

Building a High-Wage America



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America is a low-wage society by choice, not by accident or purely the result of inevitable economic forces. The Bernard L. Schwartz Rediscovering Government Initiative (RGI) at The Century Foundation (TCF) will direct its efforts over the next two years to policies that can make America a high-wage society once more.

Low-wage America is characterized by wages that for forty years have stagnated for most Americans, especially for those with no more than high school educations. A 35-year-old man with a job typically makes no more than did a 35-year-old male four decades ago and often makes less, especially for those in the middle and low end of the pack. According to Figure 1, those at the top of the wage distribution have seen their pay increase, while those at the

middle and bottom have remained stagnant or declined after a brief surge in the late 1990s.

Meantime, the costs of education, health care, and housing have grown rapidly. Incomes have become much more unequal over that same period, a small portion near the top taking the vast majority of gains in earnings. Technology played a role too, making numerous skilled and unskilled occupation obsolete, and widening the gap in wages between those with and without college educations. Offshoring has become a favored policy for big business, aided by U.S. tax policy, and has led to much a weaker manufacturing sector than other advanced nations. America has some of the highest levels of inequality and poverty among OECD nations, including child poverty.

This report can be found online at: <https://tcf.org/content/commentary/building-high-wage-america/>.

FIGURE 1



Much of this could have been avoided. In particular, the nation's policy levers were designed to keep workers down. The Federal Reserve's obsession with low inflation led to policies that were too tight, arguably since the 1980s under Alan Greenspan, and then under Ben Bernanke, a pioneer of inflation targeting. Simultaneous to these low inflation policies was a political fixation with a rising federal budget deficit virtually paralyzed fiscal policy as well. A blind belief in free trade devastated the nation's industrial capacity and community after community in the heartland. From the late 1970s on, workers were left without protection and with little help from Washington to find new jobs or protect wages for old ones. Rent-seeking by big companies and Wall Street bankers produced fabulous riches for a few, along with inefficient monopoly profits in industry after industry, but workers were hostages to business unregulated by anti-trust oversight or pro-competitive financial regulations.

These policies were reinforced by sharply reduced progressive income taxes, favoring the rich by far, during the Ronald Reagan administration. The minimum wage today is no higher, adjusted for inflation than it was in 1968. The sharp decline in union representation hollowed out the middle class and allowed companies to drive down wages. Fortunately the expansion of policies like the earned income tax credit and the child tax credit benefitted lower-income Americans, but these policies as well as other anti-poverty measures have not gone far enough.

RGI is developing a High-Wage Agenda to reverse destructive policies that have led to workers paying the price with low wages, while the one percent, often led by Wall Street, have gotten still richer. Wall Street itself is not the problem; we need finance. But a runaway financial community with no limits set by government was a major cause of damage to workers.

Most disturbing is that the public discourse, led by the media, policymakers and many economists, has come to treat these conditions as inevitable and even necessary to compete in the globalized world.

We want a society that purposefully values economic security for the broad population, that supports the positive role of government in people's lives, and that empowers people to find high-quality livelihoods and rewarding careers. We believe good opportunities for all can be restored, and all Americans of every race and ethnicity, from those with high school education through college, and from every region of the nation from the rust belt to the inner city to the former agricultural heartland, can lead dignified lives.

Our agenda has three major components: (1) Public investment and innovation; (2) Education and training; and (3) Labor standards and social supports.

Public investment and innovation policies provide the basis for productivity growth. Such public investment has been integral to America growth since the colonial years, including roads, canals, public school education, college subsidies, financing of the railroads, highways, medical research, and on. Today a first priority is transportation infrastructure. But investment in advanced manufacturing, technological and medical R&D, and green technologies are also urgent priorities to help the U.S. economy secure the high-wage industries of the future.

Education and training have also always been integral to economic growth, another major category of public investment. By the mid-1800s, America was investing more per pupil than European counterparts. Now America lags badly. The quality of K-12 education is highly unequal across different zip codes. College is necessary but expensive, and continued increasing levels of college attainment will continue to be cornerstone for economic growth. Just as urgent is reforming job training for those who don't get a college degree. In a world where a work ethic and a strong back is no longer a guarantee of a decent wage, we have to create a robust, targeted, twenty-first century training system geared to high wage skills. This requires a major

increase in apprenticeships, reinventing vocational education and doubling down on sectoral training partnerships.

Labor standards and social supports, from the minimum wage to maximum hours and overtime pay to fair scheduling and safeguards against the gig economy must be renewed and invigorated. Since the Reagan administration, collective bargaining has been devastated, labor laws have been compromised, implementation has weakened, and wage theft had been widespread. The free market does not guarantee fair pay.

Underlying all these is the need for an enlightened set of fiscal and monetary policies to stimulate growth again. A page must be taken from the increased social spending of the 1960s, and inflation targeting as well as deficit mythologies must not hinder growth. Several additional—but no less important—themes will be pursued by us in the following months. Federal research and development (R&D) spending should be increased, and a federal participation in profits that private enterprises earn should be considered. We believe Medicare for All should be considered as the true next step to follow Obamacare. Similarly, as wages are not keeping up with productivity growth, and so many people work for poverty wages, more thought must be given to a universal basic income and guaranteed jobs programs. Caring work in health care, child care, and elder care also require subsidies.

We have already begun to undertake an aggressive research agenda. The first report by TCF senior fellow Andrew Stettner examines the state of the manufacturing sector in the United States since the Great Recession. The second report, authored by researchers Tom Croft, Joel Yudken, and Andrew Stettner, introduces a strategy for harnessing American manufacturing to the recovery of regional and local economies hurt by globalization and deindustrialization and other economic shocks over the past four decades. Fred Block, professor of sociology at the University of California, Davis, will explore contrasts a public investments for a high-wage America with the Trump administration's focus on tax reductions for corporations, cuts in civilian spending, and deregulation. Madeline Janis, executive director of Jobs to

Move America, will examine the ways in which government procurement of transportation equipment can be leveraged to revitalize and make transportation manufacturing more inclusive.

RGI will dedicate itself to vigorous policies to restore wages in a nation that is floundering politically and for whom, as many surveys now show, far fewer Americans of every race, ethnicity, and class have faith in the American dream.

This conference is the first of several we will hold this year and next, in Washington, D.C. and in localities in America's industrial heartland, to examine the principles we propose and to develop a compelling vision towards a high wage economy. While there are urgent policies and programs that need to be defended, there is a critical need for a forward looking progressive agenda for the economy. That is the task we seek to undertake.

This commentary was published by the Bernard L. Schwartz Rediscovering Government Initiative, founded in 2011 with one broad mission: countering the anti-government ideology that has grown to dominate political discourse in the past three decades.

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