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REMARKS AS PREPARED FOR DELIVERY
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Good morning, and thank you MaryBe for the introduction, and for your work with the North Carolina AFL-CIO. Your efforts make a real difference for our families.

I want to start by thanking Rich Trumka and Damon Silvers for your leadership on economic issues, for your good counsel, and, for a long time now, your friendship. I also want to give special thanks to my good friends from the Massachusetts AFL-CIO who are here today, Steve Tolman and Lou Mandarin.

I love being with my labor friends, and I'm especially glad to join you today for the AFL's first-ever National Summit on Wages. You follow in the best tradition of the American labor movement for more than a century—always fighting for working people, both union and non-union. Today you've spotlighted an economic issue that is central to understanding what's happening to people all over this country.

I recently read an article in *Politico* called "Everything is Awesome." The article detailed the good news about the economy: 5% GDP growth in the third quarter of 2014, unemployment under 6%, a new all-time high for the Dow, low inflation.ⁱ

Despite the headline, the author recognized that not *everything* is awesome, but his point has been repeated several times: On many different statistical measures, the economy has improved and is continuing to improve. I think the President and his team deserve credit for the steps they've taken to get us here. In particular, job growth is a big deal, and we celebrate it.

I've spent most of my career studying what's happening to America's middle class, and I know that these four widely-cited statistics give an important snapshot of the success of the overall economy. But the overall picture doesn't tell us much about what's happening at ground level to tens of millions of Americans. Despite these cheery numbers, America's middle class is in deep trouble.

Think about it this way: The stock market is soaring, and that's great if you have a pension or money in a mutual fund. But if you and your husband or wife are both working full time, with kids in school, and you are among the half or so of all Americans who don't have any money in stocks,ⁱⁱ how does a booming stock market help you?

Corporate profitsⁱⁱⁱ and GDP are up. But if you work at Walmart, and you are paid so little that you still need food stamps to put groceries on the table, what does more money in stockholders' pockets and an uptick in GDP do for you?

Unemployment numbers are dropping. But if you've got a part-time job and still can't find full-time work -- or if you've just given up because you can't find a good job to replace the one you

had -- you are counted as part of that drop in unemployment,^{iv} but how much is your economic situation improving?

Inflation rates are still low. But if you are young and starting out life with tens of thousands of dollars in student loan debt locked into high interest rates by Congress, unable to find a good job or save to buy a house, how are you benefiting from low inflation?

A lot of broad national economic statistics say our economy is getting better, and it is true that the economy overall is recovering from the terrible crash of 2008. But there have been deep structural changes in this economy, changes that have gone on for more than thirty years, changes that have cut out hard-working, middle class families from sharing in this overall growth.

It wasn't always this way.

Coming out of the Great Depression, America built a middle class unlike anything seen on earth. From the 1930s to the late 1970s, as GDP went up, wages went up pretty much across the board. In fact, 90% of all workers—everyone outside the top 10%—got about 70% of all the new income growth.^v Sure, the richest 10% gobbled up more than their share—they got 30%. But overall, as the economic pie got bigger, pretty much everyone was getting a little more. In other words, as our country got richer, our families got richer. And as our families got richer, our country got richer. That was how this country built a great middle class.

But then things changed.

By 1980, wages had flattened out, while expenses kept going up. The squeeze was terrible. In the early 2000s, families were spending twice as much, adjusted for inflation, on mortgages as they had a generation earlier. They spent more on health insurance, and more to send their kids to college. Mom and dad both went to work, but that meant new expenses like childcare, higher taxes, and the costs of a second car. All over the country, people tightened their belts where they could, but it still hasn't been enough to save them. Families have gone deep into debt to pay for college, to cover serious medical problems, or just to stay afloat a while longer.^{vi} And today's young adults may be the first generation in American history to end up, as a group, with less than their parents.^{vii}

Remember how up until 1980, 90% of all people—middle class, working people, poor people—got about 70% of all the new income that was created in the economy and the top 10% took the rest? Since 1980, guess how much of the growth in income the 90% got? Nothing. None. Zero. In fact, it's worse than that. The average family not in the top 10% makes **less** money than a generation ago.^{viii} So who got the increase in income over the last 32 years? 100% of it went to the top ten percent. **All** of the new money earned in this economy over the past generation—all that growth in the GDP—went to the top.^{ix} All of it.

That is a huge structural change. When I look at the data here – and this includes years of research I conducted myself – I see evidence everywhere about the pounding that working people are taking. Instead of building an economy for all Americans, for the past generation this

country has grown an economy that works for **some** Americans. For tens of millions of working families who are the backbone of this country, this economy isn't working. These families are working harder than ever, but they can't get ahead. Opportunity is slipping away. Many feel like the game is rigged against them – and they are right. The game is rigged against them.

Since the 1980s, too many of the people running this country have followed one form or another of supply side — or trickle down — economic theory. Many in Washington still support it. When all the varnish is removed, trickle-down just means helping the biggest corporations and the richest people in this country, and claiming that those big corporations and rich people could be counted to create an economy that would work for everyone else.

Trickle-down was popular with big corporations and their lobbyists, but it never really made much sense. George Bush Sr. called it voodoo economics.^x He was right, and let's call it out for what it is: Trickle-down was nothing more than the politics of helping the rich-and-powerful get richer and more powerful, and it cut the legs out from under America's middle class.

Trickle-down policies are pretty simple. First, fire the cops—not the cops on Main Street, but the cops on Wall Street. Pretty much the whole Republican Party – and, if we're going to be honest, too many Democrats – talked about the evils of “big government” and called for deregulation. It sounded good, but it was really about tying the hands of regulators and turning loose big banks and giant international corporations to do whatever they wanted to do—turning them loose to rig the markets and reduce competition, to outsource more jobs, to load up on more risks and hide behind taxpayer guarantees, to sell more mortgages and credit cards that cheated people. In short, to do whatever juiced short term profits even if it came at the expense of working families.

Trickle down was also about cutting taxes for those at the top. Cut them when times are good, cut them when times are bad. And when that meant there was less money for road repairs, less money for medical research, and less money for schools and that our government would need to squeeze kids on student loans, then so be it. And look at the results: The top 10% got ALL the growth in income over the past 30 years—ALL of it—and the economy stopped working for everyone else.

The trickle-down experiment that began in the Reagan years failed America's middle class. Sure, the rich are doing great. Giant corporations are doing great. Lobbyists are doing great. But we need an economy where everyone else who works hard gets a shot at doing great!

The world has changed beneath the feet of America's working families. Powerful forces like globalization and technology are creating seismic shifts that are disrupting our economy, altering employment patterns, and putting new stresses on old structures. Those changes could create new opportunities—or they could sweep away the last vestiges of economic security for 90% of American workers. Those changes demand new and different economic policies from our federal government. But too many politicians have looked the other way. Instead of running government to expand opportunity for 90% of Americans and to shore up security in an increasingly uncertain world, instead of re-thinking economic policy to deal with tough new

realities, for more than 30 years, Washington has far too often advanced policies that hammer America's middle class even harder.

Look at the choices Washington has made, the choices that have left America's middle class in a deep hole:

- the choice to leash up the financial cops,
- the choice in a recession to bail out the biggest banks with no strings attached while families suffered,
- the choice to starve our schools and burden our kids with billions of dollars of student loan debt while cutting taxes for billionaires,
- the choice to spend your tax dollars to subsidize Big Oil instead of putting that money into rebuilding our roads and bridges and power grids,
- the choice to look the other way when employers quit paying overtime, reclassified workers as independent contractors and just plain old stole people's wages,
- the choice to sign trade pacts and tax deals that let subsidized manufacturers around the globe sell here in America while good American jobs get shipped overseas.

For more than thirty years, too many politicians in Washington have made deliberate choices that favored those with money and power. And the consequence is that instead of an economy that works well for everyone, America now has an economy that works well for about 10% of the people.

It wasn't always this way, and it doesn't have to be this way. We can make new choices - different choices - choices that put working people first, choices that aim toward a better future for our children, choices that reflect our deepest values as Americans.

One way to make change is to talk honestly and directly about work, about how we value the work that people do every day. We need to talk about what we believe:

- We believe that no one should work full time and still live in poverty – and that means raising the minimum wage.
- We believe workers have a right to come together, to bargain together and to rebuild America's middle class.
- We believe in enforcing labor laws, so that workers get overtime pay and pensions that are fully funded.
- We believe in equal pay for equal work.

- We believe that after a lifetime of work, people are entitled to retire with dignity, and that means protecting Social Security, Medicare, and pensions.

We also need a hard conversation about how we create jobs here in America. We need to talk about how to build a future. So let's say what we believe:

- We believe in making investments – in roads and bridges and power grids, in education, in research – investments that create good jobs in the short run and help us build new opportunities over the long run.
- And we believe in paying for them—not with magical accounting scams that pretend to cut taxes and raise revenue, but with real, honest-to-goodness changes that make sure that we pay—and corporations pay—a fair share to build a future for all of us.
- We believe in trade policies and tax codes that will strengthen our economy, raise our living standards, and create American jobs – and we will never give up on those three words: Made in America.

And one more point. If we're ever going to un-rig the system, then we need to make some important political changes. And here's where we start:

- We know that democracy doesn't work when congressmen and regulators bow down to Wall Street's political power – and that means it's time to break up the Wall Street banks and remind politicians that they don't work for the big banks, they work for US!

Changes like this aren't easy. But we know they are possible. We know they are possible because we have seen David beat Goliath before. We have seen lobbyists lose. We've seen it all through our history. We saw it when we created the new Consumer Financial Protection Bureau, when we passed health care reform. We saw it when President Obama took important steps to try and reform our immigration system through executive order just weeks ago. Change is difficult, but it is possible.

This is personal for me. When I was 12, my big brothers were all off in the military. My mother was 50 years old, a stay at home mom. My daddy had a heart attack, and it turned our little family upside down. The bills piled up. We lost the family station wagon, and we nearly lost our home. I remember the day my mother, scared to death and crying the whole time, pulled her best dress out of the closet, put on her high heels and walked to the Sears to get a minimum wage job. Unlike today, a minimum wage job back then paid enough to support a family of three. That minimum wage job saved our home—and saved our family.

My daddy ended up as a maintenance man, and my mom kept working at Sears. I made it through a commuter college that cost \$50 a semester and I ended up in the United States Senate. Sure, I worked hard, but I grew up in an America that invested in kids like me, an America that built opportunities for kids to compete in a changing world, an America where a janitor's kid could become a United States Senator. I believe in that America.

I believe in an America that builds opportunities. An America that ensures that all hardworking men and women earn good wages. An America that once again grows a strong, vibrant middle class.

I believe in that America, and I will fight for that America! And if we fight—side-by-side—I know we will build that America again.

ⁱ Michael Grunwald, Politico, “Everything Is Awesome!” 12/24/14

<http://www.politico.com/magazine/story/2014/12/everything-is-awesome-113801.html>

ⁱⁱ Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, *Changes in U.S. Family Finances from 2007 to 2010: Evidence from the Survey of Consumer Finances*, p. 41, June 2012

<http://www.federalreserve.gov/pubs/bulletin/2012/pdf/scf12.pdf>.

ⁱⁱⁱ Harry Stein, Center for American Progress, “Corporate Profits and Taxes,” 9/15/14

<https://www.americanprogress.org/issues/economy/news/2014/09/15/96885/corporate-profits-and-taxes/>

^{iv} Unemployment numbers exclude part-time workers and discouraged workers who aren’t actively looking for work.

Bureau of Labor Statistics, “Labor Force Statistics from the Current Population Survey: How the Government Measures Unemployment,” Last updated 6/12/14

http://www.bls.gov/cps/cps_htgm.htm

^v Calculations from Economic Policy Institute based on data from Piketty and Saez (2012).

<http://eml.berkeley.edu/~saez/pikettyqje.pdf>

^{vi} Elizabeth Warren, Huffington Post, “America Without a Middle Class,” 3/18/10

http://www.huffingtonpost.com/elizabeth-warren/america-without-a-middle_b_377829.html

For a more detailed analysis of earlier data, see Elizabeth Warren and Amelia Warren Tyagi, *The Two-Income Trap: Why Middle Class Mothers and Fathers Are Going Broke* (2003).

^{vii} Pew Charitable Trusts, *A New Financial Reality: The Balance Sheets and Economic Mobility of Generation X*, September 2014

http://www.pewtrusts.org/~media/Assets/2014/09/Pew_Generation_X_report.pdf

^{viii} For families outside the top ten percent, average annual income declined from 1980 to 2012 by \$1,798.

Calculations from Economic Policy Institute based on data from Piketty and Saez (2012).

<http://eml.berkeley.edu/~saez/pikettyqje.pdf>

^{ix} Calculations from Economic Policy Institute based on data from Piketty and Saez (2012).

<http://eml.berkeley.edu/~saez/pikettyqje.pdf>

^x Bruce Bartlett, “George H.W. Bush and ‘Voodoo Economics,’” 12/21/10

<http://capitalgainsandgames.com/blog/bruce-bartlett/2083/george-h-w-bush-and-vooodoo-economics>