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THE FUTURE OF THE MIDDLE CLASS

FEATURING KEYNOTE REMARKS BY FORMER VICE PRESIDENT JOB BIDEN

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Welcome and Introduction:

TED GAYER
Executive Vice President, The Brookings Institution

Panel 1: Defining the Middle Class:

Moderator:

CAMILLE BUSETTE
Senior Fellow and Director, Race, Prosperity, and Inclusion Initiative
The Brookings Institution

Panelists:

HEATHER BOUSHEY
Executive Director and Chief Economist
Washington Center for Equitable Growth

JANET GORNICK
Director, Stone Center on Socio-Economic Inequality
Professor of Political Science and Sociology
Graduate Center, CUNY

KILOLO KIJAKAZI
Institute Fellow and Director, Integrated Financial Coaching Project
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RICHARD REEVES
Senior Fellow and Co-Director, Center on Children and Families
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Panel 2: Barriers to Middle Class Prosperity:

Moderator:

BEN HARRIS
Visiting Associate Professor, Kellogg School of Management
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Panelists:

MELISSA KEARNEY
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BEN OLINSKY
Senior Vice President, Policy and Strategy
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Keynote Address:

Introduction:

JOHN R. ALLEN
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Speaker:

JOSEPH R. BIDEN, JR.
Former Vice President
United States of America

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P R O C E E D I N G S

MR. GAYER: Good morning everybody. My name is Ted Gayer, I am the executive vice president here at Brookings, and I'm delighted to welcome you today to our event on this future of the middle class. I'm also excited that we are hosting this event in partnership with the Biden Foundation.

This morning we'll feature two excellent panel discussions. The first, which I see is already on stage, will be about defining the middle class. And the second panel will discuss the barriers to middle class success.

We'll then end the morning with a key note address from former Vice President Joe Biden.

Today also marks the announcement of a new Brookings initiative on the future of the middle class, which will be led by my colleague Richard Reeves, a senior fellow in the Economic Studies program. And we'll draw an expertise across institution, including from the work of our Race, Prosperity, and Inclusion Initiative led by Camille Busette, and the work of our Metropolitan Policy Program, led by Amy Liu.

It was about this time last year that Richard published "Dream Hoarders," a provocative book. It was very provocative as evidenced by our discussions in the hallways. On the unequal distribution of opportunity in America. I highly recommend the book, and as luck would have it, it will be available in paperback by the Brookings Press on June 12th, so look for it.

As much as I love shamelessly plugging the work of my Brookings colleagues, I am not here to exclusively do so. In particular I'm going to plug one other thing. Which is, if you haven't seen it already I encourage you to check out the New York Times interactives on Raj Chetty's recent research which tracked 20 million children, pretty much everybody in the country, who are now in their late 30s. And among other things, showed very starkly a substantially black/white gap in income ability for men. I use this just as a primer.

All this research leads us to seek answers. How do we close gaps in opportunity mobility? How do we help more Americans join the middle class? How do we improve the economic quality of life for a broader set of Americans? That's what we're seeking to understand through our new initiative on the Future of the Middle Class, and is what we are all here to discuss today.

But before we begin, a few housekeeping things to note. Today's event is being live streamed so good morning to everybody watching on line. And if you are a Twitter user, please feel free to Tweet, using #Futureofmidleclass. And if you want to learn more about our new Middle Class Initiative, there's a new web page set up, brookings.edu/middleclass. So I would encourage you to check it out.

With that, it's my pleasure to turn it over to my colleague, Camille Busette, who will kick off the first panel. So thanks, Camille, and thanks everyone again for being here today.

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 Chelsey 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 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 world.

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.

And just to say this now -- I'll say it again at the end -- for those of you who are in the room, when Vice President Biden finishes his remarks, if you could please remain in your seats until the Vice President has left building, we'll be grateful. I will say that again when we get close to that point. But if Ben's mic'd up, then, Ben, over to you.

MR. HARRIS: Thank you, Richard. So, I think that was a fascinating panel, really interesting. I hope that the second panel can live up to the high bar that you've set.

Let me start with a few words of thanks. First, to all the people watching online, thank you for being part of this. Second, thank you to the Brookings Institution for partnering with the Biden Foundation. The Biden Foundation has a few key pillars, one of which is middle class economics and we wanted to have an event that could feature the Vice President and give his remarks on the middle class, but also tease out some of these ideas we're talking about today. And so we sat down with Camille and Richard, put together this event and so I'm thrilled that it happened today.

And if I can just also add a plug: if you're interested in middle class issues, one of our key outputs to the Biden Foundation is the Biden Forum, which is designed to be a discussion on middle class issues. So, if it's something you like talking about or you like reading about, please visit the Biden Forum.

Let me just start with some really quick words of introduction. This is an all-star panel. It's rare in D.C., I think, when you can think of the four people you want to have on a panel, call them all up, invite them to an event, and they all say yes. I mean, these are our first choices, this is the dream team, so I'm thrilled to have them here today. Really quickly, I'll just mention their current titles and if you want to read about all their accomplishments, you can find that online.

To my left is Melissa Kearney. She is a professor of economics at University of Maryland and also a nonresident senior fellow here at Brookings. Then we have Ben Olinsky. Ben is the senior vice president for policy and strategy at the Center for American Progress. Next, we have Heidi Shierholz, who is a senior economist and the director of policy for the Economic Policy Institute. And finally, we have Michael Strain, who is the director of Economic Policy Studies with our next-door neighbor here at Brookings, the American Enterprise Institute. So, thank you so much for being part of today's event.

The last panel was about a lot of things, including the importance of the movie Jerry Maguire. But -- (laughter) so but it was largely focused on --

SPEAKER: Oh, you should see it.

MR. HARRIS: -- definitional issues. And so the idea is here we want to talk about the middle class through the lens of the labor market. We wanted to talk about both how the middle class is doing today and what are some of the strategies that could help get to a better future for the middle class tomorrow. This is not a future of work panel. We're sort of -- let's just sort of agree to a five to 10-year timeframe right now. We're not talking 20 years out, we're not talking 30 years down the line, but we're talking about today and the near future.

So, let's start with just a question I'll ask all four of you. You can go down the line and we'll start with Melissa. But let's start by talking about the U.S. labor market. So, by conventional measures we now have kind of a good labor market and we got 3.9 percent unemployment. Wages are growing at -- at least they're growing. So, can you talk about, you know, one thing that you see as being a positive aspect of today's labor market and one thing that keeps you up at night that you're worried about?

MS. KEARNEY: Okay. Can I start with what keeps me up at night because --

MR. HARRIS: Yep.

MS. KEARNEY: -- that's more salient to my mind and then I will try and tell you how I get myself back to sleep. So, what I do really worry about is that even unemployment is low and we've sort of moved beyond the recovery at this point and all that's very good news, there are still a lot of people in this country who are left behind. We heard a lot of that -- those themes mentioned on the first panel. We could talk about what came up very clearly in the first panel, was rising in equality in terms of income.

I also worry a lot about the decline in employment rates and in particular among people who in previous generations, I think, we would have thought of as middle class folks. So, folks with high school degrees and some college, their employment rates have declined by 9 percentage points over the past 20 years. And even though employment is low, employment among prime age individuals is still very low by historical standards. So, last I checked, 25 to 54-year-old men, 85 percent of them were working; that's better than five years ago, but it's lower than anytime, you know, in sort of more modern history before 2000. And so this sort of retreat from the workforce of prime age and young individuals keeps me up at night.

The optimistic spin on that is that college attendance and educational attainment is rising, so I very much see this through the lens of educational categories and it is that middle educated category with high school degrees, some college, but not college degree that's gotten, I think, crushed in the labor market and with wages. But the memo seems to have gotten out there. Access to school seems to be expanding such that more people are going to college, women and men across race and ethnic groups. So, that's good. We're up to about 36 percent of 25 to 29-year-olds now have college degrees. It's not enough and we need to do much more, but the trend is in the right direction.

One, like, caveat to that is folks outside metro areas are not increasing their educational attainment at the same rate and so hopefully, we'll have time to come back to it. Those, you know, rural Americans -- and I think this also relates to the conversation of who used to be middle class who feels like they're not middle class anymore -- those groups don't seem to be increasing their educational attainment at the same rate and that does not portend well for their labor market prospects.

MR. HARRIS: And we'll get to the retreat from the workforce in a second, but

-- so, Ben, one good thing, one bad thing.

MR. OLINSKY: Okay. I'll start with the good thing. First, as we've seen a tightening of the labor market, I think we've started to see businesses and society generally start to realize we need to bring in folks who have been excluded from the labor market. Think about people who have been just as involved in the past and who have been excluded from employment for that reason, you're now starting to see businesses starting to bound the box. You're starting to see places like Pennsylvania where the state legislature has passed a clean slate law that would basically say for minor non-violent offenses, those will be sealed so that those would not impact on future employment and that would be automatic.

And that's really sort of a first of its kind effort that I think augers well for additional action through the country. And I think as you see these businesses seeking out new employees and finding that they're having a hard time hiring folks, they often talk also about the skills gap, but they don't seem to be willing to raise their wages to actually set the signal that they need more labor in that particular field. But they are opening their aperture of who they're bringing in, so I see that as a very good thing.

In terms of the negative, I will agree entirely with Melissa. If you take a look at it, there's a really significant problem when you think about non-college workers and I'll say specifically those without a bachelor's level degree. And so just as an experiment and to make this a little more interactive, who here has a bachelor's degree? Just raise your hand. So, that is very much not representative of the country, (laughter) which you might expect at Brookings. But by one measure overall --

SPEAKER: It's okay that you all went to college.

MR. OLINSKY: Yeah. (Laughter) It's good. It's -- don't feel bad about it. But when you look across the country, almost two-thirds of workers do not have a bachelor's degree. Right? And so that's the middle class that I want to be thinking about and talking about. And when you think about their wages, they have been stagnant. So, they've been about the same from 2000 to today.

As Melissa noted, the employment rate is particularly problematic for prime age workers. It's 3.4 percentage points below 2000 generally, it's 5 percentage points below 2004, those without a college degree, and it's 7.6 percentage points below 2000 levels for black men without college, which is really significant. And the working class is not exactly who you'd imagine those without a college degree; it's 46 percent women. It's people of color. It's not just this white working class that the President is often talking about.

But overall, when you think about the combination of wage stagnation and also declining employment, you really see actual drops in household incomes. And that makes sense because you hear voters say Americans -- about half of Americans will say that they have faced serious problems finding good jobs with decent wages. And what I would posit is that this is as a result of a structural decline of demand for these workers. It's not just cyclical; this has been going on for men since the 1960s and we have seen a peak for women entering the workforce in 2000 and then the -- you've seen stagnation there.

So, why is this happening? Why are we seeing less demand for these workers? While we have global competition for a low-skilled work, we see also automation, which allows a smaller number of individuals to produce the same amount of output. You see monopsony, a fancy word just saying that businesses have more ability to set the prices for their inputs and you have a decline of unions, which have historically -- and other bargaining power for workers, which have just historically gotten a wage premium for those folks. We've had release valves. Those release valves have been things like more debt, working more hours to accommodate as these trends have occurred, but we've kind of exhausted those and that's kind of what brings us to where we are today.

So, to sum it up, I just want to share one anecdote I once heard from someone, which is: back 30, 40 years ago, you could graduate from high school, get a manufacturing job, and that would pay a really good wage. You'd have health insurance, you'd have a stable job. Today, you have to probably get an associate's degree, you're going to be paid less and you're going to have no stability and security in your employment. And that -- when people talk about manufacturing jobs, what they're really talking about is that old kind of manufacturing job. And so that -- that's what I'll leave you in terms of the trend that we're facing.

MR. HARRIS: Heidi.

MS. SHIERHOLZ: Okay. So, my main -- I'm going to echo a lot of the things people said about concerns. My main concern in the labor market is that -- a profound and rising inequality that we've seen for most of the last 40 years and there's been lots of already discussion about the causes of that. I just do want to echo what Janet said, that it is not a natural outcome of a high tech modern economy. These are policy choices that we have made over and over and over again for the last four decades that have led to these outcomes, which means they -- with the political will, they could be reversed.

Another component -- and I know this is one concern, but I'm just whipping another thing into this concern that one other component of the high inequality that we've been seeing that I'm also concerned about are the persistent and high gender wage gaps and racial wage gaps. So, even when you control for education, age, geography, a set of things, there are still big gaps in wages and the earnings between men and women and between black and white workers. And one of the more positive trends is that the improve -- there has been a steady improvement in the gender wage gap over time, but that is not the case for the racial wage gap. We are not seeing improvement in any -- if anything, we're seeing somewhat of a deterioration in the racial wage gap, so there's serious issues that we need to attack there. So, those are -- that's one concern.

And then one trend I'm really happy about and actually is a little bit different or the -- sort of the flip side of what you guys said is, even though we are -- we did see a huge drop in labor force participation in the aftermath of the great recession, so it's depressed right now, we are actually seeing it grow. So, since the prime age labor force participation hit its trough in the third quarter of 2015 and for the last more than two-and-a-half years, it's been pretty steadily increasing. That's great news for those workers, it's great news for the economy, and it also is a very good lesson for all of us.

In two -- starting in 2011, I think, when the labor -- when the employment rate was still incredibly high, we started to see a whole class of pundits saying -- and I think they were saying it because they wanted to support their agenda of a return to austerity -- saying that, "The high-end employment that we have is due to workers not having the right skills. These workers are never coming back into the labor market. This is sort of where we are now." They were wrong. The labor market since then has steadily improved as aggregate demand has increased, so it's just a really useful lesson to all of those when you hear people saying, "Oh, what's going on now? These terrible outcomes are natural and structural," it's like, keep that in mind to -- maybe you want to dig in that there are policy solutions to some of those things. Thanks.

MR. HARRIS: Michael.

MR. STRAIN: So, my -- the thing that worries me is the same as Melissa's has been echoed in some other comments: the decline of employment rates. This is a seven-decade long problem. So, I think it is the case that over the last several decades, a lot of this can be explained by reduced labor demand driven by changes in technology and reduced labor demand driven by globalization for lesser-skilled workers. But this problem actually predates those trends.

This problem goes all the way back to when we started measuring the data and coming up with a, you know, consistent, unified explanation for this has been extremely difficult for economists. And the trends show, you know, the kind of longer-term structural trend doesn't show any signs of reversing, which is, I think, deeply problematic for both economic reasons, but also for social reasons, despite the fact that participation has been rising in terms of the business cycle since the great recession.

But since that was Melissa's, I'm going to also cheat and give another one. I am concerned about how little we know about the labor market today. Existing government surveys are plagued by increasing non-response. Existing government surveys are plagued by increasing, you know, increasingly inaccurate data. We know less than we used to, we know less than we should. Given the surveys, the statistical agencies need more resources in order to modernize the surveys so that they can better capture what's happening in a 21st Century economy. You know, all sorts of things we don't know.

We don't know much at all about how felons are faring -- people who have a felony conviction are faring in the labor market. We don't know much at all people who, you know, may be working off the books and who are confused by the way that survey questions are designed, or people who are working in the gig economy and are confused by the way that survey questions are designed, you know, to the point that there is legitimate debate among economists about, how important is the gig economy; how important are these things?

We know when you look at the official statistics that fewer and fewer and fewer prime age men are working, but we also, you know, don't see prime age men piling up on the streets in terms of homelessness or prime age men piling up on the streets in terms of starving to death. And so, you know, are -- is this all kind of like a Cosmo Kramer from Seinfeld thing? I'm going to try and beat Richard and do an earlier (laughter) dated reference. You know, what is going on? And in having a more robust statistical system that can get at some of these questions and then can be modernized to reflect today's economy, I think, is important.

What's making me feel good? I'll steal Heidi's answer that we do see -- there was a lot of talk about, you know, people just aren't employable and they're never going to come back into the labor market and, you know, that has been proven wrong so far and we've seen increases in prime age employment, for example. And that's been very edifying to see.

Again, I'll -- I'm going to cheat and do one of my own, too. We've learned something about the 2018 macroeconomy, as well. We've learned that we can run an economy hotter for longer than we thought. When the unemployment rate dipped below 6 percent, you started hearing some voices say, you know, "We better look out. Price inflation is coming up." And then when it fell below 5 percent, we heard even more voices say, you know, "The Fed better be watching this. We're going to see some price inflation."

Now, we're below 4 percent and, you know, we do see some price inflation, but what we're seeing is a return of consumer prices to the Fed's target. We're not seeing any sort of rapid acceleration that would make you concerned about inflation, per se. You know, that is not something that professional forecasters would have predicted, it's not something that Congressional Budget Office would have predicted, it's not something that, I think, most economists would have thought, that you could get the unemployment rate down into the three's and still have trouble hitting the inflation target.

So, the lesson here is that we can run the economy hotter for longer than I think we thought. We can pull more people into the workforce, which is very good, and we can pull some of these hard-to-employ people into the workforce, which is even better. Now, I could be eating my words when we all wake up six months from now and we're living in the hyperinflation, so I feel glad that I don't have Jay Powell's job, but, you know, for now it seems like this experiment is accruing to the benefit of these marginal workers and these workers who were displaced during the -- these vulnerable workers, excuse me, and these workers who were displaced during the recession.

MR. HARRIS: So, just two observations on your answers and your collective answers. One is that after sort of a decade of leader market expansion and with a 3.9 percent unemployment rate, you're still concerned about participation almost across the board. One and two, you're -- the things you were concerned about are worse than the things that you were happy about. Like, you're (laughter) a little bit pessimistic as a group --

SPEAKER: That's our job. (Laughter)

MR. HARRIS: -- which is interesting, given -- well, yeah, but just an observation. So, let's just follow-up on this sort of theme of our participation. Melissa, you wrote this great paper --

MS. KEARNEY: Thank you.

MR. HARRIS: -- I think it was a great paper --

MS. KEARNEY: Thank you.

MR. HARRIS: -- with Katharine Abraham on why -- explaining why we're seeing what we're seeing with the e-pop, with the employment to population ratio. Can you explain just, you know, it was like a 90-page paper so maybe just, you know, distill it down to what were the main themes? One, what's -- what exactly is the decline and, two, why are we seeing what we're seeing?

MS. KEARNEY: Sure. I'll give the cliff notes version. So, you know, the first part of the paper, Katharine and I thought it was important to just get out really what are the facts in employment decline. And a lot of it's been mentioned, so I will just briefly sort of four key facts, which is, one, employment has been steadily trending downward. This decline in overall employment rates is driven by young and prime age workers, so every 10-year age group from 16 to 54 has seen their employment rates decline over the past 20 years. That has been offset and masked to the fact that older workers are working more. And it seems not because they're feeling financially insecure, but because they tend to be healthier and more educated than past gen -- past cohorts. Okay. So, those are two things.

The third, as I already mentioned, the largest declines are among, I think, those who would have previously been considered, like, target for the middle class, those with high school degrees and some college. So, college-educated workers are still working at very high rates. Non-high school, you know, folks without high school degrees still have pretty low employment rates, but they always have, so it's really that middle group that's getting hit. And the fourth thing I want to point out because there's, you know, a narrative out there that a lot of the employment rate decline is driven by the aging of the workforce.

Now, that's important if you're thinking about macroeconomic trends in productivity. That is true, the workforce has gotten older, but as I said, older workers are working more, so in some sense that masks the importance of the decline in prime age workers. And by our decomposition calculations, the decline in work among prime age workers can account for 80 percent of the decline in overall employment in the past 20 years.

Okay. Then what we do is we critically survey over a hundred-and-thirty academic studies. Okay, so this was a labor of love, but there -- there's a lot written. Michael's point notwithstanding, there's still a lot we don't know, but there's been a lot of careful work by a lot of rigorous scholars. And so we survey that evidence and draw conclusions what we think the best estimates from the literature are about the causal effect of a whole variety of factors on employment rates. And then we combine the best evidence that exists from the literature with data on actually what happened.

So, for example, we survey the literature on what's, you know, what's the relationship between the adoption of robots and employment outcomes and then we combine that with data on the number of robots that have been adopted in U.S. industries. We look for the best estimates on what's the causal impact of being imprisoned on subsequent earnings, combine that with data on what actually happened to imprisonment rates.

Our conclusions are that decline and demand for a subset -- subsets of workers has been the driving factor leading to employment rate declines. Okay, so in particular, increased import competition from China since 2000 and the adoption of robots has really led to sizable declines in employment. So, I think it's important to note that, you know, this leads me to respectfully disagree with the suggestion that's been made by other panelists today that it's not about global labor market trends, it's more about policy choices. You know, I think we have failed to respond to these trends and there is much more policy can do, but there are these large global forces that I think we have to acknowledge. They're not going to go away and if we don't acknowledge their existence, we could further disadvantage U.S. workers.

Okay, so that's what I -- that's what we've concluded about demand for workers. There have also been supply side factors that have been less important, but non-negligible. So, expanded access to and generosity of disability insurance through Social Security and the Veterans Affairs Department that has led some workers who were on the margin of, you know, retraining or taking a low-wage job, they are choosing disability insurance instead. It's not to say that's not a program we should have, but it's a program that we probably need to think about and reform.

Increases in effective minimum wages across states and localities have led to not massive, but non-negligible reductions in employment for young and low-skilled workers in particular. And the increase in incarceration in terms of the overall aggregate employment rates, it's probably had a modest effect on overall employment -- not negligible, again, but probably modest, and a lot of that is because the folks who we see going to prison, most of them had very little labor force attachment to begin with. So, you know, that suggests that we should be doing more to make sure that those folks are engaged with the labor market and there's an opportunity to use to reform our prisons to use them more as places as contact with folks who have low labor force attachment. Let's do what other countries do, make it more about labor market training reform when they're in prisons. But anyways, so that's what we put in that.

Just real briefly, you know, because there's a long list of things that we looked at, the types of hypothesis that are thrown around in policy conversations. Some we conclude that there's enough evidence to suggest that they haven't been important. Ones where we think are provocative, potentially important, but the evidence is still unclear includes, you know, changing social norms. Nick Everson has written about that, like, why are young men just willing not to work? That's really hard to quantify in the data, but I think some good ethnographic research is needed there.

Increased opioid prescription, really hard to separate out the cause and effect there. Increasing leisure, technology, and the fourth one is occupational licensing, which gets a lot of attention. Our, you know, Katharine and I view that as certainly welfare-reducing, probably inefficient. The extent to which it's actually led to a reduction in job or job growth, I think, we need more research to definitively say.

MR. HARRIS: Great. And so let's just transition now quickly to taxes. 2017 saw a massive --

SPEAKER: Hard transition.

MR. HARRIS: What's that?

SPEAKER: That's a hard transition. (Laughter)

MR. HARRIS: It's a hard transition. But -- so 2017 saw a massive tax cut. Michael, your former colleague, Kevin Hassett, who's now chair of CEA, said that the corporate tax cut from 35 percent to 21 percent had a major impact on wages or will have a major impact on wages. Do you agree with Kevin? Will it boost wages by $4,000 a year down the line?

MR. STRAIN: Well, I don't think it'll boost wages by $4,000 in the near term, but I do think that it will increase wages. You know, what the -- what a reduction in the corporate tax rate does -- which, by the way, is something that the Obama Administration was behind, that economists of all, you know, political views typically have been behind, relative to where it was in current law. Of course, the Obama Administration wanted to reduce it by significantly less than the Trump Administration ended up reducing it. But there was widespread agreement that the rate was too high where it was.

It makes investment after taxes a little bit more profitable. And that's going to induce some additional investment on the part of businesses. Some additional investment on the part of businesses is going to make workers a little bit more productive. And if workers are a little bit more productive, their wages are going to go up. That kind of chain of events, that story is essentially true. And so we should expect to see wages go up. We should not expect to see wages go up six months after the rate went down because it takes a while for businesses to invest, it takes a while for workers to increase their productivity. You know, whether it's a year-and-a-half later or three years later or five years later, I mean, a lot of that is really context-specific. But the question whether the reduction in the corporate tax rate will increase wages, I think the answer to that question is, yes.

Now, there are a lot of caveats to the extent that corporate profits are driven by rents and not driven by investment, then this will not have an effect. Certainly, some corporate profits are driven by rents; certainly, not all corporate profits are a rent. So, the precise magnitude of the wage effect is something that will be studied and that we'll know a few years from now, but I'm confident in predicting that a reduction in the corporate rate of that magnitude will increase wages.

Now, there are a few caveats. One caveat is that a lot of the stimulative parts of the bill expire, so the ability to deduct all your expenses immediately, for example, that has an impact on investment that expires. That'll probably be extended, but, you know, that introduces some uncertainty. A major complicating factor is the increase in the national debt that's driven by the overall tax bill, not just by the reduction of the corporate rate, but by everything that was included in the tax bill. That increase in the national debt will work against increasing business investment by pushing up interest rates and making it more expensive for businesses to invest. So, over a long time horizon, if we don't do something about the debt, it's very possible that the overall tax bill will push wages down by about the same amount that the increased incentives to invest will push wages up and you could have something that's closer to a wash.

And the third point that I would make is that, you know, while it is the case that reducing the corporate tax rate is a good thing to do for worker wages, it is also the case that it is not a sufficient thing to do for worker wages, particularly for low-wage workers, which is where I think the majority of the concern should be. So, we should not say, "Oh, okay. We cut the corporate rate. We've done what we need to do for the low-wage labor market." We should be thinking about other things that are specifically targeted at the low-wage labor market, as well.

MR. HARRIS: And so transitioning to labor policy now, Heidi, you served as the Chief Economist at Department of Labor for the Obama Administration --

MS. SHIERHOLZ: Mm-hmm.

MR. HARRIS: -- up until the very end. We are now, I don't know, a year-and-a-half into a new Administration. Can you comment on just, you know, are there -- what -- I'm just going to assume that you're troubled by what's happening (laughter) in the Trump's Administration and ask you, (laughter) what troubles you about what's happening with the Trump Administration with labor policy?

MS. SHIERHOLZ: So, I think at the Department of Labor, the umbrella way to describe it is there's just been a shift from prioritizing the concerns of workers and their benefits and wages and safety and retirement savings to prioritizing the concerns of their bosses. And you can see that show up in, like, every little thing that the Department is doing. And I will just -- I'll mention a couple, but the most salient one actually turned out well for workers, but it's a very stark descriptor of sort of the values shift at DOL and that's this thing that the -- this proposed rule they put out last December that would have shifted -- it would have allowed employers to take control of workers' tips.

And I think that DOL thought that they could sort of slip it through quietly because they did it under the guise of tip pooling, but there are a lot of people that are paying very close attention to what DOL is doing and got out the word that this rule is about allowing employers to take workers' tips. There was a huge outrage. It was fueled by this great investigative reporting that showed that DOL had actually done their own cost benefit analysis showing that this rule would have been terrible for workers and because of that, they just buried it. But it then got out through the -- through great investigative journalism. So, DOL was sort of on the run because they're being bled dry by all of this stuff going on, so they actually came to the table to compromise.

So, embedded in the omnibus spending bill was an amendment to the Fair Labor Standards Act that says employers cannot take workers' tips. Workers' tips are the property of the workers who got them. So, that ended up fine, but it is sort of -- it nevertheless shows where this DOL is. The National Restaurant Association has wanted to get control of workers' tips forever and they've never been able to find an Administration that would attempt to do it for them and this one did. So, that was a big thing, but it turned out okay.

Other things that are not turning out okay, I'll just quickly list a couple. The overtime rule, the 2016 overtime rule that increased the value -- the threshold below which workers must be paid overtime pay if they work more than 40 hours a week, that rule has been completely abandoned by the Labor Department. I think what is going on right now is that they're writing a -- another rule, going through another rulemaking that will drastically reduce the 2016 threshold.

And another big one for retirement savers is the total abandonment by the Trump Administration of what is known as the Fiduciary Rule. And that's the rule that just said, "Like your doctor is already required to do, like your lawyer is already required to do, your retirement investment advisor has to actually act in your best interests and they can't do things like steer you towards investments that give you a lower rate of return but give your advisor a bigger commission." The rule would have outlawed stuff like that. The rule has been totally abandoned by the Trump Administration and is -- at this point, it's -- the curtain has closed on that rule.

So, there's a -- there's more -- there's a -- it's sort of deaf by a thousand cuts at the -- (laughter) in the -- what's going on there, but those are a couple biggies, but it really is just this big value shift towards protecting workers, which is the mission of DOL to much more prioritizing the needs of their bosses.

MR. HARRIS: Thanks. Now, so, Ben, you were also like Heidi, you were a leader in the Obama Administration when it comes to labor policy. I'm sure you have thoughts on that last question, but let me ask you a different one instead. You've written a lot about the connection between the size and health of the middle class and mobility and we heard about this a little bit in the past panel. Why does -- can you just talk about why exactly a healthy middle class matters for mobility, what are the mechanisms that impact it, and what you found in your own research?

MR. OLINSKY: Sure. I'd be happy to, though I can't resist just making (laughter) one comment on that last question and to build on something that Heidi mentioned on the overtime rule. You know, a stated purpose of the Fair Labor Standards Act was actually to spread work around.

SPEAKER: Yeah.

MR. OLINSKY: So, it is very telling to me that as this panel really focused on sort of the employment rate and the issue of labor force participation and the availability of decent jobs, it really seems to me that the overtime rule, which has two effects, raising wages and creating more work, which, you know, even would be acknowledged by many industry groups, like, is very telling that, that was actually -- the rug was pulled out from under it when you have this policy that could have really helped.

But on to mobility. I want to start just with a brief story about my grandfather. He grew up in poverty, as did my grandmother, on my mom's side and he went into the workforce, of course, and then he worked in produce for his entire life. Attained a high school degree and was able somehow, during that generation's time, to buy a house, put kids through college, get a pension, a real defined benefit pension, and even today lives independently up in Robe Island, based on his own savings and pension. And I have really thought about this a lot as to, could someone coming out of high school now get to do those things? And I think for many, the answer is a very loud no. And so this goes to the heart of the American dream. Right?

So, 97 percent of Americans agree that we should have equality of opportunity. 97 percent of Americans don't agree on almost anything, but they agree that there should be an equality of opportunity for Americans. Yet, we're behind other countries on the American dream. If you take a look at the chance that someone born at the bottom of the income distribution in their family's household gets to the top, we are behind other countries. In Canada, you have a twice -- you're twice as likely to get to the top if you're born at the bottom. That's really striking to me.

And so what we've seen from especially Raj Chetty's work, which was referenced earlier, intergenerational mobility has been flat in term -- relatively, but in absolute mobility there's been a sharp decline. And so if you think about this, in the cohort he studied, roughly, those born in 1980, only half have surpassed their parents' income. And the other thing that we learned from some of Raj Chetty's research is that place matters. Where you're born matters for your intergeneration mobility. But one challenge that we're also seeing is that people aren't moving as much as they used to. So, you don't have that geographic mobility that allows you to achieve some of that economic mobility.

And so I took a look at -- this was, I guess, four or five years now. I took a look at Raj Chetty's work with a colleague of mine at the Center for American Progress, Sasha Post. And, you know, he had at that point looked at 28 different correlates of mobility seeing what factors were correlated with higher mobility. And they range from everything from commute time, right, to inequality to endemic poverty, et cetera. But one factor he had not looked at was the size of a region's middle class. So, taking a look at what percentage of that region, a commuting zone, he looked at, fell between the 25th and 75th percentiles in the national income distribution.

And, you know, we had this hypothesis that places with a strong middle class do things like investing education, have better civic engagement, invest in other critical social services. So, our hypothesis -- and this also based -- is based a lot on some of the foundational work that Heather Boushey from the last panel had done around middle economics. We had this hypothesis that you would see greater mobility in those places. And sure enough, when you look at the size of the middle class, that was stronger of a correlation than 26 out of the 28 correlates he looked at. And that's even after accounting for making sure we're not just -- we weren't just pulling in the density of poverty in those regions. So, this was really, really striking to us.

And what that roughly means is, for every 10 percentage points increase you have in a community's middle class, you would see 5 percentiles that someone born at the bottom would rise by the time they got to be 30. That's really striking.

Now, I also want to caveat, as we did in the paper. It's not causation, so, you know, we have a belief that there are a number of reasons one might think this does lead to these outcomes. The other thing I will note is, this didn't work across all racial groups. What we saw was in general, this did apply across racial groups in area -- in most areas, but for areas with high concentration of black residents, you saw -- you still saw that positive correlation, but it was mitigated; it wasn't as strong.

And I think I would associate myself with many of the comments from Kilolo from the previous panel, because I think what you do see is issues like structural racism and discrimination in housing and employment that leads to that sort of mitigated effect of having a large middle class in some communities. But still, you still saw a positive correlation and it really told me or instructed me that by building middle classes, by putting in the investment to having a strong and robust middle class, that helps people not just in the middle, but at the bottom also have a chance of rising it.

MR. HARRIS: So, let's talk a little bit about labor market competition and its impact on the middle class. We'll start with Michael and move this way. But, you know, we're starting to hear more and more about competition or lack of competition, what's driving it. Brookings had an event in February on it. Heidi, you had a paper as part of that Hamilton project event. Michael, from your perspective, is there a lack of competition labor market, is it getting worse, and if so, what needs to be done to fix it?

MR. STRAIN: So, I'm not overly concerned about this issue, which probably puts me at odds with some of the people on the panel. You know, I do think that there are regulations in the labor market that clearly affect the competition in a negative way, things like occupational licensing, for example, that are kind of blindingly obvious things that need to be fixed. When you hear about, you know, non-compete agreements for people who are making sandwiches at Jimmy John's, you know, that obviously is ridiculous.

SPEAKER: Yeah.

MR. STRAIN: I think occupational licensing has a real effect. I'm just not sure whether those Jimmy John's non-compete agreements are actually enforced on a broad enough scale that they would have an effect, but they seem kind of silly when you think about them. So, you know, there are certainly kind of specific things you can point to, I think, in the labor market and say, "Well, you know --

SPEAKER: Yeah.

MR. STRAIN: -- it shouldn't take 2,000 hours of training to be an interior decorator or a cosmetologist," or whatever. But in terms of, you know, a systematic problem that is something that should, you know, rise into the top three or four things we're concerned about in the labor market, you know, it's -- it does not even approach the top three or four things that I am concerned about. And, I think, you know, when -- I mean, my -- you know, again, I think, the right place for policy to be focused is on the lower end of the wage distribution and among lower-wage workers.

And there, you know, it seems to me, you know, if anything, that part of the labor market can be more competitive than segments of the income distribution that are higher up, you know, where there are, you know, more legitimate needs for licensing, things like surgeons and lawyers and where, you know, there's -- there are fewer employers and so there actually is more opportunity for the kinds of salary collusion that people are concerned about and things of that nature, so --

MR. HARRIS: So, what about industry concentration? Does that worry about, you know, we're -- we talked about non-competes and you talked about occupational licensing. What about increased concentration among employers? Is that something that you worry about?

MR. STRAIN: Well, so those are separate issues. Again, I'm not overly concerned about industry concentration. You know, I do think that, you know, by some statistics, you know, the top 4 percent and the top four firms in the industry or whatever, you do see more concentration. I think a lot of the conversation ignores the benefits that come from size. There are real economies of scale and that really accrues to the betterment of consumer welfare.

A lot of this conversation is currently around big tech issues, which is confusing to me because when I learned economics I thought that monopoly meant that the price goes up and the quantity goes down, but Gmail, Twitter, Facebook are all free and supplied an infinite quantity.

So, you know, again, I mean, this is just not -- this is not, you know, I mean, look, there are real problems, right? People aren't working, it's difficult for people who have criminal histories to get into the workforce, people are not getting skills beyond the high school level when they should be, there are serious problems with family structure that have labor market implications, there are serious problems in some parts of the country with discrimination that have real labor market discrimination -- or, I'm sorry, real labor market effects, we aren't subsidizing earnings enough for people without children on the lower end of the labor market. I mean, there are so many issues beyond the non-compete agreement with Jimmy John's that may or may not be enforced that it's really hard for me to let, you know, this rise to the top of my list.

MR. HARRIS: Interesting. Heidi, what's your take?

MS. SHIERHOLZ: I might be able to help because I think there -- I think I got something that could help bridge what may be -- there is this very interesting conversation going on right now about increased concentration, about reduced competition in the labor market, but I -- there's something about what you said that I think is perhaps useful. I -- the -- so one of the things, if you are trying to explain the trends that we've seen in inequality over time, over the last 40 years, we've seen massively increasing inequality, how much of increasing concentration right now can actually explain that?

And I don't necessarily think that, that -- I think there is -- we -- non-competes are an issue, increasing concentration is an issue, but I don't think it has a lot of power to explain a huge portion of that massively increasing inequality over that period. But here --

MR. STRAIN: I totally agree. (Laughter)

MS. SHIERHOLZ: So, here's a -- but here's a potentially useful way to think about what might -- how these things might be connected, concentration or lack of competition and rising inequality. Let's think about what perfect competition really is. Perfect competition is like this workers utopia. What it means is that employ -- essentially, employers have to pay workers the value of what they produce. And if they don't pay workers the value of what they produce, their workers will immediately quit, immediately find another job at an employer where they will get paid the value of what they produce, and the employer that tried to pay them less will go out of business.

That's what the model of perfect competition says and that's bonkers. Like, we all know that that does not describe huge swaths of the labor market and it never did. Employers have always had power in various parts of the labor market to set wages below a worker's marginal product. And so the thing that's different now from 40 years ago is that 40 years ago there were countervailing standards and institutions that gave workers power to counterbalance that employer power to set wages lower. Workers had unions, workers had stronger labor standards. As those things have eroded over the last 40 years, we haven't then had the things that was a check on the employer power that was due to the lack of competition that was all -- the lack of perfect competition that was there all along.

So, I think that there's a -- it's a little bit of a twist on what you're saying, but gets back to the, you know, it sort of gets back to the things that you -- that are -- should be front and center when we think about how to address lack of competition in the labor market, is we need unions. We need labor standards. We need the things that give the countervailing power to workers to -- as a check on employer power.

MR. HARRIS: So, Melissa, let's get your take, and then Ben.

MS. KEARNEY: Okay, great. So, there's a lot to -- a lot here. I think I tend to agree more with -- well, you both agree that increasing firm concentration has not been a key driver of either inequality or the reduction in employment, but there's three points that I want to make, based on what I've heard said so far on this point.

The first is, let me give a counter-story to the idea that sort of firms with market power are capturing rents and not sharing with workers. One of the things we do know that has been a key driver and increasingly important in wage dispersion is dispersion across firms. So, what I mean is that there is more dispersion sort of within jobs, within occupations, within industries across firms than there is within a firm, okay? So, let me put it differently. For whatever job you have, what wage you will get is increasingly determined by what firm you work for. So, if you are an engineer, you will do better at Google than an -- at some engineering firm in a small town in the Midwest. Okay? That's for the same level of skill.

That sort of spins this story differently, which says that, you know, these firms that have greater market power, they're more profitable and they're sharing in those profits or productivity with their workers. That has a very different policy implication than thinking about larger firms as capturing rents from workers. Because the policy implications there are, we have to figure out why are some firms better at turning inputs into output. Why are they more productive? And what can we do to facilitate the spread of ideas or their organization or management practices or whatever in a way that benefits more workers? Okay, so I think the role of firms is really important, but it's a little bit more nuance than just big firms, bad for workers. In fact, the data poses almost the opposite relationship.

The second thing, though, that's related to this is that increasingly there is what Enrico Moretti refers to as the geography of jobs. And so, you know, these firms in high productivity places -- New York, San Jose, San Francisco -- they're doing really well and the workers and people who live there are doing really well. Okay? So, why is it that those places are growing and other places are declining? And why is it that workers are less likely to move than they were in the past? So, this is one way in which we have sort of, you know, in dying labor market, there is one employer left. And yes, they have market power over the workers. But part of the reason they have market power over the workers in not because the workers aren't unionized, necessarily; it's because the workers have limited skills, limited places to work, and they're not leaving. Okay?

So, we have to think about why workers seem to be stuck in these distressed areas. How much of that is, they don't have the information about where to go, they don't have the liquidity or cash to move, they don't have the skills where they feel like they could get jobs? We really need to take those challenges seriously.

And the third point, like, you know, it -- I just -- I worry that the more we push on institutions -- like, I would love to be able to say, "Let's give workers back their bargaining power with a higher minimum wage or increased unionization," but the truth of the matter is, there are these other forces that we can't ignore, right? So, I'm enough of my mother's daughter that it makes me sad when I walk into a restaurant and I have to put my, you know, my order into an iPad. Okay? My mom wouldn't get an ATM until two years because she thought that was really not nice to bank tellers. Like, I get that and it's sad, right? But I'm also enough an -- of an economist to know that if, you know, a small restaurant owner has to pay

$15 to his sort of low-skilled worker, he's going to get a lot of robots or iPads and we have to -- like, that's a tension that if we really want to help workers in the middle class, I think, we really have to be honest about.

MR. HARRIS: Ben, what's your take on competition?

MR. OLINSKY: I have to respond to what Melissa just said. I think we've agreed on a lot of other things, but here, I think I disagree pretty strongly. When you take a look at care jobs, these have not been roboticized and we don't pay them well.

MR. HARRIS: Right.

MR. OLINSKY: And so --

MS. KEARNEY: Yeah, we know robots can't, like --

MR. OLINSKY: And --

MS. KEARNEY: -- do that.

MR. OLINSKY: And so I would posit that bargaining power plays a much bigger role than Melissa in conceding, understanding that there are also other trends that I've acknowledged in my earlier remarks around globalization and automation.

I want to tell a story. I'm not an economist like the rest of the folks here, so I'll tell a story, which is that you had a much more robust worker bargaining position back a number of decades ago and that there's been a vicious cycle and that this will lead back to competition, which is businesses sought to be able to depress wages for obvious reasons. They did not want to have their workforces unionized, so they attacked unions in the courts, in the legislatures, with employees. And ultimately, union density started to decline.

At the same time that that happened, there's a political economy story, which is, as there was less of an institutional worker representation to push back in the political arena on things like minimum wage, on things like overtime, you saw business were able to suppress some of the stronger labor protections that you saw historically. And then we sort of see the next iteration, which is around competition. So, I don't think that it is driving a lot of what we're seeing today, but I think it is a very dangerous trend.

So, whether you're talking about non-competes at Jimmy John's, which I think we all up here would agree is kind of ridiculous and is only an anti-competitive practice, I would also posit there are other practices that have been creeping in, things like non-disclosure agreements, things like mandatory or forced arbitration. So, even in light of this most recent Me Too movement in which you are seeing people come forward, many people have felt in the context of sexual harassment they couldn't because their employment contract had a mandatory arbitration clause and a non-disclosure agreement that they couldn't get around. And, in fact, many employers are using these mandatory arbitration clauses to get around claims around wage theft, which is really ridiculous. So, as you have firms that have increased political power and are donating all this money and have an outsized voice in Congress, they're also able to put the squeeze in competition in the labor market.

MR. HARRIS: Can I just ask you guys to spend one minute on the final question. We just have a few minutes left. Let's say you are the U.S. Labor Secretary and the President calls you up and says, "What do we need to improve the labor market for middle class workers," what's your just quick -- please take no longer than a minute. What's your answer? (Laughter) Let's just start with Heidi and then go to Michael, then come down here.

MS. SHIERHOLZ: Okay. All right. Can I -- I'm going to first start and say if I didn't have to pick just one, it would be a suite of things, like we need to raise the minimum wage and overtime protections and paid sick days and fair scheduling laws and good enforcement of all of those things. (Laughter) I get that I -- I can't do -- I have the -- each of those would be their own initiative; I have to pick just one. If I'm going to pick just one, I would pick the thing that would be the most likely to sort of cover all of those things and that's boosting unionization. All of those things are things that people negotiate in a collective bargaining agreement, so it has a -- boosting unionization gives you really big bang for the buck in terms of creating a fairer economy.

So, I -- do the things we need to boost unionization, like make sure that workers who want to join a union are able to do so free from retaliation and intimidation by their employer like through massively increasing penalties for unfair labor practices. Make sure that workers who do join a union are able to get to a first contract through things like mandatory mediation if contract negotiations are breaking down. Ban so-called right to work laws that are the things that mean that we're -- that unions cannot be a -- cannot require workers who get the benefits of union representation from paying for their fair share of that union representation. So, it's those set of things, the suite of things that we could do to boost unionization, which, I think, is the biggest bang for the buck, if I had to pick one.

MR. HARRIS: Michael, you have 60 seconds.

MR. STRAIN: I assume Congress isn't involved -- I get -- (laughter)

MR. HARRIS: You can assume whatever you want. It's a hypothetical exercise. (Laughter)

MR. STRAIN: Congress tends to screw things up. I -- if I had to pick one thing, I think it would be to look very seriously at significantly expanding earning subsidies for low-income households. I think given what we know about the effect of globalization and the effect of technological advancements over the last 20 or 30 years on the low-wage labor market and specifically on the wages that are offered in the low-wage labor market, that's a very effective solution to that challenge, given what we know about how previous expansions of those earning subsidies have pulled millions of people into the workforce, I think that -- I would expect that that would happen again. And given that we know that every year, millions and millions of people, including several million children, are lifted out of poverty as a consequence of those subsidies, making them bigger makes all the more sense.

MR. HARRIS: Okay. Ben, one minute, please.

MR. OLINSKY: One minute, okay. Well, I associate myself with everything that Heidi said, so I'm going to cheat, too.

MR. HARRIS: Me, too, maybe. (Laughter)

MR. OLINSKY: I definitely agree with expanding it.

MR. HARRIS: Excellent.

MR. OLINKSY: What I will say is that -- to expand and go even further down a line that Heidi did, I think we should explore things like sectoral bargaining and wage boards so that we are dealing with wages not just for the very bottom with the minimum wage, but also in the middle. And if you take a look, it's really hard for one -- for a firm to unionize when that firm is saying, "Well, look. I'm going to have to compete against this lower cost sort of low-road firm over here," and so you take a look at some other countries and how they've, you know, seen better histories of wages. They have more sectoral-wide bargaining and I think we've started to see wage boards being used here in California, in New York with fast food workers with the Fight For 15. And so I think that's a place to go.

I think the other thing tied to sectoral bargaining is apprenticeships and really making sure that we're promoting the kind of rigorous, high-quality apprenticeship, registered apprenticeships that have led to $300,000 in increased earning and benefits over the lifetime for workers, historically, but trying to massively expand them to sectors in which we just don't see them here today. So, building on what we've done in the building trades, but getting them into tech, getting them into the healthcare so that you have a greater investment by business in training while also leading to higher wages for workers.

MR. HARRIS: Thank you. Melissa, final word.

MS. KEARNEY: Sure. I'm going to push for a, like, huge dedicated commitment to massive skill upgrading of non-college educated Americans, something on the order of what we did in the early 20th Century when we made secondary education available for everybody. We need to make sure that individuals who have been dislocated, displaced, or don't have the skills demanded in today's economy have a productive opportunity to contribute and prosper. Build on things that were started with the previous Administration in the Department of Labor, labor these guided pathways models that are being implemented around the country.

Community college, high school, private sector partnerships where we're taking kids, young individuals, and giving them guided pathways into the workforce. Community colleges, like, let's double down on them. Millions of students go to community colleges; we need to make sure they're getting a return on the investment, we need to make sure the American taxpayer is getting a return on the investment. We have lots of loans and funding for those schools for individuals. Completion rates are low, students aren't sure what to study. Enhanced student supports and advising can really just sort of capitalize on that whole institution.

And I'm going to combine it because they all have -- I'm going to combine it with active labor market policies where we're just way behind what European countries are doing in terms of active labor market policies, so let's make sure we have vouchers for adults to get accredited, directed training. Let's make -- let's expand existing DOL programs for moving vouchers for people to leave economically distressed areas and go in search of jobs. I'll stop there.

MR. HARRIS: Thank you. So, as everyone stays in your seats, please, for -- as we transition into the third and final segment of today's program, can you please join me in thanking our outstanding panelists today? Thank you. (Applause)

MR. REEVES: Okay. And please join me in thanking Ben Harris for so excellently moderating that discussion. (Applause) As Ben said, please remain in your seats.

There's another slight scene change now as we move from act two to act three. And the next person you'll see at the podium will be General John Allen, who is the President of the Brookings Institution. He will introduce our keynote speaker, the Former Vice President, Joe Biden. And that will be happening imminently, just as soon as we've changed this. So, those of you are here, please remain in your seats. Those of you at home, you might have a couple of minutes to run to the restroom or grab another cup of coffee. Everyone else, stay put. Thanks.

GENERAL ALLEN: Well, thank you for that. I'm not the Vice President, but I'll take the applause nonetheless.

Well, good morning, ladies and gentlemen. It's wonderful to have you all with us here at Brookings and let me add my greetings to those of you who are coming in over the Internet. We are grateful for your being with us this morning and for joining us. And it's a great pleasure for me to welcome each of you to the keynote address which will be closing this morning's event, "The Future of the Middle Class."

Before I go on let me offer my sincere thanks to our co-hosts this morning, the Biden Foundation. Mr. Vice President, Ben Harris was really on point this morning in the panel he ran. We are very pleased at the Brookings Institution to partner with the Biden Foundation. And speaking on behalf of the Institution, we want to explore an even deeper relationship as we go forward securing the interests of the middle class, which faces challenges as we've never seen before, challenges that will be with us for many, many years to come. And the panels we had this morning and the terrific panelists who joined us this morning really helped to illuminate many of the challenges we face and the difficulties we'll have to overcome as we seek to protect and expand the middle class of the United States of America.

Now, finding new and innovative ways to ensure the success of our middle class ranks among our top priorities at this institution. And for that reason, I'd also like to extend my special thanks to Richard Reeves for his phenomenal work here in spearheading this new Future of the Middle Class Initiative, as well as Camille Busette, director of Brookings' Race, Prosperity, and Inclusion Initiative, as she works tirelessly to advance the equity and economic prospects of communities struggling to obtain their small piece of the American dream. It's been an honor to work alongside both of you. There's much work to be done and we look forward to doing it together.

Now, in a few moments I'll invite the Vice President to join us on the stage, but I don't think that our Vice President Joe Biden needs any introduction. For his 36 years as a senator from the great state of Delaware to his unwavering leadership as our 47th Vice President, we would be hard-pressed to find another American who more completely embodies the ideals of this great nation.

Vice President Biden is among the finest public servants I have ever known and a true champion of the American people and certainly the middle class. He's a father, patriot, a husband, a true leader, and to me a dear friend. So please join me this morning in welcoming the former Vice President of the United States, Vice President Joe Biden. (Applause)

VICE PRESIDENT BIDEN: Hi, everybody. How are you? Thank you. If I were smart, I'd leave right now. (Laughter)

It's clear that John, the general, is not Vice President. He had too many stars to be just a mere Vice President. And I feel mildly intimidated speaking before such a group of esteemed economists. It's a little bit like when I'd go into the tank with the general and the chiefs of staff and give them my ideas on national security. But it never stopped there, so it's not going to stop me now. (Laughter)

It's an honor to be here and I mean that sincerely. Look, I want to start off by saying at the Biden Institute we're delighted that Brookings has taken up the mantel, and they have all along, to deal with the middle class. I know for years and years, I look at Alice and some others here, that I've been characterized in Washington as "Middle Class Joe." In Washington it was never meant as a compliment. It meant that I wasn't that sophisticated. But I'm pretty damn sophisticated about the middle class and I'm pretty damn sophisticated about the history of nations who are unable to sustain a middle class and what happens to their prospects short term and long term.

And I think we're at a very, very -- we're at what some might call an inflexion point right now. And the decisions we make, I think, in the next several years are going to say an awful lot about what kind of life our children and grandchildren are going to be leading. And there's no reason why it shouldn't be brighter than the ones we've led.

And I want to thank you, Brookings, again for hosting the event. The Future of the Middle Class is a critical new venture here at Brookings. And in many ways the focus on the work being done both here and at the Biden Institute at the University of Delaware or the Biden Foundation, the forum which Ben -- and I guess, Ben, you had a panel here this morning you just finished chairing -- that Ben oversees, the platform is to allow the most important voices in the nation to discuss the opportunities plight and benefits of the middle class.

We had Alan Krueger write a note on what he called the rigged labor market. We've had several posts on ways to make the middle class more inclusive. Last week Peter Levine from Tufts wrote a piece on millennials no longer feel like they're part of the middle class. And we've had others, some of you in this room, write notes for us, as well. And I encourage you to take a look at it. I think we made them available here, take a look at them. And they're from disparate groups, left, right, and center. We're not just trying to predetermine the outcome here.

Folks, we're here today for a simple reason: to talk about the middle class. But I often get asked from the start why is it worth talking about the middle class? Why is there today so much being written on it and focused on it? Why the middle class in the first place? And I think it's a fairly honest question to ask.

From where I sit, I think the reason for our social and political stability in no small part has been because we have had a strong, aspiring, and growing middle class. I think it accounts for much of our stability over the last 100 years. Americans are more connected when they share economic circumstances, when we know that the other man or woman is facing the same struggles and has the same opportunities for success as we do.

And I think a strong middle class breeds opportunity. We're starting to see more of that, proof of that, in studies, that opportunity in communities that allow for people to move up the economic ladder are the ones with the largest economic prosperity. And look, you know, when the middle class does well, everybody does very, very well. The wealthy do very well and the poor have some light, a chance. They look at it like maybe me, there may be a way.

But today, you know, there's a lot of sort of cynicism out there. And when the middle class does well, American companies that rely on tens of millions of customers to be able to buy their products, they do very well. It feeds a virtuous cycle. And I know you all know this, but since this is being taped I want to make sure every who doesn't see it, understands it. You've forgotten more about this subject than many of us know. But, you know, it is a self-fulfilling prophecy, if jobs increase, everything gets better and everyone wins.

But if we have a weak middle class, we become a fractured country. I want to take you through the historical analysis that's been over the last two years by a number of brilliant folks, including some of you in this room, to demonstrate how democracies die, how things change in a fundamental way when opportunity seems to no longer be within reach. When opportunity fades, people feel left out. They either drop out or they fight for radical changes, and that's what we're starting to see now, a younger generation that's questioning the very essence of our capitalist system. And it's the lack of hope, the lack of opportunity that's driving so much of what's happening today.

America is all about possibilities. I've spent more time with Xi Jinping than any world leader. I've had 25 hours of private dinners with him, just he and I and an interpreter, because his predecessor and my boss felt we should get to know one another. So I traveled 17,000 miles with him in China and 7,000 miles here. And here's a bright guy and he is not unafraid to ask questions, some of the most revealing questions that I have ever had a world leader ask me.

But we were in Chengdu, a town that was, I think, only 6-, 7-, 8 million people, now 22 million people on the Tibetan plateau. And he turned to me in the middle of dinner -- and this is literal, not figurative -- he turned to me and he said can you define America for me? I said yes, I can, in one word, "possibilities." Possibilities. That's why we're viewed by so many of you who are studying here from other countries as the ugly Americans. We've always thought anything is possible. Anything is possible. That's the way you were all raised, anything is possible in America.

And that seems to me the one defining feature that separates us from almost every other country. Every generation believed that there's something better waiting for their kids in the next generation. But when people start to think that their kids aren't going to do as well, things began to erode.

You realize 54 percent of the American people no longer think a college education is worth it? Did you ever think you'd live to see that, no matter how young you are? We're in a situation where you have a majority of people don't view themselves as being the middle class. People stopped believing in the American dream, they stopped believing in the impossible, the nature of this country, in my -- I can't prove this from economic terms, but I believe with every fiber in my being it changes the nature of who we are.

When that dream lives, anything is possible, whether it means digging out of tough times or getting stronger in good times. But it's all built on the premise that our kids are going to do better than we were going to do, than we're doing.

And, you know, a lot of this hope and optimism was based on a basic bargain that Democrats and Republicans subscribe to, at least since the New Deal. And that was if you were part of an enterprise, you contributed to that enterprise, that was successful, you got to share in the profits. You got to share in the success. But that is not true anymore. Factually, that is not true anymore. The bargain has been broken.

A lot of you have argued it's been broken for different reasons, and you're all right in my view, probably. The reason I say that is there's many reasons why it's been broken. It's not merely globalization, digitalization, artificial intelligence. It's a secured tax code, it's the whole range of other things that are out there, decisions we made or failed to make as the world economy is changing because we are going through a fourth Industrial Revolution.

Like every single revolution we've gone through economically from back in the days of the Luddites roaming the Midlands of England smashing the machinery, it's upset the social structure. And it's taken somewhere between a decade to five decades for governments to catch up. The gap between productivity and income has never been greater. Workers are delivering more and they're getting a lot less. I won't give you the statistics, which are in my speech, but you know the numbers. Productivity matched wage increases up until about '75 or '76. Then it all began to shift. There's no correlation now between productivity and wages.

Folks in the middle class are in trouble. It's not just their perception. They are in trouble. Now it's all about taking care of the folks at the top.

By the way, do any of you remember the day we decided that the only people who were job creators were stockholders? Raise your hand. When the hell did that happen? No, and I'm being deadly earnest. I'm being deadly earnest.

I have a cartoon by Mike Melnick has seen it in my office. It's a guy dressed in -- it's a bandit dressed in a black turtleneck sweater, a big rotund guy. It was in *The New Yorker*, you may have seen it. And he has black beret on and black mask and he's being interrogated and there's a great, big bag of money on the table. He looks at the interrogator and says, "How was I supposed to know he was a job creator?" (Laughter)

But I'm being serious. When did this all change? It's been subtle, but it's changed.

So I won't give you the statistics, you know them. Over the last five years -- actually, that's longer, since 2012, the stock buybacks of companies, tell me the increased productivity that's come from that. Tell me. Show me some data. It's all about taking care of the shareholder.

And they're good folks, man. Couldn't do it without a shareholder. Couldn't do it without them investing. But very little has gone into the pocket of workers and even less into investment in things like research, development, and worker training.

When I was doing the Recovery Act for the President, I kept wondering here we're spending all this time and money trying to figure out how to invest in research and development, and it dawned on me, why the hell aren't companies doing any of it? Well, there are some reasons why they're not doing it. There's no product to be sold. No customer for a while. But when you look at it a little further you think what in the hell's going on?

Look, while it can be argued that in a macroeconomic level globalization, automation, and technological changes, Moore's Law, they've all been successful, but it's left a lot of people behind. A lot of people are fearing the future now. A lot of people are uncertain about whether they can maintain their quality of life.

My staff told me not to do this, but I'll give you an anecdote. (Laughter) I was home -- this is in case anybody's watching this on television because you all understand it, but it's hard to translate sometimes. I was home with a guy I grew up with in Claymont, Delaware, a little steel town. We went to the same Catholic grade school together and he went on to the public school and I went on to a Catholic high school. And he didn't go to college and he's a good guy and I haven't seen him anyway for a while.

And I saw him at Christmastime. He walked up to me and he goes, Joey. He grabs my cheek and the Secret Service nearly shot him. (Laughter) But he said -- I said, Ritchie, what you doing? He was an independent trucker. I said you still driving? He said, no, Joey, only guys like you that never worked in your life can continue to work. (Laughter) And he laughed and he said, no, I retired, Joey.

I said how's your son doing? He's a trucker, too. He said he's doing okay now, Joey, but he knows he's in trouble. He knows he's in trouble. I said how's that? Can I help? Can I help? He looks at me and he says, no, Joey. There's going to be no truck drivers in five years over the road.

Whether your predictions are true about automation and self-driving trucks, these folks aren't stupid. They listen, they understand, and they're scared to death. They're scared to death. This is a man who busted his rear end for a long, long time. But I really mean it, it breaks my heart. And he's worried, can I keep it? Can I take care of the grandkids?

Folks, look, take that guy working on the assembly line making 51 grand. We don't talk about him anymore, by the way, if you notice politically. Not you, we in politics don't.

And his wife is a hostess at a nice restaurant, she's making 28. So they're making almost 80 grand and they've got 2 or 3 kids, and they can't make it if they live in Washington or New York or San Francisco.

I don't have to ask any woman in here who has children how much do you pay for daycare in this town for two kids? Twenty-two thousand dollars a year. When's the last time -- raise your hand if you have any kids or grandkids in college. I'll tell you what, I had a good salary. They paid me a lot of money as a -- in relative terms where I come from as a U.S. senator. I had three successful children. They went to great schools. They worked 30 hours a week, both boys did. One went to Georgetown, then to Yale Law School. The other went to Penn, then Syracuse Law School out of loyalty. (Laughter) And my daughter went to Tulane and then graduate school at Penn and graduated with honors.

By borrowing everything I possibly could with the value of my house going up, them working 30 hours a week during school -- one parking cars with Georgetown Valet, the other one working at an electric company in Philadelphia -- they graduated $141,000 in debt, $121,000 in debt, and $103,000 in debt. They're paying it off, they paid it off. Do you wonder why people say, 54 percent of American people think college is not worth it for their kids?

Go back to the state university you graduated from, figure how you'd make it. Does anybody talk about these people anymore? Did you hear any of it in the last campaign?

Folks, when you got two kids, a mortgage payment, a car payment, basically no retirement savings, you can't make it. The problem isn't just that -- it's not just salary, as I said. It's the soaring cost of education, it's the cost of childcare, it's mortgages, it's empty retirement accounts, and no pension for a significant number of them. And they fear they're going to have to look to their kids. Instead of helping their kids, look to their kids for help.

You know, Ben and the economists who work with me, I think I drive them crazy when I say, you know, the middle class is not a number. You guys and women can give me a number. Is it $51,215 or $52,000? It's a value set. It's a value set. It's about being able to own your home and not have to rent it. It's about being able to send your kid to a park and you know they're going to come home safely. It's about being able to send your kid to a school, a public school, that if they do well enough they can go on after high school. And if they qualify to go on after high school you can figure out how to pay for it. IN the meantime, you can take care of your geriatric mom after your dad passed away and you hope your kids will never have to take care of you.

That's not a Joe Bidenism. That's a reality. That's the people I grew up with. That's what people thought for the last three generations. But now it's looking further and further down the road. I don't know anyone of the guys that I grew up with who worked at General Motors who aspired to be a renter. I don't know any.

But look, it's not just paying the bills that worries these folks. My dad used to have an expression. My dad, we moved from Scranton, Pennsylvania. My dad, if you listen to Barack you'd think I climbed out of a coal mine with a lunch bucket, you know, from Scranton, in my hand. (Laughter) But it's not true.

My dad was a white collar worker, a salesperson, who when coal died, everything died in Scranton and there was nobody to sell anything to. And so we moved down to a place that was more prosperous, Southeastern Pennsylvania and Northern Delaware. And after that, every time anyone in our neighborhood would lose a job when there was a recession or get a setback, my dad used to say, Joey -- and he'd say it to all the kids -- remember, a job is about a lot more than a paycheck. A job's about your dignity. It's about your place in the community. It's about being able to look your kid in the eye and say, honey, it's going to be okay. That's what a job is about.

I was asked to keynote, some of you may have been there, last August -- I'm not sure it was August; in the fall -- the Zeit Fest. What's it called, the Zeit Fest that Google has in Arizona? And they had a great idea. They're socially conscious. They're talking about a guaranteed annual wage because of what's going to happen as a consequence of this fourth Industrial Revolution.

And I was the bastard of the family picnic and I said that's not going to work. It may be necessary to help people through, but think about it. What do you value most? You value being looked at by other people in society as being worthy. It really matters.

Far too many people today can't look at their kids in the eye and say, honey, I know it's going to be okay. And these aren't all poor folk.

So here's what we have to change in my view. I think there are answers. One, the first thing I think we have to do is we have to deal with income inequity. I love Bernie, but I'm not Bernie Sanders. I don't think 500 billionaires are the reason why we're in trouble. I hope my grandkids grow up to be -- don't listen to their parents, who all decided to do something, run the World Food Program, run the -- another will be attorney general, another one run a social organization for at-risk youth, you know. They got all this education and, you know, I should have had a Republican kid. (Laughter) So when they put in the home I'd have a window with a view, you know what I mean? (Laughter) But now there's going to be no view.

But all kidding aside, we have not seen this huge concentration of wealth. And the folks at the top aren't bad guys. I get in trouble in my party when I say wealthy Americans are just as patriotic as poor folks. I found no distinction. I really haven't. But this gap is yawning, it's gaping, and it's having the effect of pulling us apart. You see the politics of it.

And the country's not going to stand for it forever, so we have to deal with the tax code. It's wildly skewed toward taking care of those at the very top. It favors, overwhelmingly favors, investors over workers and it's riddled with unproductive expenditures.

My economics teacher at the University of Delaware taught me the reason for a tax expenditure is to promote a social good, generate people taking risk, increased productivity. Raise your hand if you think that 1 trillion 300 billion-plus dollars in tax expenditure whether even half of it meets that -- well, two-thirds of it meets that criteria.

As I say where I come from, get a life. Look what's happened with the latest tax cut. Once again those at the very top get the biggest breaks and what do we have to show for it? Even our Republican friends are now beginning to admit there's no evidence these tax cuts are being put to work in the economy. No new growth, just more debt. And that puts middle class programs that they rely on and they've worked for at real risk.

Paul Ryan was correct when he did the tax code. What's the first thing he decided we had to go after? Social Security and Medicare. Now, we need to do something about Social Security and Medicare. That's the only way you can find room to pay for it.

Now, I don't know a whole lot of people in the top one-tenth of 1 percent or the top 1 percent who are relying on Social Security when they retire. I don't know a lot of them. Maybe you guys do. So we need a pro-growth, progressive tax code that treats workers as job creators, as well, not just investors; that gets rid of unprotective loopholes like stepped-up basis; and it raises enough revenue to make sure that the Social Security and Medicare can stay, it still needs adjustments, but can stay; and pay for the things we all acknowledge will grow the country.

Second, we've got to educate our people. My wife who's teaching as I speak, she has her doctorate, two masters degrees and a doctorate, she teaches at a community college full time. She continues to teach 15 credits just like she did all through being Second Lady. She has an expression, she says any country that out-educates us will out-compete us.

That's why in 2014 when the President used -- the thing the President loved most about State of the Union Addresses was to be able to turn and say, "And Joe is going to." (Laughter) You know, I think I'm kidding. He never would tell me what he was going to tell me to do. He thought that was really funny. (Laughter) But you remember in 2014 he said, Joe's going to do a year-long study on jobs in the future.

So I traveled the country meeting with major CEOs. Between Penny Pritzker and I we interviewed over 340 CEOs in the top 500 corporations. We met with all kinds of businesspeople. And the overwhelming message we received from the business community is the same one you've received: we need a better educated workforce. Surprise, surprise, surprise.

We found that by the end of this decade 6 in 10 jobs are going to need some training, some education beyond high school or you're not going to make it. Digitalization, automation, artificial intelligence, Moore's Law, these changes are coming so fast you can't commit yourself to anything other than lifelong learning.

I just did Harvard's commencement and I pointed out if you graduated with a Ph.D. in astrophysics, if you don't go back for education you're obsolete in 10 years. You will be obsolete in 10 years. That's not hyperbole, that's a fact.

Quite simply, 12 years of education is longer sufficient. Do any one of your think that if we were starting from scratch like we did back at the turn of the 20th century and being the first major nation in the world to have universal non-means tested 12 years of education we'd have stopped at 12 years if we were doing it today? Raise your hand if anybody thinks 12 years is enough in the 21st century. We know it's not. So we need widespread access to affordable education.

College, community college, they should be free in my view. There goes that big-spending Biden again, man. We can put every single solitary kid who qualifies -- kid, person; my wife's average age of her students is 29 -- we could put every single qualified student in community college, in college, raising the number from 6- to 9 million, increasing the

GDP by two-tenths of 1 percent per year, and we can do it for $6 billion. Well, how in god's name are we going to pay for that?

If I eliminated stepped-up basis, just that, out of a trillion 300+ billion in tax loopholes, tax expenditures, that's only $17 billion. Seventeen billion dollars. No evidence that it produces any growth initiatives. It's not inheritance tax.

I didn't know what stepped-up basis was because you may remember when I filed my financial disclosure as Vice President the front page of the Washington Post said it's probable no man has ever assumed the office of Vice President with fewer assets than Joe Biden. (Laughter) My net worth was between 50- and $155,000, and when I left after 44 years it was still between 50- and $155,000 because I said I'd never own a stock or a bond for fear of conflict. I would never engage in a business enterprise even those that were legal and appropriate, and I would never accept an honorarium. And so I got the dubious distinction. But I also had absolutely independence my whole career.

But here's the point. You all know what stepped-up basis is. Well, you know, you go out and make a profit, you're about to go and pay capital gains, you're heading to your broker to sell it -- you don't it, now you do it online -- you're hit by a truck, it gets left to your son or daughter. The capital gains you were going to pay six minutes earlier no longer has to be paid. No evidence that that generates greater growth. It's not an inheritance tax. It was due 10 minutes earlier. If you can eliminate that, you can put every single kid in community college for free, cutting in half -- cutting in half -- the cost of a four-year education; increasing productivity. What the hell are we doing?

I believe every state university should be free. We can afford it. It's closer to 40 billion, but we can afford it out of that 1 trillion 300 and I think it's 48 billion.

Look, we need to make lifelong learning commonplace. From the Ph.D. to the factory worker, education is part of every worker's livelihood and it's necessary as the world continues to change so rapidly. Did you guys stop learning, those of you with Ph.D.'s in here, your doctorate? You're living examples of the power of continuing to learn, continuing to work, continuing to learn more.

The third thing we've got to do is we have to empower workers. Workers have no leverage anymore. And again, this wasn't a plot. This isn't a right wing plot to go on -- although the Chamber of Commerce did declare war on labor's house a while ago and labor has its own problems, organized labor. Labor has to deal with some changes, as well. But just take a look how the deck has been stacked, and I didn't even realize this until a couple years go.

Look at the studies. You used to think that wage stagnation was only driven by globalization and automation, and it is in part driven by that. But now there's a lack of competition and that matters, too, bargaining power for workers. All the power is with the employers and the companies, and they're squeezing the life out of workers because workers have no bargaining power. So we need a more competitive labor market that protects workers, as well.

You know, 40 percent of all the workers in the United States will during their careers have to sign a non-compete clause. Sandwich makers, not a joke. Not a joke. Sandwich makers.

One example, a guy driving the old truck who fills up on the construction site for highway crews in Texas, you sign a non-compete in order to be able to do that. In order to go to another company you've got to travel at least 345 miles to be able to qualify to compete for another job.

Twenty-five percent of workers it's a violation of their work contract if they discuss with a co-worker what they make. Twenty-five percent of all workers, if they discuss with a co-worker what they make. There were 4 million workers who because of false classification making them managers, hourly wages, it cost them $1.2 trillion in lost wages every year. Did I say trillion? Billion dollars.

Now, guys, tell me, give me an economic reason why a sandwich maker has to sign a non-compete clause. Tell me, other than drive down and keep down wages, you are not allowed to tell the man or woman you work next to what you make without violating the contract. I call it greed. Give me an economic justification for that.

We need to get rid of these abusive non-compete clauses. Let workers know what their fellow employees are being paid. Provide fair pay for people who work overtime. What economic rationale is there for any of those three things?

And you all remain silent. The country remains silent. And you wonder why people think the place is rigged.

We've got to rebuild this nation's infrastructure. You know, there have been 45 speeches in the last year on this platform about that. The infrastructure's falling apart. We're ranked 29th in the world on transportation infrastructure, the United States of America.

Some of you may remember I got in trouble as the Vice President when I landed in LaGuardia and I said this is a Third World airport. (Laughter) There were actual signs saying an escalator, it was in March, I think, said it'll be fixed by the first of the year. The United States of America. The United States of America in the best city in the world, it'll be fixed by the end of the year.

Well, I got in a lot of trouble when I compared it to -- I said if you were asleep and you woke up in a Beijing airport and you work up LaGuardia and asked which one's the Third World airport, everybody knew it. So two weeks later, I had to land in LaGuardia to do an event for the day. (Laughter) I landed and the Air Force Two pilots were joking with me. They said, Mr. Vice President, is it safe to land? I said I can't guarantee it, but you don't have any of those little rockets hidden anywhere in here, do you? Joking.

And so I went and did my event and I came back. And a lot of you have been on Air Force One and Two, and -- well, some of you. (Laughter) Because you've been involved in other administrations. And so I get out of the limo, they pull up, and there's six people standing by the gangway like this. But they all had brown suits on with the fluorescent orange belt around them. Turns out it is the guys, the union women and men, who run the airport.

And I walked up and I figured up, okay, here we go. And the first thing, a guy introduced himself. He said my name's Charlie Smith. He said I just came to say thanks, and he grabbed my hand and he hugged me. He said you're dead right.

What happened? Cuomo, first the mayor got upset, but then he thought, no, this is -- I think we do need to do something. Then the governor, then the state legislature, then they invested $6 billion in the six airports and they're actually modernizing the airports now.

How the hell do we compete, guys? If I can get your product out of a port in Hong Kong three times faster than I can out of Los Angeles, where the hell are you going to go build your factory? Does anybody know anywhere in America where there's investments being made that you don't want to know where the railhead is, where the highway is, how you get access, what the water availability it, et cetera?

Look, we need roads, we need waterways, we need ports to move our products. We need highways and transit to get workers to and from work. We need lightning-fast broadband to communicate. It's not a luxury. It's an absolutely necessity to compete with the rest of the world. We need a massive investment in infrastructure: roads, bridges, airports, broadband. We've been lagging for too many years now, and we can afford it. Again, if you decided to leave -- well, I won't go into the tax code again.

Fifth, I think we've got to get every part of this nation into the game. I spoke out at the Kellogg School about a month ago I guess it was or two months ago, and pointed out that innovation and entrepreneurship are the heart of the American economy, which everybody knows. It's always been that way and it's how we got to the top and why we've been able to stay at the top for so long.

But so many Americans are being left out. Seventy-five percent of all venture capital goes to four cities in the United States of America. Seventy-five percent of all venture capital goes to four cities in the United States of America. Think of the great ideas that never get funded because entrepreneurs live in the wrong city. You can't have ZIP Codes determining the future of the nation in my view. So we need policies that get investment capital to every state in the nation.

During the recession, President Obama and I added parts to the Recovery Act that got small business funding to innovators in forgotten towns and communities and counties. And we need to make that permanent. One idea is the Race to the Top, it gives federal dollars to states that are willing to make their economies friendly to investors.

Folks, I've thought about what's happened to the middle class in America and why so much frustration has grown and why so many Americans have felt left out, why so many Americans feel displaced, and why there's been such a fertile ground for this phony populism that we are living through now. And it is a phony populism as my friend John McCain would say. It's all about making room for the abuse of power. It's being able to point out that the reason you have a problem is the other. The other's the reason you're not doing well. It's a tactic that can be used by every -- well, we won't characterize it -- (Laughter) -- throughout the last century.

But look, I see a greater and greater concentration of wealth. You guys write about it, you women write about it. And more and more tax benefits going to fewer and fewer people. The rise of monopolies weaken labor. One obstacle after another thrown in labor's way. Too much money -- too much money -- being spent in this country on our political system.

What do you think? Do you think any middle class guy out there thinks if I have a PAC and unlimited, that anybody can put anything in there for me, a super PAC, do you think I really have their interest? What do you think?

When I was thinking of running before I had $44 million committed to me, another 22 if I had run. And with Mike Donlan here we decided we couldn't possibly accept it. Not because they were bad people offering the money, but I'm out there talking about the middle class and I got four people contributing over $50 million to my campaign. What do you think, guys? What do you think?

Ask yourself, why are we still giving hedge fund billionaires tax breaks, but we can't find any money to give tax breaks for child care? Why do you think? Even though the studies show if you gave up to $6,000 in child care tax cuts we'd get about I think it's 700,000 more women back in the labor market, increasing productivity. Why do you think we can't do that? Huh?

Why is a sandwich maker being forced to sign a non-compete clause? How does that happen? Why are low-wage workers reclassified as managers? What possible reason is there where any employee can't tell another employee what they make? Is there any other reason than to depress wages?

And while we're at it, as I said, how do we wake up on day and stop looking at people like my dad who ran an automobile dealership, didn't own it, as a job creator? He sold a hell of a lot of cars, put a lot of people to work. Since when he didn't create jobs and the millions of people like him?

I applaud investors, but do I think they are greater job creators than anyone else who works in that company? No, I don't. How did we get from $800 billion in tax expenditures in the last year of Ronald Reagan to over $1.3 trillion today? As my mother would say, who died and left you boss? How did that happen? What's the rationale behind that? Show me the benefit.

They still argue that protecting things like stepped-up basis makes more sense than putting 3 million more kids in community college. Does anyone believe in this room that there isn't significant room for savings in tax expenditures to pay for healthcare, for education, and rebuilding the nation?

Look at the fundamental choices. Unproductive tax expenditures versus policies that make the middle class better off, what choice are we going to make? Well, I think in large part because of the Supreme Court decision on funding, we know what choice is being made.

And folks, one more thing. How did we get to the place where the people who repair our bridges and our roofs and keep the sewers open in the middle of storms and keep our city water system working, have the traffic lights function, teach our kids, take care of the sick, how did we get to the place where they don't feel respected anymore? What happened there?

You know, you don't need this, but I recommend it if you haven't read it, I recommend it. And I took the first nine pages and I had my staff put it on -- type it out for me and I sent it to my sister to say what do you think, because she runs this foundation for me, implying that I wrote it. She said it sounded just like you. Well, the only part in the beginning sounded just like me. It's not class consciousness. It's class cluelessness. Class cluelessness. And it's understandable.

What's the value we value now and we should? It's been a great equalizer: cognitive capability. Cognitive capability. So we have more egalitarian -- I can tell you, I'll bet you I could pick what -- I never lived in Washington other than as Vice President. But I can tell you where every young Rhodes Scholar and Marshall Scholar works and I can tell you what neighborhood they live in. They're black, they're white, they're gay, they're straight, they're Asian. It's completely merit-based. But no one's talking about home. No one's talking about the neighborhoods they grew up in. I mean it sincerely.

I'll end with another anecdote. My wife is chairman of Save the Children USA. And she was going down to Puerto Rico to thank her workers, their workers, for the efforts being made over the last year. And I had to go down -- didn't have to, I was going down to Florida for a different reason. I was going down to campaign for some Democrats and to make a speech at the University of Miami. And I was asked by a friend would I go to St. Croix because there's been -- a lot of damage has been done in terms of mostly the power lines coming down, the electricity, the poles down. And I said sure I would.

So I flew for a day and we're going through the island. And if you know St. Croix, it was industrialized. It had a big oil refinery there that's now shut down, but it's the least touristy island of the Virgins. And we're on the east end of the island, pulled into a gas station that had sort of a mom-and-pop grocery store attached to it, like a 1960s 7-Eleven or something. And they're putting up -- you see all the trucks from all over the country being lent to put the poles back up.

And so I get out of the car, get the gas, went in to pay, and I walk out and I walk over to the guy up in the bucket. And there's seven guys around him, all with hard hats on. I yelled up, I said, hey, man. I said, thanks. I was being serious. I said, thanks. Thanks for what you're doing. You're keeping the lights on in the hospital, you're helping a lot of people. And I will not exactly quote what he said, but he looked and said, hey, man, you screwing with me? (Laughter)

Try it, by the way. You think I'm kidding. Next time you see a sanitation worker thank him and watch the look on his face. Watch the look on his or her face.

And I said, no, man. And he lowers the bucket. He said, you kidding, man? I said, no. He said, no one's ever thanked me before. Thank you, man. Thank you, man. Thank you.

Not a joke. If I walked by the sanitation worker and said hello to the CEO my father would kick my butt. You're supposed to say hello to both of them. But not a joke. These people don't think we care a whole lot about them. And you can't function if they can't keep these sewers open. You can't function if you don't have someone programming the lights, the traffic lights.

So, folks, look, one more thing. How did we get to a place where people who, like the people allow us to every single day have all the amenities we have, sort of become, you know, something else out there? I think if we make the right decisions I believe we'll not only revitalize the middle class, but we'll build a much more inclusive middle class. It has to be more inclusive and bring everyone along: women, black men, Hispanics. There's room to do this. It's not rocket science. It's not rocket science. It's a commitment of the head and heart to be able to get this done. It's totally within our capacity to do these things.

You know, I'll conclude by saying notwithstanding my frustration, I am more -- you know, every time you'd read about me when I was Vice President with the President and I'd be -- they'd refer to Biden as the White House optimist, like I was and my Grandfather Finnegan would say, like I fell off the turnip truck yesterday. I'd been there longer than all of them.

I'm optimistic because I know the American people. I know the journey of this country. Never, ever, ever given a shot have the American people ever let the country down. Never, never, never. Ordinary people. Ordinary people do extraordinary things.

And we've become awful elitist. We don't think ordinary people can do things like programming, code. It's not rocket science, guys.

We did it up in Michigan when Detroit found out they didn't have -- and all the exodus. They didn't have people when the city got back on its feet who could literally turn on the streetlights, run the water system. So we went and we hired some folks to go in to the neighborhoods. They picked 58 women it turns out from the 'hood for a 17-week program, if my memory serves me correctly, to learn how to code. Not one had more than a high school degree, a third only had GEDs. At the end of the training every one of them had a job, the average salary was over $50,000 a year. They learned to code. It's not a secret. Not joking. The same guy who can throw coal into a blast furnace can learn how to run a photovoltaic machine on the floor of a factory.

So, guys, anything is still possible. We are better positioned than any nation in the world. We have more great research universities in this country than every other country in the world combined. Eisenhower was pretty damn smart. That's the reason for all the initiative that's coming out of this country. Name me some life-changing, altering product that's been found in another country that has China stamped on it or any other country stamped on it.

We have a constant, constant source of employment because of immigration policies. We find ourselves in a position where our workers are three times as productive as workers in China and in Asia. We have the most agile venture capitalists in the world. This is America, man. It sounds corny, but we've got to pick up our heads and look at who the hell we are, begin to walk again for god's sake, instead of walking around like woe is me.

I've met every single major world leader in the last 44 years. It's just the nature of my job. I don't know a single one who wouldn't trade places with America's problems in a heartbeat. So what the hell are we doing except counting on all of you to wake us all up? More than you ever asked for, but that's how I feel about it.

Thank you. (Applause)

MR. REEVES: Thank you, ladies and gentlemen. If you could just remain in your seats for a couple of moments while the Vice President exits the building.

And in what I'll now call the Biden spirit, I would like to thank not only our panelists and obviously our speaker and our president, but I'd also like to thank all the AV staff who've helped put this event together; the catering staff that provided the food for us; our own facility staff who have kept us comfortable and safe through this event, as well as the event staff; and, under the leadership of Robert Moss, our own security staff who have worked very hard to make today possible. So all the people we perhaps don't instinctively thank, I am now doing so. Perhaps I wouldn't have done it if the Vice President hadn't given me that inspiration, but I mean it nonetheless. We don't do it often enough.

Thank you to all of you who came physically. Thank you to those who are still watching online. Please continue to stay with us. The Future of the Middle Class Initiative is live as of today. We'll continue to Tweet using that hashtag. And we've opened an email address, EconomicStudies@brookings.edu, where you can email us your ideas about the middle class, your responses to today's events, your definition of the middle class. Did you agree with Janet? Did you agree with Camille, et cetera? You don't have to be that personal if you don't like.

But anyway, please continue to feed into our work as we go forward. Check out Camille's work on race, prosperity, and inclusion.

And again, thank you very much for coming. You have one minute. Do you want me to hold them? Okay, fine. If you can just remain in your seats for just another moment, I've been asked to say that. But thank you all again for coming.

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

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