC, last visited April 16, 2019, https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/social-security-number-and-claiming-eitc

72 "A Tragic and Harmful Tax Bill – Whose Price Children Will Bear," First Focus Campaign for Children, Press Statement, December 2, 2017, https://campaignforchildren.org/news/press-release/a-tragic-and-harmful-tax-bill-whose-price-children-will-bear/; Jacob Leibenluft, "Tax Bill Ends Child Tax Credit for About 1 Million Children," Center on Budget and Policy Priorities, December 18, 2018, https://www.cbpp.org/blog/tax-bill-ends-child-tax-credit-for-about-1-million-children.

73 Ibid 1, p. 153.

74 Inadmissibility on public charge grounds, 83 Fed. Reg. 51114 (proposed October 10, 2018) (to be codified at 8 CFR Parts 103, 212, 213, 214, 245 and 248) https://www.federalregister.gov/documents/2018/10/10/2018-21106/inadmissibility-on-public-charge-grounds; "The Public Charge Rule Harms Children," First Focus, Fact Sheet, October 10, 2018, https://firstfocus.org/resources/fact-sheet/fact-sheet-the-public-charge-rule-harms-children.

is already having a significant chilling effect on immigrant families accessing these benefits.[75] A recent study from the Urban Institute shows that one-in-six adults in immigrant families with children avoided using public benefit programs in 2018 due to concerns about future green card status.[76]

Raise the Federal Minimum Wage

The majority of low-income households with children have at least one parent who works, but the combination of low wages, skyrocketing rents and the high cost of everyday goods, means parents still struggle to make ends meet.[77]

The federal minimum wage has not increased since 2007 and remains at $7.25 an hour. The policy options simulated in the study would raise the minimum wage to $10.25 over the next three years and index it to inflation after that. However, the second policy option includes an alternative route of raising the minimum wage to the 10th percentile of each state's hourly wage distribution or to $10.25 an hour, whichever is lower.

Research suggests that increasing the federal minimum wage reduces child poverty by boosting the income of low-skilled workers, many of whom live in households with children. Analysis from the Economic Policy Institute finds that 41 million workers would benefit from increasing the minimum wage to $15 an hour, and 28 percent of these workers have children. This increase would impact more than 11 million children.[78]

Note that the study simulates an increase up to $10.25, which is relatively small compared to current legislative efforts. The Raise the Wage Act (S.150/H.R.582), led by Sen. Bernie Sanders (I-VT) and Rep. Bobby Scott (D-VA), proposes raising the federal minimum wage to $15 an hour by 2024. In addition, several states and cities already have established minimum wages higher than $10.25 an hour.[79] The study committee also assumes separate tipped minimum wages for tipped workers.

The study committee finds that the biggest impact of raising the minimum wage would be for children in households living in near poverty, or at 150 percent of the SPM poverty line (about $35,000 for a family of four with two children). These are children whose parents work, but still live on the brink of poverty due to low wages. An increased minimum wage would provide these families with additional income that would help them remain above the poverty line and support their children's basic needs. But the biggest impact by far of any policy in the study would come from establishing a monthly $250 child allowance.[80]

An increased minimum wage would help families remain above the poverty line and would support their children's basic needs.

Of the four packages the committee considered, two included increasing the minimum wage (the Work-Oriented package and the Universal Supports and Work package). The Universal Supports and Work package is one of the two that successfully meets the 50 percent poverty reduction goals.

75 Alfred Lubano, "More Moms and Children Withdrawing From Nutrition Assistance Because of Deportation Fears, Administrators Say," Philadelphia Inquirer, March 20, 2019, https://www.philly.com/news/wic-trump-immigration-deportation-pregnant-women-infants-20190320.html.

76 Hamutal Bernstein, Dulce Gonzalez, Michael Karpman, and Stephen Zuckerman, "With Public Charge Rule Looming, One in Seven Adults in Immigrant Families Reported Avoiding Public Benefit Programs in 2018," Urban Institute, May 21, 2019, https://www.urban.org/urban-wire/public-charge-rule-looming-one-seven-adults-immigrant-families-reported-avoiding-public-benefit-programs-2018.

77 Heather Koball and Yang Jiang, "Basic Facts about Low-Income Children," National Center for Children in Poverty, January 2018, http://nccp.org/publications/pub_1194.html.

78 "Why America Needs a $15 Minimum Wage," Economic Policy Institute, Fact Sheet, February 5, 2019, https://www.epi.org/publication/why-america-needs-a-15-minimum-wage/.

79 "State Minimum Wages: 2019, National Council of State Legislatures, last updated January 7, 2019. http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx; "Inventory of US City and County Minimum Wage Ordinances," UC Berkeley Labor Center, last updated March 6, 2019. http://laborcenter.berkeley.edu/minimum-wage-living-wage-resources/inventory-of-us-city-and-county-minimum-wage-ordinances/

80 Ibid 1, p. 144.

Guarantee Minimum Child Support Payments

More than half of children in the United States will spend at least part of their childhood not living with two biological parents.[81] Children in single-parent households are more likely to live in poverty than children in two-parent households because there is only one potential earner.

Child support payments offer a critical source of income for single-parent families. For households living below the poverty line that receive child support, these payments account for more than half their income. In fact, child support payments lifted more than 500,000 children out of poverty in 2017.[82] Yet too many children living in poverty still fail to receive any child support payments — fewer than half of custodial parents who are owed child support receive full payments, and more than a quarter receive nothing.[83]

The Child Support Enforcement (CSE) Program was established in 1975 as a federal-state partnership to assist families in securing child support payments from non-custodial parents. The program provides many services for qualifying children and families, including the establishment and distribution of child support orders, paternity establishment and distribution of child support payments. In 2017, child support agencies collected $32.4 billion, with 96 percent of this money going directly to families.[84]

However, many custodial parents still fail to receive child support payments because non-custodial parents lack the income to comply with child support orders. Most child support owed in the United States is by non-custodial parents with very low or no reported income. The country's high rate of incarceration compounds this problem, creating a large population of non-custodial parents who cannot meet child support orders due to current incarceration or criminal records that prevent them from obtaining employment.

A federal child support assurance policy combined with a $250 monthly child allowance would virtually erase deep child poverty in the United States.

Non-custodial parents who are trying to comply with child support orders but face barriers to doing so may rack up large arrears, hurting their credit score and ability to obtain employment and housing. Recent changes to the CSE program attempt to address this issue by basing child support orders on non-custodial parents' actual earnings and halting the accumulation of arrears while a non-custodial parent is incarcerated.[85]

To address gaps in child support orders, the study committee models two options for a federal child support assurance policy that would guarantee custodial parents receive regular support:

1. Guarantee minimum child support of $100 per month per child

2. Guarantee minimum child support of $150 per month per child

A child support assurance policy is not a new idea. Sweden has a publicly financed minimum child support benefit that has successfully reduced the poverty and

81 Melissa Boteach and Shawn Fremstad "Valuing All Our Families," Center for American Progress, January 2015, https://cdn.americanprogress.org/wp-content/uploads/2015/01/FamilyStructure-report.pdf.

82 Liana Fox, The Supplemental Poverty Measure: 2017, U.S. Census Bureau, 2018, https://www.census.gov/content/dam/Census/library/publications/2018/demo/p60-265.pdf.

83 Timothy Grall, Custodial Mothers and Fathers and Their Child Support: 2015, U.S. Census Bureau, January 2018, https://www.census.gov/content/dam/Census/library/publications/2018/demo/P60-262.pdf.

84 "2017: Child Support: More Money for Families," Administration for Children and Families, Office of Child Support Enforcement, https://www.acf.hhs.gov/sites/default/files/programs/css/2017_infographic_national_updated_0821.pdf.

85 Flexibility, Efficiency and Modernization, 42 CFR Part 433, 2016, https://www.govinfo.gov/content/pkg/FR-2016-12-20/pdf/2016-29598.pdf.

insecurity of single mothers and their children.[86] Wisconsin also modeled a minimum child support benefit in the 1980s.[87] Only households where a child support order is in place would be eligible for these payments, with the amount designed to equal the difference between the monthly child support income that is legally obligated and the child support assurance guarantee. These payments, combined with a $250 per month child allowance, would virtually erase deep child poverty in the United States.[88]

Other Policies of Note

Medicaid

As previously noted, the study excludes Medicaid from the modeled policy options because it is not included in the SPM. Medicaid, however, does indeed benefit millions of families with children. A public health insurance program, Medicaid is operated as a partnership between the federal government and the states, providing health insurance coverage to very low-income children, people with disabilities, the elderly and some low-income adults who are uninsured.

Medicaid began as part of the Social Security Amendments of 1965 (P.L. 89-97), the same legislation that created Medicare. Prior to Medicaid's passage, health care services for children living in poverty were provided primarily through a patchwork of programs sponsored by state and local governments, charities and community hospitals. Medicaid provides health coverage with remarkable success to 74 million of our nation's most vulnerable citizens: primarily children in very low-income families, adults with significant disabilities and/or low incomes, and elderly individuals who are cared for in long-term care facilities.

Medicaid and the Children's Health Insurance Program (CHIP), which Congress created in 1997 for children who are not eligible for Medicaid but whose parents could not afford private insurance, have together reduced the uninsured rate for children to historic lows. Data shows that health insurance and access to health care through childhood lead to better education and employment outcomes and to better health status as adults. Program changes that limit access to coverage, such as parental work requirements and waiting periods for children, may reduce those positive outcomes as well as threaten family economic stability.

The study committee agreed on the significance of Medicaid in children's lives and its long-term results, concluding, "expansions of public health insurance for pregnant women, infants, and children have generated large improvements in child and adult health and in educational attainment, employment, and earnings."[89] Affordable health care due to Medicaid access also helps keep families out of deep poverty. In fact, without Medicaid, some families whose income keeps them above the poverty level would still be at risk of falling into deep poverty due to high out-of-pocket medical expenditures.[90]

First Focus Campaign for Children advocates for policies that would increase eligibility for Medicaid and CHIP and reduce family financial burden include: creating a system to insure all children continuously from birth through age five, and protecting Medicaid and CHIP from funding changes such as block grants and per capita caps.

Early Childhood Education and Parental Support Programs

The NASEM study also excludes from its modeling early childhood education programs such as Head Start and Pre-K, as well as early childhood parenting and support programs, such as home visiting. The committee finds that the long-term benefits of these programs fall outside of the scope of the 10-year window of child poverty reduction they were charged

86 Irwin Garfinkel and Lenna Nepomnyaschy, "Assuring Child Support: A Reassessment in Honor of Alfred Kahn," From Child Welfare to Child Well-Being, Springer, pp. 231-253, https://link.springer.com/chapter/10.1007%2F978-90-481-3377-2_14.
87 Philip K. Robins, Irwin Garfinkel, Pat Wong and Daniel R. Meyer, "The Wisconsin Child Support Assurance System Estimated Effects on Poverty, Labor Supply, Caseloads and Costs," Journal of Human Resources, Vol. 25, No. 1, December 1990, https://www.researchgate.net/publication/46552351_The_Wisconsin_Child_Support_Assurance_System_Estimated_Effects_on_Poverty_Labor_Supply_Caseloads_and_Costs.
88 Ibid 1. Page 169
89 Ibid 1. Page 15.
90 Ibid 1. Page 277.

with reviewing. However, research shows that high-quality early learning programs can have positive long-term impacts on participants' lives, including increases and improvements in employment, health, and cognitive and socio-emotional skills, in addition to reductions in criminal activity. Evidence also shows that the positive impacts of high-quality early learning programs can extend to the second generation, the children of the original participants, who demonstrated improved education, health and employment.[91]

The positive impacts of high-quality early learning programs can extend to the second generation.

First Focus Campaign for Children knows that these important programs are vital to improving the lives and well-being of kids in both the short- and long-term. We urge Congress to increase funding for these and other high-quality early childhood and parental support programs that produce positive health, educational and economic impacts for children and families.

Supplemental Security Income

The study does model two options for increasing child benefit levels in the SSI program:

1. Expanding the maximum child benefit from $733 to $977 (a one-third increase)

2. Expanding the benefit from $733 to $1,222 (a two-thirds increase).

However, the study committee does not include either of these increases in any of the four policy packages.

The SSI program pays benefits to adults and children with disabilities who have limited income and resources, with the goal of offsetting the financial burden associated with disabilities. Families caring for children with special health care needs are more prone to economic hardship. Consider that the average cost of caring for a child with disabilities ranges from $6,000 to $20,000 a year.[92] Families also forfeit income when a parent or caregiver must stay home to care for a child. SSI's monthly income supplement is intended to offset some of these costs and can support a family's ability to raise a child at home rather than in an institution.

The SSI program lifted nearly 500,000 children out of poverty in 2017. Yet benefit levels remain low compared with the significant out-of-pocket costs for families caring for a child with a disability. Since these benefit increases would target only a limited number of households, they have a relatively modest impact on reducing the overall child poverty rate. Yet for those affected families, it would mean an additional $250 to $500 a year, increasing their ability to cover medical costs and care for children with disabilities in their homes.

91 James Heckman, "Intergenerational and Intragenerational Externalities of the Perry Preschool Project," May 2019, https://hceconomics.uchicago.edu/research/working-paper/intergenerational-and-intragenerational-externalities-perry-preschool-project.

92 Shawn Fremstad and Rebecca Vallas, "Supplemental Security Income for Children with Disabilities," National Academy of Social Insurance, 40, November 2012, https://www.nasi.org/research/2012/supplemental-security-income-children-disabilities.

Mandatory Work Policies

The study analyzes mandatory work policies in benefit programs and finds that "evidence was insufficient to identify mandatory work policies that would reliably reduce child poverty." Perhaps even more significant, the committee determined "that work requirements are at least as likely to increase as to decrease poverty."[93]

Work requirements are at least as likely to increase as to decrease poverty.

The study findings confirm what we know to be true — mandatory work policies can lead to an increase in child poverty and have negative implications for child well-being. Data shows that in most low-income households with children, at least one family member is already working.[94] Therefore, these requirements often do nothing more than add an extra layer of bureaucracy by requiring families to document their existing employment. For example, almost 90 percent of SNAP households with children work in the year before or after receiving SNAP, and more than 60 percent work while receiving SNAP benefits.[95]

These employment documentation requirements are especially onerous for low-wage workers who often have no control of their schedules and are subject to volatile hours. This volatility combined with lack of affordable transportation and child care means these requirements deprive families of access to critical assistance. About 18,000 Medicaid recipients in Arkansas have already lost coverage[96] due to newly implemented work requirements in their state. Insufficient reporting practices, lack of information and other bureaucratic red tape have caused otherwise compliant recipients to lose their coverage. It is well-proven that when parents lose coverage, children's coverage drops, even when those kids remain eligible for Medicaid or CHIP.

Despite these findings, the current Administration, some Members of Congress and some Governors continue efforts to add work requirements to Medicaid or expand work requirements in SNAP. The federal government has approved, or is in the process of reviewing, Medicaid waivers in over 20 states that allow them to add work requirements, increase premiums and make other harmful changes to the program.[97]

In addition, a recent proposed rule from the U.S. Department of Agriculture would limit a state's ability to receive time-limit waivers from SNAP work requirements for individuals deemed Able-Bodied Adults Without Dependents, a change that would deny food assistance to more than 750,000 individuals. While not aimed at children, this rule would severely affect children who rely on support from non-custodial parents or extended family members, as well young adults aging out of foster care and unaccompanied homeless young adults who would be subject to these rules.[98]

93 Ibid 1. Page 12

94 Koball and Jiang, http://nccp.org/publications/pub_1194.html.

95 Dean, Stacy, Bolen, Ed, and Keith-Jennings, Brynne. "Making SNAP Work Requirements Harsher Will Not Improve Outcomes for Low-Income People." Center on Budget and Policy Priorities. 1 March 2018. https://www.cbpp.org/research/food-assistance/making-snap-work-requirements-harsher-will-not-improve-outcomes-for-low. Accessed April 2019.

96 Benjamin Hardy, "Over 18,000 lost coverage in 2018 due to Medicaid work rule, but only a fraction have reapplied," Arkansas Times, January 15, 2019, https://www.arktimes.com/ArkansasBlog/archives/2019/01/15/over-18000-lost-coverage-in-2018-due-to-medicaid-work-rule-but-only-fraction-have-reapplied.

97 "Waiver Strategy Center," Families USA, last visited May 7, 2019, https://familiesusa.org/state-waiver-resource-and-tracking-center.

98 Supplemental Nutrition Assistance Program: Requirements for Able-Bodied Adults Without Dependents, 84 Fed. Reg. 980 (proposed February 1, 2019) (to be codified at 7 CFR part 273); Rachel Merker, "How the Proposed SNAP Time-Limit Rule Will Hurt Children," Fact Sheet, First Focus, February 1, 2019, https://firstfocus.org/resources/fact-sheet/fact-sheet-how-the-proposed-snap-time-limit-rule-will-harm-children.

Temporary Assistance for Needy Families (TANF) program

The TANF program is currently the only federal program that provides cash assistance to families with very low incomes. Yet just under 25 percent of all poor families that are eligible for cash assistance receive it. In fact, states overwhelmingly use TANF funds for other important priorities that fall outside of the program's original intent of reducing child poverty and getting families back to work. In addition, due to its nature as a fixed block grant, TANF cannot effectively respond during times of increased need, and inflation has diminished its value by more than 30 percent since 1996. As a result, TANF continues to lose its impact on reducing child poverty.

Just under 25 percent of all poor families that are eligible for cash assistance currently receive it.

Due to the fact that so little of TANF spending currently goes to cash assistance and states vary so greatly in how they spend these funds, the study committee was not able to model the poverty-reducing impact of TANF policy changes.

TANF requires significant reforms in order to increase its effectiveness at reducing child poverty. These include:

- Adding child poverty reduction as an explicit goal of TANF and measuring state performance according to how many children are lifted out of poverty in all TANF caseloads;
- Increasing funding for the block grant, including indexing it to inflation and improving upon TANF's ability to respond during times of increased need;
- Holding states accountable for helping parents exit TANF with quality employment that provides their family with a wage sufficient for long-term household economic security;
- Allowing parents to meet work requirements by pursuing higher education, skills training or vocational education, while simultaneously providing them with guaranteed child care assistance, transportation assistance and other supports.

As of this writing, the TANF program is set to expire on June 30, 2019. First Focus Campaign for Children is working to ensure that Congress extends funding before the deadline so no child loses access to this support.

Paid Family and Medical Leave

The NASEM study does not model the poverty-reducing impact of a national paid family and medical leave program, but the study committee acknowledges the important role that paid family and medical leave play in reducing child poverty. In particular, the panel cites several studies demonstrating the positive effect that California's establishment of a paid family leave program has had on child health and parental employment, making it more likely that mothers would return to work after childbirth.[99]

The United States is currently the only country in the Organisation for Economic Co-Operation and Development that does not provide paid maternity leave nationwide. First Focus Campaign for Children urges Congress to pass the Family and Medical Insurance Leave (FAMILY) Act (S. 463/H.R. 1185), led by Rep. Rosa DeLauro (D-CT) and Sen. Kirsten Gillibrand (D-NY) which would provide up to 12 weeks of leave with partial income after the birth or adoption of a child, or to care for the serious health condition of a child, parent, spouse or domestic partner. Workers would earn 66 percent of their wages, and all workers in companies of all sizes would be eligible, including those who are part-time and self-employed.

It is critical that the United States establish a national paid family and medical leave program to spare millions of workers from making the impossible choice between staying home to care for a child and losing necessary income.

The United States is the only country in the Organisation for Economic Co-Operation and Development that does not provide paid maternity leave nationwide.

99 Charles L. Baum II and Christopher J. Ruhm, "The Effects of Paid Family Leave in California on Labor Market Outcomes, Journal of Policy Analysis and Management, February 2, 2016, https://onlinelibrary.wiley.com/doi/abs/10.1002/pam.21894; Maya Rossin-Slater, Christopher J. Ruhm and Jane Waldfogel, "The Effects of California's Paid Family Leave Program on Mothers' Leave-Taking and Subsequent Labor Market Outcomes," Journal of Policy Analysis and Management, December 17, 2012, https://onlinelibrary.wiley.com/doi/abs/10.1002/pam.21676; Ibid 1. Page 191-192.

Top Takeaways

In closing, here are some larger conclusions from the study to consider:

Child poverty costs the United States more than $1 trillion a year. Cutting child poverty would cost roughly one-tenth that amount.

- **Cutting our national child poverty in half within a decade is doable if there is the political will to act.** The study committee puts forth two packages of program and policy reforms that, if implemented and prioritized by Congress, would cut our child poverty rate in half within 10 years. The United States has made significant progress in reducing child poverty since the 1960s, but this progress has slowed in the last decade due to decreases in the share of federal spending on children.[100]

- **Other countries have made significant progress by setting national poverty targets.** Peer countries show us that progress is possible in the short-term. The United Kingdom cut its child poverty rate in half between 1999 and 2009[101] and Canada is on track to cut its child poverty rate in half in less than a decade after establishing an expanded child allowance in 2016.[102]

- **Money matters to reducing child poverty.** The United States spends less to support low-income families with children than peer countries, and by most measures, it has much higher rates of child poverty.

- **Reducing child poverty is extremely cost-effective.** Child poverty costs our country upwards of $1 trillion a year due to reduced economic activity and output. By comparison, cutting our child poverty rate in half within a decade would cost less than $110 billion a year.

- **Investments in reducing child poverty also improve children's health, nutrition and educational outcomes.** Income poverty causes negative outcomes in child well-being. When a poor household receives additional income, parents and guardians are better able to provide resources that have long-term positive impacts on a child's health and economic contributions.

- **Work requirements don't work.** On this point, the study is very clear, saying: "Evidence was insufficient to identify mandatory work policies that would reliably reduce child poverty. It appears that work requirements are at least as likely to increase as to decrease poverty."[103]

- **Income transfer policies have a much larger impact on reducing child poverty than work-focused policies.** For example, the establishment of a $250 a month ($3,000 annual) child allowance is found to have the biggest impact by far in reducing child poverty and would cut the country's deep poverty rate in half within a decade.

As we approach the third decade of the twenty-first century, the inequality gap in the United States continues to grow—with children taking the biggest hit. Our children deserve better. We urge lawmakers to use this landmark study in making child poverty reduction a priority, so that all children have the chance to reach their full potential.

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100 Children's Budget 2018, First Focus, September 2018, https://firstfocus.org/wp-content/uploads/2018/09/FirstFocus_CB2018.pdf; Julia Isaacs, Cary Lou, Heather Hahn, Ashley Hong, Caleb Quakenbush, C. Eugene Steuerle, Kids Share 2018: Report on Federal Expenditures on Children through 2017 and Future Projections, Urban Institute, July 18, 2018, https://www.urban.org/research/publication/kids-share-2018-report-federal-expenditures-children-through-2017-and-future-projections.

101 Natalie Branosky and Jane Mansour, A Look Back at the UK Child Poverty Target: Transferable Themes for the United States, First Focus, April 7, 2015, https://firstfocus.org/resources/report/a-look-back-at-the-uk-child-poverty-target-transferable-themes-for-the-united-states.

102 Government of Canada, "Canada's first poverty reduction target met three years ahead of schedule," Statement, February 26, 2019, https://www.canada.ca/en/employment-social-development/news/2019/02/canadas-first-poverty-reduction-target-met-three-years-ahead-of-schedule.html.

103 Ibid 1, Page S-12

Chairman YARMUTH. I now yield to the Ranking Vice Chair, Mr. Johnson, for his opening statement.

[The prepared statement of Chairman Yarmuth follows:]

Chairman Yarmuth
House Committee on the Budget
Solutions to Rising Economic Inequality
Opening Statement
September 19, 2019

As a Congress, we have a responsibility to support policies that give all hard-working Americans the opportunity to succeed, no matter where they started out. Unfortunately, policies implemented over the past few decades have helped usher in an era of economic inequality that remains one of our most pressing economic and fiscal challenges. During today's hearing, we will examine the causes and consequences of inequality and discuss possible solutions to strengthen our families and our federal budget.

Over the past 30 years, the richest 1 percent of Americans saw their wealth grow by nearly 300 percent. At the same time, the poorest 50 percent saw no growth, even as the cost of housing, health care, food, child care, and other basic necessities have gone up and up and up, making it nearly impossible for millions of American families to make ends meet. The share of national income held by the wealthiest Americans has also increased to levels not seen since the 1920s – right before the Great Depression.

In short, our economy has left working families behind. The inequality it has created has impacted every generation: our nation's seniors are struggling to retire. Recent college graduates and young people are putting off buying their first homes or investing in assets that could increase their wealth. Parents are finding it harder to afford college, job training, and childcare, all of which are key to finding success in a changing world.

Our nation's economic future depends on the success of working Americans. Plain and simple, if they don't succeed, our country doesn't succeed. Economic inequality is suppressing economic growth and eroding our tax base. It's putting pressure on federal, state, and local budgets, and increasing the likelihood of a financial downturn. In fact, income inequality has cost the United States up to nine percentage points in cumulative economic growth over the past two decades.

But it's important to understand that the rise in inequality is not just rooted in structural changes, globalization, or other forces beyond our control – it is also a result of decades of policy geared to help the very rich at the expense of everyone else. Beginning in the 1970s, as the United States experienced major technological advancements, our country failed to take the steps needed to ensure shared prosperity. Instead, workers suffered from trickle-down economic policies, financial industry deregulation, and attacks on organized labor. As a result, wage growth slowed, and income and wealth consolidated with the top 1 percent.

Unfortunately, here we are again: rapid advancements in automation and A.I. are set to reshape a broad swath of industries. In fact, a top official at IBM told me earlier this year that in the next three years alone, A.I. will eliminate or significantly change 120 million jobs around the world. 120 million jobs in just three years. We need to make sure that the new industries of the future and the skilled workers they demand will call the United States home, not China or any other country. Instead, we just blew $1.9 trillion on the Republican tax law that overwhelmingly benefited the wealthy and did nothing to improve our nation's economy or prepare us for the future. Continued efforts to deregulate the financial industry and roll back consumer protections are endangering working Americans. Legislation aimed at weakening unions is spreading in statehouses across the country, and we are setting a record for the longest period in U.S. history without an increase in the federal minimum wage. What's worse, the current Administration is advancing policies that would expand work requirements and redefine poverty to make fewer people eligible for assistance, which in turn makes it even harder for them to succeed.

America's greatest asset has always been our people, more specifically our workforce, and in this rapidly changing world it is also our greatest opportunity. But the federal government must step up.

We must make a national commitment to early childhood education and work to make college more affordable. Raise the minimum wage, expand job-training opportunities, and invest in the programs that help struggling families get ahead. We need to address our aging infrastructure by overhauling our crumbling roads and bridges, updating communications systems, expanding broadband services to rural areas – all while creating the new jobs of the future. And we need responsible tax policies that will ensure companies invest here, in U.S. workers, and in the new industries that will drive innovation for generations.

We must do all of this and more – not only because economic inequality hurts American families and hinders their success, which should be enough, but because it also threatens our ability to compete in a rapidly changing global economy. I look forward to hearing from our witnesses on the importance of creating an economy that works for all Americans and strengthens our fiscal future.

Mr. JOHNSON. Thank you, Mr. Chairman, and thank you for your leadership here on the Budget Committee.

You know, there are many things in your opening statement that you and I actually agree on. I wish we could find on this Committee more common ground as it relates to our core task because it seems to me, Mr. Chairman, once again, our Committee has convened a hearing that does not focus on what we are here to do, and that is to advance a budget and manage our ballooning national debt.

The title of today's hearing is "Solutions to Rising Economic Inequality," but I am concerned this hearing is focused on the wrong premise, that income inequality can only be solved by redistributing wealth, increasing the minimum wage, and eliminating pro-growth/pro-family policies like the Tax Cuts and Jobs Act of 2017.

Instead, we should be focusing this Committee's time on policies that create jobs, increase wages, and expand opportunities for all Americans. Having lived in extreme poverty as a child myself, I am so grateful that we live in a country where Americans from all walks of life have the opportunity to improve their economic situation.

And we must continue to build upon pro-growth successes, such as the Tax Cuts and Jobs Act, to ensure upward economic mobility is within reach for all hardworking American families.

Today I look forward to hearing more about the leading proposal for wealth redistribution, the universal basic income. We have heard a lot about universal basic income over the last few months as presidential hopefuls discuss ways to address what they call the income inequality crisis in our country.

Just last week we heard one presidential candidate reiterate his support for a program that would give, give $12,000 a year to each and every American adult. With a $28 trillion price tag, this type of proposal would not just bust the budget and compound our existing mandatory spending crisis, but it would also diminish the dignity of work.

The Budget Committee is supposed to be the Committee of fiscal discipline, and we have a responsibility to ensure that our government's finite resources are helping to grow the economy, create jobs, and raise wages for all. That is why my Republican colleagues and I will continue to support pro-growth policies that expand opportunities, create jobs, and ensure that wages continue to rise.

This past year was the first tax year under the new Tax Cuts and Jobs Act, and American families kept more of their hard earned money. As a result of the law, a family of four with $73,000 of income received a $2,000 tax cut, a 58 percent reduction in federal taxes. And by nearly doubling the standard deduction and preserving and strengthening provisions that support families, such as doubling the child tax credit, the Tax Cuts and Jobs Act ensures that Americans can keep more of their hard earned money to spend, save, and invest as they see fit.

Families are seeing bigger paychecks with the median income rising by 3.4 percent in 2018, and fewer Americans are living in poverty, with the poverty rate dropping from 12.3 percent to 11.8 percent, according to the latest Census Bureau data.

Mainstream economists agree that strong economic growth is the key to increasing wages and living standards so we should be doing all we can to ensure our current economic growth continues and expands.

Once again, I return to this idea that we are here asking the wrong question. This hearing should not be about income inequality. Instead it should be about policies that encourage economic growth to provide all Americans with more opportunities for upward mobility.

And while we have made important strides over the past few years, the cost of living for middle class families continues to rise, predominantly in heavily regulated and subsidized sectors of the economy, including healthcare, higher education, and housing.

Republicans stand ready to tackle the root causes of these cost increases so we can put the American dream within reach for more families across our great nation. Implementing free market policies to increase competition and drive down prices in these important sectors can build upon our current progress rather than exacerbating our problems by raising taxes and slowing economic growth.

It is my hope that in today's hearing we will discuss how we can help people succeed in our economy by enacting policies that grow the economy, create jobs, and boost paychecks for Americans from all walks of life.

With that, Mr. Chairman, I yield back.

[The prepared statement of Bill Johnson follows:]

BUDGET | HOUSE BUDGET REPUBLICANS

Rep. Steve Womack
Ranking Member

Vice Ranking Member Bill Johnson (R-OH) Opening Remarks at Hearing Entitled: Solutions to Rising Economic Inequality

As Prepared For Delivery:

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Instead, we should be focusing this Committee's time on policies that create jobs, increase wages, and expand opportunities for all Americans. Having lived in extreme poverty as a child, I am so grateful that we live in a country where Americans from all walks of life have the opportunity to improve their economic situation. And, we must continue to build upon pro-growth successes, such as the Tax Cuts and Jobs Act, to ensure upward economic mobility is within reach for all hard-working American families.

Today, I look forward to hearing more about the leading proposal for wealth redistribution: Universal Basic Income. We have heard a lot about Universal Basic Income over the last few months, as presidential hopefuls discuss ways to address what they call the "income inequality crisis" in our country.

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Implementing free-market policies to increase competition and drive down prices in these important sectors can build upon our current progress, rather than exacerbating our problems by raising taxes and slowing economic growth.

It is my hope that in today's hearing, we will discuss how we can help people succeed in our economy by enacting policies that grow the economy, create jobs, and boost paychecks for Americans from all walks of life.

With that, Mr. Chairman, I yield back.

Chairman YARMUTH. I thank the gentleman from Ohio for his opening statement.

And in the interest of time, if any other Members have opening statements, you may submit those statements in writing for the record.

Once again, I would like to thank all of our witnesses for being here this morning. The Committee has received your written statements, and they will be made part of the formal hearing record. Each of you will have five minutes to give your oral remarks.

Dr. Boushey, you may start when you are ready.

STATEMENT OF HEATHER BOUSHEY, PH.D., PRESIDENT AND CEO, WASHINGTON CENTER FOR EQUITABLE GROWTH; THE HON. WILLIAM E. SPRIGGS, PH.D., CHIEF ECONOMIST, AFL–CIO, AND PROFESSOR, DEPARTMENT OF ECONOMICS, HOWARD UNIVERSITY; KISMET EVANS, HOME HEALTHCARE WORKER, LAS VEGAS, NEVADA; AND RAMESH PONNURU, VISITING FELLOW, AMERICAN ENTERPRISE INSTITUTE

STATEMENT OF HEATHER BOUSHEY, PH.D.

Dr. BOUSHEY. Thank you. Thank you, Chairman Yarmuth and Ranking Member Womack, for inviting me to speak today. It is an honor to be here.

My name is Heather Boushey, and I am President and CEO of the Washington Center for Equitable Growth. We seek to advance evidence-backed ideas and policies that promote strong, stable, and broadly shared economic growth.

I am an economist by training, and I would like to summarize for you what the economics field has discovered about economic inequality in all its forms, income, wealth, and across firms, to name a few, and their effects on productivity and growth.

To get to the punchline, what we found is that inequality constricts growth by obstructing, subverting, and distorting the processes that lead to higher productivity, greater output, and overall wellbeing.

Let me start with the current economic situation. We are in the longest expansion in recorded U.S. history. The economy continues to add jobs month after month, and the unemployment rate remains historically low, but the strong headline numbers have not translated into the kinds of wage gains we would expect to see for workers up and down the income ladder.

As has been increasingly become the case over the past four decades, earnings for low and middle income Americans have grown slowly or not at all, while incomes for those at the top, both in terms of income and wealth, have surged. From 1980 to 2016, those in the top 1 percent saw their incomes after taxes and transfers rise by more than 180 percent, and those in the top .001 percent saw their incomes grow by more than 600 percent.

At the same time, those in the bottom half of the income spectrum saw only a 25 percent increase, according to research by economist Thomas Piketty, Emmanuel Saez, and Gabriel Zucman.

They further find that that the richest 160,000 American families own a collective $11 trillion dollars in wealth, or as much as the entire bottom 90 percent of the U.S. population.

The Census Bureau and Federal Reserve likewise confirm that inequality by wealth and income are reaching record levels and continue to grow.

Now, some argue that focusing on inequality is misplaced, and that the most important goal is to grow the pie and just to focus on growth. To be very clear, the empirical evidence from the economics profession shows that this is wrong. There is a large and growing body of research that shows that we cannot create strong or broadly shared economic gains through a policy agenda that presumes that growth follows from allowing those at the top to reap the bulk of the gains.

Our inequality-filled economy now grows slower than it did when we were less unequal. Over the past few decades we have grown at an annual pace of about 1.3 percent, compared to a larger 1.7 percent in the 1960s and 1970s.

So how do we get back to growth that is strong, stable, and broadly shared? Well, we need to confront the fact that we have spent decades systemically undermining the capacity of institutions that were set up to constrain and constrict inequality. We must reverse this.

I encourage you to think about the structural effects of concentrated economic wealth and power by focusing on the following solutions.

First, I encourage you to measure what matters, to focus not just on that aggregate growth number, but to look at what that means in terms of income gains across the income spectrum.

The Measuring Real Income Growth Act introduced by Representative Carolyn Maloney would tell us what growth looks like for low, middle and high income Americans and allow us to design policies accordingly.

Second, we need to rebuild institutions, such as unions, that are inclusive, broad based, and diverse and represent the voices of working and middle class families. I am sure Dr. Spriggs will discuss this in more detail.

Third, we must address concentrations of wealth and power and the inherently subversive effects they have on our markets and economy through stronger antitrust enforcement and funding.

Industries from healthcare to telecommunications to airline transportation are far more concentrated than ever, leading to growing monopoly power for the few firms left standing. This leads to lower wages for workers, higher prices for consumers, and less innovation. All of that is underscored by recent empirical evidence.

Fourth, as my other fellow witness will undoubtedly testify, working people need support and laws that protect their opportunity to move ahead in life and to care for their families and their personal needs. They need a higher minimum wage.

We also need to protect a worker's right to know their work schedule and other policies that allow them to address conflicts between work and family.

Finally, the United States should join its international peers in offering a national paid family medical leave program. Core to this agenda is the need to rebalance the power between those that have access to resources and those who do not. The current situation cannot and has not provided a path forward for strong, stable, and broadly shared income gains across the income distribution.

Thank you very much for your attention.

[The prepared statement of Heather Boushey follows:]

Heather Boushey
Washington Center for Equitable Growth
Testimony before the House Budget Committee,
Hearing on "Solutions to Rising Economic Inequality"

September 19, 2019

Thank you, Chairman Yarmuth and Ranking Member Womack, for inviting me to speak today. It's an honor to be here.

My name is Heather Boushey and I am President and CEO of the Washington Center for Equitable Growth. We seek to advance evidence-backed ideas and policies that promote strong, stable, and broad-based economic growth.

The United States is experiencing the longest economic expansion in our history. The economy continues to add jobs month after month and the unemployment rate remains historically low. But unlike in past expansions, the strong headline jobs numbers have not translated into strong wage gains for workers. Instead, the benefits of the economic recovery are disproportionately accumulating to the already wealthy. The well-being of working- and middle-class families has become detached from economic growth as those at the top of the income and wealth ladders capture more and more of those gains. Over the past four decades, earnings for low- and middle-income Americans have grown slowly—or not at all—while incomes and wealth have surged at the top.

The latest economic research from across the disciplines shows the many ways that high economic inequality—in incomes, wealth, and across firms—serves to obstruct, subvert, and distort the processes that lead to widespread improved economic well-being. In short, the evidence increasingly points to the conclusion that today's high concentrations of economic resources are constricting economic growth. Yet, our nation has spent decades systemically undermining the capacity of institutions that were set up to contain and constrain economic inequality. This has made it impossible for the market to work as advertised. The current situation cannot provide a path forward for strong, stable, and broadly-shared income gains across the income distribution.

Policymakers can preserve the best of our economic and political traditions, and improve on them, by pursing policies that can both reduce economic inequality and boost growth. The most critical steps are those that limit inequality's ability to constrict our economy and tackle the ways that the concentration of economic resources translate into political and social power. Core to this agenda is the need to rebalance the power between those who have access to resources and those who do not. I encourage you to think about the structural effects by focusing specifically on:

- Building inclusive, broad-based, and diverse institutions representing the voices of working- and middle-class families

- Policies that directly boost incomes at the bottom
- Market structure and competition
- Promoting fairness in who pays taxes
- What policymakers both do with the revenue they have and what they must do to cope with too-little revenue.

As a first step, I encourage you to redefine the goal—to focus not on the stock market, headline jobs numbers or just Gross Domestic Product, but on ensuring that economic growth reaches Americans across the income spectrum.

In my testimony, I will first review the longer-term economic challenges facing the U.S. economy, including rising inequality and falling mobility. I will then turn to the ways in which economic inequality hurts growth and productivity and offer a series of solutions to combat the problem of systemic and growing inequality.

The rise in income and wealth inequality

Families across our nation aren't feeling the benefits of growth in their daily lives and many national economic statistics are becoming less representative of the experience of most Americans. The implication for how policymakers and economists alike evaluate the economy is that average economic progress is pulling away from median economic progress. We see these same divergent trends across multiple measures of economic wellbeing: wages, income, and wealth.

Prior to the 1980s, economic growth was equitably shared between most Americans. But we are now in a new economy, which is both growing slower than in the past and where growth mostly accrues to those at the top of the economic ladder. Incomes for the working-class and the middle-class families have grown slowly for decades while incomes at the very top have exploded.

Since 1980, GDP growth (an incomplete measure, as I discuss below) has been slower overall—growing at an annual pace of 1.3 percent compared to 1.7 percent in the three decades before. From 1980 to 2016, those in the top one percent saw their incomes after taxes and transfers rise by more than 180 percent, and those in the top 0.001 percent saw their incomes grow by more than 600 percent. Meanwhile, those in the bottom half saw only a 25 percent rise, find economists Thomas Piketty, Emmanuel Saez, and Gabriel Zucman. To be very clear, this data show that only those at the very tippy top have had truly sizeable gains during this period.[1] (See Figure 1, on page 3.)

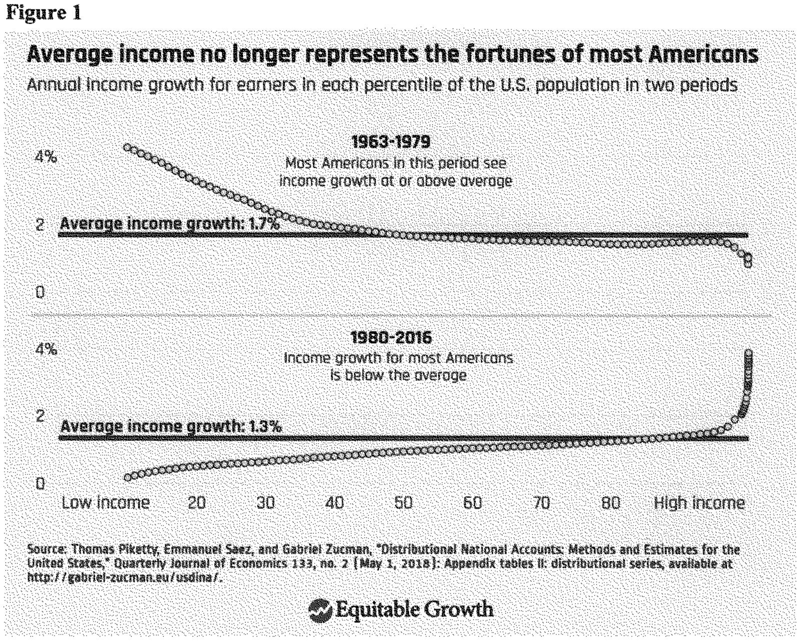
Other research confirms the large growth in inequality since 1980. Last week, the U.S. Census Bureau released estimates showing that in 2018 the top 5 percent of income earners took home almost as much of our national income as the bottom 60 percent (23.1 percent compared to 25.5 percent). They also show that U.S. inequality, as measured by the Gini Coefficient, remains near record highs, having grown steadily since 1980.[2]

Prior to this period, there was little need to separate out or "disaggregate" national growth because the headline GDP growth statistic was broadly representative of most Americans. Unfortunately, that is no longer the case.

GDP growth has been treated for decades by pundits and policymakers alike as synonymous with prosperity. President John. F. Kennedy famously alluded to it when he said that "a rising tide lifts all boats." In the decades since, economists and commentators have used the metaphor of "growing the pie" to indicate that we should first and foremost be concerned with growing the economy rather than concerning ourselves with who gets a slice. But as Figure 1 demonstrates, overall growth of the economic pie is no longer correlated with prosperity for many Americans. Representative Carolyn Maloney has a proposal to make GDP growth representative of all Americans again, which I discuss later in my testimony.

The unequal distribution of income exhibits inequalities by gender and race as well. Those that occupy the highest rungs on the income ladder are much more likely to be male and white, which means that women and people of color are less likely to have access to the economic and political power that higher incomes confer. The U.S. Census Bureau reports that 32 percent of white households earn $100,000 or more—about double the 16.7 percent for black households. Conversely, more than one in 8.7 black households earns less than $15,000, compared to fewer than one in 19 white households.[3]

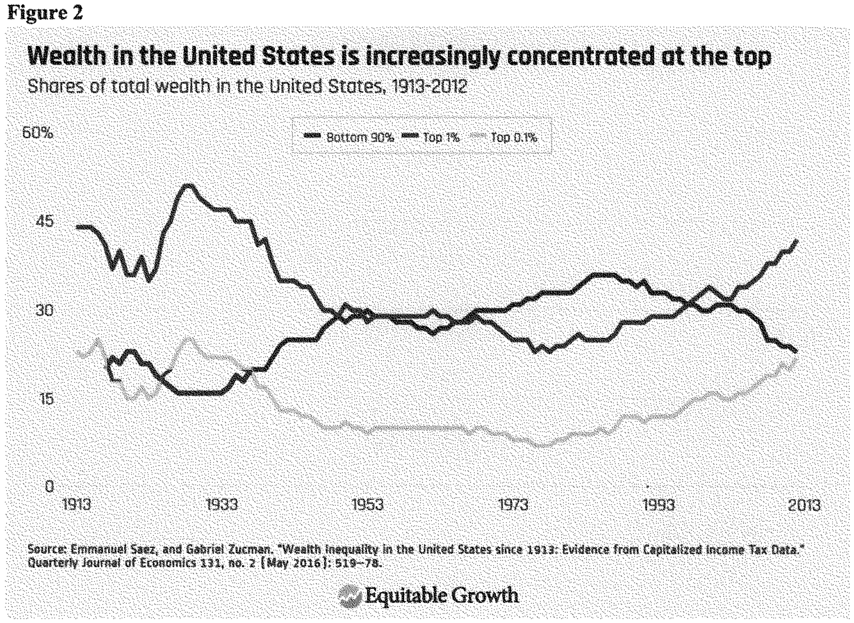
Figure 1



Inequality of Wealth

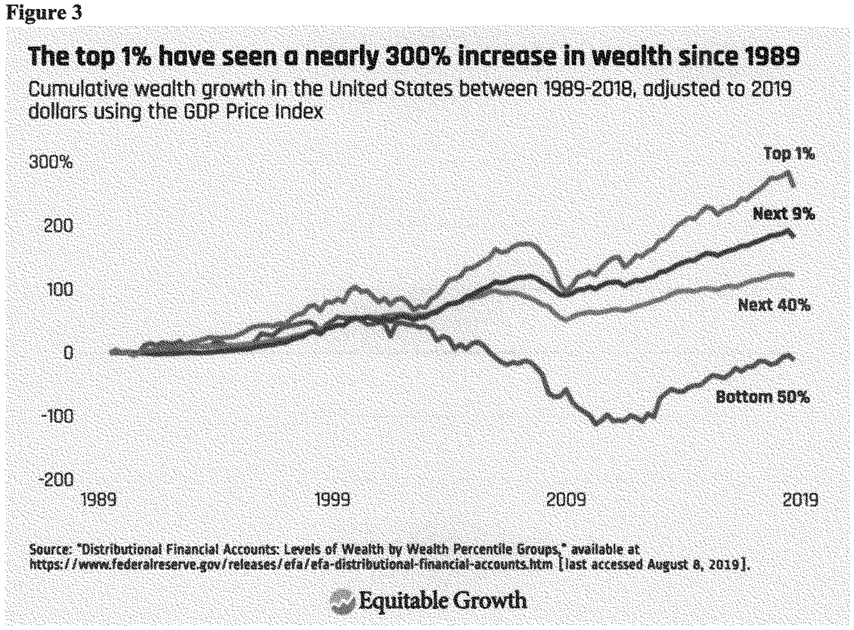
Income is the flow of money while wealth is the stock of accumulating assets—money, but also property, stocks, bonds, and other kinds of capital. The distribution of wealth across U.S. households is even more severely unequal than income.[4] Research by Saez and Zucman documents that in the 1920s, the share of wealth owned by the top 1 percent of households by wealth was 51 percent. As with the share of income owned by the top 1 percent, this fell during the middle of the 20th century by more than half, hitting a low of 23 percent in 1978. Since then, however, wealth gains at the top have grown even faster than income—those in the top 1 percent now control 42 percent of all wealth and the top 0.1 percent control more than 22 percent of all wealth in the U.S. economy, three times as much as a generation ago. This amounts to 160,000 families owning a collective $11.7 trillion. In 2018, this group's share of wealth was equal to that of the bottom 90 percent of Americans.[5] (See Figure 2.)

Figure 2



The Federal Reserve Board's new Distributional Financial Accounts also show that wealth is strongly concentrated, with 10 percent of the population holding 70 percent of all wealth in the United States in 2018. The bottom 50 percent of wealth owners experienced no growth in net wealth since 1989. Meanwhile, the top 1 percent saw their wealth grow by almost 300 percent since 1989. Although cumulative growth of wealth was relatively similar among all wealth groups through the 1990s, the top 1 percent and bottom 50 percent diverged around 2000. (See Figure 3.)

Figure 3

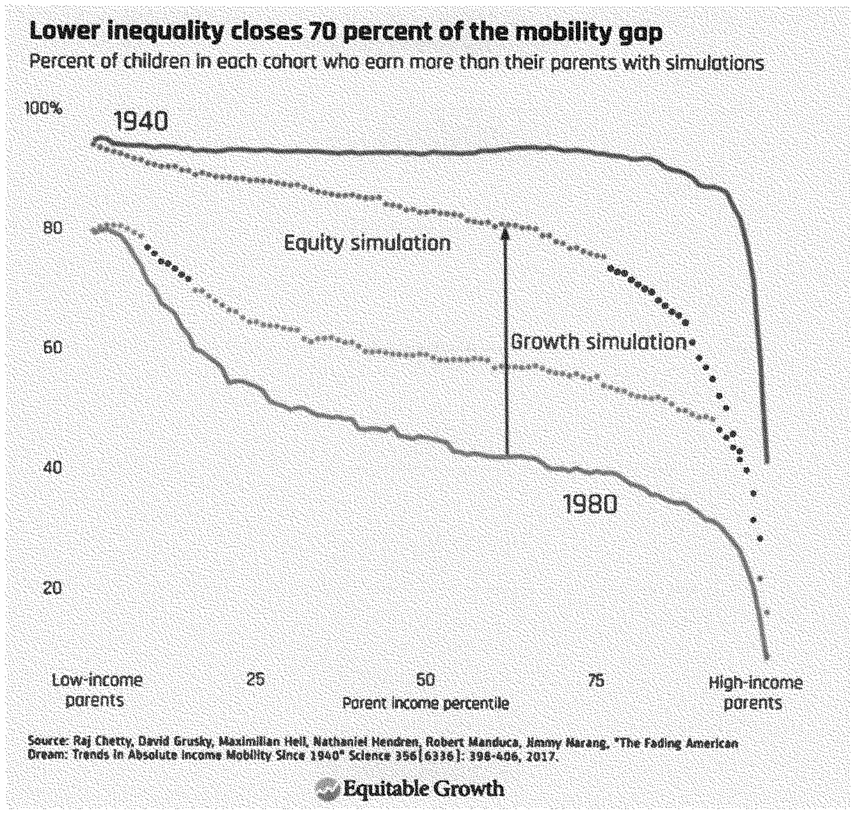


Economic inequality and the fall in economic mobility

Moving up the economic ladder and earning more than the previous generation is at the heart of "the American Dream," still an ideal that many Americans cherish. But groundbreaking research now shows that inequality is hindering upward absolute mobility, obstructing people from moving up as the rungs of the ladder grow further apart.

Harvard University economist Raj Chetty and his co-authors looked across generations and found that when people born in 1940 were in their prime work-age years, nearly all—92 percent—had an income that was higher than their parents had at the same age. But when those born in 1980—the Reagan-era children—hit their 30s, only half had an income higher than their parents had at the same age. Middle-income Americans have experienced the largest decline in economic mobility.[6] Looking across the income spectrum, the researchers found that 70 percent of the decline can be explained by the rise in inequality. We could only close 30 percent of this "mobility gap" by raising growth alone. (See Figure 4.)

Figure 4



Inequality limits opportunity for those not already at the top. Everyone needs some measure of capital to start up a business, to give a child a college education, or to take care of sudden medical emergencies. Yet increasingly only the very wealthy have the means to do so without risking their future livelihoods by going into serious debt. In this way we can see that inequities in income and wealth can replicate themselves across generations. Solving falling economic mobility will require tackling economic inequality and all the ways it harms our economy.

Economic inequality is bad for the economy

Inequality constricts growth by:

- **Obstructing the supply of people and ideas** into our economy and limiting opportunity for those not already at the top, which slows productivity growth over time
- **Subverting the institutions that manage the market**, making our political system ineffective and our labor markets dysfunctional
- **Distorting demand** through its effects on consumption and investment, which both drags down and destabilizes short- and long-term growth in economic output

Inequality obstructs the supply of talent, ideas, and capital

The economic circumstances that children are born into affect children's development in everything from their health to their ability to focus at school to their educational opportunities, and these, in turn, affect their economic outcomes as adults. Research by economists shows the links between factors such as children's varying birth weights and their different levels of school performance, job-holding, and earnings as adults relative to others with similar skill sets.

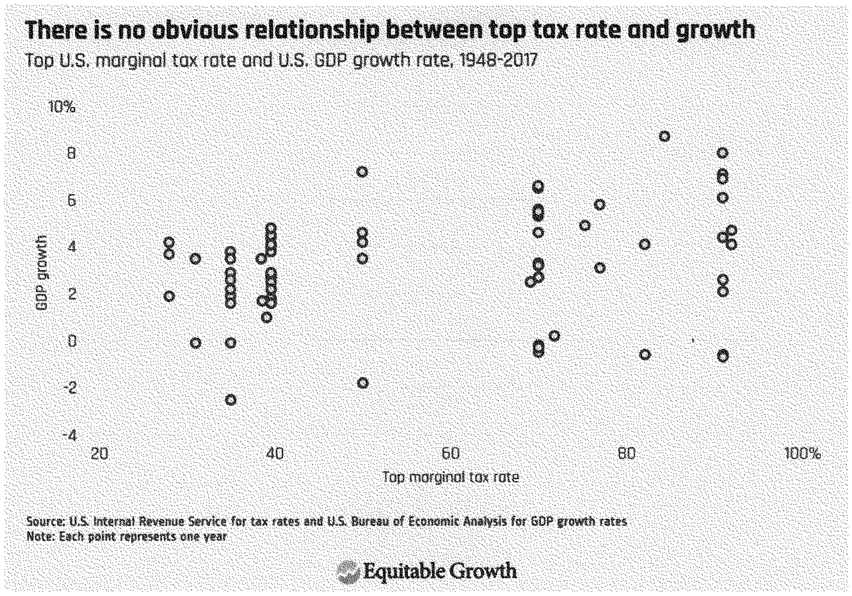
Even when children have access to skills, inequality obstructs their contributing to the economy to the best of their abilities, and these obstructions hinder productivity and growth. Research led by Harvard's Chetty measured what is more important to earning a patent later in life: scoring high on childhood aptitude tests or parental income. Disturbingly, the richer the family, the more likely the child will be to earn a patent—far outweighing demonstrated intelligence. If a child who shows aptitude early on cannot climb the income and wealth ladder, then there's something broken in the way our economy works. Inequality has blocked the process and, as result, drags down national productivity by making our workforce less capable than it could be and our economy less innovative.

Inequality subverts the institutions that manage the market

Growing inequality is subverting the public institutions and the policymaking process we need to support our economy. It discourages a focus on the public interest and promotes the efforts of firms to accrue larger profits than truly competitive markets would allow.

Today, firms are able to manipulate the functioning of the marketplace because economic inequality gives their owners the financial wherewithal to wield political influence. By exerting pressure on political processes, they can minimize the taxes on firms, owners of capital, and top-salaried workers. And they can rewrite laws and regulations in their favor. Research shows that lower taxes on those at the top of the income ladder do not lead to the kinds of beneficial outcomes some economists and policymakers suggest. The evidence is that when the rich pay less in taxes it encourages them to act in unproductive ways. (See Figure 5.)

Figure 5



When a firm has too much power in its product or services market, it has monopoly power, which means it can raise prices with impunity and stymie competition. Indeed, our economy is increasingly dominated by a few firms in many industries. In healthcare markets, the biggest healthcare companies are increasing their stronghold by merging and then charging higher prices, which in turn leads to higher profits for managers and shareholders alongside less affordable—and sometimes lower quality—healthcare for everyone else. It also means lower wages for those working increasingly in what economists call "monopsony labor markets," where there's only one or a handful of employers in a given market, giving these firms outsized wage-setting power. What's happening in health care is emblematic of changes across our economy.

By subverting our economy in various ways, inequality undermines confidence that institutions of governance can deliver for the majority. But for the economy to function, the public sector needs to function, and function well. In the 19th and 20th centuries, the U.S. government implemented policies that launched many families with a solid financial foundation, including the Homestead Act, the estate tax, universal primary and secondary schools and land grant colleges across the nation, and the GI Bill. These policies weren't perfect and were discriminatory in multiple ways, but they showed that the federal government could embark on big agendas to reduce inequality. Today, however, inequality in wealth and power is thwarting the government from taking on collective endeavors that provide the foundation for broad-based economic growth while promoting the interests of monopolists and oligopolists over others.

Inequality distorts both consumption and investment

Inequality distorts everyday decision-making by consumers and businesses. These outcomes are evident at the macroeconomic level. People's spending drives business investment as consumers account for nearly 70 cents of every dollar spent in the United States. But for the past several decades, U.S. families in the bottom half of the income distribution have seen no income gains, and the gains for those families not among the top 10 percent of income earners have been meager. This means that if firms were to invest more, they may not be able to sell additional goods and services because consumers might not be in positions to buy them.

Many businesses, eyeing demand, have understandably not invested much over this period. U.S. firms are sitting on record-high piles of cash, which have been steadily accumulating since the 1980s.[7] Others have found customers willing to purchase their wares, but only because of the financially unstable expansion of household debt—as seen especially in the run-up to the Great Recession in the middle of the last decade, and as is occurring again today.[8] Growing economic inequality thus destabilizes spending because everyday consumers either don't have enough money to spend or are borrowing beyond their means to buy what they need.

Inequality is even driving changes in what firms are producing, with a number of economic implications for innovation and even inflation. Xavier Jaravel at the London School of Economics finds that businesses are investing in new products targeted at high-end consumers while developing fewer products for those in the lower end of the market. For those at the low end, there's less competition for their business, which means lower productivity, lower innovation, and higher prices and inflation. This shows up in the data: Jaravel found that between 2004 and 2013, families with incomes greater than $100,000 per year saw yearly prices rise by 0.65 percent less than for families earning below $30,000 in the respective bundles of goods that those families bought.

With consumption dragged down by flagging middle-class incomes, too much money in the hands of those at the top, and investors sitting on the sidelines, conditions are ripe for an increase in the supply of credit. The deregulation of the financial sector over the past 40 years has made it easier to lend to U.S. households—in no small part due to the influence of the financial services industry. Empirical research and the U.S. experience over the past several decades show the consequences of these distortions and how credit-driven economic growth both increases economic instability and leads to lost economic opportunity.

Solutions for economic inequality

Policymakers can preserve the best of our economic and political traditions, and improve on them, by pursing policies that can both reduce economic inequality and boost growth. The most critical steps are those that limit inequality's ability to constrict our economy and tackle the ways that the concentration of economic resources translate into political and social power. The solutions start with addressing the subversions caused by inequality, which then creates the opportunity to remove obstructions and limit distortions in the broader economy. The market cannot function to benefit most Americans if it's being subverted by the economic power of a small group at the top of the economic ladder.

Measure what matters

To properly design policy, lawmakers need the right measurement tools, otherwise they might be tempted to pass laws that raise average outcomes without actually helping families across the income spectrum. Yet many of the statistics we rely on to inform us about the state of our economy are measures of the mean and, in an era of rising inequality, are becoming less informative about the experience of the majority of people you represent.

To address this, Congress should require the U.S. Bureau of Economic Analysis to release growth data that is broken down by income group each quarter alongside Gross Domestic Product. By focusing less on an unrepresentative average for the U.S. economy and instead on how income gains are distributed, policymakers can ensure that no one is left behind, regardless of their zip code or demographics.

H.R 707, The Measuring Real Income Growth Act, introduced by Representative Carolyn Maloney, would disaggregate quarterly or annual GDP growth numbers, telling us how much of that growth accrued to low-, middle-, and high-income Americans. This would provide policymakers with a new tool to track the progress of the economy, evaluate how past policy is changing our economic fortunes, and guide future economic decision-making.

Increase bargaining power for workers

Policymakers must ensure there's a bulwark against concentrated economic power by improving workers' ability to bargain with employers over pay and working conditions. Civic institutions, especially unions, that once served as voices for everyday wage-earning workers have suffered a long decline. Unions were traditionally the most vocal and ardent advocates for the middle class, but now only 1 out of every 15 private-sector workers belongs to a union. In the early 1950s, a third of private-sector workers did.

New ideas for how to revitalize the U.S. labor movement and strengthen worker bargaining power abound. These include:

- Making it easier for workers to organize a union, including through reforms to the collective-bargaining process and stiffer enforcement and penalties for employers who violate the law
- Extending union contracts to non-union workers, a process that is widely used in similar countries and called sectoral bargaining

- Structurally incorporating unions into the policymaking process
- Making union membership the default status for many workers
- Allowing unions to manage public benefits, such as unemployment insurance
- Privileging firms that cooperate well with unions in government contracting and other arenas
- Launching a global agreement modeled on the Paris Climate Accord that explicitly targets higher unionization rates

Any of these policy proposals could improve U.S. workers' ability to bargain with employers over pay and working conditions.[9]

It's no accident that, back when unions were strong, the fruits of U.S. economic growth were more broadly distributed to unionized and non-unionized workers alike. Solutions will require not only reinvigorating civic institutions—be they in formal unions or other kinds of worker solidarity organizations—but also addressing how the legal landscape has become increasingly hostile to non-corporate civic engagement. Business associations and their allies in politics pushed through so called "right-to-work" laws that restrict collective bargaining, and have filed serial successful lawsuits designed to cripple unions' ability to fund their activities. Restoring balance will require rethinking these policies.[10]

Increase the minimum wage

Increasing the minimum wage is vital to raising living standards at the bottom of the income spectrum and for the most disadvantaged workers. Research indicates that higher minimum wages helps workers in a multitude of ways, by lowering the poverty rate, increasing earnings for low-wage workers, and decreasing public expenditures on welfare programs.[11]

The minimum wage also plays an important role in decreasing earnings disparities for disadvantaged groups. The expansion of the federal minimum wage to cover additional industries in the 1966 Federal Labor Standards Act explained 20 percent of the reduction in the black-white wage gap during the Civil Rights era. And the poverty rate for black and Hispanic families would be around 20 percent lower had the minimum wage remained at its 1968 inflation-adjusted level and not been allowed to languish and atrophy for years.[12]

Previous generations of economists were concerned that minimum wage increases could harm employment, but there is ambiguous or no evidence for this conjecture. New, high-quality research concludes that raising the minimum wage increases incomes at the bottom without costing jobs—whether that research examined administrative data sources that follow workers over several years,[13] conducted meta-analysis of 138 different minimum wage increases,[14] or examined the U.S. cities that have pushed their minimum wages higher than any others.[15]

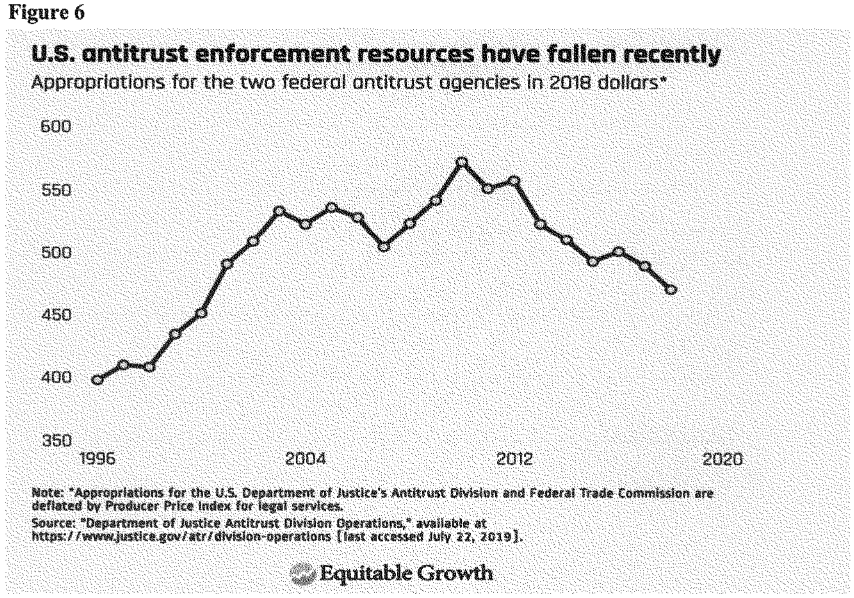
Address monopoly power

The U.S. economy is increasingly dominated by a fewer firms, meaning higher profits for shareholders but higher prices and lower wages for typical U.S. families—especially as workers face monopsony labor markets in which firms have the power to set low wages. There must be rules that ensure that those with the most economic power cannot subvert the market to benefit themselves at the expense of workers and consumers. Congress needs to clarify that antitrust laws protect competition—in all of its forms, not simply where it affects consumer prices. In cases of uncertainty, the laws should favor competition over concentration.

Attending to the issue of monopsony would be a new and crucial step for antitrust regulators. As a way to start, policymakers should consider how mergers affect labor markets. A merger between two companies that are ostensibly in different markets (and thus would be swiftly approved) might in fact be anticompetitive because they compete for the same employees.[16]

On top of everything else, in recent decades federal antitrust enforcers have not had the resources they need to do their job of preventing anticompetitive consolidation. Since 2010, the number of requests for merger reviews filed at the two federal antitrust agencies has increased by more than 50 percent, but appropriations to the agencies that enforce the antitrust laws have fallen precipitously in real terms. (See Figure 6.)

Figure 6



Not surprisingly, despite the wave in mergers, there has been no increase in merger enforcement. Research shows that merger enforcement has narrowed its focus to mergers at the highest levels of concentration and permitted more consolidation. Between 2008 and 2011, there were exactly zero enforcement actions taken for mergers that would result in more than four significant competitors in the industry. Congress should ensure that enforcers have the resources they need to do their jobs.[17]

Tax wealth

It is clear what kinds of policies will worsen all the trends discussed here. The Tax Cuts and Jobs Act of 2017 was sharply regressive, with high-income families enjoying larger tax windfalls in both the short- and long-term than low- and middle-income families.

Proponents claimed the new tax law would boost wages by $4,000 per year.[18] But there is no evidence to suggest such an increase is coming. Despite the already strong economy, inflation-adjusted wage growth has been moderate at best in the nearly two years since the law was passed. Proponents claimed that the law would lead to a boom in business investment in things such as factories and technology, but the modest increase in investment in 2018 relative to trend was primarily the result of fluctuations in oil prices.[19] Investment has already declined from that modest level in 2019. Instead, it is clear that corporations have used their tax windfall to give out a record $1 trillion-plus in stock buybacks in 2018.[20]

Policymakers have room to raise taxes at the top of the income ladder and, indeed, empirical analysis indicates that this will likely have economic benefits above and beyond raising revenue. The top marginal income tax rate is now less than half what it was in the mid-20th century, which has allowed individuals at the top to accumulate wealth and power far beyond what previous generations of wealthy Americans could amass. Nobel Prize winning economist Peter Diamond and Saez found that the United States could have approximately doubled the tax burden on the top 1 percent of income earners in 2007, and that "would still leave the after-tax income share of the top percentile more than twice as high as in 1970."[21]

Given that the top one percent controls more than 40 percent of U.S. wealth, and these fortunes have been amassed in part by utilizing tax shelters and preferential rates only available to the truly well-off, one avenue to focus on is how to tax wealth more and better. (See Table 1.)

First, capital gains taxes are too easy to avoid. Under current law, capital gains and losses are taxed only when the gain or loss is realized, generally when the underlying asset is sold. Some assets are passed on to heirs at death and are never taxed. Instead, lawmakers could implement a system of mark-to-market taxation where investors would pay tax on the increase in the value of their investments each year. Switching to a system such as this would equalize the tax treatment of income from labor and income from capital, making the tax system more progressive, efficient, and fair. It could even include a high exemption so that it only applies to the truly well-off.

Second, policymakers could make it harder for corporations to avoid taxation by shifting income across international borders by moving to either a destination-based tax system or imposing a global minimum tax (higher than the one imposed in the Tax Cuts and Jobs Act of 2017).

Third, federal lawmakers could impose a new net worth tax on very wealthy individuals, which could function similar to net worth taxes in other countries and be a more comprehensive version of the property taxes levied on the state and local level. Because wealth is so unequally distributed, a tax with a very high exemption could still raise hundreds of billions of dollars for needed investments.[22]

Table 1

Wealth thresholds in the United States

Minimum wealth of top wealth classes in millions of dollars, 2016

	Minimum wealth	
Wealth class	Households	Approximate tax units
Top 10%	$1.2	$0.8
Top 5%	$2.4	$1.7
Top 1%	$10.4	$8.5

Source: Authors' calculations using Federal Reserve Board, "Survey of Consumer Finances" (2017).

Note: Percentiles of the distribution of tax units are computed using the approximation used in Jesse Bricker and others, "Measuring Income and Wealth at the Top Using Administrative and Survey Data." Working Paper (Federal Reserve Board, 2015) and Emmanuel Saez and Gabriel Zucman, "Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data," *Quarterly Journal of Economics* 131 (2) (2016): 519–578.

Equitable Growth

Enable all children to thrive at an early age

Investments in people—through education, training, and care—are as important to the economy as physical capital, something that economists have recognized since the 1960s. Today, we need a national commitment not only to ensure equal access to primary and secondary school but also to end unequal access to early childhood education and care. Early childhood education must be paired with a sensible policy on childcare. The primary source of federal funding for childcare subsidies for low-income working families is the Child Care Development Fund, but this reaches only about one in six eligible children. Ideas for improving access to childcare include expanding subsidies to ensure that no family pays more than a reasonable share of its income—perhaps seven percent. Reforms should also be paired with measures to improve the wages of childcare workers, and in doing so boost the quality of that care.[23]

Congress can address some of the well-documented inequities in child health, mortality, and basic resources by making sure that programs such as SNAP, Medicaid, WIC are protected from cuts and work requirements. Work requirements have been shown by research to lower the effectiveness of these programs by, among other things, burying participants in red tape and confusing eligibility requirements.

Allow workers to manage their lives

Over the course of their careers, most workers will experience a life event—whether it is a serious personal medical issue, the birth of a child, or the need to care for a loved one who is ill—that they will need to address outside of work. But currently, the Family and Medical Leave Act of 1993 falls far too short, providing unpaid leave to only 60 percent of workers. Paid leave provides the right to time off with pay so that workers can continue to cover the electricity bill and put food on the table while they focus their attention on addressing their needs or the needs of their family members. Six states have put in place statewide paid-family-leave programs (and soon the District of Columbia), which ensure that any parent, not just one at a high-income level, can spend time with a new baby or a seriously ill child and have income support.[24] These existing models are replicable on the federal level.[25]

Further, most low-income parents do not have access to the work-life scheduling policies and support they need to address conflicts between work and caring for young children. Modern retail and warehousing scheduling practices are not the inevitable consequence of technological change or market necessities. Rather, employers are using new scheduling technology as a tool when they engage in a well-documented phenomenon in the labor market called "risk shifting." As worker bargaining power has weakened and American ideas about individual responsibility have changed since the 1970s, employers have increasingly shifted economic risk from business owners and shareholders to workers. This "risk" is often thought of as changes to worker compensation and job security, but changes in scheduling practices also are a key dimension of risk shifting.

Today, employees' schedules are highly responsive to employers' perceptions of the ebbs and flows of consumer demand. As a result, their schedules are irregular and unpredictable. When employers treat workers as widgets to be used or discarded erratically, what are the consequences for worker well-being? Economists Danny Schneider at the University of Cailfornia, Berkeley and Kristen Harknett at UC-San Francisco show that just-in-time schedules are associated with psychological distress and poor sleep, while other research points to unpredictable scheduling harming workers' children's outcomes. [26] [27]

Sustainable and productive investment

Policymakers should make greater investments in large-scale projects, such as upgrading the nation's failing transportation infrastructure, addressing climate change, and investing in people and families. These projects encompass traditional investments in water and transportation as well as developing the technology to limit the emission of greenhouse gases and to address the consequences of climate change. There's a comprehensive agenda to be enacted to make investments in the development and deployment of green energy, in mitigating the adverse effects of climate change on our food supplies, and to assist communities upended by the rising prevalence of climate change-induced natural disasters.[28]

Without additional revenue, government cannot make these critical investments and the public knows that public investments are important and lacking. A majority of Americans say that poorly maintained schools are a threat to our children, and a majority think that all Americans are endangered by the poor quality of our drinking water infrastructure.[29] A Harvard-Harris Poll in 2017 found, more emphatically, that 84 percent of Americans want to invest more in infrastructure, and 76 percent agree that government should be at least partially responsible for that investment.[30] Governments, within reason, need to spend and regulate to encourage growth, not simply cut and run. The long-term decline in revenue has starved resources that can be directed to critical public investments.

Conclusion

When we start from a focus on who gains from rising economic prosperity, we see that rising economic concentration in income, wealth, and firms constricts growth and productivity by obstructing access to those not already at the top, subverting the institutions that manage the market, and destabilizing the macroeconomy through distorting both consumption and investment. This Committee has a vital role in resetting our national policies and making sure that our economy is not longer bound by inequality. Thank you for again allowing me to testify on this topic today.

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Chairman YARMUTH. Thank you for your testimony.

I now recognize Dr. William Spriggs for five minutes.

STATEMENT OF THE HON. WILLIAM E. SPRIGGS, PH.D.

Dr. SPRIGGS. Thank you, Chair Yarmuth, for this invitation to speak, and to Vice Ranking Chair Johnson and Members of the Committee, good morning.

I am happy to offer this testimony on behalf of the AFL–CIO, America's house of labor, representing the working people of the United States, and based on my expertise as a professor at Howard University in the Department of Economics.

Income inequality is a challenge for the Committee on the Budget. It is already well established that the biggest challenge to Social Security's funding is the unprecedented rise in income inequality that started in the 1980s. Addressing the cap on Social Security taxes to correct for that is well known and a simple fix to address that problem.

But inequality also is a challenge because of the revenue stream. We have the lowest taxes on the portions of national income that are rising the most. So we have lower capital gains tax; we have lower corporate taxes; and those are the things that are growing.

We are raising taxes on working people because that is the part that is diminishing, but that is where the tax base is in the way we have written the budget. That is a challenge going forward.

If you are going to get lower taxes for the rising part, that is a problem, but there is another problem, and that is inequality hurts growth. It slows the growth of the United States.

There is a global consensus now. The International Monetary Fund, the Organization for Economic Cooperation and Development, and the World Bank have all deeply studied the issue of inequality and growth and have concluded that rising inequality hurts growth, and in the specific case of the United States, our rise in inequality between 1985 and 2005 slowed our growth during the expansion we had at the beginning of this century, a fifth lower. Our growth rate was one-fifth lower.

That translates to around $12 billion a quarter lower than it would have been had we maintained a higher level of equality. For this Committee, that means about $2 billion less in tax revenue.

So inequality hurts growth. This is not a tradeoff. This is how you get growth, and the challenge is how do we address that.

This income inequality comes from an inordinate growth of income at the top. In 1968, the middle three quintiles of the United States controlled 53 percent of the household income. That made this a middle-income nation. The market responded to where the money was, which was the middle.

But in 1988, the share of income for the middle dipped to 50 percent. By 2004, half the income was with the top 20 percent.

The problem with that is that is where the market is. That dictates the market, and specifically it dictates the market for housing and for college because that is where the market is. Over 45 percent of the market in housing is in just those one in five American families, not the rest of us. That is where the dollars are. That is why the price of housing is responding to their rise in income and not to median households.

How do we fix that? Studies have become clear. Union density matters. Both the IMF and independent academic researchers here in the U.S. have found, looking at the problem from a different set of perspectives, about 40 percent of the rise in this inequality, the money going to the top 10 percent rather than to the middle, comes from the decline in union density.

Removing from American workers the ability to collectively bargain over the productivity gains that American workers have been producing means whoever is at the table first gets the money, not American workers.

We can also address this by raising the income from the bottom. We have to protect the bottom, and raising the minimum wage is crucial to that effort.

When America had those policies of stronger collective bargaining and protecting the minimum wage, wages and productivity grew together. Labor share, therefore, stayed stable, and that meant we had a middle income country.

The problem for the Budget Committee is imagining what will the budget need to be in order for America to have private residential investment and higher education investment to be competitive in the 21st century. At this level of inequality, it is not affordable. The market cannot solve it because the bulk of Americans cannot afford those essential investments for our growth.

We have gone from first in college educated workforces in the 1990s to 19th among the advanced economies. That is not a formula for sustainable economic growth in the 21st century.

Thank you.

[The prepared statement of William E. Spriggs follows:]

Statement of William E. Spriggs

"Wage Policies to Address Rising Economic Inequality and Why They are Needed"

Testimony prepared for

US House of Representatives Committee on the Budget

116^{th} Congress, First Session

Hearing on

Solutions to Rising Economic Inequality

September 19, 2019

Thank you, Chair John Yarmuth and Ranking Member Steve Womack, for this invitation to give testimony before your Committee today on the issue of rising economic inequality. I am happy to offer this testimony on behalf of the AFL-CIO, America's house of labor, representing the working people of the United States; and based on my expertise as a professor in Howard University's Department of Economics.

My testimony today will discuss the challenges of inequality for the Committee on Budget, and then talk about a major source of rising inequality, which is labor's falling share of national income, and rising wage inequality. Inequality is a problem for creating a budget for the United States because rising income concentration challenges a tax system to produce sufficient revenues for national priorities when the tax policy is designed with lowering tax rates where incomes are rising. And rising inequality slows economic growth, which will put further downward pressure on revenues. And, aiming government actions using the federal budget to ensure the United States has a viable economy with well trained workers is hard when rising shares of households are priced out of making the needed private investments in housing and education the economy needs. Given the large size of the gap in income faced by middle income Americans, the Committee on Budget needs to look at policies that can restore labor's share of income. The House of Representatives has passed the Raise the Wage Act and will face a vote on the Protect the Right to Organize (PRO) Act. These actions will reduce inequality and make creating a federal budget easier.

Last week, the U.S. Census Bureau released its latest report on income and income inequality in the United States. Fortunately, it showed that the major measures of income inequality and income dispersion that had shown rising inequality since 2015 were a little lower and flat, comparing 2017 to 2018. The gap between the top 10 percent of income earners and those at the bottom 10 percent and those at the median, fortunately fell. And broader measures of inequality, including the Gini coefficient, the Theil and Atkinson indices fell.[1] While this is good news, it does not mean the trend of rising inequality that began in the early 1980s has necessarily begun reversing itself.

In 1968, those in the middle three quintiles of the income distribution—the "middle income"—held 53.2 percent of all household income. But, in 1988, their share of income dipped below 50.0 percent. By 2004, over half all U.S. household income was held by the top 20 percent of earners. America truly transformed from being a middle-income nation, where market based economic activity was dominated by a middle class, to an unequal nation, where the majority of economic activity was determined by less than one-in-five households.[2]

This has real meaning for the Committee on Budget. A driving force of this inequality is the stagnation of American wages, resulting in a declining share of national income going to labor. Joint with the rising share of income going to those at the top, and the recent tax legislation has a clear problem. Recent tax legislation lowered tax rates on non-labor income, but that is the rising share of national income; and it lowered personal income tax rates, but the high-income bracket is the rising share of personal income. So, a clear challenge is devising a budget that can fit tax revenues that are increasingly dependent on falling shares of national income.

Another clear challenge is that the Committee on Budget will confront creating a budget for the United States where increasingly the market is not going to be able to generate enough income for households to buy homes or invest in their children's education. Those key investments are needed to fuel the economy through necessary private physical investment and human capital growth. An increasing share of households will require increasing assistance so as a nation we can house and educate our people for a 21st Century global economy.

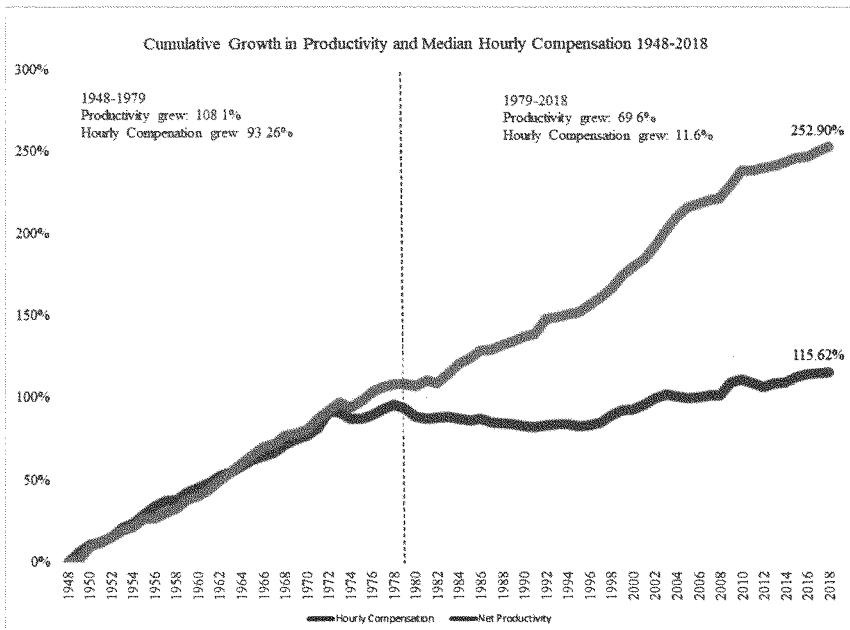
To return to a middle-income nation would require shifting 6% of household income, or about $694 billion, to those in the lower quintiles from those in the top quintile. Given the size

[1] U.S. Census Bureau, Income and Poverty in the United States: 2018, Current Population Reports P60-266 (September 2019), p.6

[2] Op.cit., Table A-4.

of the challenge, it is easier to devise strategies to restore labor's share of national income and return to a previous trend where labor's share was stable because wages and productivity rose together.

Figure 1.



Source: https://www.epi.org/productivity-pay-gap/

Figure 1 shows that from 1948 to about 1979, productivity and the total hourly compensation to the typical worker rose with productivity. Since 1979, productivity has continued to climb but the median, or typical worker, has not seen their wages, retirement and health benefits keep pace. Part of that gap is from rising wage inequality. Average hourly compensation has risen much faster than the median. But, as labor's share of national income has fallen, a gap has grown also between the growth in average compensation and productivity.[3]

Labor's falling share of national income is not unique to the United States. The Organization for Economic Cooperation and Development (OECD) has noted that among the 30 advanced economies where data is available, labor share has fallen in 26 of them.[4] A joint report drafted by the OECD and the International Labor Organization (ILO) done for the 2015 G-20 meetings, showed the decline in labor share was true whether using price indices for factor costs, as a company would weigh capital and labor costs, or using market prices, as a worker would weigh their wages against the price of purchases. They found that among the advanced economies in the G-20, the United States had the greatest decline of slightly over 10% from 1970 to 2014, exceeded only by Italy and the Republic of Korea.[5] In documenting this trend of the falling labor share, an International Monetary Fund study highlights how falling labor shares are highly correlated with rising income inequality.[6]

Growing inequality is key, because many major institutions have now reached consensus that growing inequality hurts growth. Research from the IMF shows that rising inequality leads to weaker growth (measured as Gross Domestic Product (GDP) per capita) over the medium term—meaning a five year horizon, and further reduces the chances that an expansion period will continue.[7] Similarly, the OECD independently concluded that growing inequality hurts economic growth. Looking at the growth in inequality that took place in the United States from 1985 to 2005, they conclude that rise in inequality lowered the cumulative growth of GDP per capita from 1990 to 2010 by about 20 per cent.[8] The World Bank, often concerned with helping

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[3] Josh Bivens, Elise Gould, Lawrence Mishel and Heidi Shierholz, "Raising America's Pay: Why It's Our Central Economic Policy Challenge," Economic Policy Institute Report (June 4, 2014) https://www.epi.org/publication/raising-americas-pay/

[4] Organization for Economic Co-operation and Development (OECD), *Employment Outlook 2012*. (Paris, 2012).

[5] International Labor Organization and OECD, *The Labour Share in G20 Economies*, Report prepared for the G20 Employment Working Group, Antalya, Turkey, (February 26-27, 2015) https://www.oecd.org/g20/topics/employment-and-social-policy/The-Labour-Share-in-G20-Economies.pdf

[6] Mai Chi Dao, Mitali Das, Zsoka Koczan and Weicheng Lian, "Why is Labor Receiving a Smaller Share of Global Income? Theory and Empirical Evidence," IMF Working Paper WP/17/169

[7] Jonathan D. Ostry, Andrew Berg, and Charalambos G. Tsangarides, "Redistribution, Inequality, and Growth," IMF Staff Discussion Note SDN/14/02 (February 2014). https://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf

[8] Federico Cingano, "Trends in Income Inequality and its Impact on Economic Growth," OECD Social, Employment and Migration Working Papers, No. 163 (Paris 2014) http://www.oecd.org/els/soc/trends-in-income-inequality-and-its-impact-on-economic-growth-SEM-WP163.pdf

low income countries, has refined the relationship between growing inequality and growth. They note that for median and high-income countries, growing inequality slows economic growth. Their work goes further to remove the endogeneity between GDP per capita growth and inequality. So, their work adds greatly to the robustness of the conclusion that rising inequality hurts economic growth.[9]

In both the OECD and IMF research the focus is on "net inequality," that is, inequality after fiscal policy intervenes to address inequality. Both the OECD and IMF speculate that a mechanism for inequality to hurt growth is through lower levels of opportunity. Particularly in the work by the IMF, there is no direct effect of re-distribution on growth. So, addressing inequality through policies to increase opportunity that lowers net inequality help growth when the redistribution policies expand opportunity. This is consistent with research findings showing that the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC), for instance, have longer term payoffs such as: improved infant health, increased school performance, increased college enrollment and greater intergenerational mobility.[10]

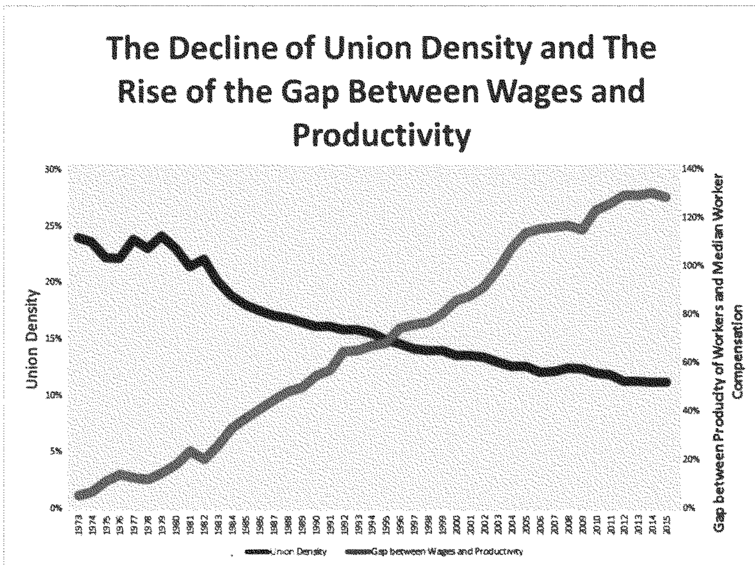
Figure 2 shows, for the United States, how the gap between wages and productivity charted in Figure 1 correlates with the fall in union density. As unions and collective bargaining agreements cover fewer workers, the correlation between rising productivity and broad wage growth has weakened. An IMF staff working paper showed the strong relationship in advanced economies between the decline in union density and rising share of income to the top 10 percent. Declining union density and weakened minimum wage laws have characterized many advanced economies since 1980. But not all countries experienced the weakening of these labor market wage setting institutions to the same extent. Yet, all advanced economies have confronted technological advanced and increased global integration. Technology is a potential factor in both falling labor shares and rising income inequality, because technology can be biased toward different skill levels. The IMF paper shows that 40% of the increase in the share of income

[9] Markus Brueckner and Daniel Lederman, "Inequality and Economic Growth: The Role of Initial Income,"Policy Research Working Paper 8467, World Bank Group, Middle East and North Africa Region, Office of the Chief Economist (June 2018) http://documents.worldbank.org/curated/en/574281528247194319/pdf/WPS8467.pdf

[10] Chuck Marr, Chye-Ching Huang, Arloc Sherman, and Brandon Debot, "EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds," Center on Budget and Policy Priorities (October 2015) https://www.cbpp.org/sites/default/files/atoms/files/6-26-12tax.pdf; and Austin Nichols and Jesse Rothstein, "The Earned Income Tax Credit (EITC)," National Bureau of Economic Research, NBER Working Paper No. 21211 (May 2015) https://www.nber.org/papers/w21211.pdf

going to the top 10 percent can be explained by the decline union density in advanced economies. While the paper shows little association between the minimum wage and the rising share of income to the top, it does show that the minimum wage reduces the broader measure of wage inequality.[11]

Figure 2



As new data become available, economists have found relying on skill-biased technical change to explain continued rises in inequality difficult. This has led to new research on unions and minimum wages in explaining the rise in inequality. One important component of the research is understanding the key importance unions played in raising the wages of men in low-skilled industries. A work by Farber, Herbst, Kuziemko and Naidu reconstructs individual level data to look at union effects on wages, controlling for skill from the late 1930s to 2017 and find changes in union density over that longer 80 year period can explain the fall in inequality as union density rose and the rise in inequality, including the rising share of income to the top 10

[11] Florence Jaumotte and Carolina Osorio Buitron, "Inequality and Labor Market Institutions," IMF Staff Discussion Note SDN15/14 (July 2015).

percent, from the fall in union density since the late 1970s.[12] Understanding that the wages of union members can have spill-over effects to non-union workers, and that raises in the minimum wage can help workers earning above the minimum wage through spillover effects, researchers Fortin, Lemieux and Lloyd find that 37 percent of the growth in the wage gap for men in the top 10 percent and the median worker over the 1979 to 2017 period can be explained by the decline in union density in the U.S.. This is key, because a portion of the gap between the growth of productivity and median wages, is accounted for by the rising gap between the top 10 percent and median workers' wages. For women and men, they found the minimum wage was important in explaining the problems of inequality for the bottom 10 percent of earners falling behind other workers.[13]

The OECD has looked carefully across its member countries to analyze how well different collective bargaining systems function. The United States stands out because of its very low share of workers benefitting from collective bargaining and it's decentralized, firm-level bargaining. Comparing across different levels of bargaining structure, this is the worst performing type. Their report notes that higher levels of collective bargaining, particularly when the bargaining ends up with better coordination of wages at the sectoral level, yields several better labor market outcomes: lower wage inequality, lower unemployment rates, lower unemployment rates for workers who are often marginalized like women and young workers, and higher levels of job training.[14]

Before the House of Representatives now, is a bill introduced by Congressman Bobby Scott, The Protecting the Right to Organize Act (PRO Act) that will go a long way to restore American workers' rights to organize and bargain collectively with their employer. The PRO Act strengthens remedies and enhances punishment for violating the rights of workers and

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[12] Henry S. Farber, Daniel Herbst, Ilyana Kuziemko and Suresh Naidu, "Unions and Inequality over the Twentieth Century: New Evidence from Survey Data," National Bureau of Economic Research, Working Paper 24587 (May 2018).

[13] Nicole M. Fortin, Thomas Lemieux and Neil Lloyd, Labor Market Institutions and the Distribution of Wages: The Role of Spillover Effects, manuscript, Vancouver School of Economics, University of British Columbia (September 26, 2018) https://econ2017.sites.olt.ubc.ca/files/2018/12/pdf_paper_thomas-lemieux-spillovers.pdf

[14] Organization for Economic Cooperation and Development, Chapter 3 "The Role of Collective Bargaining Systems for Good Labour Market Performance," in *OECD Employment Outlook 2018* (Paris 2018) https://www.oecd-ilibrary.org/sites/empl_outlook-2018-7-en/index.html?itemId=/content/component/empl_outlook-2018-7-en

restores balance and fairness in a collective bargaining system that has become too slanted to achieve the economic necessary coordination of wage and productivity growth.

Congress has already taken an important step to fight inequality by passing the Raise the Wage Act. That Act will raise the minimum wage gradually to $15 an hour. As a rising share of the work force are women, the weight assigned to wage inequality faced by women increases in explaining overall wage inequality. Raising the minimum wage is one of the most potent tools for closing the gender pay gap; 58 percent of those who will get a raise are women. The best, most current comprehensive approach for assessing the effect of minimum wage increases on employment show no significant impact of raising the minimum wage on employment.[15]

Work looking at the increase to the minimum wage's highest level and its greatest expansion in coverage from the Fair Labor Standards Act of 1966, showed the increase did not have negative employment effects even in rural areas where the new minimum wage and its expansion in coverage doubled previously prevailing wages. That increase substantially lowered racial wage inequality between Black and White workers.[16] Similarly, the Raise the Wage Act will close racial wage gaps because it would erase the current de facto regional minimum wage laws now in effect. Because many states, cities and the District of Columbia have set in motion a raise to $15 an hour, there is a deepening racial disparity in labor standards as experienced especially by Black workers. Most Black workers are in states with a $7.25 minimum wage, while the majority of American workers live in states with a higher state or city minimum wage. A regional minimum wage approach would virtually, and surgically exclude Black workers, and women of color most specifically from the protection of higher wage standards. So, the regional minimum wage would be another prime example of how public policies have created the current racial wealth gap.

Passing the PRO Act and pushing forward on the Raise the Wage Act will go a long way to restoring the period in American growth where wages and productivity rose together. And, by lowering inequality it will also help increase economic growth and prolong economic recoveries.

[15] Doruk Cengiz, Arindrajit Dube, Attila Lindner, and Ben Zipperer, "The Effect of Minimum Wages on Low-Wage Jobs: Evidence from the United States using a Bunching Estimator," National Bureau of Economic Research, NBER Working Paper Series, No. 25434 (January 2019) https://www.nber.org/papers/w25434.pdf

[16] Ellora Derenoncourt and Claire Montialoux, "Minimum Wages and Racial Inequality," manuscript, Harvard University (November 2018) https://scholar.harvard.edu/files/elloraderenoncourt/files/montialoux_jmp_2018.pdf

The current high level of inequality increases the share of Americans who struggle to buy homes and to educate their children. This is because those in higher income levels come to define the market for those goods, and so the prices in the markets increase with their incomes.

Figure 3

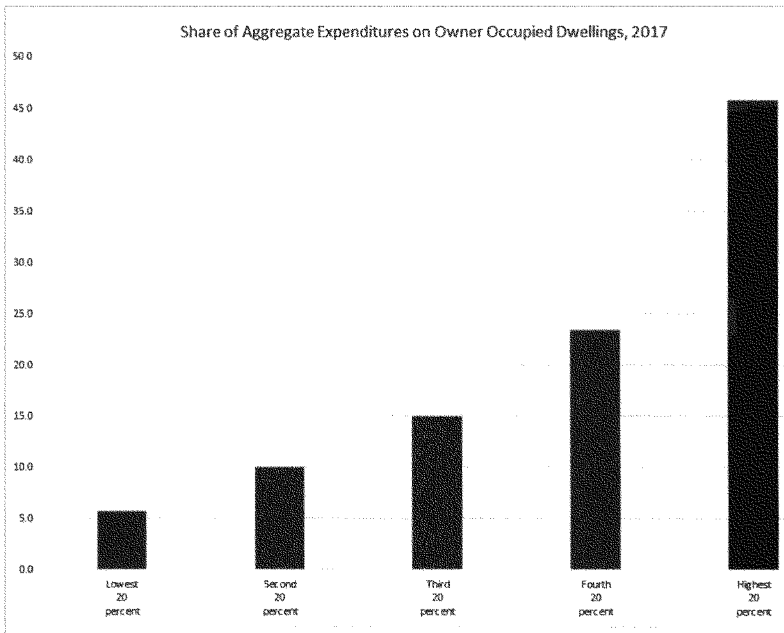
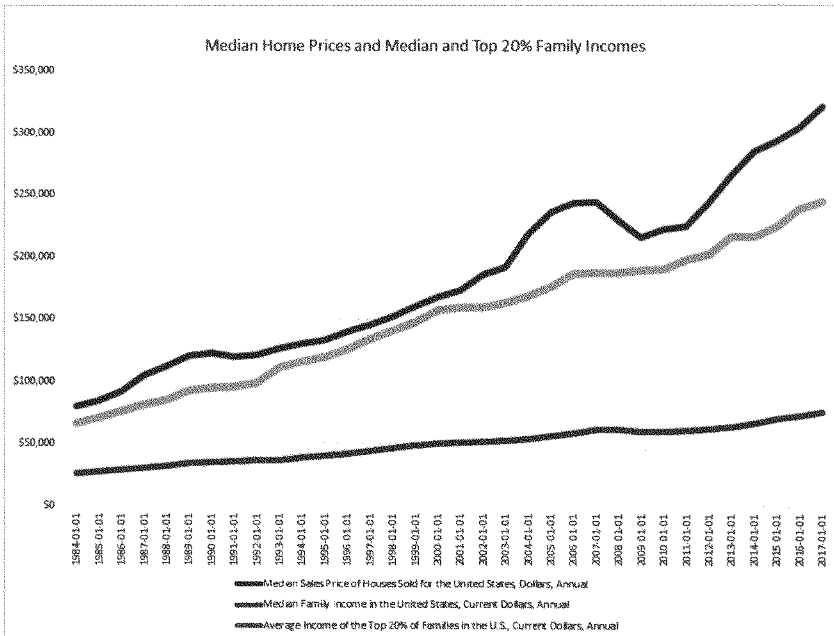


Figure 3 shows that over 45% of all private expenditure on owner occupied housing in the United States is accounted for by the top 20 percent of the income distribution. That is more than the bottom 60% of households combined. The result can be seen in Figure 4 that shows how the price of the median home in sold in the United States tracks the growth in income of those with higher incomes and leaves behind those with median earnings.

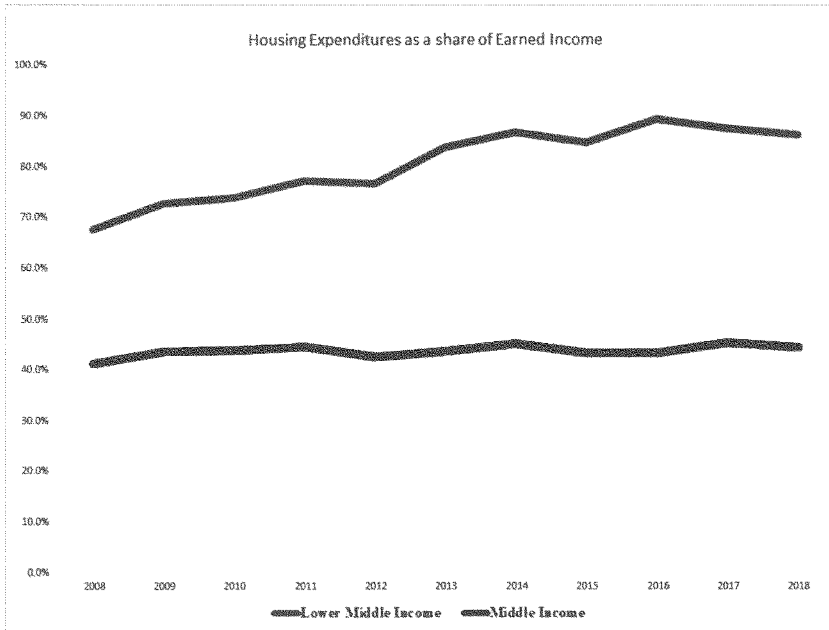
Figure 4 shows the median home price for homes sold in the United States, in nominal dollars, and the nominal average income of families in the top 20 percent of the income distribution and the nominal median income of families. The gap between median family income and home prices will slow the housing market. And, going forward, if the gap does not close, private residential investment will decline as a source of growth during economic expansions. It is one reason that expansions would be weaker and potentially last for shorter periods.

Figure 4



Earnings are slowly recovering to their pre-2008 levels. But with housing prices rising faster than incomes, the earnings gains of those in the lower-middle- and middle-income households, housing costs still eat up a rising share of earnings. Figure 5 shows data from the Bureau of Labor Statistics Consumer Expenditure Survey. It shows income by consumption units, which come closer to household than family income. For those in the lower-middle quintile of income, despite rising earnings, these households clearly are facing housing distress, and need help because of high housing costs. Even middle-income households are seeing little relief from rising housing costs, relative to what they earn.

Figure 5



The affordable housing crisis that this data shows as real, are going to be a challenge for budgeting. If a greater share of income was held by middle income families, they would represent a greater share of the market and make it easier to pursue market-based strategies to get the residential housing investment the economy needs for strong growth. And, higher earnings would reduce the need for government intervention into the market through tax expenditures or direct market intervention.

There is a similar challenge when it comes to higher education. The United States once stood as the nation with the highest share of workers who were college educated. Today, the United States is a distant mention. In large part, it is the result of these same forces, where the prices are rising with market, and those prices are rising faster than the incomes of most Americans.

Figure 6

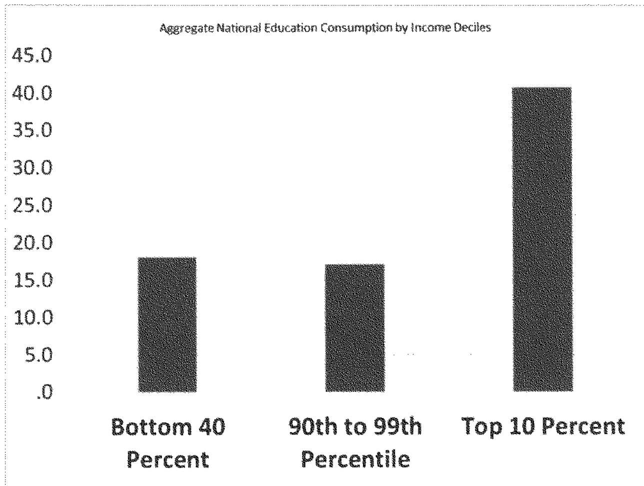
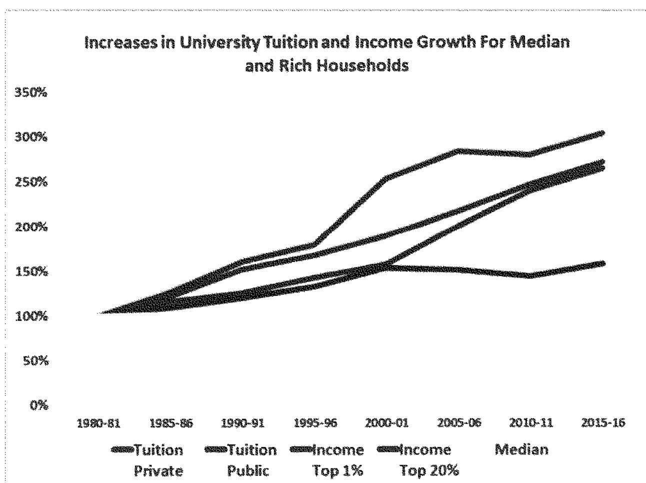


Figure 7



Figures 6 and 7 show that because of the dominance of high-income households in the market for education, the market result is that prices closely track their increases in incomes, leaving behind those with median incomes. The crisis is that since 2000, the increases in tuition have also outstripped growth in income for most in the top 20%, and better tracks the growth in income of the top 1%. In 1995, among OECD nations, the United States ranked first for the highest share of workers with college degrees. But, by 2012, the United States had fallen to a very distant 19th out of the 28 nations. In a market driven system of higher education then, it is little surprise there are several colleges that now have more students from the top 1% of family income than from the bottom 40%.[17]

To remain a competitive economy, the United States will need to move back toward its formal leadership in having the world's most educated work force. And, at this level of inequality, it will be a challenge relying only on existing market forces. A federal budget will need to re-invest in higher education to lower colleges' reliance on tuition revenue or make increasingly larger subsidies to colleges or students to insure we educate all our best and brightest, not just the few who can afford it. With the coming of artificial intelligence, workers will need to have higher levels of education so that artificial intelligence will complement their skills and augment their productivity.

Conclusion

Income inequality is a challenge for the Committee on Budget. It is already well established that the biggest challenge to Social Security's funding is the unprecedented rise in income inequality that started in the 1980s. Addressing the cap on Social Security taxes to correct for that is well known, and a simple fix to address that problem. But inequality diminishes too many Americans' opportunities. And, fixing clear regressive tax policy outcomes for low wage working families by passing the Working Families Tax Relief Act is another. To provide a strong and sustained economy, federal budgets will have to address the diminished investments that we currently rely on individuals to make. Without those investments, economic growth is slower, and recoveries are fragile. Two clear policies have played important roles in increasing inequality in the United States more than occurred globally. All nations face the pressures of technological advance and increased global integration. But not all nations have had

[17] Raj Chetty, John Friedman, Emmanuel Saez, Nicholas Turner, and Danny Yagan, "Mobility Report Cards: The Role of Colleges in Intergenerational Mobility," Manuscript, Stanford University (July 2017) http://www.equality-of-opportunity.org/papers/coll_mrc_paper.pdf

the same rise in inequality. The United States had a strong history of bounding competition by insuring adequate minimum wages and protecting the rights of Americans to bargain collectively with their employers. These standards help secure a strong relationship between productivity growth and wages. And that strong relationship helped maintain the purchasing power of the middle. Restoring those policies is a logical step to restoring a more vibrant economy. The passage of the Raise the Wage Act was a step forward, and passing the PRO Act will be another big step in that direction.

Chairman YARMUTH. Thank you for your testimony.

I now recognize Ms. Evans for five minutes.

Welcome, Ms. Evans.

STATEMENT OF KISMET EVANS

Ms. EVANS. Thank you.

My name is Kismet Evans, and thank you for having me here today to talk about the budget and inequality that is going on, and a special thank you to Congressman Horsford, who represents my district in Nevada.

As I said, my name is Kismet Evans, and I am currently a home health provider in Las Vegas, Nevada, who serves the community.

With that, hearing the previous testimony and to make it real clear because there is a lot of statistics and information, but let me just be clear and get to the real part of what inequality does.

I am a product of inequality. Twenty-four years ago I was on drugs and alcohol and homeless, and through a program that gave me the resources, the information, the education, and the training necessary, I moved from that to become a business owner, receiving the California Peace Prize award as a result of my work in the community with homeless people, with the underserved, and with the disenfranchised individuals who do not get the opportunity to become positive wage earners or receive a wage that allows them to care for their families properly, which results in them having to put themselves in compromising positions, to do things that no one wants to do, but to make ends meet, these are some of the things that they end up putting themselves in.

Without raising the minimum wage for individuals who work in the home health means we are taking food out of their pockets because in the home healthcare industry, every one of our compliances we pay for, DOJ, CPR, first aid, our in-service training, and that is taking from our minimum wage income to pay out to this company who is making billions of dollars, millions of dollars a year.

How is that not inequality to the family that is trying to provide a nutritional meal to their child or who wants to be able to send their kid down the street to the camp so that they are not sitting home going stir crazy or having to be in a community which is unsafe for them when they can be doing something that they enjoy doing, building them up, you know, allowing them to live and become what they desire to be?

We are smashing, we are stomping on, and we are killing people's, who work in the low wage industry, dreams of having something more, doing something more.

Every American deserves to be able to have security, safety, pay their bills on time, know what life is going to bring to them instead of seeing nothing but darkness, no hope or anything.

I know that with the increase, we are not going to get it today because it is an incremental process, but it is a start, and those people that become wage increased earners put back into the community. You know, they are able to contribute to the revenue.

They are better trained. They are better educated, which means that they are going to take and they are going to help somebody else and pull them along.

We deserve an increase not because we need more money, but because we want to be a better citizen, a better mother, a better father.

We want to provide for our children and give them a future because if we do not, we are only going to continue to see more mayhem, more crime, more prostitution.

And it is not the elderly or the Baby Boomers or the seniors. It is our kids that are being subjected to these things because parents are not able to make ends meet. We are leaving them out of this equation.

And I am just imploring you guys today to make this something that is a priority, the wage increase and for all. Home health workers, anybody in the service industry has a better income to become a better person in society.

Thank you so much.

[The prepared statement of Kismet Evans follows:]

Ms. Kismet Evans
Home Healthcare Worker, Las Vegas, Nevada
Testimony before the House Budget Committee
"Solutions to Rising Economic Inequality"
September 19, 2019

Thank you Chairman Yarmuth and Ranking Member Womack for having me before the Budget Committee this morning. And a special thank you to Congressman Horsford, representing my 4th District of Nevada.

My name is Kismet Evans and I am a home healthcare worker in Las Vegas, Nevada, and I know I speak for thousands of health care workers on how imperative it is that Congress and the White House work together to provide a living wage for all.

The home healthcare field allows families to receive additional health services for whatever reason they are not capable of providing for their loved ones. WE step up, and step in as an extension of the health care community and of their families. Clearly, that's worth more than the current minimum wage? The families think so and are grateful.

As a health provider working with clients with brain injuries, dementia, physical disabilities (ambulatory and non-ambulatory), mental wellness, need of medication services, transportation, etc., it warrants immediate action for healthcare providers to receive an increase in their wages to $15 dollars an hour with an additional conversation related to workers having access to health benefits, mileage, educational opportunities or benefits to help build upon their skills for a better quality of employment, and to increase their skill level for their patients.

Currently, I make an hourly wage without health benefits, no sick or vacation time, nor receiving mileage for transportation services. Whether in my field or another type of service worker, the stories of how the economy has grown doesn't match reality on the ground. Who is benefiting? Why do we all feel like we are still fighting an uphill battle of higher rents, rising prices at the grocery store, and more bills to finance what we need to get by?

Every human being wants the same things out of life: safety, security, and decent housing. We want the ability to educate, stimulate, motivate, and enrich our family. We are not asking for the world, just a portion, to call hope!

Chairman YARMUTH. Thank you for your testimony.

Mr. Ponnuru, you are now recognized for five minutes. Welcome.

STATEMENT OF RAMESH PONNURU

Mr. PONNURU. Thank you, Chairman Yarmuth, Ranking Vice Chairman Johnson, and distinguished Members of the Committee.

It is an honor to be testifying before you.

There is little dispute that inequality has risen since 1979, although some evidence suggests that it peaked in 2007 and has been falling since then.

There is considerably more disagreement about how inequality should factor in our thinking about public policy. The view that prosperity should be broadly shared is widespread.

Few of us would be satisfied with an economy in which average incomes are rising only because those at the very top were moving further up.

At the same time, most of us think that rising living standards for most people are more important than the relative speeds at which different groups' living standards are rising.

Many analysts have argued that economic inequality has negative effects that offer reasons to worry about it beyond its importance in itself. Some believe that greater inequality reduces economic growth, but these analyses are seriously disputed.

My written testimony cites summaries of studies that suggest that inequality has only modest effects, no effect, or even positive effects on these variables.

It is easy to reach erroneous conclusions about the link between inequality and wage growth because of a widespread misunderstanding of wage trends over the last several decade. Misleading claims that the average wage has been stagnant since the late 1970s, coupled with the accurate observation that inequality has risen, has heightened the impression of a causal link between these trends.

But as I discuss in that testimony, using the correct adjustment for inflation reveals that wages have grown significantly, if unsteadily, over this period.

None of this is to deny that there are policies worth pursuing that hold some promise of reducing inequality, but these policies are worth pursuing primarily because they would raise economic growth, boost living standards, and expand opportunity.

Several provisions of the Tax Cuts and Jobs Act of 2017 are examples of such policies. The bill's provisions expanding the child tax credit and the standard deduction disproportionately aided low income and middle income taxpayers, and the law scaled back deductions for mortgage interest and state and local tax payments that disproportionately aided high earners.

A further expansion of the child credit, increasing its maximum value and making it fully refundable against payroll taxes would recognize and foster investment in the next generation, while also reducing poverty inequality.

Many other such policies would have multiple advantages in this way. Loosening restrictions on the construction of housing, especially in areas of the country with high economic growth and severe restrictions would expand opportunity.

Loosening occupational licensure laws would also increase upward economic mobility, in part, by increasing geographic mobility.

Rethinking education policies so that they better serve the large majority of young people who do not receive college degrees could also expand opportunities.

And finally, better countercyclical policy from the Federal Reserve might be able to reduce the risk and severity of recessions, limiting the damage of business cycles which can be especially severe for those with low or no incomes.

But policy makers should refrain from enacting policies that in the name of reducing inequality inflict major harms. The Congressional Budget Office's median estimate is that raising the minimum wage to $15 would cause 1.3 million few people to have jobs in the first year it took effect.

A tax on wealth would reduce national saving and, therefore, either reduce investment in the United States or increase capital inflows or both. To the extent that it increased capital inflows, it would raise the trade deficit. It would also be extraordinarily difficult to administer.

A universal basic income would very likely reduce the labor force participation rate, which has already been in secular decline, because people would be able to have a higher income without paid work than they currently can.

It would also reduce hours worked because it would require a major increase in taxation.

In short, public policies that could affect inequality vary widely in their effects and thus their desirability. Policy makers should focus on ways to reduce poverty, increase mobility, and improve living standards, keeping in mind the possible drawbacks of those policies and considering their effects on inequality as a second order consideration.

Thank you.

[The prepared statement of Ramesh Ponnuru follows:]

AMERICAN ENTERPRISE INSTITUTE

Statement before the House Budget Committee
On "Solutions to Rising Inequality"

Fostering Broad-Based Prosperity

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Visiting Fellow

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Chairman Yarmuth, Ranking Member Womack, and distinguished Members of the House Budget Committee, thank you for convening this hearing on "Solutions to Inequality." I am a visiting fellow at the American Enterprise Institute, a fellow at the National Review Institute, a senior editor at *National Review*, and a columnist for *Bloomberg Opinion*. This testimony reflects my own views and not those of any organization with which I am affiliated. It is an honor to be testifying before you.

This Committee is to be commended for convening a hearing on economic inequality, which is bound up with many questions that are central to American life. It is a topic intensely debated but often not carefully analyzed.

Income Inequality: Trends, Importance, and Public Opinion

There is little dispute that inequality has risen over the past few generations. The Congressional Budget Office's most recent report on the distribution of household income shows that one measure of inequality, the Gini coefficient for incomes after taxes and transfers, increased by 29 percent between 1979 and 2007.[1]

The report also shows, however, that inequality peaked in 2007. The coefficient has fallen by 6.6 percent from that point through 2016 (the latest year with available data). This measure of inequality was lower in 2016 than it was in 2004.

The extent to which inequalities in income or wealth should matter to policymakers is a value judgment. Some of the relevant values are, however, widely shared. Most of us can see that it is not enough for average incomes to rise. That condition could be met if incomes at the top were growing while most people stagnated or fell behind. We would not consider that a successful economy.

It does not follow, however, that what ought to concern us most is inequality. One long-popular expression of concern about inequality has it that "the rich get richer and the poor get poorer." Note, however, that inequality as measured by a Gini coefficient can widen even if the poor are getting richer. Consider two scenarios. In the first, the poor are getting richer but the rich are getting richer faster, so inequality is widening. In the second, the poor are getting poorer and the rich are getting poorer too, so rapidly that inequality is falling. Nearly everyone would consider the first scenario preferable to the second one.

That shared inclination helps explain some features of public opinion. When Americans are asked about the country's top problem, it is consistently the case that few of them specifically mention either inequality or the gap between the rich and poor. The percentage who volunteer such answers to Gallup has been between 1 and 2 percent this year.[2] At the moment, 11 percent of Americans, a historically low figure, describe any economic problem as the country's top challenge. Even in periods of greater public anxiety about the economy, however, inequality is not a top-of-mind issue for most people. For example, in December 2013, inequality was volunteered by 2 percent, even as 19 percent mentioned the economy in general, 12 percent mentioned unemployment, and 9 percent mentioned the deficit.[3] Public concern about inequality also does not seem to track actual trends in inequality very well: Some measures of concern have risen even during the recent period of falling inequality.[4]

It may be that many people who express concern about inequality do not think about it in the way it is defined in much of the academic, journalistic, and political discussions of it. It seems clear that whether most people are seeing gains in their standard of living is a much more widely held concern than inequality is—which reflects a sensible weighting of these questions.

The Effects of Inequality

It has often been suggested, especially in recent years, that inequality has major negative effects: that a rising gap between rich and poor reduces economic growth, for example. If this is true, then even people who do not place great importance on inequality in itself may have practical reasons to be concerned about it. If some widely acknowledged social good, such as rising median wages, requires falling levels of inequality, then falling inequality is important as a means toward that end.

The range of goods that inequality has been said to compromise or threaten is extremely, even stunningly, broad. But the evidence for any of the hypothesized negative effects is not robust and often countered by other evidence.

Scott Winship has summarized the evidence that should make us doubt that economic inequality reduces economic growth, median wage growth, economic mobility, saving, life expectancy, educational attainment, or financial or political stability or that it increases teen pregnancy rates.[5] Lane Kenworthy, while concluding that inequality is worrisome, reaches similar conclusions and finds that the evidence is weak to nonexistent that inequality increases obesity or crime or reduces trust, employment growth, or happiness; inequality does not even appear to reduce income growth among poor households.[6]

As noted earlier, views on the intrinsic importance of economic inequality differ. However high a priority one believes that reducing inequality should be, the evidence on the effects of inequality do not provide much reason for making it a higher one. Take a person who believes that a set of policies expected to reduce some measure of inequality by a quarter were worth pursuing even if it also reduced median incomes by 5 percent. The evidence about the effects of inequality on obesity, educational attainment, and so forth would not justify raising the threshold for acceptable losses in median income much above that 5 percent.

Given how frequently inequality is said to be linked to wage growth, it is worth discussing wage trends more extensively. It is frequently claimed that average wages have declined over the past 50 years.[7] But that claim depends on using a flawed measure of inflation. Use the available measure that best accounts for how consumers change their behavior to blunt the effects of rising prices on their welfare, and the average wage rose 21 percent from 1973 to 2018.[8] (Average compensation, including nonwage benefits, must have risen even more.)

Median family income has risen faster than average wages, reflecting among other things increased female labor force participation. Families in the middle of the income spectrum in 2015 made 45 percent more than their counterparts in 1970.[9]

The story is not all rosy. The median family income of 2014 was lower than that of 2000, reflecting the effects of one mild and one sharp recession and the slow recoveries from both. What policymakers got wrong during that period is certainly worthy of reflection. But the view that our economic policies have been failing most Americans since the 1970s is incorrect. And the most recent trends on everything from wages to poverty rates are strongly positive.

Policymakers should be looking for discrete areas in which it is possible to correct mistakes and build on successes. While combating economic inequality should not be their focus, some policies that might reduce inequality are worth pursuing—if those policies advance such other objectives as reducing poverty and enhancing economic growth, reducing inequality as a side effect.

Policies to Promote Shared Prosperity

A few of these policies have been advanced in recent years. The Tax Cuts and Jobs Act of 2017 included two important provisions that directly and disproportionately benefited people in the lower and middle quintiles of the income distribution and two more that scaled back tax benefits that disproportionately aided those in the top ones. These four provisions were the expansion of the child tax credit, the expansion of the standard deduction, the reduction of the deduction for mortgage interest, and the reduction of the deduction for state and local taxes. A countervailing policy included in the law was the elimination of the personal and dependent exemptions.

The Joint Committee on Taxation estimated the distributional effects of these five provisions in conjunction.[10] Their net effect was to lower tax liabilities for taxpayers making less than $100,000 a year, as a group, and to raise them for taxpayers making above that threshold.

In 2017, before the expansion, the child tax credit was estimated to lift 2.8 million people, including 1.6 million children, out of poverty and to lessen poverty for another 13 million people, including 6.7 million children.[11] The effect of today's child credit should be larger. I have elsewhere made the case for further enlarging the credit: increasing its maximum value, making the increase permanent, indexing the increased amount to grow with nominal wages, and making it fully refundable against both employer- and employee-side payroll taxes.[12] While the main point of these expansions would be to recognize and foster investment in the next generation, they would also make the credit more powerful in combating poverty and inequality.

Other policies would likely reduce inequality but would also have other advantages. Loosening restrictions on the construction of housing, especially in areas of the country with high economic growth and severe restrictions, would expand opportunity. People with limited prospects in the part of the country where they now live might find it possible to better their economic circumstances elsewhere if housing were more freely available.

Loosening occupational licensure laws would also increase upward economic mobility, in part by increasing geographic mobility. In the 1950s, 5 percent of workers held jobs requiring a government license; by 2008 that figure had risen to 29 percent. Licensing can suppress economic mobility in particular communities by making it more difficult for people to begin working in the field of their choice, and it can also limit mobility among communities as relocating in a new state may require the acquisition of a new license to work.[13]

A reorientation of policies toward high school education at all levels of government could also expand opportunities in an egalitarian way. The current system is designed to help young adults move from high school to college and then to a job that requires a college degree. But this path is working for only about a sixth of all young people, a fraction that tends to have the higher lifetime incomes than taxpayers in general. A shift in educational priorities to better serve those who are not on the college track would seem to be in order.[14]

Finally, changes in monetary policy that would reduce the risk and severity of recessions should also be considered. Errors in monetary policy may have caused the Great Recession to be as damaging as it was, especially for those with low or no incomes. Current practices at the Federal Reserve may entail a bias toward excessively tight money that could be remedied through the adoption of a nominal spending target.[15]

The Pitfalls of Some Proposals to Reduce Inequality

Policymakers should, however, refrain from enacting policies that in the name of reducing inequality inflict major harms. One such proposal is an increase in the minimum wage to $15 an hour. The Congressional Budget Office's median estimate is that in the year that minimum wage took effect, it would mean that 1.3 million fewer people had jobs than otherwise would. The economy as a whole would sacrifice $8.7 billion.[16] There are, moreover, reasons to believe that the longer-run effects of the increase would be worse.[17]

Some officials have discussed repealing the Tax Cuts and Jobs Act, or large pieces of it. A full repeal, or a repeal of the provisions concerning the standard deduction and the child credit, would be a large tax increase, especially for middle-class parents of minor children. Changes that reduced the growth rate of the economy over the long term by reducing the incentive to work, save, and invest would also have a negative impact.

Concern about income and wealth inequality has understandably led to suggestions for a new tax on wealth. But a wealth tax would have considerable drawbacks. It would reduce national saving and, therefore, either reduce investment in the United States or increase capital inflows or both. To the extent it increased capital inflows, it would raise the trade deficit.[18] It would also be extraordinarily difficult to administer. These trade-offs may help explain why some developed countries have stopped levying wealth taxes in recent years. In the US, a wealth tax may also violate the Constitution.

A universal basic income could almost certainly reduce poverty and inequality, at least post–tax and transfer. But it too would have substantial drawbacks. It would reduce the labor force participation rate, which has already been in secular decline, because people would be able to have a higher income without paid work than they currently can. It would also reduce hours worked because it would require a major increase in taxation; thus, it would also reduce national income, output, and wealth.

Conclusion

As this brief review of some of the issues concerning economic inequality suggests, public policies that could affect it vary widely in their effects and thus their desirability. It would probably be best for policymakers to focus on ways to reduce poverty, increase mobility, and improve living standards, with the effects on inequality of these policies being a second-order consideration in favor of them rather than a driving force behind them.

Notes

[1] Congressional Budget Office, "The Distribution of Household Income, 2016," July 9, 2019, author's calculation from "Data Underlying Figures."

[2] Gallup, "Most Important Problem," https://news.gallup.com/poll/1675/most-important-problem.aspx.

[3] Jeffrey M. Jones, "Americans Cite Gov't, Economy, Healthcare as Top Problems," Gallup, December 12, 2013, https://news.gallup.com/poll/166244/americans-cite-gov-economy-healthcare-top-problems.aspx.

[4] Michael R. Strain, "Maybe Inequality Isn't What's Making People Mad," *Bloomberg Opinion*, July 17, 2019, https://www.bloomberg.com/opinion/articles/2019-07-17/income-inequality-isn-t-the-thing-that-s-making-people-mad.

[5] Scott Winship, "Overstating the Costs of Inequality," *National Affairs* 40 (Spring 2013), https://www.nationalaffairs.com/publications/detail/overstating-the-costs-of-inequality.

[6] Lane Kenworthy, "Is Income Inequality Harmful?," Lane Kenworthy blog, August 2016, https://lanekenworthy.net/is-income-inequality-harmful/.

[7] Drew DeSilver, "For Most U.S. Workers, Real Wages Have Barely Budged in Decades," Pew Research Center, August 7, 2018, https://www.pewresearch.org/fact-tank/2018/08/07/for-most-us-workers-real-wages-have-barely-budged-for-decades/.

[8] Author's calculation using Federal Reserve Economic Data.

[9] Author's calculation using Federal Reserve Economic Data.

[10] Joint Committee on Taxation, "Distributional Effects of Public Law 115-97," March 25, 2019, https://www.jct.gov/publications.html?func=startdown&id=5173.

[11] Center on Budget and Policy Priorities, "Policy Basics: The Child Tax Credit," April 8, 2019, https://www.cbpp.org/research/federal-tax/policy-basics-the-child-tax-credit.

[12] Ramesh Ponnuru, "A GOP for Parents," *National Review*, June 6, 2019, https://www.nationalreview.com/magazine/2019/06/24/a-gop-for-parents/

[13] Janna E. Johnson and Morris M. Kleiner, "Is Occupational Licensing a Barrier to Interstate Migration?," National Bureau of Economic Research, December 2017, https://www.nber.org/papers/w24107.pdf.

[14] See Ramesh Ponnuru, "What Is the Purpose of High School," National Review, July 25, 2019, https://www.nationalreview.com/magazine/2019/08/12/what-is-the-purpose-of-high-school/

[15] Ramesh Ponnuru, "Better Inflation Targets Will Help in the Next Recession," Bloomberg Opinion, April 23, 2019, https://www.bloomberg.com/opinion/articles/2019-04-23/better-inflation-targets-will-help-in-the-next-recession.

[16] Congressional Budget Office, "The Effects on Employment and Family Income of Increasing the Federal Minimum Wage," July 2019, https://www.cbo.gov/system/files/2019-07/CBO-55410-MinimumWage2019.pdf.

[17] Daniel Aaronson, Eric French, and Isaac Sorkin, "The Long-Run Employment Effects of the Minimum Wage: A Putty-Clay Perspective," VoxEU.org, March 19, 2016, https://voxeu.org/article/long-run-employment-effects-minimum-wage.

[18] Alan D. Viard, "Wealth Taxation: An overview of the issues," Aspen Institute Economic Strategy Group, August 12, 2019, http://www.aei.org/publication/wealth-taxation-an-overview-of-the-issues/.

Chairman YARMUTH. Thank you for your testimony, and once again, I thank all of the witnesses for their testimony.

As a reminder, Members can submit written questions to be answered later in writing. Those questions and your answers will be made part of the formal hearing record.

Any Members who wish to submit questions for the record may do so within seven days.

And now we will begin the question period, and as a matter of courtesy, but first of all, as our habit, the Ranking Member and I are going to defer our questions until the end.

So, I now recognize the gentleman from Nevada, Mr. Horsford for five minutes.

Mr. HORSFORD. Thank you very much, Mr. Chairman, for the courtesy and also for holding this very important hearing to discuss something that impacts so many of my constituents and low income communities across this country, which is economic inequality.

I am so excited with the panel that we have here today, particularly Ms. Kismet Evans, who is one of our constituents from our district. She is a leading voice and advocate for economic equality and fairness, and I am so delighted that you flew all the way across the country to bring your important voice to this perspective.

I want to start off by highlighting the recent U.S. Census Bureau's annual report on income and poverty, which showed the importance of federal safety net programs in helping to keep millions of people from falling into poverty.

Social Security benefits kept more than 27 million people out of poverty last year. SNAP benefits kept an estimated 3 million people from becoming poor.

And yet the Trump Administration recently announced a proposed rule related to SNAP eligibility that would negatively impact about 46,000 SNAP recipients in my state.

When it comes to available affordable housing, which the panelist just spoke about, Nevada ranks as the worst in the country, according to the National Low Income Housing Coalition. That is especially true for those considered extremely low income, a group that often includes those living off of Social Security or those with disabilities.

In Clark County, 250,000 people, or roughly a quarter of the workforce in Southern Nevada, fall into the, quote, missing middle. Those are people earning between 60 and 120 percent of the median income in the area, a large chunk of whom are teachers and others in the service industry.

These are individuals who we are fighting for, to make sure that the programs that we support, including the Home Program, are preserved. And yet the Trump Administration and Republicans, after doing all of this, gave a gift of $1.9 trillion dollars in tax cuts to benefit the top 1 percent.

You want to talk about wealth redistribution? That is the issue at hand.

So, Ms. Evans, again, thank you for being here and sharing your story. You perform some of the most difficult, intensive, and important work in our society as a home healthcare worker and caregiver.

What will the increase in the minimum wage in Nevada mean for your household and for others like you?

Ms. EVANS. Thank you, Congressman, for that question.

First of all, the increase is something that we will not see for a while because it is an incremental process, but knowing that we are looking forward and toward an increase from what we get already because we pay out so much of our income for compliances just to be able to have a job; so if you do not pay those compliances, you do not have a job.

So, one, it would mean that we would not have to take so much money out of our pocket to pay for those compliances, in addition to everything else that we have to pay for.

We are looking for an increase so that we can become better, more attentive parents, provide better nutritional meals for our families instead of coming home after being out all night with someone else's loved ones, which is an arduous yet blessed task to care for someone; however, when we get home, I know there are people like the only thing they have enough energy to do is pop a Top Ramen in the oven and give it to them or, I mean, the microwave.

Mr. HORSFORD. So how does that, the pressures of being a low wage——

Ms. EVANS. Oh, a sigh of relief. We will be able to breathe knowing that we will be able to do more things with the income that we will be receiving because we will not feel so trapped. We will not feel like we have to compromise, minimize, or condone or put ourselves in a compromising position to make ends meet.

So those are some of the real issues. Having to make ends meet in other kinds of manners is what I am sure some of the people that I work with would love to not have to contemplate.

Mr. HORSFORD. Thank you.

Well, this is a very important hearing. I also want to commend Congresswoman Lee who has been a champion on addressing these issues of income inequality and poverty, and I know she has a number of blueprint policies that would help people like you and others that we are fighting for. Thank you, Mr. Chairman.

Chairman YARMUTH. The gentleman's time has expired.

I now recognize the Vice Ranking Member, the gentleman from Ohio, Mr. Johnson, for five minutes.

Mr. JOHNSON. Thank you, Mr. Chairman.

And I, too, want to thank our panel for being here. I know you have taken time out of your busy schedules to come, and I appreciate that.

Several things have already been said that I think I have to clarify because the facts and the statistics just do not match up with what has been said.

Mr. Spriggs, you talked about rising taxes on middle and lower income Americans when, in fact, the Tax Cuts and Jobs Act did exactly the reverse. It lowered taxes on middle and lower income families. It lowered taxes for virtually all Americans.

So I do not know what references you are using to get your statistics from, but the real facts do not match that.

And when we talk about income and rising wages, there is always that claim that incomes are going up disproportionately for upper income wage earners than lower income wage earners, and I have been at both ends of that spectrum in my life. So I understand that dynamic.

But here is what is never mentioned. It is never mentioned that the top 1 percent of Americans pay 37 percent of the taxes in this country, and it is also never mentioned that the top 50 percent of wage earners pay 97 percent of the taxes in this country because taxes are proportional. They are percentage based. The more you earn, the more you pay.

That is the way the system works, and that is the way it should work, but let's get to some questions.

Mr. Ponnuru, the Tax Cuts and Jobs Act increased the child tax credit from $1,000 to $2,000 and increased the standard deduction from $13,000 to $24,000 for joint returns.

This provides a substantial tax cut for the middle class and helps reduce the cost of raising a family. So what do you think the impact of repealing the Tax Cuts and Jobs Act would have on American families?

Mr. PONNURU. Repealing the Tax Cuts and Jobs Act would be a substantial tax increase for many middle class families. The Act, as the Joint Tax Committee concluded, cut taxes for each income quintile roughly in proportion to the amount of taxes that each quintile paid. It was carefully designed to have this effect.

The Joint Tax Committee has also estimated that if you look at the provisions that you mentioned: the child tax credit, the standard deduction, and also some of the deduction changes and the changes to the exemption, all told those provisions tended to increase taxes on households making more than $100,000 a year and decrease taxes on households making less than $100,000 a year.

So those provisions in particular, I would think, need to be guarded.

Mr. JOHNSON. Yes. You know, we talk a lot about workforce development. In the aggregate, America does not have a birth rate that is replacing the aging, retiring workforce—the 10,000 Baby Boomers per day that are retiring.

One of the provisions of the Tax Cuts and Jobs Act that encourages families to have children and to grow their families if they want to is the child tax credit.

So what are your thoughts on what the Tax Cuts and Jobs Act did to the child tax credit?

Mr. PONNURU. I think that was an extraordinarily positive development in the tax code. And I think that the crucial thing in what you said was "if they want," because we do have evidence spanning decades now that Americans would like to have more kids than they end up having.

To the extent that some of this is economically based and some of it is based on being overtaxed, that is something that public policy can and should address and in the Tax Cuts and Jobs Act did address.

Mr. JOHNSON. Okay. I have got 20 seconds. I want to ask our other witnesses just real quick. It is a very quick yes or no answer.

Do you think it was beneficial for American families that the Tax Cuts and Jobs Act doubled the child tax credit and dramatically increased the standard deduction?

Dr. Boushey, yes or no?

Dr. BOUSHEY. That is an important policy, but it is an incredibly high price to pay.

Mr. JOHNSON. No, I need a yes or no.

Dr. BOUSHEY. For the increase in deficits that we are going to see——

Mr. JOHNSON. Yes or no.

Dr. BOUSHEY.—and the way that taxes are going to go up for those people in the future.

Mr. JOHNSON. Dr. Spriggs, do you have an answer to that?

Dr. SPRIGGS. Because you did not make it refundable, no.

Mr. JOHNSON. Okay. How about you, Ms. Evans?

Ms. EVANS. No.

Mr. JOHNSON. And would you all support repealing those provisions?

Ms. Evans?

Ms. EVANS. Yes.

Mr. JOHNSON. Yes?

Dr. SPRIGGS. It has to be fixed.

Mr. JOHNSON. No. Yes or no, would you support it being repealed?

Dr. SPRIGGS. I would repeal it because you have to make it refundable.

Mr. JOHNSON. Okay. Dr. Boushey?

Dr. BOUSHEY. You need to fix the tax code, and I agree with Dr. Spriggs. Making it refundable is absolutely paramount.

Mr. JOHNSON. Okay. I yield back, Mr. Chairman.

Chairman YARMUTH. The gentleman's time has expired.

I now recognize the gentleman from Massachusetts, the Vice Chairman of the Committee, Mr. Moulton.

Mr. MOULTON. Thank you, Mr. Chairman.

America is founded upon the idea of equal opportunity. It is our nation's guiding principle. It is the manifestation of freedom.

The single guiding phrase of the American Revolution- it has often been said- is that great Jeffersonian line from the Declaration of Independence, "All men are created equal," which we of course know now includes not just men.

Now, America is not a country of equal results. We thrive on free competition, and we know that some will have greater success than others. But if we do not start with equal opportunity, we cannot live up to our fundamental values and principles as a nation.

Therefore, I believe the most important question before the Committee today is whether rising economic inequality is due to a lack of opportunity, whether we are a country of equal opportunity or not.

My colleagues across the aisle seem to think that opportunity in America is just as equal as it needs to be. They like to say two things about the problem of rising economic inequality, and we heard both from the Vice Ranking Member in his opening statement.

The first is: all we need to do is grow the economy, simply grow the economy we already have. Now, this would make sense if the current economy lived up to our ideals, that principle of equal opportunity. So we should investigate this.

The second thing Republicans like to say is that this entire conversation about economic inequality is about redistributing wealth. And since they believe we should not do this, we should not even have this conversation, or as the Vice Ranking Member stated, we should not be holding this hearing.

But redistributing wealth is about equal results, not equal opportunity. I am a proud Democrat, and that is not what I am here to talk about.

So to directly address the two Republican concerns on the table, if you want to, one, grow the pie more and, two, you do not want to redistribute wealth, then it seems to me the only remaining option is to ensure that opportunity in America truly is equal.

So let us discuss whether opportunity in America is equal or not, and whether making economic opportunity more equal, in other words, living up to those ideals in our founding documents, would help address rising economic inequality.

Dr. Boushey, to begin with, the research by Professor Raj Chetty of Harvard finds that there is a very strong relationship between parental income and the future income of their children. In other words, economic inequality is not equal, but strongly inherited, and it is a generational problem.

Why does growing economic inequality leave the lowest income families more at risk of generational poverty?

Dr. BOUSHEY. Well, two points. First, one of the things that we learned from Chetty's research that he concluded is that if you look over the period over the past few decades, children who are born in the middle part of the 20th century, about 90 percent of them grew up to earn more than their parents. Kids born in the 1980s, 90 percent are not growing up to earn more than their parents.

And that decrease in absolute mobility over that time frame is not due- or we could not have altered that outcome even if the economy had grown more. In fact, 70 percent of that decline in upward mobility was due to the rise of inequality.

As he put it, it is because the rungs on the ladder have become further apart.

So it is important that we connect the dots between how inequality is actually making it impossible for there to be economic opportunity.

A second point from Raj Chetty's work is his really interesting study on patents he did with a bunch of colleagues. They found- they had data connecting what someone makes as an adult and whether or not they have a patent with their third grade math test scores and their parents' income in third grade.

They found that children who scored high on their third grade test scores were more likely to grow up and get a patent, but if you were from a high income family, you were four times as likely to grow up and get a patent among that high scoring group.

That is a direct loss to our economy of productivity gains because of the stymieing of opportunity and economic mobility.

Mr. MOULTON. And it seems to me that if this is related to third grade test scores, then rich kids are going to better schools than poor kids. That does not to me mean economic opportunity is equal in America.

Dr. BOUSHEY. Well, in this case these were all kids in one school system. So all the kids, and you have the high scores over here. Among the group that scored high in third grade, the ones who had rich parents were much more likely to move up and out.

So even a patent——

Mr. MOULTON. So, even if the school systems were equal, which we all know that they are not——

Dr. BOUSHEY. Yes. So, even among children in the same school system, that inequality is creating a pipeline across someone's life, and it is that that we need to be thinking about and connecting the dots on.

Mr. MOULTON. Thank you, Mr. Chairman.

Chairman YARMUTH. The gentleman's time has expired.

I now recognize the gentleman from Missouri, Mr. Smith, for five minutes.

Mr. SMITH. Thank you, Mr. Chairman.

I have said this numerous times, but the days change. Today marks 150 days since this Budget Committee has failed to pass a budget, 150 days. Speaker Pelosi said that a budget is a statement of your values. It is a statement of your party's values.

What are your values?

Instead, we are having hearings on other items than passing a budget from this Committee. It is completely ridiculous.

Let us talk about this. Last month I traveled and visited every one of our 30 counties in the month of August, visiting with families and farmers and small business owners. And in our 30 counties, 20 of those 30 counties are below the poverty level or above the poverty level. 20 of the 30 counties are above the poverty level in Southeast Missouri along the Mississippi River.

What I heard from these families is that they wanted to have the opportunities, and the opportunities are what allows them to have a better quality of life.

Speaking to some people that are third and fourth generations on government assistance and welfare. Think about that. Third and fourth generations.

Things are a little bit better. The economy is definitely doing well. You all admitted to that in your opening testimony, but a number that I think we need to point out is 1.4 million fewer people are living in poverty today than what they used to. That is a step in the right direction.

But just in the last couple of years, serving on a committee here in Congress, I had a young lady that testified before the committee that I was serving on, and she gave an issue that she had to turn away an increase in her hourly wage because of some federal welfare programs.

Think about that. There are over 80 different federal welfare programs that add up to $1 trillion a year that we spend to get people out of poverty, and we started that War on Poverty back in the 1960s. We have not been winning that war.

But this lady testified before our committee and said, "I had to turn down the increases in my hourly wage because I would lose subsidies, and my childcare subsidies, and my quality of living would be less if I took a $2 an hour increase in pay."

That is called the poverty trap. If we want to get serious about ending inequality, we need to make sure that we do not keep and push people down to stay reliant on federal government programs. We need to give them an incentive to work themselves off the system.

And I think Republicans and Democrats can agree with that. But instead, this lady had to turn down a wage increase because of that security blanket being ripped out from underneath her for childcare subsidies.

That is an easy fix that I think Republicans and Democrats should agree, that would make the quality of life of a lot of low income people so much better, and it is not even being discussed right now. And I think that is a point of discussion that we have to hit on.

When you are talking about the child, the Tax Cuts and Jobs Act, it was my provision that helped double the child tax credit, and, sir, it is refundable. It increases the refundability up to $1,400. That is more than what it was before the Tax Cuts and Jobs Act.

Do you know that in the district that I represent, the median income household of a family in my district is $40,000 a year . . . for a family of four? It is one of the poorest congressional districts in the country.

But do you know what? Under the Tax Cuts and Jobs Act, those people in Southeast Missouri and bootheel of Missouri, my friends and neighbors, the place I have called home for seven generations, by the changes in the Tax Cuts and Jobs Act of doubling the standard deduction from $12,000 to $24,000 for a husband and wife, and doubling the child tax credit from $1,000 to $2,000, guess what. They do not have to pay one cent in federal taxes if they make $55,000 or less.

And that is under the Tax Cuts and Jobs Act. That is a real impact to the door greeter at Walmart in Salem, Missouri. That is a huge impact to the cashier at Schnucks in Farmington, Missouri.

And so for you all to say that you do not want that to be supportive, go talk to the people on the front lines who are barely able to buy their prescription drugs. That are working at Schnucks, and Walmart, and the AT&T stand at the mall in Cape Girardeau.

So if we want to get serious about inequality, I give you one way that we can start, Mr. Chairman. Let us try to all work together.

Chairman YARMUTH. The gentleman's time has expired.

I now recognize the gentleman from New York, Mr. Higgins, for five minutes.

Mr. HIGGINS. Thank you, Mr. Chairman.

Dr. Spriggs, you had talked in your testimony about a time when economic growth in wages grew in tandem, and based on the economic data, that was a period between 1950 and 1980. We had 97 percent economic growth during that period, and real wages increased by 95 percent.

That was a period of shared prosperity. Economists would call that a virtuous cycle of growth. So you had high wages, high demand, equal high economic growth.

During that period of 30 years, you had annual average growth in the American economy of 4.1 percent. That was not coincidental.

That was a period of time where American corporate leaders believed that it was their responsibility to balance the interests of all the stakeholders in the American economy.

So, it was the shareholders certainly that benefitted, but it was also the managers, the workers, and the communities within which these large corporations operated. And if you look at the testimony of the CEO of GM, of Dupont, of General Electric, of Standard Oil, of Coca-Cola, their themes were all consistent. They thought it was their responsibility to help families, the economic interests of all the stakeholders.

In 1962, an economist from the University of Chicago by the name of Milton Friedman wrote a book called "Capitalism and Freedom," which was taught in a lot of American business schools-Harvard, Stanford, and many others.

And he basically argued that forget about all of those stakeholders. What you should do, as a corporate leader, is push all the profits to the shareholders. Forget about the workers. Forget about the communities. Forget about your responsibility, that you yourselves once accepted was yours.

What happened during that period, 1980 to 2019, you had economic growth of 94 percent and real wages increased by 9 percent, 9 percent. That was a 39-year period. The average annual growth in the American economy was 2.8 percent versus 4.1 percent when wages were higher.

In the past 20 years, 84 percent of the growth in the American economy went to the top 1 percent. That means, unless anybody on this panel is part of the top 1 percent, 16 percent of the growth in that 20-year period went to the rest of us 99 percent.

We just gave away a massive tax cut to American corporations. We were told by the White House Council of Economic Advisors that each household would receive four to $9,000 annually as a result of that tax cut.

That did not happen. It is not going to happen, and it never was going to happen. In fact, we have a President that is in a trade war who has imposed a tariff tax that, according to a conservative economist, Mark Zandi, from Moody's Analytics, will cost each American household $1,000.

The Trump Administration and the corporate tax cut has added $3 trillion to the national debt. We will have this year, next year, the year after a budget deficit of more than $1 trillion. So we will be $1 trillion short for every budget year.

It seems to me that the way to deal with income inequality is through tax policy. Mark Zandi, again, a conservative, he said for every dollar that you give away in the corporate tax cut, you can expect to recapture 32 cents. The loss in investment from the corporate tax cut is 68 percent. Sixty-eight percent.

So those who argue here, on the margins, that middle class taxpayers have benefitted from this, you have to do that within the context of the history, and clearly, clearly, the current policies are detrimental to the nation's economic growth and to the American middle class that depends greatly and have contributed historically to the economic growth.

With that, I will yield back the balance of my time. I am sorry I went over.

Chairman YARMUTH. The gentleman's time has expired.

I now recognize the gentleman from Texas, Mr. Flores, for five minutes.

Mr. FLORES. Thank you, Chairman Yarmuth and Republican Leader Womack, for holding this important hearing today to discuss solutions to economic inequality.

It is appropriate for us to explore this subject as it gives us a chance to highlight the strong economic gains that have resulted from the Tax Cuts and Jobs Act and free market approaches from this Administration and from the last Congress.

In 2018 alone, median earnings for workers increased by 3.4 percent, and I am going to overlay this on one of Dr. Boushey's charts in a few minutes.

The number of people living in poverty fell by 1.4 million, and the number of full-time workers increased by 2.3 million.

This tells us that Americans are getting off the sidelines and finding full-time work and earning good paychecks. In fact, the Federal Reserve in Atlanta recently reported that, over the last year, low wage workers in the bottom 25th percentile have experienced the fastest rate of growth and pay increases of 4.4 percent, higher than the 3.4 percent average of all workers.

It appears that the other side of the aisle is simply ignoring these facts in supporting budget-busting approaches to income inequality. CBO estimates that the Democrats' 107 percent increase in minimum wage proposals can cost up to 3.7 million jobs.

Presidential candidate Andrew Yang's proposed universal income would cost the federal government $2.8 trillion, and single payer healthcare would reportedly cost $32 trillion, in conjunction with a $93 trillion price tag for the Green New Deal.

Short of monetary theory, which this Committee will not hold any kind of a hearing on, my Democratic colleagues have no answer as to how they will find ways to pay for this wish list. Instead of having the government foot the bill for goods and services, we should focus on proven pro-growth and free market policies to create more jobs in our country just as the last two years have shown us.

I look forward to discussing solutions that will further improve the economic wellbeing of all Americans without busting the budget.

Mr. Ponnuru, a lot of proposals from my colleagues on the other side of the aisle to close income inequality come with a heavy price tag to both economic growth and to the American taxpayer. Specifically, the proposed 107 percent increase in the minimum wage proposal would cost up to 3.7 million jobs, which is the high end of the scale. I think your number was 1.3 million.

Presidential candidate Andrew Yang's proposal for universal income would cost the federal government $2.8 trillion, and single payer healthcare would cost $32 trillion.

It is interesting to note that my colleagues have few proposals to pay for such ideas, other than muttering monetary theory as we talk.

Furthermore, these cumbersome government-centric approaches will slow down economic activity and put people out of jobs, which means less people will be paying taxes while more people would become reliant on government safety nets.

In contrast, since our Tax Cuts and Jobs Act was signed into law, we are seeing higher tax receipts this year than last year, our higher tax last year than the prior year. If we are blowing up the budget deficit because of the tax cuts, you would see lower revenues to the federal government, which in fact we are going to have a record this year.

So, Mr. Ponnuru, what sort of tax structure would be required to pay for all the Democratic programs that I mentioned, the universal basic income, the higher minimum wage, the single payer healthcare or the government takeover of healthcare, and the Green New Deal?

And what would the impact be on economic growth?

Mr. PONNURU. Thank you.

The details of those policies would matter. People mean different things when they talk about single-payer. They mean different things when they talk about a Green New Deal.

But any plausible price tag, if these policies were going to be pursued with any degree of fiscal prudence, would have to involve very large and broad-based tax increases, including tax increases on the middle class of a kind that we have not seen in many decades, possibly not ever.

Those tax increases could be expected to reduce the amount of work savings and investment, and thus have a negative impact on job growth, on output, on national wealth. All of those things would have to be weighed, I think, very heavily in the balance.

Mr. FLORES. Okay. Thank you.

And I am going to close with a couple of things. Again, tax receipts this year are estimated to be around $3.4 trillion, which is higher than last year's $3.3 trillion, which is higher than the prior year's $3.3 trillion by a few billion dollars.

Now, one of the things I was looking at Dr. Boushey's charts here. I found these to be interesting. If you look at the average annual income growth for the first period of 1963 to 1979 and also 1980 to 2016, it was 1.7 percent for the first period, 1.3 percent for the second period, but what is it today for income growth? On average, it is 3.4 percent.

So higher than either one of those periods. That is how you solve economic growth. That is how you make economic growth higher, and you addressed all wages.

Now, the lowest economic growth is over here on the left-hand side, and under this chart the assertions were that it was higher for the lowest part of the workforce and lower for the higher part of the workforce, and then the inverse happened during the second period.

But today what is interesting is it is 4.4 percent, which is the highest of all the income groups over the last two years. So I think this proves that the Tax Cuts and Jobs Act with modern regulatory policy creates better economic growth for all boats.

I will close with President Kennedy's statement that he made back in the 1960s. "Rising economic activity lifts all boats," and what did he do to get there? He cut taxes.

Thank you. I yield back.

Chairman YARMUTH. The gentleman's time has expired.

And I would like to let him know that we do intend to have a hearing on essentially modern monetary theory. It is going to be called "Does Debt Matter," which is essentially what we are talking about. So you will get your chance to discuss that, absolutely.

I now recognize the gentleman from New York, Mr. Morelle, for five minutes.

Mr. MORELLE. Thank you so much, Mr. Chairman, for holding, I think, what is a really important conversation, and I appreciate the comments by all of my colleagues, and I particularly appreciate the comments by the witnesses.

I find this topic fascinating. Unfortunately, I did not really do well in economics when I was in college. I think I was not in the classroom nearly enough as I should have been. I wish I had known better.

But, so, I am trying to get caught up. I was interested, Dr. Boushey, in some of the charts that you presented. For instance, you have by sort of quartile or quintile, I think, is the distribution. I am looking for the chart because there are several here.

But I was just curious. What is the optimal distribution?

You have sort of what the distribution is and what it has been over the last 40 or 50 years in terms of distribution of wealth, distribution of income. Is there an optimal chart that we should look for or a target that there should be, whether we decide to do something or do nothing?

But what would that look like in your mind?

Dr. BOUSHEY. That is a great question. Thank you.

So you want to connect the income growth to what is happening in the wider economy.

Mr. MORELLE. Yes.

Dr. BOUSHEY. So I think optimally, there are two ways to measure it. One is you would like to see that wages are growing in line with productivity because that would mean that the benefits of what workers are contributing, and most of us are workers in the economy, is being connected to what people are taking home.

Mr. MORELLE. May I stop you there because that is interesting as well? Talk to me because that is one of your charts as well in here. It shows the divergence as it relates to productivity.

I am going to find the page here.

Dr. BOUSHEY. Yes.

Mr. MORELLE. I think it is the third chart that I looked at. Worker pay has lagged behind productivity.

Before you go on could you just describe, first of all, the definition of productivity? Because I think it is important. It seems to mean different things to different people, but I know there is an economic definition.

Obviously, I know what hourly compensation is for workers. Could you just talk about productivity? Because I have a follow-up question to that.

Dr. BOUSHEY. In its most basic definition, it is how much in terms of goods and services are being produced per worker hour.

Mr. MORELLE. Right.

Dr. BOUSHEY. So it is how productive we are, right? You know, how many clients people are serving or, you know, what quality of work is happening.

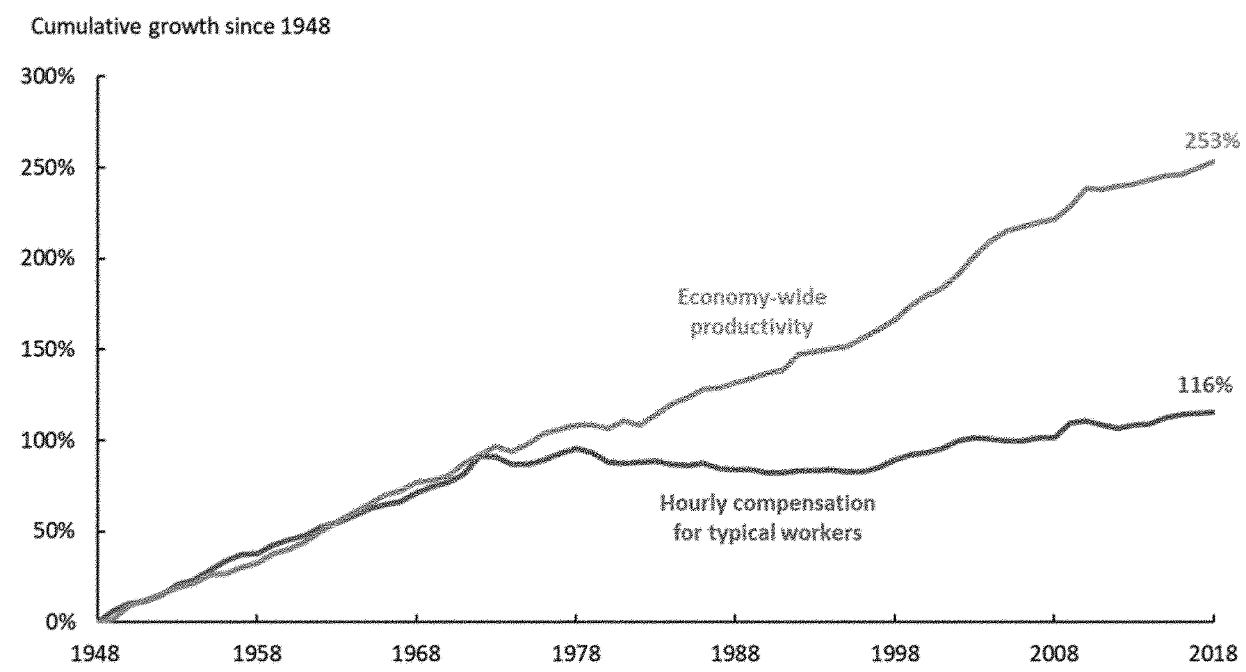
Mr. MORELLE. So can I stop you, and I am going to let you finish what you started earlier. But I notice that the big divergence happens around 1980, 1978, 1980. And I know that former Fed. Chair Alan Greenspan talked about this. What is happening? Why is that?

It is not that chart, but I think it is probably in the next one.

Dr. BOUSHEY. There you go.

[Chart.]

Worker Pay Has Lagged Behind Productivity Growth Since the 1970s



Source: EPI analysis of data from Bureau of Labor Statistics and Bureau of Economic Analysis.
Note: Productivity data reflects growth of total output of goods and services (less depreciation) per hours worked. Hourly compensation data refers to wages and benefits of private-sector production and nonsupervisory workers.

Mr. MORELLE. Thank you for putting that up.

So it just seems to coincide to some degree with the development and the growth, and this may be completely wrong, but just in terms of the growth of technology, particularly around productivity tools, technology of the microchip, and what it did.

Is that something that economists look at? Does it just happen to be coincidental? Is that not what has somewhat contributed?

Because this is output for number of hours worked, whereas if you have a factory now that has doubled the output, fewer workers and robotics are doing more of it, that would contribute to it. Is that right or is that not right?

Dr. BOUSHEY. Well, certainly, but that was also happening in decades before, right?

Mr. MORELLE. But has there been an acceleration?

Dr. BOUSHEY. So it is——

Mr. MORELLE. And I am not trying to be argumentative.

Dr. BOUSHEY. No, no, it is a good question. You were saying that because——

Mr. MORELLE. No, I am asking.

Dr. BOUSHEY. Yes. Was your question if our economy is more productive, if because of computer chips you can produce things, twice as many things in half as much time?

The question is whether or not the workers that are still participating in that process get any of those gains or do those gains only go to people at the very top of the income distribution.

And so what we saw prior to 1980 is that even when technology made workers more productive, they shared in those gains, where now workers do not share in those gains. Those gains go almost exclusively to people at the top.

And that has encapsulated the fundamental question of our times.

And so the other chart that I had in my testimony showed that in the period in the 1960s and 1970s, you know, when the economy grew, families all across the income distribution saw their incomes grow at about the same rate.

Mr. MORELLE. That is the, if I might interrupt, and I apologize because I am running out of time here.

Dr. BOUSHEY. Yes.

Mr. MORELLE. That is the "income gains widely shared in early post war decades but not since then" chart that shows the divergence?

Dr. BOUSHEY. Yes.

Mr. MORELLE. Again, around 1980.

Dr. BOUSHEY. 1980.

Mr. MORELLE. I mean it is——

Dr. BOUSHEY. And I think it comes down to how we reconceptualize the importance of the institutions that constrain the rise in inequity. Everything from unions to antitrust to how we thought about taxes, there was a change in mindset about whether or not it was policy makers' roles to create institutions and to support institutions that make sure that everybody has a level playing field, rather than allowing a few to increasingly reap the disproportionate gains of growth.

So it was not one thing. It was all of these things happening together, a shift in how we thought.

Mr. MORELLE. Thank you.

I apologize for exceeding my time, Mr. Chairman. Thank you.

Chairman YARMUTH. That is quite alright. The gentleman's time has expired.

I now recognize the gentleman from Texas, Mr. Crenshaw, for five minutes.

Mr. CRENSHAW. Thank you, Mr. Chairman.

It is great to be at this hearing, and it is great because it exposes two very different ways of thinking about our economy, opportunity, and the mutually shared goal of overcoming poverty.

So, on the one hand, you have a deep and persistent focus on inequality, and it is defined as the gap between the rich and the poor, and at first glance that seems pretty reasonable.

But in reality, it means you are dividing your attention. Half of your attention is focused on protesting the wealthy, and these days that seems actually where most of the attention is, and that leaves only a small amount of focus on the real issue, which is people in poverty and their ability to move up the economic ladder.

And this is the kind of backwards thinking that leads to ideas like Andrew Yang's where we raise taxes on the rich only to give it right to them in the form of universal basic income. It is hard to imagine a more inefficient and ineffective way to reduce poverty.

So as a conservative, our approach is different. Instead of creating resentment against success, we focus on who actually needs our help, which is the people who are having trouble moving up the economic ladder.

After all, the fact that there is a much wealthier person down the street from you is not the problem. The problem occurs that if you cannot find opportunities even when you make all the right decisions.

So the first step to understanding any problem is to get to the truth. Mr. Ponnuru, I want to go to you on this. We have heard inequality is worse than ever. Is that true, especially if we use a more accurate measure of inflation and account for welfare programs and cash transfers?

Mr. PONNURU. No, it does not appear to be true. The Congressional Budget Office's reports on the distribution of income suggest that income inequality peaked in 2007; that it has been falling since then; and so we are, I think, to some extent looking at a problem in the rear view mirror.

Of course, that could change. Maybe next year's numbers will be different, but the trends over the last decade or so have been towards shrinking inequality.

Mr. CRENSHAW. And let's talk about the people we really want to help, those in the bottom quintile of earners. So let's find out who they are.

So can you break that apart demographically? Who are the people in the bottom quintile? Maybe that helps us focus our problem setting here.

Mr. PONNURU. So people in the bottom quintile differ from people in the other quintiles across a variety of measures. One of the more important things to look at is the number of workers in the household. The top quintile is going to be much more likely to have two earners, and that household on the bottom quintile is much more likely to have zero earners in the household. Obviously, that is going to make a huge difference in how much income you have got.

There is also the question of age. If you are retired or if you are young and in school, you may very well be in the lowest quintile.

Mr. CRENSHAW. Right.

Mr. PONNURU. It does not mean you are always going to be in that quintile or always were. Lifetime inequality is lower.

Mr. CRENSHAW. Right. So it is possible that we are placing a teenager, who lives with their parents, in the bottom quintile of earners and saying that that is one extra person under the poverty line, right, statistically speaking?

Mr. PONNURU. Right, and equality seems to have increased however you measure it, but it is, I think, important to have that perspective.

Mr. CRENSHAW. Right. It also turns out that 56 percent of Americans will at some point in their lives be in the top 10 percent of earners. Seventy-three percent of Americans will be in the top 20 percent of earners in their lifetime. That is an amazing statistic. It does not mean we cannot always do better, but it is an amazing statistic.

It also turns out my colleagues are right that the middle class is shrinking. It is just not in the way that they think. It turns out the data shows the middle class is shrinking because they are moving up into higher income households over time.

This is all good news. It does not mean we cannot improve. The point is that the rhetoric about inequality is not only inaccurate, but it is just flat out unhelpful to the people we are actually trying to help.

So let us talk about solutions really quick. If we want to empower people to rise up instead of disempowering them with more handouts, how do we do that?

You do not need to take my word for this. Mayor Bloomberg, a prominent Democrat, studied this extensively with 30 different pilot programs, and what they found is there are different solutions for different kinds of poverty, and they are localized solutions. We have to be thinking about it that way.

So back to you, Doctor. How else can we empower people to rise up?

You talk about occupational licensing. You know, I have a constituent in my district. Her name is Ashley. She owns a hair wash and style company. She cannot find stylists because Texas requires 1,000 hours of licensing to wash and dry hair.

I learned how to free fall out of an airplane at 30,000 feet in less time than that. That is crazy. Can you talk about more solutions like that?

You mentioned housing. What kinds of deregulation? What kinds of vocational training can we be working on so that we empower people to rise above their current economic status?

Mr. PONNURU. So I think with the little time I have here what we should be doing is focusing specifically on mobility, opportunity, and fighting poverty, not as much on inequality per se, and identifying barriers often created by the government that we can get out of the way.

Mr. CRENSHAW. Thank you, Mr. Chairman.

Chairman YARMUTH. The gentleman's time has expired.

I now recognize the gentleman from Michigan, Mr. Kildee, for five minutes.

Mr. KILDEE. Thank you, Mr. Chairman, for recognizing me and for holding this very important hearing.

As we have heard, the pace of economic inequality has increased dramatically over the past few decades, and many have made this point. Mr. Higgins brought data that I think points to this really stark dichotomy that we have seen, increased inequality over the last several decades, and that this Administration continues to push policies that further reduce support for those families that are struggling.

And it has been discussed here already. The Republican tax bill gave even more advantage to the wealthiest Americans and to the largest corporations in the United States and overlooked the needs of working families as we continually see greater income inequality.

The earned income tax credit, which is a refundable credit for low wage workers and the child tax credit, are two ways—two very significant ways—we can help families start to get ahead.

And just listening to the debate here today and the conversation, I appreciate the enthusiasm that I have heard from some of my colleagues on the other side for the expansion of the child tax credit. I could not agree with them more. I invite them to sign onto my legislation.

But I find it difficult to fully accept that enthusiasm, when they were given the opportunity to make permanent those provisions, which I think were not enough anyway, for example, they could have made it fully refundable, but did not do that. They could have made them permanent. They did not do that.

The provisions that they did include, as modest as they were, expire in 2025, but what happened to the provisions for wealthy corporations? They were made permanent.

So not only is the budget a statement of our values, but our tax policy is a statement of our values, as well. If this is such a high priority, why did you set it to end for hardworking families? And only get a modest break and then give a massive break, a permanent break, to wealthy corporations?

So, one question, if I could just pose to Dr. Boushey and also Dr. Spriggs, number one, did those provisions actually do anything when you look at the totality of the 2017 tax bill?

Did those modest, temporary provisions do anything to increase income equality in this country or did the totality of that tax bill actually take us in the opposite direction?

Dr. BOUSHEY. Well, in the totality, it moved us in the opposite direction.

And I certainly commend your leadership on the earned income tax credit and the child tax credit, and that we do need to make that fully refundable.

You know, proponents claim that the new tax law would boost wages, but there has been no evidence that that has been directly responsible.

One of the things that we did see, of course, is that corporations used that tax windfall for a record one trillion-plus in stock buybacks in 2018. That is a really big number of income that is going to those at the very, very top in exchange for a long-term gap in revenue for the United States to make the investments that we need to make in people and families.

So I think especially over the long term this is really just pushing us exactly in the wrong direction on multiple levels.

Mr. KILDEE. Dr. Spriggs?

Dr. SPRIGGS. First, thank you for representing my wife's hometown of Flint in Genesee Country.

Mr. KILDEE. A Flintstone. You chose well.

Dr. SPRIGGS. I moved up.

So there is an inequality tax that low income people pay because they don't provide enough of the market to drive where prices go. When you exacerbate the big share of the market, you add more demand at the wrong end. So the price of childcare goes up as inequality goes up because that is where the market is.

And so, yes, you gave a tax credit, but then it gets taken away with increased cost of childcare. So when you look at earnings gains that have been made, those who are middle income and the next one lower are finding the burdens increasing this entire expansion because housing cost, childcare cost, education cost have all gone up faster than their earnings because the earnings at the top are going up faster, and the prices are following those earners.

And the earned income tax credit excludes single people. They are currently being taxed into poverty, and the working family's tax bill, which corrects the earned income tax credit excluding these workers and fixes the issue that the tax credit should be fully refundable, are important steps to restore the balance that is in that bill.

And as you pointed out, if corporations need a permanent cut, working people need a permanent cut.

Mr. KILDEE. Thank you very much.

I have exceeded my time. I yield back. Thank you.

Chairman YARMUTH. The gentleman's time has expired.

I am going to have to leave in just a minute to attend a conference committee on the Defense Authorization Act and make a statement. Mr. Horsford is going to chair.

But before I leave, I just wanted to thank all of the witnesses again, as well as the members, for your testimony, and I wish I could stay around. I was going to be able to come back, but it looks like we are not going to have enough Members to make that possible.

So with that said, I now yield five minutes to the gentlelady from Connecticut, Ms. DeLauro.

Ms. DELAURO. Thank you. Technology, yes.

Just a couple of facts, and I have a question that deals with the child tax credit.

But Columbia University School of Social Work's Center on Poverty and Social Policy estimated in a 2013 report that poverty has fallen nearly 40 percent since the 1960s. Much of that reduction is due to our social safety net programs.

And I am not being self-serving, but about three years ago, I wrote a book which was called "The Least Among Us, Waging the Battle for the Vulnerable." And what I found there was that the social safety net programs were crafted by Democrats and Republicans, in fact, realizing the economic challenges we were facing of families in this country, moved to assist that process.

What are some of the social safety net programs? We have got Social Security. It lifts 26.5 million people out of poverty. EITC, child tax credit, 9.1 million people. SNAP, 4 million people. SSI, 3.3 million people. Housing assistance, 2 million people.

Now, let's take a look at what my colleagues on the other side of the aisle are interested in doing. First of all, they want to change the way that the federal government measures poverty, thereby throwing people off of these programs, not acknowledging that they live in poverty.

They want to reduce the number of people who are eligible for nutrition assistance, continually cutting back on a food stamp program.

They want to eliminate the low income housing energy assistance program, the LIHEAP Program, a $4 billion cut in the President's 2020 budget.

They want to eliminate affordable housing programs, the very programs that have helped to lift people out of poverty.

So when my colleagues talk about poverty, take a look at what the record is and what havoc you are wreaking in people's lives and continuing to push people into poverty in this nation.

Do not talk out of both sides of your mouth because what you would do with some of these programs to make them so onerous as to humiliate people into not taking advantage of the programs that are there.

The child tax credit, 83 percent of the Republican tax law went to the richest 1 percent of the people in this country. Your child tax credit is supposed to go to everyone. You left a third of the kids and families who earn too little to get a full credit.

Those left behind included, disproportionately, families with young kids, rural families. Members of the Congress made themselves eligible for the child tax credit for the very first time. So we now can get a $2,000 child tax credit for each child, but do you know many military families, families who are earning the minimum wage, only got a $75 increase.

We have a piece of legislation called the American Family Act, which I am proud to have authored. We would give the same full child tax credit to families earning minimum wage, military families, rural families, families with young kids, all of those left behind by the GOP tax bill, endorsed by scholars across the country, consistent with the National Academy of Science as showing what would be the most effective policy to reduce child poverty in this country.

Now, there are two questions. Dr. Boushey, we know what the tax cut did. I do not care what they say. We know who got the benefit of it. It has been proven over and over and over again.

A $75 increase to families to reduce inequality. Talk for a moment about providing a child tax credit for the families that I am talking about.

And I also want to ask you, Dr. Spriggs. You know, this conversation about technology and moving forward and, in fact, that is what the cost of technology is. That is where poverty sees its face.

We do know that a Nobel Prize winning economist, Joe Stiglitz, no schlep in the economy world, here says that inequality is not inevitable. It is about the choices we make.

Dr. Spriggs, how much of inequality is due to the public policy decisions that we make?

Mr. HORSFORD. [Presiding.] The gentlelady's time has expired, but I will allow you to respond.

Dr. SPRIGGS. Thank you. Thank you, Chair Horsford.

Quickly, the divide in 1980 is because we changed policies. Because we redistributed income from workers to those at the top.

When you look at that gap in productivity and what workers make when we see the declining labor share, we redistributed by taking away from workers the ability to negotiate. We un-invented a middle income nation. We redistributed, today if you wanted to correct it, close to some $650 billion worth of income out of the middle towards the top by denying workers a decent minimum wage. That cut the work productivity and to working people the right to negotiate about the increases in their productivity and who gets it.

Ms. DELAURO. Dr. Boushey?

Dr. BOUSHEY. I would just agree.

Ms. DELAURO. Child tax credit?

Dr. BOUSHEY. Child tax credit. It is important that it is fully refundable for all the groups that you mentioned. I think you made that case very eloquently, and that should be incorporated into our tax law. So I could not agree more.

Mr. HORSFORD. Thank you.

The gentlelady's time has expired.

I will now recognize Mr. Khanna from California for five minutes.

Mr. KHANNA. Thank you, Mr. Chairman.

Thank you to our witnesses. Dr. Boushey, thank you for many of your insights. Dr. Spriggs, I appreciated yours. Ms. Evans, I appreciate your being here. Mr. Ponnuru, I read your work all the time even though I disagree. Thank you for being here.

My question is simple. There are 70 million American families that make under $75,000 a year. They have, by and large, not had a meaningful raise in the last 40 years, and we can quibble about whether wages are slightly going up or not, but by and large, 70 million American making under $75,000 have not had a raise over the last 40 years.

In 2019, the projected corporate profits in this country are going to be $9 trillion, $9 trillion. So if we wanted to have a program in the Congress, and I would like all of the witnesses to answer this, that would give a 20 percent raise in the next two years to these 70 million American families, what would be the actions or policies that would achieve that?

Dr. Boushey, we can start with you.

Dr. BOUSHEY. So give them a 20 percent raise in the next two years. Is that what you said?

Mr. KHANNA. The next two years.

Dr. BOUSHEY. Wow, that is a tall order, and I appreciate the ambition.

I think there are a lot of things you can do. One is that you can raise the minimum wage. That is going to focus on those at the very bottom, so not at the very top of that $75,000, but at the bottom part.

You can make sure that they have the right to organize and bargain collectively because that does have the capacity to boost wages.

You can make sure that their costs are kept low, not necessarily going to raise their wages, but you can focus on raising the wages of the workers that provide care. So through fully funding programs for home health aides, for nursing assistants, for childcare workers, that could go a long way towards boosting a lot of those folks under $75,000.

And you could make sure that you rethink the way that we enforce our rules around market structure. We know now that one of the things that is really keeping wages down is what economists call monopsony, which is many workers work in the labor markets where they have a single employer. They do not have a lot of bargaining power. We need to incorporate that value into how we enforce antitrust.

So it is a long list.

Mr. KHANNA. Let's just keep it to 45 seconds so we can get all of these.

And I do want to recognize Dr. Boushey and Rosa DeLauro, leaders here on these issues with paid family leave, paid sick days, equal pay, and is handing me a note, affordable childcare. I want to make sure I am making Representative DeLauro's points.

Ms. DELAURO. Thank you.

Mr. KHANNA. She has been a huge leader on this in the Congress for decades.

Dr. SPRIGGS. Thank you.

So there has been a lot of celebration about wages rising at the bottom. That is from minimum wage increases because the majority of American workers today do not have $7.25 as a minimum wage because Congress has refused to raise their wages. States and cities have responded, and so the rise at the bottom is because we have raised the minimum wage successfully in some states. So that is key.

It is also key to to reach greater equality and gender equality between men and women. The Equal Pay Act would go a long way towards that. Because women are a rising and important part of the labor force, the inequality that they face is an important and rising part of the equation for what causes general inequality.

We have to give workers back their right to organize. This a human right. It is globally recognized as a human right. The United States stands out as the one country where for most multinationals this is their non-union plant. It is embarrassing for the United States. So we have to give Americans back that right.

We have to restore in the public sector what the pay of teachers used to be. Their relative pay, their pay relative to all other workers has been falling. What they do has not fallen in importance.

And we have to give some focus to correcting what has been going on in the public sector for public sector workers broadly speaking. That will raise the pay of a lot of people pretty quickly.

Mr. KHANNA. Mr. Ponnuru, I just want to give you 30 seconds if you have a similar or alternative perspective just to be fair. I think we only have 30 seconds left.

Mr. PONNURU. Okay. Sure. I would just say that if you defined the objective as a 20 percent increase for scores of millions of people within two years, you pretty much have to do just straight up redistribution. It has to be something like universal basic income that is set at a high level.

I happen to think that that is a bad idea, but nothing else I have heard, including anything I have heard right now, would come close to meeting that target.

Mr. HORSFORD. Thank you.

The gentleman's time has expired.

I will now recognize Mr. Sires from New Jersey for five minutes.

Mr. SIRES. Thank you. Thank you for being here.

I apologize for not being here earlier. Three hearings at ten o'clock makes it a little difficult, and if it is redundant, the question I ask, I apologize.

You know, there is a lot of talk about the tax bill that was passed in 2017, and I would just like to know how do you think that has impacted the inequality that exists today, this new tax bill.

Either one.

Dr. SPRIGGS. Well, because it went overwhelmingly and disproportionately to those at the top, it has exacerbated inequality.

And I think my comments earlier were misinterpreted. It is not that individuals saw their taxes go up, but the shift in burden from where taxes come has been shifted down because we made the tax system less progressive.

So a greater burden of taxes have to come from labor income, which is the declining part of national income, and a smaller burden is being placed on the rising parts of income. Those are the top 1 percent, corporations, and this makes the system more unfair because going forward, in order to get the revenue necessary to have an economy that can work, it is going to have to come from those at the bottom.

And as we discussed earlier, the portion of the tax cut that goes to workers expires. And making up that deficit obviously then has to come from that source.

So this is the big problem that the Budget Committee faces because the nature of where the income is coming from does not match where income is rising and falling, and it complicates the problem going forward for the Budget Committee.

Dr. BOUSHEY. Let me add a couple of things. When we think of inequality, we are often focused on the individual families, but the other thing that we were promised with the tax cut, of course, was that it would lead to this massive increase in investment. That is the economic argument from the other side, that if you lower those taxes for corporations on the wealthy, that it will lead to that boon.

And, of course, we have not seen that, and that is the only way that the tax cut at the top would translate into higher wages for individuals, is if you saw that investment and those gains, that greater productivity, were shared with workers.

So I think that, you know, thinking about that, that kernel of the argument is really important as well, that we have not seen that investment boon, and in fact, as I noted earlier, corporations used that tax windfall to give out a record $1 trillion in stock buybacks in 2018.

So instead of using that to invest in productive capacity, make our economy more innovative, more productive, they used it as a boondoggle for those at the top of the income ladder. So that is exacerbating inequality, not just today, but for decades to come.

Mr. SIRES. And can you talk a little bit about or elaborate on the relationship between the decreasing union membership and increasing inequalities?

Dr. SPRIGGS. Yes. So much is tied to a chart that would show you increases in union density and declining union density, and all the patterns we have been talking about.

America became more equal as more workers had the ability to collectively bargain with their boss. I am more productive. How do I share in that?

And when workers had that voice, their wages tended to go up with productivity. As they have lost that voice, not just union members, but nonunion members also suffer wage losses because when we had high union density, many employers took the lead from what was happening in the unionized sector for setting their own wages.

So that loss of voice in the workplace has meant a very high correlation that other people have looked at and found can explain about 40 percent of the disproportionate rise of income in the top 10 percent, essentially, the finance and management classes of America who get to say where the productivity goes as opposed to the workers who are making the product.

And that gap is important for understanding the weight of inequality on our economy because when you shift from the market being the middle to the market being the top, there are all sorts of implications that make it difficult to produce residential investment, which has not been very strong in this recovery because the bulk of Americans cannot afford housing; because we are not going to get the college educated workforce we need. We are falling behind. We have gone from first to 19th in terms of our rank among advanced countries in terms of who has a highly college educated workforce.

This is all in the wrong direction because in order to get that kind of investment in housing and in education, you need a different shaped market. You need a market that is aimed at the middle, and you cannot do that when all of the income and all of the market is at the top.

Mr. SIRES. Thank you. My time is up.

Mr. HORSFORD. Thank you. I will now recognize Ms. Lee from California for five minutes.

Ms. LEE of California. Thank you very much, Mr. Chairman.

And I want to thank yourself and our Ranking Member for holding this very important hearing.

I do chair the Majority Leader's Task Force on Poverty and Opportunity. I care deeply about rising income inequality in our country and have been working on it for many years.

So I just want to thank all of you so much for being here and laying this out before the Budget Committee. Your testimony is extremely important as we move forward.

As many of you have pointed out, since the 70s, economic growth for middle class and low income workers has only risen actually by one-third while income for the top 1 percent has tripled. This is especially true for CEOs whose salary has grown by 1,000 percent since 1978.

I know, Dr. Spriggs, you know this very well. According to a recently released report by the AFL–CIO on executive pay, the average pay gap among CEO-to-worker ratio was 278 to one.

That's unbelievable in the richest nation on earth, that productivity and work hours have continued to skyrocket while workers' wages have shamefully fallen behind.

This is especially true for black and brown families. The income gap between black and whites today remains almost at exactly the same level from the 1960s. For example, according to a report from the Institute for Policy Studies, the median black family today owns $3,600, just 2 percent of the wealth of the median value of a white family.

The median Latino family owns $6,600, just 4 percent of the median white family.

So just let me ask you this question because we always talk about income inequality, but why do we not frame this as racial or income and racial inequality? Because we know that we have to have targeted resources and some strategies to address the legacy of racism on wealth building.

And I am not sure, and I apologize for not being here through the entire hearing, but I am not sure if the issue of race has come up, and I hope that somehow we really look at that layer because we cannot talk about income inequality without talking about racial inequality.

Dr. BOUSHEY. Just to weigh in on that, I am so glad you brought that up. Just to add to your statistics, we know that even being higher educated does not protect black families in terms of wealth building because even if they increase their educational attainment, their wealth is still lower than it should be relative to whites who have higher education.

And so it is important to think about the racial component of wealth. That is one reason why I actually think that a wealth tax is very important because it would hit white families much more than families of color. It would be a way of addressing that inequality in a direct way.

When we talk about taxing at the top for the most part, we are not going to be talking about taxing families of color because they are not there. So it is a way to integrate that progressivity and then, at the same time, to be making sure that we have the resources that we need to create the widespread opportunity that we need to do to address poverty.

So implicit in that agenda that I laid out in my testimony is policies that would, I think, go a long way toward addressing the racial wealth gap through policies that tax at the top and focus on redistribution.

Ms. LEE. Dr. Spriggs, as you know, some of us are supporting H.R. 40. The moment, I think, has come to study and look at what reparations mean.

What do you think about just looking at this dynamic around reparations as it relates to the racial wealth gap that has historically been systemic in this country for 400 years?

Dr. SPRIGGS. It is vitally important because at the root it is being blind when we make policies across the board on many issues, and the effect of many policies that on the face appear race neutral. They are not.

So giving a tax cut like we just did has a racially disparate impact because of the huge tax cut we gave from which people of color did not benefit when you look at who got that huge part of the tax cut.

So policies like that matter, and it is the accumulation of being blind to those policies. Studying that will allow people to go back and revisit it. This is why we cannot have a regional minimum wage. A regional minimum wage would have such a huge racial disparate impact it would border on being just outright racist because it singles out black women and women of color to not be protected by a rising wage standard that we would give to all other Americans. It is surgical in the way that it does it.

So analyzing policies in that way, the decline in union density has been most dramatic among black workers, and the lack of access to union membership has been most detrimental to black workers who disproportionately live in right-to-work states.

The proactive, very important for making sure that workers everywhere have access to the right to organize, and it is especially important because the pay increase that black workers get from union membership and the pay increase that Latino workers get from union membership is far greater, and this helps to close the racial income gap.

And the challenge for the nation is as the current population of kids who are K through 12 are now the plurality of children of color; the fact that Latino and black households have no wealth, relying on the market to provide a highly educated workforce is not going to work.

Ms. LEE. Thank you.

Dr. SPRIGGS. Sixty percent of black children today come from a household where the maximum expected family contribution is zero. So it has clear budget implications if we want as a nation to have a highly educated workforce.

Ms. LEE. Thank you. Thank you very much. Thank you, Mr. Chairman.

I am going to suggest to this Committee that the next time we have a hearing on economic inequality we add “racial.” We have to say economic and racial inequality. Otherwise we are missing it.

And thank you very much.

Mr. HORSFORD. Thank you.

The gentlelady's time has expired.

I now recognize the Ranking Member, Mr. Womack, for 10 minutes.

Mr. WOMACK. I thank the gentleman. I hope that I do not have to take as much time. A lot of the questions that I had for the panel have already been asked by many of my colleagues.

There are a couple of things, a couple of unfinished pieces of business, and I want to direct the next couple of questions to Mr. Ponnuru.

We have heard in the discussion, and I thought I saw a chart up there on the gap between wages and productivity that came up earlier in the conversation; that wages and productivity have come apart. Is that true?

Mr. PONNURU. I think that the best evidence suggests that, no, it is not true and that claims to the contrary that are quite widespread that these things have come part, that productivity has gone up and wages have not gone up commensurately rely on not comparing apples to apples, using different groups of workers to look at wages and different groups of workers to look at productivity, using different inflation measurements to adjust for changes over time in each of those trends.

If you correct for those phenomena——

Mr. WOMACK. And different eras, too.

Mr. PONNURU. Right. There is no substantial gap. These things have moved basically in tandem, and that has been shown not just by economists who are more associated with conservatism, but economists who are more associated with liberalism and the Democratic Party, such as Lawrence Summers.

Mr. WOMACK. Yes. I think it is important to get an apples to apples comparison, and it is very difficult to do, particularly when you are comparing life today with maybe 50 years ago.

And I saw a chart that showed that gap widening from about 1980 out. There was a suggestion made that because we go to robotics, that we are finding that the speed of technology has created in the innovative minds of corporate America the opportunity to do some things that help their bottom line.

The speed at which technology is changing and that some of this speed is affecting the American worker has accelerated over time, has it not?

Mr. PONNURU. Well, it depends on the time period you are looking at, but a lot of particularly the concerns people express about rapid automation and technological change you would think would be reflected in accelerating productivity, and that has not really been happening.

The most important thing you could do though to increase wages over time would be to increase productivity, and we lose sight of that if we buy this misleading narrative about what has happened to wages and productivity.

Mr. WOMACK. In response to Mr. Crenshaw's last question, and you were in the process of answering it when time expired, the question was something along the lines of how can we help that bottom quintile of American workers without just throwing money at the problem.

What are the things? You mentioned mobility as being one of those. What are the things that we can do that can kind of help lift as we continue to see people being lifted out of poverty in that lower quintile?

Mr. PONNURU. Well, I do think that there are public policies at state, local and federal level that would be useful in expanding opportunity and combatting poverty. An expansion of the child tax credit, which people on both sides of the aisle today have talked about, would be one of those things.

Loosening restrictions on housing, particularly in some of the highest growth parts of the country so that people could afford to move there and maybe find better prospects than they have where they are would be another one.

Changing the way a lot of our means tested programs work so that they have fewer poverty traps and fewer marriage penalties in them would be another.

There is no shortage of places where I think we could make a substantial positive difference and possibly be able to find some bipartisan agreement.

Mr. WOMACK. Dr. Spriggs, I found it ironic that you mentioned in one of your responses to a question earlier the concept of a budget, ironic in the sense that you are appearing before the Budget Committee, the Budget Committee that is supposed to produce a budget.

The fact that a budget was not produced by my friends on the other side of the aisle, do you not find that a bit ironic?

Dr. SPRIGGS. I recall living through so many Congresses before this Congress that did not produce a budget. I am not sure that I find it ironic in the sense that you just used the term.

Mr. WOMACK. How important is a budget?

Dr. SPRIGGS. Congress resolving authorization for our agencies if important because, as you have seen in the previous three Congresses when we did not have a budget and we could not resolve authorizations in time, that federal procurement was greatly delayed, and federal agencies need that budget authority and authorization in place in time to do and plan their purchases in an efficient way.

It reduces the efficiency of the government, and we have seen that in the last three Congresses because of that delay and the process. In the fourth quarter, GDP suffers because government procurement activities have to stop, and then we see a boom in the next quarter because government workers finally have the authorization to do what they are supposed to do.

Mr. WOMACK. Dr. Boushey, I have a question on a pivot to Social Security because it has been on my mind for a long time, and I know that there is a bill, the Social Security 2100 Act that you are probably familiar with. Congressional Democrats have proposed it.

It is sponsored by 210 Democrat members in the House, including 19 on this Committee. It would increase the Social Security portion of the payroll tax on all workers from 12.4 percent to 14.8 percent.

Do you support increasing that payroll tax?

Dr. BOUSHEY. I am not familiar enough with that bill to comment on it, but I am happy to get back to you in writing.

Mr. WOMACK. You know, Social Security, according to the trustees is going to be insolvent in 2034 or 2035. Pick one of those years, which I think in anybody's estimation is right around the corner. It fits my definition of right around the corner.

But let's just say for the sake of the argument that that bill was before the House of Representatives today, raising the payroll tax from 12.4 percent to 14.8 percent. Given how important Social Security is to a lot of people, vulnerable people, in our country, would that not have an impact on some of these lower quintiles?

I.e., would it have a negative impact on a lot of workers at the lower economic scale, so to speak?

Dr. BOUSHEY. You are saying that the payroll tax would have an impact?

Mr. WOMACK. Yes.

Dr. BOUSHEY. You also said the trust fund needs resources in order to continue to pay out benefits, which do help those lower income families disproportionately.

So your job as a policy maker is that this is a policy that for decades has lifted people out of poverty. It is one of the most important programs that actually lifts children out of poverty because children live with elderly or parents that——

Mr. WOMACK. But the question is on the payroll tax itself. If raising the payroll tax, would it not have a disproportionately larger increase on low income workers than it would be on the high income workers?

Dr. BOUSHEY. It is such an important question, and——

Mr. WOMACK. That is why I asked it.

Dr. BOUSHEY. Yes, I am very glad you are asking. What we know is that these benefits are incredibly important, and so it must be our priority to make sure that those benefits are there for future generations.

We know that payroll taxes are regressive. I do not know enough to——

Mr. WOMACK. But reclaiming my time, would it disproportionately impact the lower income?

Dr. BOUSHEY. Well, as I said, I do not know enough about the legislation, but in other policies that have looked to reform Social Security, that has also included raising the cap. So if they did that, that would be very progressive.

So I do not know enough about the details.

Mr. WOMACK. So given the importance of workers to beneficiaries, in the whole social safety net formula, Medicare, Social Security, the two big ones, it stands to reason that the more people you have working, the better off you will be, right?

From the standpoint of funding those social safety net programs, is that correct?

Dr. BOUSHEY. Yes.

Mr. WOMACK. So from that standpoint, seeing that we have increased jobs, and I believe directly attributable to the Tax Cuts and Jobs Act, we may disagree on that, but I think it has had a big impact.

Has that not helped the social safety net structure of this country, i.e., helping put important resources into those programs that benefit such a large number of people who fit in that vulnerable category and rely solely on those programs?

Dr. BOUSHEY. Certainly including increasing the labor supply is very important, but we have to remember, of course, that the United States has a lower labor force participation right now than our economic competitors for both men and women, which is a shift from decades before, in no small part because we do not offer them the policies that allow them to adjudicate their challenges between work and family life.

So I think you are exactly on the money in terms of the question, but I think it is also making sure that we are doing more to improve labor supply through things like paid family leave or addressing short-term disability.

Mr. WOMACK. Mr. Ponnuru, since November of 2016, 6.3 million jobs have been created. Can you talk about how this has improved the labor market and impacts the financial prospects of the average worker, in the few seconds I have left?

But since Ms. DeLauro took a minute and a half and then got 20 more seconds from Mr. Khanna, I do not feel so in violation.

Mr. PONNURU. So just about every economic indicator that we have has been pointed in the right direction over the last several years, whether you are talking about wages in general, wages at the low end of the labor market, labor force participation rates, job growth. Everything has been moving in a positive direction over this period.

And in fact, not just moving in a positive direction, but moving in a positive direction in a way that people had not thought was possible.

You know, the Federal Reserve itself believed we had reached full employment a few years ago, and it turned out that it was possible to bring unemployment down further without causing inflation to take off, which is a measure, I think, of how strong this economy has been.

Mr. WOMACK. Thanks to the panel.

Chairman YARMUTH. [Presiding.] I thank the Ranking Member.

I fortunately could get back here and take my time.

I think the gentleman from New Jersey has another question. Did you have another question?

I yield to you for that.

Mr. SIRES. Yes. Talking about Social Security, it just popped in my mind. Do you know for undocumented workers how much money they contribute to Social Security? Do you?

Dr. SPRIGGS. The Social Security Administration has conveniently decided that they would not give continuous reports on the unclaimed tax revenue. The last picture we had of that, it is measured in the billions, the billions of dollars that are part of the trust fund because we cannot allocate it because those were invalid Social Security numbers.

A tiny portion of that, of course, is just error, but a big chunk of that are the contributions of people who are undocumented here in this nation.

It is going to be a true crisis when those people reach retirement, that they will not have access to the money that they have put into the Social Security fund. Because they are a significant share of our population and because they have been here so long, when they reach that age, which is going to be soon, we are going to have a very serious issue.

Mr. SIRES. Thank you very much.

Chairman YARMUTH. I thank the gentleman.

So it is good to be back. One of the things that I think is unfortunate is that in talking about income and wealth inequality in this country and how it is growing, we have not really projected so far this year and projected into the future as to what this would mean.

And this is the Budget Committee, and so I am interested in both from Dr. Boushey and Dr. Spriggs, for your comments on—if this trend continues, if the spread between the wealthiest and everybody else gets worse or if it stays the same, what are the implications for the federal budget and, therefore, for all of the taxpayers going forward?

Dr. BOUSHEY. Well, so let me say two things. One is since the mid-teens when Thomas Piketty's book "Capital in the 21st Century" came out and he made the argument that today's high income inequality was calcifying into wealth inequality, and that that would continue to increase, there has been a lot of work by economists all across the world, but in the United States, trying to understand what that would mean for our economy and our society.

There is an increased awareness, I think, of the kinds of effects that he talked about in confirmation.

In terms of the budget, one of the things that we know is that as income and especially wealth inequality has increased, that has had an effect on agenda setting for democratic institutions, for things like passing the Tax Cuts and Jobs Act in 2017, the amount of money at the top of the income ladder that went into making sure that that went into law, which itself exacerbates inequality.

So one line of questioning is to what extent does that inequality subvert our democratic institutions or create the bandwidth for policies that then allow those groups to continue to garner wealth.

I think the other thing that we have to keep thinking about is how this is very much connected to the concentration across firms, and once we see monopolies being created in a particular industry, that, too, creates these concentrations of economic resources and affects the policy making process.

Dr. SPRIGGS. There are certain key things that inequality creates. A huge part has to do with the distortion of the markets and the marketplace.

When income rises uniformly, you create many more potential new customers. So if you think about the over 185 million customer units in the United States, if everybody gets a raise, that is a potential 185 million new customers for American business.

When it is only 5 percent, that is a different country. It is a different market. And the virtual cycle when we had rising wages for everyone was that it is easier to start a business if I only have to pick off somebody from 185 million versus a very small number of people.

New firm formation since the 1980s in the United States has been declining specifically for that reason, and this recovery is slowing. We know we created almost half a million fewer jobs than we thought we had because new firm formation is slowing.

In an environment in which people say we are giving tax cuts to businesses and we are getting rid of regulation, that is not what businesses want. They want you to give them customers.

And what happens? Well, the only way I can grow my business is either I cut my prices, which means I cut my wages, the wrong virtual cycle. Now we are all going down, or I buy my competitor because I buy new customers.

And we have seen both. We have seen slowing business creation and more business consolidation. This creates challenges for the budget because where do you get the revenue from?

And the other part of the budget is hopefully this body is concerned with what nation do we have. Are we going to have a nation with a well-educated workforce if the price of college because it is determined by the market? The market is only the people at the top.

We have so many universities in the United States where more students are from the top 1 percent than the bottom 40 percent, major universities. The University of Michigan at Ann Arbor, a major, huge university, has more students from the top 1 percent than the bottom 40 percent.

That is not a formula going forward, and so the Budget Committee has to be confronted with how are you going to get the 40 percent educated, and so if you say, well, we are not going to pay attention to that, then you are going to wake up 20 years from now and we are not going to be the 19th best educated out of 28 advanced countries. We are going to be the least educated among advanced economies. And that is not a formula that is going to work going forward.

You are not going to get the housing investment that is necessary to make our economy turn.

Chairman YARMUTH. We are seeing kind of an example of this dilemma we are in right now with the General Motors strike. It seems to me that we have workers who made some sacrifices to save their company when GM was on the verge of going bankrupt. The taxpayers bailed GM out.

GM is now doing very well, but the increase in profits to GM has not been shared to much of an extent with the workers, and one of the things that they did, and I represent two Ford facilities in my district, and they did a similar thing, was they negotiated in troubled times and said, we are going to create two levels of employee. They may be doing the same job, but one is going to be continued to be paid $25, $30, $40 an hour that they were, but those coming into those jobs are going to be paid $16, $17, $18.

Those people show up in the employment numbers. So the employment numbers look good. The unemployment goes down, but they are still essentially going to be a burden on the taxpayers because a lot of them are not going to make a sustainable wage.

Is that playing itself out across the economy or is this an isolated example?

Dr. SPRIGGS. No, unfortunately, it plays itself out. This is unique because these workers are unionized, and they have a voice, and we get to actually hear from them, their concern.

The case of General Motors is extreme because what the UAW did was totally bail out this new company. The new company, a large part of their stock was put in trust through the United Auto Workers to provide for the healthcare of incumbent retirees and UAW members.

That was a total blessing to this new company that the union agreed to take on this risk. What those workers who are there now did was make the company profitable enough to pay back the United States government with interest.

And now they are saying we gave up wages. The current workers were not given retirement help pledges. They were not given the same retirement, and they are saying, "We saved the company. We saved the company."

The UAW, by taking on the risk of investing heavily in that company, putting the entire risk of their health insurance on the table to make this company profitable, and the workers are saying, "Okay. We did that."

And so what is unique here is for once in public we get to understand the depth that American workers have sacrificed in order to help American corporations succeed, and we are finally hearing the voices of workers on improving productivity and saying, "Where is our share?"

So now it plays out for us to see.

Chairman YARMUTH. I do not have a lot of time left.

Dr. BOUSHEY. Yes, and you see it in different ways across the economy. An economist, David Weil, has called this particular trend in the workplace "fissuring," and by that he means increasingly you see workers who are employed by a firm, but they are employed by a subcontractor rather than the major firm.

And so you go into a hotel, and all the people you may be coming into contact with are not working at the big hotel chain. They are working for these smaller subcontractors, and that means that the profits, the earnings of that brand do not have to be shared with all of those subcontracted workers.

We are seeing that all across the economy, and it is yet another way where we are creating these fissured workplaces, these different workplaces for some categories of workers, and that is part of what has been driving this long-term gap between productivity and wages.

Chairman YARMUTH. My time has expired.

Does the Ranking Member have any closing remarks to make?

Mr. WOMACK. No.

Chairman YARMUTH. Well, in that case, I once again thank all of the witnesses. Thanks to the members for their participation.

And with no further business, this hearing is adjourned.

[Whereupon, at 12:11 p.m., the Committee was adjourned.]

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HEARING STATEMENT: "RISING INCOME INEQUALITY"

COMMITTEE ON THE BUDGET
210 CANNON
SEPTEMBER 19, 2019
10:00 A.M.

- Thank you Chairman Yarmuth and Ranking Member Womack for convening this hearing on rising income inequality poverty in America and the challenges faced by ordinary Americans struggling to make ends meet.

- Let me welcome our witnesses:

  Dr. Heather Boushey (President and CEO, Washington Center for Equitable Growth)
  Co-founder of the Washington Center for Equitable Growth, which was launched in 2013, Dr. Boushey is one of the nation's most influential voices on economic policy and a leading economist who focuses on the intersection between economic inequality, growth, and public policy.

Hon. William E. Spriggs, Ph.D. (Chief Economist, AFL-CIO and Professor, Department of Economics at Howard University)
Dr. Spriggs has played a leading role in economic policy development, including his current role with the AFL-CIO and his previous tenure as Assistant Secretary for Policy at the Department of Labor during the Obama Administration.

Ms. Kismet Evans (Home Healthcare Worker, Las Vegas, Nevada)

Mr. Ramesh Ponnuru (Minority Witness)
(Visiting Fellow, American Enterprise Institute) and Senior Editor for National Review

- Thank you for being here and sharing your expertise with this Committee.

- Mr. Chairman, this hearing could not be more timely because the ever-rising economic inequality is one of the most pressing issues of our time.

- The purpose of this hearing is to understand the harm rising economic inequality imposes on working families and the federal budget.

- Economic inequality is the unequal distribution of income, wealth, and opportunity.

RISING ECONOMIC INEQUALITY

- 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 1970's however, economic gains have become significantly concentrated at the top of the distribution, while workers and families in the middle and bottom of the distribution have seen fewer gains.

- According to the Congressional Budget Office (CBO), average before-tax income for the top 1 percent of households has more than tripled since 1979, while incomes for the middle 60 percent and bottom 20 percent have only risen by a third (note that this income measure includes employer-sponsored and government-provided health insurance, whose costs have grown).

- The top 1 percent's share of national income, moreover, has grown to levels not seen since the "Roaring Twenties" period before the Great Depression.

- Technology has made the typical worker increasingly productive.

- However, wage rates have not increased at the same rate as productivity.

- By contrast, CEO compensation has grown nearly 1,000 percent since 1978.

- In 1978, the average CEO made about 32 times more than typical worker; today executives now make 278 times more.

- Mr. Chairman, economic growth should create opportunity for all workers and families, not only for those at the top.

- Yet policy decisions over the last several decades have exacerbated inequality, tilting the economic playing field against working families as rising costs of middle-class necessities eat up more of their incomes.

- Democrats' concern over rising income and wealth inequality is not only about fairness.

- Our concern is also for the health and stability of our economy.

- Widening inequality undermines economic growth, stresses financial markets, and increases the likelihood and length of recessions.

- I call on the Senate and White House to take up and pass the House-passed Raise the Wage Act of 2019.

- The House passed legislation in July to raise the federal minimum wage to $15 per hour.

- The Senate needs to act, and the President must sign the bill.

- The minimum wage was last increased 10 years ago.

- While some states have acted independently, Congress must ensure fairness for all working families.

- Mr. Chairman, strong unions are an equalizer.

- As union membership grew in the first half of the 20th century, the share of income going to the top 10 percent dropped as unskilled workers organized to receive higher wages, health benefits, and improved working conditions.

- The decline in private-sector union membership over the last several decades is a key driver of rising inequality.

- Mr. Chairman, now is the time to invest in early childhood education, to make college more affordable, and to fund a 21st century infrastructure initiative so that our economy has both the human capital and the jobs to raise all working families' quality of life.

- According to the Census Bureau, our vital economic security programs – Social Security, SNAP, EITC, and others – kept more than 47 million people out of poverty in 2018.

- Democrats know these programs work.

- This is why federal investments that help Americans meet basic human needs are essential and need to be increased.

- Federal programs like Medicaid, housing assistance, and the earned income tax credit ensure that all families have access to basic living standards if their wages are too low or they cannot make ends meet.

- These programs include:

  1. Medicaid and the Children's Health Insurance Program (CHIP) ($423 billion in federal spending in 2019);
  2. Earned Income and Child Tax Credits ($87 billion in federal spending in 2019);
  3. Supplemental Nutrition Assistance Program (SNAP) ($65 billion in federal spending in 2019);
  4. Supplemental Security Income (SSI) ($56 billion in federal spending in 2019);
  5. Housing assistance ($50 billion in federal spending in 2019);
  6. Child nutrition ($24 billion in federal spending in 2019);
  7. Temporary Assistance for Needy Families (TANF) ($16 billion in federal spending in 2019);
  8. Child Care and Development Block Grant ($5 billion in federal spending in 2019); and
  9. Low Income Home Energy Assistance Program (LIHEAP) ($4 billion in federal spending in 2019)

- In addition, Medicaid and CHIP provided coverage to 73 million Americans in March 2019, including more than one in three children.

- Mr. Chairman, millions of seniors and people with disabilities rely on Medicaid to pay for nursing home care and home- and community-based services that assist with activities of daily living.

- To date, 33 states and the District of Columbia have expanded their Medicaid programs to low-income working-age adults, helping to drive the nation's uninsured rate to a record low.

- Regrettably, my home state of Texas is not one of them.

- Medicaid is also very efficient, and states have significant flexibility in designing their programs to meet the needs and of their residents.

- Earned Income and Child Tax Credit provides low-income workers with a supplement to their wages, ensuring that many of them are not taxed into poverty.

- Workers with children receive a larger benefit than those without.

- The average EITC credit in 2018 was $2,488.

- The Child Tax Credit (CTC) assists working families by helping with the costs of raising children.

- Both the EITC and the CTC are refundable, which means that families with very low incomes benefit even if they owe no income tax.

- These refundable tax credits were responsible for keeping 8.3 million people out of poverty in 2017, according to the Census Bureau.

- Funded by the federal government and administered by the states, SNAP offers nutrition assistance each month to nearly 43 million low-income individuals and families, including 18 million children every year and 4 million adults with disabilities.

- According to an analysis from the Center on Budget and Policy Priorities, SNAP kept more than 8.4 million people out of poverty in 2015, including 3.8 million children.

- Supplemental Security Income (SSI) provides cash assistance to aged, blind, and disabled individuals with little or no income to meet their basic standards of living.

- Housing assistance programs provide funding for low-income individuals and families to secure safe and stable housing.

- These programs include tenant-based and project-based rental assistance (together commonly known as Section 8), homeless assistance grants, rural rental assistance, housing for the elderly, public housing, and the choice neighborhoods initiative, which uses locally driven strategies to facilitate neighborhood transformations.

- Child nutrition programs prevent hunger and combat obesity among the nation's children by funding healthy meals at places like schools, child-care centers, and after-school programs.

- Major programs include the National School Lunch Program and the School Breakfast Program.

- In 2018, the National School Lunch Program served 4.9 billion lunches, two-thirds of which were free.

- Temporary Assistance for Needy Families provides block grants to states to provide temporary financial assistance for families with one or more dependent children.

- Assistance helps cover the costs of basic standards of living such as food, shelter, and utilities.

- States also utilize block grant dollars to provide transitional services such as GED preparation or job training services.

- The basic TANF block grant has been frozen since it was created in 1996, with no adjustment for inflation.

- Child Care and Development Block Grants provide support for children and their families through a variety of child care services and other programs that prepare children to succeed in school.

- In 2017, 796,000 families received subsidies to support child care for 1.3 million children.

- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) provides supplemental foods as well as health care referrals and nutrition education for low-income pregnant, postpartum, or breastfeeding women.

- The program also provides nutrition assistance to children up to age five.

- Low Income Home Energy Assistance Program (LIHEAP) helps families stay safe and healthy by assisting with energy costs such as home energy bills, energy crises, and weatherization and energy-related minor home repairs.

- Assistance provided by LIHEAP ensures low-income families stay warm in the winter and cool in the summer, resulting in reduced risk of health and safety problems.

- In 2017, 5.4 million households received assistance with heating costs through LIHEAP.

- In addition, federal investments in Medicare and Marketplace subsidies ensure that millions of Americans can access quality, affordable health care.

- Mr. Chairman, the official U.S. poverty rate in 2017 is 12.3%, according to the U.S. Census Bureau.
- That means 39.7 million Americans lived in poverty in 2017.
- The poverty rate for African Americans and Hispanics was 21.2 percent and 18.3 percent, respectively.
- Nearly one in five (17.5 percent) of children under age 18 live in poverty.
- The poverty limit for family of four in 2019 is $25,750, according to the U.S. Department of Health and Human Services' guidelines used to determine financial eligibility for federal programs; for an individual, the poverty limit is $12,490.
- The Supplemental Poverty Measure incorporates non-cash benefits (such as SNAP), work expenses, medical expenses, and other factors, and is generally considered to be a more comprehensive estimate of poverty than the official poverty rate.
- Still, many argue that both the official poverty rate and the Supplemental Poverty Measure underestimate how much it takes to support a family and thus undercount the number of people in poverty.
- One study from the National Center for Children in Poverty suggests that families need an income of at least twice the official poverty level to meet their basic needs.
- The top 5 percent of households earned 22.3 percent of the nation's income in 2017, according to the U.S. Census Bureau and the top 20 percent of households earned over half (51.5 percent) of the nation's total income.

- The top 1 percent held nearly 39 percent of the wealth in 2016, up from just under 30 percent in 1989.
- The bottom 90 percent held less than 23 percent of the wealth in 2016, down from just over 33 percent in 1989.
- Between 1979 and 2017, earnings for the top 0.1% of earners grew by 343 percent; for earners in the bottom 90%, earnings grew by just 22 percent.
- The median white family has 12 times more wealth than the median black family.
- Despite the persistence of poverty in America and the continuing need Americans have for the elaborate network of economic security programs known as the "social safety net," the Trump Administration has been unrestrained in its efforts to dismantle safety net programs.
- Time and time again, the Trump Administration has attacked programs that help struggling Americans put food on the table and keep a roof over their heads.
- Following years of weak wage growth and amid signs of a teetering economy, the Trump Administration policies to cut programs and limit enrollment will harm working families trying to keep their heads above water.
- Thank you, I yield back the remainder of my time.