Budget Committee Ranking Member Bernard Sanders Preview of the Congressional Budget Office Budget and Economic Report: Rebuilding the Disappearing Middle Class

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Report by Senator Bernie Sanders, Ranking Member on Budget Committee

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"We Must Rebuild the Disappearing Middle Class"

Introduction

The Congressional Budget Office's report on the budget and economic outlook, to be released Monday, is an important document that will help guide the Senate Budget Committee and others during the course of the year. However, this report only tells part of the story of our economy. It will give us valuable information about projections regarding GDP, the federal deficit, the national debt, unemployment levels, and revenue.

It will not, however, tell us about the suffering of tens of millions of Americans who are part of the disappearing middle class, and who worry about the kind of economy we will be leaving their kids.

The good news is that during the last reported quarter we saw very strong economic growth of 5.0 percent, and last month the economy created another 252,000 jobs. Further, the federal deficit has been reduced by more than two-thirds since 2008, and federal deficits over the next decade are estimated to be about $4.7 trillion lower compared to what the Congressional Budget Office projected in 2010. That's more than what the Simpson-Bowles fiscal commission called for just four years ago. All of that is very impressive, but it doesn't tell the full story of what is happening in our economy and what is happening to the lives of tens of millions of working families.

While we must continue to focus on the federal deficit, we must also be aware that there are other deficits in our society that have been causing horrendous pain for the vast majority of the American people. These are deficits in jobs, deficits in infrastructure, deficits in income, deficits in equality, deficits in retirement security, deficits in education, and deficits in trade. These deficits must be immediately addressed by the Budget Committee.

The federal budget is a reflection of our national priorities.

At a time when this country has an obscene level of income and wealth inequality, we need a budget that ends the outrageous loopholes that exist and asks the wealthiest people and largest corporations to start paying their fair share of taxes.

At a time when real unemployment remains much too high, we need a budget that creates millions of decent paying jobs.

At a time when our infrastructure is collapsing, we need a budget that rebuilds our crumbling roads, bridges, dams, levees, water systems, waste water plants, airports, and rail systems.

At a time when real median family income has declined by nearly $5,000 since 1999, and millions of Americans are working longer hours for lower wages, we need a budget that substantially increases wages for low and middle-income workers.

At a time when the United States is engaged in an extremely competitive global economy, we need the best educated workforce in the world and a budget that makes certain that every American can get a higher education without incurring debt.

At a time when we have the highest rate of childhood poverty in the industrialized world and when millions of seniors and disabled people are struggling to put food on the table, we need to strengthen Social Security and the safety net – not cut programs for the most vulnerable people in our country.

At a time when our trade deficit is much too high, we need a budget that demands that corporate America creates jobs in this country, and not in China and other low-wage countries.

In this report, I've laid out some of the major priorities on which the Budget Committee must focus.

1.The Jobs Deficit. While the economy is doing much better than six years ago, unemployment remains much too high. Real unemployment is not the widely-reported 5.6 percent. Counting those who are underemployed and those who have given up looking for work, real unemployment is 11.2 percent. Even more disturbingly, youth unemployment is close to 17 percent and African-American youth unemployment is over 30 percent.

Even if we were to average as many new jobs per month as we did in 2014 – the best such figure since 1999 – the labor market will not have recovered to 2007 levels until August 2017.

If we are truly serious about addressing the 40-year decline of the American middle class, we need a major federal jobs program. There are a number of approaches which can be taken, but the fastest way to create jobs is to rebuild our crumbling roads, bridges, airports, railways, and water systems and to substantially reduce the infrastructure deficit.

2. The Infrastructure Deficit. Our infrastructure is collapsing, and the American people know it. Every day, motorists across the United States drive over bridges that are in disrepair and on roads with unforgiving potholes. They take railroad and subway trains that arrive late and are overcrowded. They see airports bursting at the seams. They worry that a local levee could fail in a storm.

For many years we have underfunded the maintenance of our nation's physical infrastructure. That has to change. It is time to rebuild America. Investing $1 trillion over five years to modernize our country's physical infrastructure would create and maintain at least 13 million good-paying jobs that our economy desperately needs. We need to get this done.

For most of our history, the United States proudly led the world in building innovative infrastructure – from a network of canals, to the transcontinental railroad, to the interstate highway system. We launched an ambitious rural electrification program, massive flood control projects, and more.

These innovations grew our economy, gave our businesses a competitive advantage, provided our workers a decent standard of living, and were the envy of the world. Sadly, that is no longer the case. The World Economic Forum's Global Competitiveness Report for 2015 ranks our country's overall infrastructure just 12th in the world.

Almost one-third of our roads are in poor or mediocre condition, and more than 40 percent of urban highways are congested. One of nine bridges is structurally deficient, and nearly a quarter are functionally obsolete. Transit systems face major unfunded repairs, while 45 percent of American households lack access to any transit at all.

Our nation's rail network is largely antiquated, even though our energy-efficient railroads move more freight than ever and Amtrak's ridership has never been higher. Our crowded airports still rely on 1960s radar technology.

More than 4,000 of our dams are "deficient" and nearly nine percent of our levees are likely to fail during a major flood. Many drinking water systems are nearing the end of their useful lives, and wastewater treatment plants often fail during heavy rains. We rank 16th in the world in terms of broadband Internet access, which has serious implications for commerce, education, telemedicine, and public safety. We even underfund the parks that preserve our nation's heritage and natural wonders for future generations.

The United States now spends just 2.4 percent of GDP on infrastructure, less than at any point in the last 20 years. Europe spends twice that amount, and China spends close to four times our rate. We are falling further and further behind, and the longer we wait, the more it will cost us later.

To get our infrastructure to a state of good repair by 2020, the American Society of Civil Engineers says we must invest $1.6 trillion more than what we now spend. Deteriorating infrastructure does not magically get better by ignoring it. It is time to rebuild America.

3. The Income Deficit. Millions of workers are working longer hours for lower wages. Since 1999, median family income has gone down by nearly $5,000, after adjusting for inflation. In fact, Americans in their prime working years, ages 25 through 50, are making less today than they did in the 1960s.

Most of the jobs that are being created today pay less than most of the jobs that were lost during the financial crisis. While those with limited educational attainment have faced the most serious loss in pay – real median earnings for male high school graduates plummeted by almost 50 percent from 1969 through 2009 – workers in every category of educational attainment have seen their real wages decrease since the recession.

There are two major policies that can be immediately taken to increase the income of American workers. First, we must raise the minimum wage to a livable wage. In the year 2015, no one in America who works full time should be living in poverty.

Raising the minimum wage wouldn't just be good for low-wage workers and their families. It is good for our economy and for our budget. Raising the minimum wage to at least $10.10 would reduce government spending on Medicaid, public housing, nutrition assistance and other income-support programs by more than $7 billion a year. The taxpayers of this country should not have to subsidize the low wages that some of the largest employers in this country pay.

Second, we have got to expand overtime protections for millions of workers. Overtime protections are vital to helping middle class workers and our economy. Too many Americans are working longer and harder without anything in their paychecks to show for their efforts. These long hours are straining middle class workers and their families.

Since the 1960s, median earnings for individuals in their prime working years have dropped even while salaried workers have increased the hours they spend on the job. Strengthening overtime protections will help millions of middle class families.

Current regulations fail to protect the majority of the workforce. Today, the salary threshold that determines who is automatically eligible for overtime coverage is so low that earning as little as $455 a week ($23,660 a year) could result in being exempted from overtime pay. Only 11 percent of salaried workers earn less than the current overtime threshold, a drastic departure from the past when most workers earned overtime pay.

In 1975, 65 percent of American salaried workers were under the income threshold.

Raising the income threshold to at least $56,680 a year for overtime will make approximately 24 million salaried workers eligible for overtime pay. These are middle-class workers who have been working longer hours but without additional compensation. More money in the hands of working people would mean that those workers could then go out and make purchases that would help create more jobs

4. The Equality Deficit. The skyrocketing increase in income and wealth inequality is the great moral, economic, and political issue of our time. It must to be addressed by the Budget Committee.

The United States is the richest country on the face of the earth. Yet, there are almost as many Americans living in poverty today than at any time in our nation’s history, the middle class is disappearing and we have the most unequal distribution of wealth and income of any major country in the world.

Today, the top 0.1 percent own almost as much wealth as the bottom 90 percent, and one family owns more wealth than the bottom 40 percent of Americans. Since the Wall Street crash of 2008, 95 percent of all new income has gone to the top one percent.

Today, the richest 400 Americans own more than $2.3 trillion in wealth, more than the bottom 150 million Americans combined. Over the past decade, the net worth of the top 400 billionaires in this country has doubled – increasing by an astronomical $1 trillion. Meanwhile, nearly half of Americans have less than $10,000 in savings and have no idea how they will ever be able to retire with dignity.

The Wall Street Journal reported on January 7, 2015 that more than three out of five Americans don't have enough savings to cover a $500 emergency expense. In other words, one unforeseen car accident, one trip to the emergency room, one lost job could throw their lives into economic turmoil.

While the rapid rise in income and wealth inequality is morally repugnant, it also is causing tremendous damage to the economy. About 70 percent of the economy is dependent on Americans buying goods and services. Since 1999, however, the typical middle-class family has seen its income go down by nearly $5,000 after adjusting for inflation. That's $5,000 less to spend in restaurants, grocery stores, clothing shops, theatres, pharmacies and other businesses each and every year. When the middle class has less money to spend, businesses hire fewer workers, cut wages, eliminate pensions, and ship more jobs overseas.

While the middle class is collapsing and poverty is increasing, the wealthiest people in this country are doing phenomenally well. In 2013, the top 25 hedge fund managers made more than $24 billion, enough to pay the salaries of more than 425,000 public school teachers. We have got to reverse this trend and expand the middle class.

Among other things, it is time to make sure that the wealthiest Americans and most profitable corporations pay their fair share in taxes. Each and every year, millionaires, billionaires and profitable corporations are avoiding $100 billion in taxes by stashing their cash in the Cayman Islands and other offshore tax havens. Some of the largest, most profitable corporations in this country are not paying any federal income taxes. We cannot allow that to continue. Further, because of tax loopholes, multi-millionaires on Wall Street often pay a lower effective tax rate than teachers or police officers. This is absurd.

5. The Retirement Deficit. There is a retirement crisis in America today that has got to be addressed. Today, only one out of five workers in America has a traditional defined benefit that guarantees income in retirement. Nearly half of all Americans have less than $10,000 in savings.

The percentage of senior citizens living in poverty is going up. In 2011, the official senior poverty rate was 8.7 percent. Last year, the official senior poverty rate was 9.5 percent.

In addition, according to the Census Bureau's more comprehensive measure of poverty (which takes a closer look at the out-of-pocket medical costs of seniors), the poverty rate is even worse. According to this Supplemental Poverty Measure from the Census Bureau, the real senior poverty rate is closer to 14.6 percent. In other words, one out of seven seniors last year could not afford to meet their most basic needs.

At a time when the elderly poverty rate is going up and millions of Americans lack the necessary income to retire in dignity we must expand and strengthen Social Security. Social Security is the most successful social program in American history. It shouldn't be privatized, its benefits shouldn't be cut, and the retirement age shouldn't be raised.

Before Social Security was established 80 years ago, about half of our elderly population lived in poverty. Social Security also provides dignified support for millions of widows, widowers, orphans, and people with disabilities.

Since it was established, Social Security has paid every nickel it owed to every eligible American, in good times and bad. As corporations over the last 30 years destroyed the retirement dreams of millions of older workers by eliminating defined-benefit pension plans, Social Security was there paying full benefits. When Wall Street greed and recklessness caused working people to lose billions in retirement savings, Social Security was there paying full benefits. It is time to expand Social Security.

6. The Education Deficit. Today, too many Americans cannot go to college, not because they are unqualified, but because they cannot afford it. Millions of others who do graduate from college are drowning in debt. According to the Consumer Financial Protection Bureau, the total amount of outstanding student loan debt in the United States has tripled in the last ten years, and has now reached $1.2 trillion.

More graduates than ever before are being forced to take out student loans, and the loans are getting larger and larger. Average student debt for a graduate of a four-year college is now roughly $33,000. This level of student debt is causing enormous financial strain on families across the United States, and is likewise undermining the ability of our economy to recover.

The situation has become so dire that the Federal Reserve and the Department of the Treasury have both issued warnings that these high levels of student loan debt are driving down consumer demand, and are having a significant, negative impact on economic growth.

We must act, not just to help today's graduates who are suffering under high debt burdens, but for the millions of young people in this country who see a college degree as unattainable, for no reason other than the fact that their families cannot afford to pay.

7. Trade Deficit. Our trade deficit in fiscal year 2014 was $493 billion, which includes a $332 billion trade deficit with China. According to the Bureau of Labor Statistics, the cumulative trade deficit since the start of fiscal year 1995 is $8.7 trillion. That is a massive amount of wealth and demand transferred out of the United States. From less than 1.5 percent of GDP in 1996, the trade deficit had soared to 6.0 percent of GDP in 2006. Since then the trade deficit has declined, owing both to a weaker dollar and a declining demand for imports during the recession and recovery. At $493 billion in 2014 – larger than the budget deficit – the trade deficit still is a huge sum that is spent to generate demand abroad rather than here at home. In a weak labor force, a trade deficit that high represents millions of jobs lost.

Simply put, our trade policies have failed. Permanent Normal Trade Relations with China has led to the loss of more than 3.2 million American jobs. The North American Free Trade Agreement has led to the loss of nearly one million jobs. The Korea Free Trade Agreement has led to the loss of some 60,000 jobs.

We have got to fundamentally rewrite our trade rules so that American jobs are no longer our number one export. More balanced trade – importing less and exporting more – would generate needed demand in the U.S. economy.