

OPENING REMARKS OF BOB HERBERT, DISTINGUISHED SENIOR FELLOW AT DEMOS.

REPORT IS AVAILABLE HERE: <http://bit.ly/rhFTr8>

“Under Attack: Pennsylvania’s Middle Class and the Jobs Crisis”

Three generations ago, America created our single greatest invention, not the internet or the internal combustion engine or the light bulb or the solar panel. It was the vast American middle class. The middle class is more than an income bracket – it’s a promise, that if you work hard and play by the rules, you’ll earn enough to achieve a reasonable level of comfort and security, enough at the very least to support yourself, raise a family and enjoy the fruits of truly free society. That was a real 20th century invention – a novel possibility for regular people to enjoy that degree of freedom.

This middle class didn’t just happen. It was the result of a grand bargain among government, businesses and ordinary workers who all agreed on a set of shared values that basically said, we believe that all Americans should have a decent life.

Accordingly, CEOs paid themselves an average of 25 times their average employee’s wages – not 200 times as they do today. The government collected far more in taxes, and far more from those who could afford it – the wealthy and the corporate sector – and re-invested that money in America’s people and a better American future, creating the national highway system, funding government research that would lead to trillions of dollars in inventions that the private sector would develop and market, enacting the GI Bill that put a generation through college on grants, not loans, and made home ownership broadly affordable for the first time for millions, and not through gimmicks, like teaser rates that would eventually explode.

The political pressure for these broad benefits came in part because of unions – because both the government and businesses respected a right that Americans had literally died for during the Industrial era – a universal human right for people to come together and negotiate on the job and in the halls of power for a fairer share.

The result was the greatest middle class the world had ever known. For 30 years, when business productivity rose, the workers doing the actual producing shared in the gains. That strong and vibrant middle class became the engine of America's economy.

But in just one generation, that grand bargain has been killed. And the Great Recession was the last nail in the coffin.

We've had three decades of lopsided growth—in which the very richest kept getting richer, at the expense of virtually everybody else. For many people that came to seem like the natural order of things. It isn't.

It may be hard to believe, but there was a time, roughly between 1947 and 1973, that incomes grew faster at the bottom than they did at the top. All that changed beginning in the late 1970s and early 80s.

Productivity nearly tripled in the last 30 years, but the financial gains from that increase were not widely shared, as they had been in prior decades. The workers didn't get their share. The working and middle classes didn't benefit from the surge in productivity. The gains went straight to the top – to CEOs, shareholders and the upper class in general.

So why did this happen?

Well, just as the middle class didn't create itself, this unraveling of the middle class didn't "just happen" either.

You've likely heard that globalization and technological change are the culprits. And they have a big place in the story—but not in and of themselves. After all, advanced nations around the world have also been hit by globalization and technological change—but they haven't all experienced the same middle class squeeze and skyrocketing inequality as the United States.

What's important about globalization and technological change is our nation's response to those forces. The reality is our public policies over the last three decades have ensured that these two forces hit American workers like a ton of bricks.

As Jacob Hacker and Paul Pierson said in their important book, *Winner-Take-All Politics*:

“Step by step and debate by debate, America’s public officials have rewritten the rules of American politics and the American economy in ways that have benefited the few at the expense of the many.”

In some cases, we just failed to act—we let the minimum wage continue to lose its earning power, we let jobs be shipped overseas and did nothing to invest in new industries. We let the right to form a union be relentlessly attacked to the point where it’s now a real David and Goliath battle to unionize a company.

In other cases, we took action, but in the wrong direction, such as irresponsibly cutting taxes, which made it all but impossible to continue to invest in the types of public structures – our roads, schools, libraries, for example – that help all of us reach our full potential. In the four recessions since 1980, we’ve seen cuts to education, health care, infrastructure, and on and on. Tuition at public universities has tripled since 1980.

In the years leading up to the Great Recession, the middle class and the aspiring middle class had already lost tremendous ground. Now the ongoing jobs crisis –with nearly 5 workers for every 1 job that is currently available – and the cuts in vital state services have only deepened the pain and increased the emotional distress.

Fortunately, a nationwide awareness of the problem of the endangered middle class is mobilizing millions of Americans into action. Tonight from 6 to 8 pm there will be a gathering of “Speak Out for Good Jobs Now” at the Kinsley Association in Pittsburgh. This is part of a nationwide summer jobs tour. Congressional staffers will talk with Pennsylvanians, listen to stories about their experiences in this tough economy and get their ideas for creating badly needed jobs in the state and across the US. More information on this can be found at speakouttour.com.