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Rebuilding the Middle Class

Remarks by Senator Tom Harkin
Center for American Progress
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Thank you, Neera [Neera Tanden, President, CAP], for that very generous introduction. And I want to thank *all* of you here at CAP. I especially appreciate your efforts to advance an agenda that puts the middle class first. You’re doing terrific work. In particular, I commend Heather Boushey. She and Secretary Bob Reich were outstanding witnesses at a HELP Committee hearing last May.

Altogether, I now have chaired four HELP Committee hearings on the crisis of the middle class, the most recent one being this past Friday. Last year, my state staff visited all 99 counties in Iowa to gain greater insight into the challenges facing working Americans. Not surprisingly, we found that more and more people are struggling just to make ends meet. Their jobs are insecure, their savings and pensions have shrunk, and they see an economic system that is rigged in favor of the very rich and powerful.

For many decades, the HELP Committee has been a powerhouse of progressive legislation. I have always believed that while the Armed Services Committee *defends* America, the HELP Committee *defines* America. I have worked to define America as a nation that provides a ladder of opportunity so that everyone has a fair shot at getting ahead and achieving the American Dream.

This aspiration was summed up beautifully by a young Iowan, Amanda Gruebel, testifying before my committee last spring. She said: “My husband and I didn’t have

dreams of great wealth. We never expected to have summer homes or expensive cars or vacations on the Riviera. We chose careers that inspire us, knowing that we would never make six-figure salaries. All we have ever wanted is security and a little comfort . . . to know that our bills are paid, our needs are met, that we can have a getaway every now and then, that our children can pursue higher education without the burden of student-loan debt, and that someday we can retire and enjoy our final years together in the way we choose.”

However, for Amanda Gruebel and millions of other middle class Americans, even their rather modest version of the American Dream is slipping away. That is why I have added an additional defining priority for the HELP Committee: to strengthen and preserve the middle class itself.

Over the past year, Republicans have been pushing not just misguided budgets, but a dangerously misguided premise. Their premise is that America is poor and broke, and we can no longer afford the investments that make possible a strong middle class and a world-class economy.

I reject this premise. The United States of America remains a wealthy nation – the wealthiest in history. So one might ask: If we’re so rich, how come we’re so broke? The problem is that too much of America’s wealth has been misallocated and mis-invested. The economic playing field is out of balance and tilted strongly in favor of the wealthy.

On that score, let me quote a Senator and former Democratic presidential candidate from 1992; by the way, that Senator won the Iowa caucuses as a favorite son, but ended up losing to an obscure fellow from Arkansas. He said: “In a capitalist system,

there come times when too few people have too much power and too much money, and too many people have too little of either. One of the primary functions of a free democratic government is to redress that imbalance.”

OK, so what is the best way forward? Instead of the slash-and-burn approaches of the past year, we need a way forward that reflects the hopes and can-do spirit of the American people. Smart countries, in difficult times, do not turn a chain saw on themselves through policies of mindless austerity.

Many economists have identified technological change and globalization as factors that have contributed to middle class decline. Those factors certainly have played a role. But much of the fault actually lies with how we have responded to those factors through 30 years of misguided policy choices here in Washington – for example, tax breaks that have exacerbated inequality or encouraged corporations to move jobs overseas. It is time to tackle these policy failures head-on. We need to pursue smart strategies that directly create jobs even as they provide lasting benefits to our economy, such as modernized infrastructure.

I cannot emphasize this point too strongly: The single most important thing we can do to restore the middle class is to create good jobs, reduce the unemployment rate, and get this economy moving again.

As we know, the mantra on the right is that “government can’t create jobs.” That is nonsense. From the beginning of our republic, smart government has played a profound role in job creation. In the midst of the Civil War, President Lincoln used government to help build the transcontinental railroad, found land-grant colleges, and expand agriculture. Since World War II, the federal government has funded and

spearheaded the building of the interstate highway system, the invention of the internet, the exploration of the cosmos. More than 80 Nobel Prizes have been awarded for research sponsored by the National Institutes of Health. These federal initiatives, in turn, have spawned countless inventions and new industries, creating tens of millions of well-paying, middle class jobs.

I have a plan, and soon I will have a bill – I’m calling it The Rebuild America Act – that will address the crisis of the middle class in a *comprehensive* fashion. Let me briefly touch on six principal components of this emerging legislation: (1) investing in infrastructure and manufacturing; (2) providing the education and skills necessary for a 21st century workforce; (3) empowering workers; (4) bolstering retirement security; (5) strengthening families, and (6) paying for the bill by creating a fairer tax structure.

Let me start with investing in infrastructure and manufacturing. We are in the second decade of the 21st century, but we are still driving on Eisenhower’s roads and sending our kids to Roosevelt’s schools. Our global competitors, especially in Asia, are being bold and forward-thinking, and we are falling woefully behind.

My bill will tackle this challenge by providing robust new investment in America’s physical infrastructure, including roads and bridges, energy efficiency systems, public schools, early child care and education facilities, and community colleges.

We haven’t done enough in recent years to support our manufacturing economy. And I certainly don’t mean that we have too many regulations or that our wages are too high. That is mostly hogwash. There are countries across the globe with high wages and stronger environmental and safety regulations than we have, and these countries are

creating and attracting the manufacturing jobs that we're not. Why? Because they've taken smart, aggressive, well-planned steps to support their domestic manufacturing sectors.

My bill mandates the development of a national manufacturing strategy. The aim will be to assist domestic manufacturers with innovation and product development, and by improving financing opportunities for them. We also need to fully revisit our trade laws to ensure that they reflect a fair trade agenda. And any national manufacturing strategy must include changes to the tax code so that it no longer rewards the shifting of jobs overseas. We also need an improved R&D credit – one that is permanent, and one that favors companies that use research to create jobs here in the US rather than moving them abroad.

The second component of the bill focuses on education, and on creating a job training system that will help all our workers – whatever their background – prepare to compete for the jobs of the 21st Century. Too often, we hear businesses say they can't find workers with the skills they need – either for current jobs, or for jobs of the future. My bill will offer challenge grants to regional partnerships of employers, community colleges, local governments and other stakeholders to provide immediate pathways to emerging employment opportunities and current local job openings. As I saw first-hand last week at Eastern Iowa Community College, this approach works. By promoting these kinds of partnerships, we can create opportunities to enter the middle class for the millions of Americans struggling with long-term poverty, including people with disabilities and people from diverse racial and ethnic communities.

The bill also makes a major new investment in teacher quality. Countries whose students outperform students in the US have something in common: They strategically and systematically dedicate resources toward building the teaching profession. My bill will commit significant new funds to improve the preparation and support excellent teachers, with the aim of ensuring that America's students graduate prepared for success in college and careers.

The third component of the bill focuses on empowering workers. Today, Americans are working harder than ever, but their efforts aren't translating into bigger paychecks. My bill tackles this problem in several ways. It will raise the minimum wage and provide for automatic future raises so that working families don't fall behind in the future. It will expand access to overtime pay so that workers called on to work long hours away from their families receive the fair pay they deserve. It will ensure that all workers have a right to join together and stand up for fair wages and working conditions, and that employers face real penalties for violating that right. These reforms will restore balance to our economy, and ensure that all Americans get their fair share of the benefits their hard work creates.

Also, today, less than a third of working-age adults with disabilities are employed – though many can work and want to work. My bill will expand the work opportunity tax credit for workers with disabilities.

The fourth component of my bill focuses on bolstering retirement security. Here are some sobering realities: Thirty years ago, nearly 1 in 2 workers had a pension plan. Today only 1 in 5 has a pension plan. Two in five workers have no pension plan

and no 401(k) plan. And scariest of all, one in four workers has no meaningful saving for retirement at all.

My bill will strengthen Social Security benefits so that these benefits replace a greater share of pre-retirement income. It will also bring together public and private sectors to implement strategies to rebuild the defined-benefit pension system so that more Americans can count on a steady stream of retirement income they will not outlive.

The fifth component of my bill focuses on strengthening families. In passing the Affordable Care Act, we took a huge step forward in helping families cope with the cost of health care. But Americans still struggle to balanced their working and family lives, especially caring for children and/or aging parents. “Sandwich generation” families are squeezed to the breaking point, and often fall out of the middle class as a result.

To provide assistance to these families, my bill will update the Child Care and Development Block Grant (last reauthorized in 1996) to offer more subsidies for child care while also increasing the quality of that care while also promoting universal early learning.

It will also help families balance work and family life when they face health problems or other caregiving challenges. I have included in my legislation another bill that I sponsor, the Healthy Families Act, which would allow workers to earn up to seven paid sick days per year to use for preventive care, recovery from illness, or to care for a sick family member.

The sixth and final component of the bill focuses on paying for it in a way that strengthens the middle class. The bill includes a tax on Wall Street trades – a financial transaction tax – that will raise an estimated \$350 billion over 10 years. I deeply

appreciate CAP's ongoing support in the fight to pass this tax. In addition, the bill will require high-income taxpayers to pay their fair share, with some variation on the President's "Warren Buffett rule." And the bill slashes tax benefits that companies receive for shifting jobs overseas. The aim, here, is to pursue tax reforms that do two things: they will raise money to pay for the bill, and they will restore fairness to the tax code and a more level playing field in our economy.

So that, in broad strokes, is the Rebuild America Act. It is comprehensive. It is ambitious. And it is paid for.

Let me conclude with this thought: For three decades, now, our economy has been held back by a failed trickle-down economics for the rich. It is time for percolate-up economics for the middle class. As we say in the Midwest, you don't fertilize a tree from the top down, you fertilize the roots. There can be no sustainable economic recovery and no sustained return to fiscal balance without the recovery of the middle class. The middle class is the backbone of this country, and it's time for Washington to have the backbone to not only defend it, but rebuild it.