

MODERATOR: Thanks, Ted. It's an absolute pleasure to be here. Welcome to all of you in the room and also joining us on line.

I know Richard has already been introduced so I just want to do really quick introductions for the rest of our really all-star panel here.

We have Kilolo Kijakazi, who is from the Urban Institute, but is also the doyenne of work on the racial wealth gap. When she was at Ford she funded all the really important studies that led to our understandings around that.

We also have Janet Gornick here from the Graduate Center at CUNY. She's the director of the Stone Center on socio-economic equality, and edited a very-well regarded book on inequity and the middle class in affluent countries in 2013.

We have Heather Boushey here, who is the head of the Washington Center for Equitable Growth. And is very well known for her work on policy with respect to jobs and the decline of the middle class.

So welcome to all of you. This panel is focused on two things. First of all we want to understand how the middle class have been defined. And then we also want to understand, based on that, what implications that has had for politics and policy here in the US. So this is going to be sort of like a little appetizer. We're not going to get into everything in a tremendous amount of depth. So please feel free to follow up with our panelists afterwards.

But I'm going to start off with a question for all of our panelists. Which is: How do we define the middle class in the US? And is that definition changing over time? And I'm going to start with Heather.

MS. BOUSHEY: Oh, with me, great. I was looking to Janet because I thought we would start there.

So how do we define the US middle class? Well in the work that I have done over the years with Jim Williams and then in my book, "Finding Time," I had a very specific definition of the middle class. Let me preface this by saying I come at it from the perspective of an economist and trying to understand the trends in economic wellbeing and how families are faring, and how well the economy is performing for them.

In our work, and I work with Joan and Stephanie over the years, we defined it as what it's not. So we said okay, folks at the bottom third of the income distribution, those are low income workers and families. So that's one group.

And then we said okay, at the top you've got folks that are in the top 20 percent of income, kind of like Richard's definition, but we said only those that had a college degree. So looking at sort of elite families, you know, folks with college degrees but in the top 20 percentile. I'm sure many of us have known some of those folks. We call those the top.

And we said okay, this group in the middle is how we're going to define the middle class. I will say for my work, that was a very useful definition because it allows us to track sort of how that broad middle has fared over time, acknowledging that there is this top and the bottom.

But I will also say that in my work this is something that I had developed in the late 00s, early teens of the 21st century. And my thinking on it is definitely shifted, I would say somewhat significantly, I'm kind of coming to terms with it, since then. Because we've seen this rising inequality in wealth and in incomes. With the top pulling further and further away.

And so one I think question that I hope we can discuss today is how that rising inequality with those at the very top pulling so very far apart, how does that need to change our thinking and our definition of what is middle classes versus this sort of maybe top 20 percent upper class elites. I actually wonder if that term isn't as meaningful or as useful anymore, both for understanding the economy and economic outcomes but also for understanding politics.

MODERATOR: Great. Thank you very much. So not the top 20 percent and not the bottom one-third, basically.

MS. GORNICK: Yeah. Well this is an enormously interesting question. And as I'm sure you'll hear and you've heard, people define the middle class economics and policies many different ways, sometimes in the income distribution, sometimes wealth. Sociologists tend to bring in occupation and education. Other people bring in family structure, aspiration, and self-report is also used.

But I want to just linger very briefly on the use of the framework where you define the middle class as some portion of the income distribution, which sort of is a part of what Heather is doing there.

I work with a research institute that looks at inequality and poverty in the middle class across many, many countries and over time. And because of our data and other methodological reasons, we almost all adhere to this portion of the income distribution. So let me just say why that is. And I understand that it's narrow, one dimension is always less rich than more.

If you're studying a lot of countries or say a lot of American states, or you're looking over time, you need a measure that's extremely precise and that can be standardized and repeated in these various menus and over time. It's almost impossible to do that with almost anything other than income. Income is most available, it's easily standardized and we know what that means. So we tend to lean towards that.

There are two approaches to it. One is to take a fixed portion of the income distribution, it's very common to take the middle 60. Bob Solo has written a lot about that. In the book that I edited we allowed our scholars to make their own definition, we saw the middle 50, the middle 40. I know Richard is now using 20 to 60. But whatever it is, people freeze it.

And it has the disadvantage that you cannot then ask the question is the middle class shrinking or falling if you freeze it that way. But you can ask if its share is shrinking or falling.

So the other reason I think it's a nice way to approach it wherever you set those lines, which is an important question, it's intuitively graspable, I think, to people outside the academic bubble.

The other way to do it, just briefly to say that which is also common, is bands around the middle. Lester Thurow from MIT launched that it's 75 to 125 percent of the median, which is about in fact the middle quintile. We've done in our work 75 to 150 to 250, two-thirds, etcetera. That measure allows you to ask whether the middle class is shrinking or growing in size as well as to ask whether it's wellbeing its share of the pie or it's keen income is growing or not.

The reason I say that, and I'll close on this. In the discourse about the crises of the middle class, having punched these numbers around so much, crunched, not punched I think. It makes me a little crazy to hear people talk to me about the hollowing of the middle, the declining of the middle, and being very sloppy about that. These are two different questions. Is it shrinking in size, and in fact in the United States since 1980? By most of our definition these bands around the median, it's fallen in size but median income has inched upwards. So those are really different questions we really need to be

precise.

And just to end on sort of what Heather said, I think we need five groups. Because sort of poor/low income, middle and high, is missing a huge amount of nuance of people like in the second and fourth quintile. We'll come back to that.

MODERATOR: Okay. Thanks very much, Janet. Kilolo.

MS. KIJAKAZI: So I agree that the definition has changed over time. In the past the perception was that if you work hard you'll reach a station that's considered the middle class, and that your children would do better than you had done. And for some time this was the case for some people. In 1940 90 percent of children earned more than their parents had. But by 1980 it was a 50/50 chance that your child would earn less than you had, due to the changing nature of work, stagnant wages, disparities in wages.

The Urban Institute has just completed managing a project called "US Partnership and Mobility out of Poverty." Which brought together scholars from across the country. And one of the things that they did was to define mobility, which I think is on par with middle class.

And they didn't just define it by talking among themselves or using their own research, they went out and made visits to communities all across the nation. And they listened to the people in the communities and what they had to say, and incorporated their insights into the definition.

And they concluded that economic status was not sufficient to define mobility. That mobility also includes power and autonomy over one's future, and a sense of belonging and feeling valued in one's community.

So this is a broader definition of mobility, and I think middle class than what has been considered in the past.

MODERATOR: Thank you, Kilolo. So this is starting to get very interesting, right? To have this sort of not the top 20 percent and not the bottom one-third, then we had Janet talk about various different ways you can measure it. And now Kilolo's expanding it to tell us about, you know, perception, self-perceptions, and the way in which people feel that they are either part of or not part of society.

Richard, why don't you close us out on the definition of the middle class.

MR. REEVES: So I think the first thing to say is I come at this as a recovering British

person. So I'm struggling with this question. In fact I struggle out loud along with my colleagues, Katie Geo and Eleonore Kraus have a piece out today which goes through many of the definitions that are being talked about.

And I think that broadly this idea of between poverty and prosperity is kind of right. How you end up defining that is also right. I'm not so sure about 20 to 60 anymore, even though I've used that before.

I think the most important thing is we do have to be really clear who we're talking about if we're to figure out what's happening to that group, why that's happening, and what, if anything, we should do about that. So I don't think we should try and settle on a single definition or say there's one right or wrong definition.

But I do think that anyone who is working that space is actually required to be really clear what definition they're using and why. Because as our paper shows, you get radically different results based on apparently quite small differences in definition. And so one of my favorite philosophers, Bernard Williams, said always look out for people who have smuggled their answer into their question. And here it's not quite that, but sometimes you smuggle your answer into your definition. And so as long as it's all kind of above the table.

But I wanted to add something else, which is to try and add to the great specific covered very well. It's this idea of respect. I think it's something that middle class respectability, and Robert Wesner has written very well about this. Which is that somehow actually to be in the middle class is to be worthy of others' respect and to be worthy of your own respect. He talks about respectability.

And sometimes what that's done is used to define against other groups who are somehow not worthy of respect. And so that's when I think you get into ideas of aspiration of what your goals are and so on. It's obviously much more subjective.

And I think actually one of the problems we've got in the US is not just a growing economic class gap, but in some ways a growing respect gap across classes too. Who is worthy of respect? And I think that will get us into conversations about race and class. But at least sort of thinking that actually there are values like respect, which underpin, I think, a lot of these kind of economic ones too. And so while we're investigating this we should the economic gaps also.

I also want us to think about some of those respect gaps too. And when the presidential candidate is caught saying something like “deplorables” to define a group and they’re not to get political about it and it was taken out of context and so on. The reason why that just resonates is because it speaks of a sort of disrespect. And I think that’s now being repaid by the way. I think it’s quite a lot of disrespect, and Heather and Joan’s work shows this from those who might see themselves as middle class and those at the top and vice versa.

And so I think we need to kind of heal some of those respect gaps if we’re to have any hope of healing and reducing some of the economic gaps.

MODERATOR: Okay. Great. Now as you can see, this is going to be a really fascinating panel as we go forward. Those are excellent and really interesting answers, and couldn’t have been more diverse.

So my next question is: Why is the middle class important? So why, you know, we have all these projects on the middle class, you’ve written a book having to do with the middle class. Why are we concerned with the middle class? Why don’t you tell us, Janet?

MS. GORNICK: Thank you. Just for the sake of accuracy, I actually edited the book.

MODERATOR: Okay. Edited. Okay.

MS. GORNICK: It was a lot of work, but I did write the whole book.

I want to focus on one story that I think is especially vivid in the United States and to some extent in the cities. And that’s the following story.

That as income and equality rises in this country, which it has done, it’s a high level and it’s rising, it’s the top that’s pulling away. We know that. And one of the concerns, and this is of course a somewhat stylized story the way I tell this though. Is that as people become wealthier and wealthier, they withdraw from a lot of the public infrastructure.

In the extreme version they live in a gated community, you know, you have a generator, your kids are in private school, you have private security. Leaving people in the middle, and obviously low income people, to live in the public world. Which is then deteriorated because of both the political and the financial withdrawal of concern from the top.

And I just want to say to bear with me for a moment. I live in New York City, which I love.

I'm a New York City patriot and I happen to live in Manhattan. Which is a city where middle class people live side by side with extremely affluent people, but it's just the geography of most of the City. And it is just an extraordinary thing to watch.

And it is the case that in New York City it's exactly an empirical example of what I just said. The wealthy kids are in private schools, the middle class kids are in public schools, which are in extraordinarily bad shape. The wealthy are traveling above ground. And I hardly live in great hardship, but the rest of us are in the subway, which is extraordinarily deteriorated, as probably anyone who's been in New York knows. Crowded, dirty, dangerous.

The electric grid. When Hurricane Sandy happened, my building, a rental in Chelsea was out, stairwells were pitch black, no water. We were out for five days because of an electrical explosion. In well to do homes generators, lots of light in stairwells, the water was running, we were all running to stay with our wealthy friends.

The health care system, you can tell the same story. I visited a building on the Upper West Side of Manhattan recently. I did not make the people I was visiting very happy when I did a poll in the building. Upper middle class building, not extraordinarily expensive. One hundred apartments, there was not a single child in the public school, not one child in the public school. And the School Chancellor of New York City at that time, whom I respect greatly, his children were in the private schools.

The public schools are risky. And as Richard has written in "Dream Hoarders," you know, it's understandable that parents want to maximize the life chances and mobility of their children. And when they can opt out, they do.

Anyway, there's much more to be said. Elizabeth Warren, Robert Frank have told us this story. What do people do oft when they move to the suburbs to housing they can't afford? They're over-indebted, they overwork, they can go into bankruptcy.

So it's this destruction of the public infrastructure that is only one, but I think one of the most painful of this sort of depleted resources and political power of the middle that concerns me.

MODERATOR: Thank you very much. Richard, what do you think about that answer and that kind of delineation?

MR. REEVES: I should love this idea of thinking about public goods as well. I think one

way you could think about this is a group who are kind of, you know, overwhelmingly dependent on public education, for example. And that's true of post-secondary as well. If you look at where do middle class kids go to post-secondary college, they don't go to privates, they go to public four years or they go to community colleges. The poorest kids tend not go at all.

And so I quite like this idea of thinking about public goods. The question is: Why is it important? Purely politically the middle class count, there's a lot of them. Arguably you need votes of the middle class, however defined, when -- I think we need to be honest about the fact that one of the reasons we've got this event and why John Allen, President of Brookings, has made this a big priority for Brookings and for us, is because of a sort of sense that the middle class aren't doing as well as they ought to be. There's a lot of assumptions in that sentence, but I don't think anyone challenges as well as they ought to be.

So it probably wouldn't be having this conversation, say in 1970, we'd be having a different conversation. So it's partly just driven by the evidence of the struggling.

But I'd like to finish with the point about mobility, which I think Kilolo was talking about. One of the reasons why the conditions in the middle class matters is it matters for inter-generational mobility. It matters in two ways.

It matters because actually if life in the middle class looks pretty tough, those of us at the top, you might call them dream hoarders, are actually strongly worried about the fear of falling. That Barbara Ellen likes, the fear of falling. If you're at the top and you look down, and it's a big drop and it doesn't look great down there, then you're going to hoard as much as you can to make it. So then you're incentivized at the top.

Equally, if you're at the bottom and you look up, the incentive is to be upwardly mobile unnecessarily. I think Melissa Kearney's work speaks a bit to this too, and she's on our next panel. Are going to be effected a little bit by what are conditions like in the middle class. Is it worth the climb?

And so I actually think the condition of the middle class matters for the middle class. But I think it matters for those on either side too. Both as a way to somewhat insulate against the risk of downward mobility, and to incentivize even more so upward mobility.

And so to that extent the future of the middle class and stay in the middle class. That is

kind of for everybody, especially if you put an intergenerational lens on it.

MR. BUSETTE: Thank you both. So I think one of the interesting questions about the term "Middle class" is that it is used in a variety of different ways and as we just saw, lots of different definitions. And so what I want to ask our panelists to reflect on is what is the political significance of the term "Middle class?" So, Heather, I'm going to ask you to start us off on that.

MS. BOUSHEY: Yeah. I have a couple of responses, one that pivots directly on what Richard said with this idea of the middle class being something both that you don't want to fall down into if it's not economically secure, and something that you may not want to aspire to.

The middle class matters both as an economic idea and a political idea. And they overlay in really interesting ways. So, you know, thinking about what Richard just said, if so much of what our public goods are supposed to support is the economic viability of the middle class, this, you know, the sense that there are these good jobs that people in poverty can move up and out of and that there is this economic security there.

If you don't have that economic foundation of economic security and however you define this group, then at least in my view, you can see that the way that this overlays with political divides as well. Right? So then you're creating a set of political conversations that I think we're living in right now.

On the political side, one of the things that strikes me in looking at why we aren't investing in the kinds of public goods that both made the middle class and help sustain it over the middle part of the 20th Century, is because our politically polarized politics aren't allowing us to do that. And there is a lot of new research coming out in political science. At equitable growth we find mostly economists. Mostly we're working with economists, but we're also working with a number of political scientists, looking at some of these questions.

And one of the things that's coming out of that research is that our political system here in the United States may actually not be set up to deal with class conflict unless there is a strong middle class. So our democratic institutions assume or presume that you have these interest group politics, that voluntary institutions can make a difference, that there isn't some entrenched elite that is making all the political decisions. Unlike in the UK, we don't have a House of Lords, we've got a Senate and a House that presume that some large middle class is making these political decisions and can weigh in.

But if you don't have that economic foundation, you have a politics that we see now, increasingly again, and there is a lot of new political science research showing this. That unless something that's on the political agenda is supported by elites, it doesn't actually make it through the House of Congress to the President's desk in terms of economic policy. And I would be happy to talk to anyone after about that whole body of research. I don't want to get into it all now.

But this idea that the middle class matters not just as an idea or as an economic outcome, but also something that is kind of imbedded in the nature of what our political institutions can do. It's something I think we need to be grappling with as well.

MODERATOR: Great. Thanks very much. Kilolo.

MS. KIJAKAZI: So the narrative that has been created about the middle class attracts members of political parties, at different political parties, and with differing perspectives. And this narrative is that members of the middle class are responsible, they're hard working, they're family oriented. I think that the work to be done is to create the narrative around those who have not yet reached the middle class or who have fallen out of the middle class, that they also are hardworking, responsible, family oriented. And it gets to the point that Richard was making about respect.

That a narrative needs to be created around those who are not in the middle class that they too are respectable. And this was another point that was made by the Partnership on Mobility out of Poverty.

MODERATOR: Thanks very much, Kilolo. Kilolo, I'm going to ask you to start us off on the following question. You know, when we discuss the future of the middle class in the US, how do we address the legacies of policies that were designed to promote the middle class and that simultaneously discriminated against African Americans?

MS. KIJAKAZI: So policies, programs, and practices that facilitated the upward mobility of white families and individuals and simultaneously impeded the progress of African American families constitute a systemic barrier called "Structural Racism." And these policies and programs and practices need to be eliminated in order for there to be equitable progress in upward mobility.

Research and policy analysis that merely presents disparities by race and does not examine the barriers that contribute to them, but rather focus solely on individual behaviors, will not lead

to solutions that eliminate these disparities and achieve upward mobility, solutions to upward mobility.

So economic and social mobility require the elimination of policies or practices such as discrimination in the labor market that leads to occupational segregation, discrimination in housing that leads to families of color being informed about and shown fewer houses than white families are, even though they have the same credit worthiness. And the elimination of targeting communities of color for sub-prime loans when they qualify for prime loans.

MODERATOR: All right. Thank you very much. Richard?

MR. REEVES: I think I agree with all of that. I think we have to face the fact that class, and maybe especially middle class and working class, and not just a racialized category in the US, but very often a racist category in actual usage. And certainly that's true historically.

I just think there's no avoiding that. It doesn't mean we shouldn't think about work on class, but it means that we cannot think about class in US context without also thinking about race. And it seems to me that very often we throw out groups that are set up to look at. The middle class, as we've just set up one, there's a Brookings AI group on the working class, or so on.

And Joan Williams is clear about this in her own book is there's an implicit prefix to those terms, which is "White." Sometimes that's made explicit and people are actually honest about the fact I'm writing about the white working class or the white middle class. But very often it's implicit. Very often you don't even need to add it, it's just the kind of image that's conjured up of someone who is white.

So I think actually we just need to face the fact that it's used, any definition is exclusionary. I mean just be careful it's not used in a racial exclusionary way.

Even now if you look at within the same income group, as just mentioned this in the paper I just wrote. If you look at those with personal incomes between \$25,000 and \$75,000 and you compare it's self-definition as a class. Among whites 43 percent define themselves as middle class. For black Americans it's 18 percent, within the same income bracket. So the self-definition issue, which must reflect, I think, the sort of sense of security, equality, respect, and so on in society and more general.

And I think just to echo Kilolo's point, look, the exclusion of black Americans from the middle class was the result, in part, of intentional public policy, in large part, of intentional public policy.

The inclusion of black Americans in the middle class will also have to be resolved in

intentional public policy. We're not going to, I think, address the consequences of intentionally racist public policy by just creating a level playing field and saying "Well, it's fair now." It will take intentional public policy to undo the intentional public policy of the past.

I think whenever we think about middle class we have to be thinking about race in that context too.

MODERATOR: Thank you both. I have a final question for all of our panelist. I'm going to start off with Heather. Will the demographic changes in the composition of the middle class lead to different kind of political bargains, in your view?

MS. BOUSHEY: I think so. I feel like it's nice to follow Richard because I feel like you just sort of made a very coherent argument for reparations in this sort of interesting way, that it's not enough to just assume that the playing field is level from today, but that we need to perhaps do something to make it level. I don't want to put words in your mouth, but that's just what I was hearing.

On the demographic changes --

MR. REEVES: You might want to do.

MS. BOUSHEY: I didn't. I did not put words in your mouth, I did not. They did not.

But so on this question I have two points that I want to make. One thing that we have not talked about at all up here yet is the overlay with a lot of these issues and family structure and the changes in the ways that families work and live, and how that has redefined the middle class. Which I think is part of the demographic changes as well.

And also age. So I think that a couple of the overlays that you see in the research on the middle class and how well this is faring is that families that have a single parent are increasingly in the bottom, however you define it. Those families in the middle are the ones that are really struggling with most likely two earners that are both working, but not really having what they need, and creating that layer of economic security. That also there is an overlay to race on that often.

But at the same time the issue of age, which we haven't brought up. The younger cohorts of workers, of individuals, are increasingly less likely to kind of be in these upper income groups, right? We're seeing that there is this cohort effect going on as well.

I saw that as a way to introduce the idea that we're already seeing these demographic

changes affect our political process. I mean if you talk to folks on one side of the aisle -- or, you know, we've seen this since the election of Trump in 2016, there is this question about who is the middle class, who is the -- and are people of color, women, young people, actually part of that middle class bargain. Or when we're talking about the middle class, is that really to make the implicit/explicit, is that really the white working class?

And I don't know about you all, but I feel like I've read at least a thousand articles on, you know, what's gone wrong with the white working class or, you know, why are they so angry. Without acknowledging that we live in a country that is incredibly diverse, is going to be majority/minority in some not-to-distant timeframe. And where young people have experienced the brunt of this lack of upward mobility. And so we're seeing the re-definition of America's middle class, of those people who belong in our political, not discourse, but process. That's what I'm looking for. And, you know, I believe that's the hand to hand combat that's going out there right now.

So your quest is like, yes, it's everywhere. Where do we end though I think is a much scarier question, just given how, you know, we've in the past 12 months we've seen violence in many places over many of these issues. Who's in, who's out, how do we define who deserves that economic security and who deserves a voice in the political process.

So I hope that your work here, as you all continue at Brookings, and the interest on the middle class, tackles that issue.

MODERATOR: Thanks very much, Heather. Kilolo, I want you to address these demographic changes and the affects that might have on politics.

MS. Kijakazi: So I think it might just be the other way around. Without a change in policies and practices, the communities of color that are growing in size are going to be less likely to experience mobility into the middle class, regardless of how hard they work or how hard they study.

And so this Partnership on Mobility out of Poverty recommended a five-part strategy. The first strategy is to, as I mentioned earlier, change the dehumanizing narrative about those who have not yet reached the middle class. And to create a narrative that is respectful.

Second is to create access to good jobs by improving the effectiveness of education and training, and by converting unstable jobs into jobs that have stable hours, wages that make work pay, and

have benefits that allow families to accumulate assets for long-term security.

The third strategy is to ensure that the zip code in which you live does not determine how far you go in life. And this can be done in several ways. By revitalizing distressed communities while preserving affordable housing so that those who live there are not forced out when the communities begin to improve. And by giving those who live there, the residents, a say in how the communities are to change. And then enhance access to capital so those in the communities that are distressed have the ability to purchase homes or fix up the places in which they reside, or purchase businesses.

The fourth strategy would be to provide support for families in ways that are empowering. Childcare that is affordable so that people can work without having to fear that their child will be unsafe, is an example.

And then the final strategy is to transform the use of data. To identify data that's already being collected by State and local, as well as Federal agencies, and to create standards and relationships so that that data can be shared. And then share the data with the communities that are being studied so that they can add their knowledge to the creation of solutions.

So I think those are the steps that need to be taken.

MODERATOR: All right. Thank you very much, Kilolo. I know our panelists know that we're very time sensitive here, so I'm just going to apologize to Janet and Richard, and hope that in the questions you can also add your voice to this question about changing demographics.

And I'm going to open it up for audience questions at this point. So do we have -- all right. There's a gentleman here, there's a young lady here. What I am going to do is I'm going to take three or four questions and then we'll have the panelists answer them. So that's how we'll do it. Okay. Go ahead.

MR. CHECCO: Okay. Thank you very much. Larry Checco, Checco Communications. A hypothetical question.

Twenty years from now, if this arc of the top pulling away continues at the pace it's at now, what is this country going to look like in terms of a middle class? Will we still have one?

MODERATOR: Okay. Will we still have a middle class in 10 years, anybody.

MR. REESE: I'm sorry, it's 20 years.

MODERATOR: Twenty years. Okay. I apologize. So we have a person over here, please. I need a mic. Thank you.

FEMALE SPEAKER 1: Good morning, thank you very much. In the 50s and 60s we knew who the middle class was because father knew best and the wife didn't work. In the 70s we knew who was middle class because even if Archie worked in a factory, Edith didn't work.

Now my question to you is, how many incomes does it take to be middle class? And does this mean we'll never go back to the good old days when the woman didn't or couldn't work?

MODERATOR: All right. Thank you very much. How much income does it take to be middle class? And what does that say about our myth around the 50s, 60s and 70s in the US.

I have a gentleman over here and I have a lady here. Then I'll stop and let our panelists answer.

MALE SPEAKER: After the Second World War the American automobile industry dominated world trade in automobiles. And they could sell anything, no matter how expensive it was or how poor quality it was. And the Treaty of Detroit was the agreement between the unions and the auto makers to give high wages and five percent increases in wages every year. And that persisted until Toyota came and destroyed that industry.

Now does that Treaty of Detroit time, is the ghost of that wonderful time still haunt us and distort what our goals are for a middle class?

MODERATOR: All right. Thank you very much. So the impact of that history on our expectations as we move forward. This lady here, and then I'm going to stop for the time being.

FEMALE SPEAKER 2: Yes. I thank you. Yesterday I was at the National Press Club and we were talking about health care. And when I think of using an economic definition to qualify or disqualify people in terms of labels, we look at things like access to Medicare, Medicaid, and we only focus on the economic number and the outflow. And I was wondering if you could comment on incorporating other measures that might better inform access to health care.

MODERATOR: All right. Thank you very much. Better numbers that incorporate access to health care.

So we have a question about what the middle class is going to look like 20 years from now. How many incomes does it take to be middle class? What is the impact of the grand bargain

between unions and employers in the golden age of US auto industry, what does that have on our expectations, political expectations now? And finally this question about health care.

So I'm going to open it to whomever would like to step out. Richard, and then Janet.

MR. REESE: Okay. I think, as you said, if the top 20 percent keep pulling away what, will it be like in 20 years. And I think that brings in the fact that middle class status is somewhat relative.

It's not just about the absolute position of the people in the middle, but it's also relative to everybody else. And so if you think about quintiles, which I like to, 20 percent slices. Actually it kind of matters what the gap between those two. If you think of it as a wagon train. Or even if the whole wagon is kind of going along. If the front wagon is like somewhere off in the distance, that does have an influence on everybody else. And so I think that actually we have to be aware that there's a relative position here.

So if the top 20 percent just seals itself off, keeps running away, then actually I don't think the people in the middle are going to feel like they're getting a fair shout. So I think it does matter.

Two and three I think kind of bunch together, and Heather's going to be great on this. Heather's book, *Finding Time*, is essentially an answer to those questions.

But we have to be aware that it's gendered as well and the Treaty of Detroit and those years weren't wonderful for everybody. And to be really clear about it, I think it's reasonably clear that modestly educated white men were probably actually being somewhat overpaid in strict economy terms. Because they're excluding from the competition black Americans, and very often women. The idea of a family wage was what the man had to learn to look after his wife and his kids and so on. That era has gone.

And so what I think we need to build into this is the idea of time and whose time is being used. So I can't say more about this as it's literally Heather's area.

Also, on health care is what I wanted to say earlier anyway about middle class status. I think it speaks a little bit to us being spoken for is the idea of security and stability. And very often our measures are a cross section that kind of capture that idea.

And for a while when I was in the UK, I thought you could understand everything about America from the movie Jerry McGuire. I haven't been totally dissuaded of that view yet. And there's a

moment in that movie which no one in Europe understands but everyone in America understands. When she joins him to go and join his new startup business. The young people in the audience may not have seen this movie. And she's got the goldfish and they're going down in the elevator to start the new business. The first question she asks him is "You will have health insurance won't you?"

Not a single European understood that question. What does she mean? Right? But everyone in America knew what that meant, was that the insecurity that comes from moving jobs around. And so actually it's very hard to measure that.

But in the sense if you don't have much of buffer and you're worried about what if my kid gets sick or I get sick. That is exacting a price on quality of life. Which is hard to measure in dollars but is real nonetheless. So I think security in health care, and others really, other areas really matters.

MODERATOR: Okay. Shannon?

SHANNON: Yes. I would like to say something that is an answer in response, it's sort of an answer to the first question, but a point that I realize I'm itching to make.

The crises of the middle class, however defined, is part of the larger question about high and rising inequality, which is really an enormous issue in the United States. But I just would like to remind everybody is that it's not inevitable. The inequality that we have in the United States is of social construction. We made it, we live it. I don't think we should look forward 20 years and assume everything is going to be worse.

It's not inevitable, it's not caused by technology, it's not caused by globalization. Inequality is shaped by national institutions. And I know that because I've spent 10 years studying all of the rich countries in the world, many of whom look very much like us in many ways, where inequality is flat, it's falling, and in the last 30 years it fell in a third of the rich countries. It fell in Latin America as it became more affluent.

I just want to say I came back yesterday from Luxenberg actually, where I spent four days with 40 scholars, remembering the work of Tony Atkinson, who was one of the great scholars of inequality. He passed away last year. Just before he died, knowing he was ill, he rushed to write his final book, which was called "Inequity, What can be Done," which lays out 15 policy propositions that about half of which are about narrowing, marketing income and inequality, the wage distribution, and the rest

about taxes and transfers.

We closed the event out by one of his close colleagues put up a slide and it said “Let’s be Optimistic.” So just to remind us once again that this is really not a story. You know, after the Piketty book came out, I think there was a big misunderstanding of his argument and people thought were just, you know, the ocean is just going to roll over us or whatever the metaphor, that inequity is inevitable, it’s going to rise, you know, it’s going to rise to the top of human wealth. It can absolutely, it was constructed and with political will. That’s, of course, enormously difficult. It can be reversed. And so I think we should keep our eyes on that.

MS. BOUSHEY: Yeah. And so I would like to take the second two questions. And I like the optimism, and so that sounds great. Let’s end with that too in like 15 minutes, say that again.

So on this question of how many incomes it takes to be middle class. In my work, using the definition that I outlined at the beginning, for America’s middle class between ’79 and 2013 or 2014, the only reason that incomes for those families in the broad middle didn’t fall over that time period was because of the additional hours that women put into the labor market.

And they use hours specifically because it’s the added time that women spent. And then that lead to increase in earnings over time. But it was that hours component that added work that really did make all the difference.

It also made all the difference for low income families. But low income families actually saw their income grow much smaller, and many of those families only had one earner so it wasn’t that two-income trap issue, but sort of women needing to work in low income families.

And of course they’re doing that without any of the supports that they need. And we remain the only industrialized nation, one of the few nations that doesn’t have access to paid time medical leave. Millions of families do not have the right to take a paid sick day if their kid is sick. We don’t have flexible or predictable schedules. We have overtime rules that haven’t been updated for the 21st Century. We can go on and on. And we don’t have access to a safe, affordable and enriching child care for children both in the early years or after school. So it’s not just the income, but it’s all that stress, and because families don’t have time.

I do want to take head on this question about the Treaty of Detroit and the goals. I think,

I mean I take Janet's point very seriously that we can be optimistic. Other countries have not seen the same challenges that we have in terms of the rising income and equality or the decline of the economic security of the middle class.

But, you know, again, the United States has always been a country that has had a broader middle class traditionally. I think not now, but traditionally relative to Europe, right? We were founded as a country where people left an old social order where, you know, they didn't have a lot of freedom or flexibility to engage in the economy in the way that they wanted to. It was also about religion, all those other things, right? They came to this country, and you didn't have that landed aristocracy. You had this broader sense of shareholders in the economy. Of course all built on a structure of slavery, which was the antithesis of that, which we've also talked about a little bit.

But what you saw, I think, in the middle of the 20th Century was a coming back to that. This sense that things had gotten highly unequal at the end of the 19th Century into the 20th Century. Progressive era undid that, created a set of institutions, not just unions, but super important unions, but anti-trust policy and changes in establishing an income tax. All of which sort of re-created this broad middle class.

That's one reading. I'm sure we can argue about that, and that's not totally the purpose of this panel is to go back to all that history. But I do think that we can be optimistic that that period in the 20th Century wasn't an aberration, but that it was created by a set of political institutions which weren't as inclusive as they needed to be by any stretch of the imagination. But if we could do it once we could do it again, and certainly other countries have done that.

MODERATOR: Great. Thanks very much. Kilolo.

MS. KIJAKAZI: So I'll just expand on what Heather has said in terms of the answer to the second question by saying African American women have been in the labor market in large shares, much larger shares than white women. Not just today, but back in the 70s and the 50s. And it didn't necessarily lead to middle class, even though there were two earners in the household. And in part because of what we've talked about already.

Being occupationally segregated into jobs that didn't pay as well, disparate wages where they were earning much less than those who were similarly educated. And not having access, as

Heather pointed out, to wealth building benefits. And so even though the labor was being put forth, the wages were not necessarily sufficient to move one to the middle class.

And, income is not enough to keep one in the middle class. Even if you reach that stage, assets or wealth are also necessary to get through those times when there are bumps in the road, when there's unemployment or illness.

And very often African American families did not have the ability to accumulate that wealth because they didn't have the access to those benefits that would allow for that or open access to homes to purchase, that also allows one to build wealth and equity.

MODERATOR: Thank you very much. I'm going to take a few more questions. Alice, this gentleman here in the checked shirt, and this gentleman here in the multi-colored shirt. Alice.

MS. RIVLIN: Alice Rivlin, Brookings. It seems to me this able panel has posed a huge dilemma for policy and politics. Right now we live in a country in which every group, with the possible exception of the top 20 percent, feels that they're getting the short end of the stick, and feels resentful. And that's not good for democracy.

And the panel of several members have very convincingly said that the middle class successes were built on the exclusion of communities of color by official policy, and that's undoubtedly true. But here we are in the situation where looking forward, if we do aggressive affirmative action and other things, we fan the resentment of people who say wait a minute, I never owned any slaves, I never discriminated. The factory in my community closed and I need a job too.

So we have a real dilemma here. And I just wondered if anybody would comment on that.

MODERATOR: Right. Thank you, Alice. We have this gentleman here. Thank you.

MR. RAPINSKY: Hi. My name is Jack Rapinsky, unaffiliated. My question about segmentation. We talked a tiny bit about the working class. So my question is do we need to do finer segmentation toward a one size fits all kind of solution that doesn't benefit anybody? Or do we actually -- is it harmful to be segregating people into different segments where you might engender resentment and solve somebody's problem but not somebody else's. And should we look instead for a common ground so that everybody feels like they're in the same boat.

MODERATOR: Great. Thank you very much. And this gentleman over here.

MALE SPEAKER: As a first generation American baby boomer, I have always been struck by the question in my mind. Why was I fortunate enough to be able to climb the economic ladder in this country when indigenous American population groups continue to live in poverty generation after generation?

I recently read Isabel Wilkerson's *The Warmth of Other Suns*. And her point about the fact that I could be more easily accepted by society on the upper rungs of that ladder because of the color of my skin than people of color, really struck me. And while you're trying to define the middle class, my concern really is how do we get back to a point where there is a level playing field and the opportunity to climb the ladder is available to all Americans wherever they came from, whenever they got here.

MODERATOR: All right. Thank you very much. I'm going to close questions there. I'm going to ask our panel, all of our panelists, to reflect on two questions. The question of equity and how do we wind our way to a more equitable situation. And in doing so, what are the tradeoffs and how will tradeoffs be responded to by voters and policy makers? So I'm going to ask Richard to start.

MR. REESE: So I think this combines Alice's question with another one and some of Janet's comments about the zero-sum nature of the game that we're playing on this panel right now.

I think partly that's because if the top 20 percent, or however you define the top, continue to take disproportionate, I'm using that word deliberately, share of income, then there's less for everyone else to get. So I think that creates a worse zero-sum game, the very inequality that Janet's talked about.

I think we need to remember the post-war years, which we've talked a little bit about. I think between 1950 and 1973 the US economy grew by an average of four percent a year, roughly, over that sort of time period. That was a huge upward escalation, especially for white Americans, and especially for white men. But it kind of brought everybody up to some extent.

And I think you don't need to be economic determinist to think that there's something to be said for a society in which most people feel like they're getting better off than not. To reduce the resentment might otherwise be caused by the apparent progress of other groups.

So I don't think you can explain what's happening now just through economic determinism, but I do think back to the question about political bargain, which I think it is just the case that

people are going to be more accommodating, more tolerant and more understanding if they don't feel as if they themselves are being left behind.

Now what that means and how you measure that is very, very difficult. And actually Steve Palistan, who writes for the Post sometimes, many of you may know, gave me the great analogy for this, which is whenever everyone's going on the highway at a good speed, everyone's getting there, then the sense that someone's overtaking you doesn't matter so much. Everyone feels like you're in gridlock and no one's really getting anywhere and someone cuts in front of you, that causes you to be very angry indeed.

So actually the reason why growth and equity go together is because actually we need an up growth to be actively shared for people not to feel like they are trapped in this horrific zero-sum game. Which I agree with Alice, there's no escape from that. Thank you.

MODERATOR: Thank you, Richard. Kilolo.

MS. KIJAKAZI: So John Paul talks about target universalism and an approach where a policy is available to all but those who are more in need benefit more.

And so an example would be the children's savings accounts where all newborn babies are provided an account at birth. This is publicly funded, and would be held until they're 18 years of age, so that each child would have an asset to start their life with.

But babies who are born into low income families would be provided a larger deposit and would be provided matching savings for any private contributions made to that account so that they have an opportunity to have their account grow by more since they are starting at a point further behind.

Another version of this would be baby bonds. Which are based on the family's level of wealth rather than income because even if you were born into a higher income family, that doesn't mean that the family has substantial wealth. So this would be based on wealth, much more substantial deposit for those who are born into low wealth families, and again preserved until the child is 18 and at that point have a substantial asset to start life with. I'll stop there.

MODERATOR: Thank you very much, Kilolo. Janet.

MS. GORNICK: Well I guess I'll follow up a little bit on what I had said before. The question about how do we move to a more equitable United States. Just again I want to stress that it's

really a question of political will.

The institutions that would strength the middle class, increase intergenerational mobility, reduce the income and wealth disparities. We understand what those institutions are. Again, I'm a great fan of the work of Tony Atkinson. He laid out 15 policy proposals, which included capital accounts for babies, all kinds of things, raising the minimum wage, lifetime taxation of inheritance, more progressive taxation, improving occupational pensions. It was all very clear.

And the argument was if we could do three of them, we would reduce inequity. If we could do six we would reduce it more. If we could do 12, etcetera. They interact to some extent, but there are lots of ways in which we could tackle inequity.

I think I agree very much with what Kilolo said, the issue of asset building for children and for lower income households. And there are lots of plans out there circulating. There's a new book called *Rescue Retirement*, about savings account that really would help plug the fact that I believe the number is now 40 percent of middle class Americans, middle aged Americans, have zero assets.

So in any case, I think that what we need to do is focus on the subset of political strength. This is so obvious, but of these other policy instruments that are conceivably sellable in the United States today. But also things that are not sellable today will be sellable five and 10 years from now with the demographic and economic changes that are certainly including. Including labor shortages, race pluralism in the middle class.

I think the instruments are there and they're ready. And just to say one more thing, the American --

MODERATOR: We really need to understand - -

MS. GORNICK: We're the outliers in the world.

MODERATOR: All right. Thank you very much. And you have the last word.

MS. BOUSHEY: Thank you, excellent. Thank you for a great panel.

Let me end by noting that the United States is and remains one of the richest countries that the world has ever seen, right? So we should always start and end every conversation about the strength of the middle class by just noting we are an incredibly rich county but we are populated by a lot of people who are feeling economic anxiety, so there's something fundamentally wrong there.

I would focus on two things as we're moving towards equity. I mean one is that increasingly both the income games and the wealth games in our country are going to not just the top 10 or 20 percent, but to those in the top .001 percent. And that is not a sustainable path that we are on. And so as we're thinking about this agenda around equity, and I think, Alice, I take your question very seriously.

You can get into a conversation, is it my job or your job, right? Is it like are we all fighting for the same job and therefore we're going to use whatever strategies we have to make sure that my people get access to this economic future? When in fact that's not the problem. The problem is that all of the gains are going to a very small number of people but nobody's actually met or knows or sees because they're hiding most of this money, quite frankly, overseas, right? And they're not being taxed in the way that they should.

So I think any strategy for getting equity has to focus on addressing that massive inequity. And again, I would harken back to what we did a hundred years ago was when we enacted a set of policies that brought us the middle class, when we made unions legal in 1938. We also a few decades earlier started taxing high incomes. Now we need to think about how we're taxing wealth, and making sure that we're doing that.

We set in place policies to make sure that there wasn't market concentration so that people could actually have different employers, they competed to have them work for them, which created higher wage gains. And over the 20th Century a lot of those policies have been eroded and undone.

So I think thinking about that very top is the first step to getting at these equity issues so that it isn't this fight for the one good job across a bunch of different disparate people. That would be my optimistic.

MODERATOR: On that note, please join me in thanking this fantastic panel. Okay, so that's -- is this live? So, that's the end of act one. There will be a little scene change between acts, so the second panel, if you could please come up to the stage. Please join me in thanking Camille Busette for her excellent moderation of that panel. (Applause) And do please check out Camille's project on race, prosperity, and inclusion, which very strongly overlaps with our new work on the middle class.

The second panel is going to be moderated by Ben Harris. Ben Harris is the Editor of the Biden Forum, he's associated with the Kellogg School, he's the Former Chief Economist to the Vice President, but I think most importantly, Ben Harris is a Former Fellow in Economic Studies at the Brookings Institution and so, no stranger to this institution. Ben is going to very briefly introduce his distinguished panel and then kick off a similar structured debate to the one that we've just had. There will also be a brief scene change between this panel and our final act, which is a keynote speech from the former Vice President, Joe Biden.