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WHAT’S THE MATTER WITH WAGES?

EXPLORING WAGE STAGNATION AND THE AMERICAN WORKER

A HAMILTON PROJECT POLICY FORUM

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Welcome and Introductions:

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Fireside Chat: Wage Stangation: How did We Get Here:

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Opinion Columnist
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LAWRENCE MISHEL
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Presentation of Hamilton Project Research:

JAY SHAMBAUGH
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PARTICIPANTS (CONT'D):

Roundtable: Wage Stagnation: How Should We Address It?:

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P R O C E E D I N G S

SECRETARY RUBIN: -- system. Policy deliberations are driven largely by politics and by ideology, and our political system elected officials too often who are unwilling to engage in the principle of compromises that are necessary if our system is going to work, and to base decisions on fact and analysis.

In my view the future of our country, and then within that context, our ability to address the issues we are discussing today, depends on whether or not we reestablish a constructive functionality, effectiveness with respect to policy deliberations and with respect to the functioning of our government. And the mission of The Hamilton Project has, from the beginning, been to contribute, or to help contribute at least, to both of those purposes.

From our inception at The Hamilton Project we have felt that economic policy should have two objectives, economic growth, and broad-based participation. The benefits of that growth, broad-based economic wellbeing, and very, very importantly, we believe those two are interdependent, that we will not have growth unless we have broad-based participation as benefits, and we will not have widely-shared and wide-spread economic wellbeing unless we have growth.

If you look forward, it seems to me highly likely that technological development, its broad application is going to continue and accelerate, and that that factor plus globalization provide real opportunity for enhanced productivity, for enhanced growth, and for improving the economic wellbeing of all Americans.

But these forces of change, as we all know, along with changes in labor market institutions, particularly the enormous decline in collective bargaining, and also possibly changes in the dynamism of our economy, although I think that's a more complicated question, (inaudible) to suggest any of them.

These conditions all are creating pressure on wages and jobs, and again, as all of us know, if you look over the last several decades, for most of that time, there's been sluggish wage growth, or stagnation.

If we are going to put in place a policy agenda, that addresses growth, and addresses wage stagnation or sluggishness effectively, it's got to start with a clear understanding of the facts over the last several decades, and a clear understanding of the causes of the conditions that we've experienced.

The first segment of our program, The Fireside Chat, will explore exactly those subjects; the facts over the last several decades and the reasons for the economic -- for the incredible wage stagnation and sluggishness that we've experienced. There is no question that the distributional failures are clear, my own view as to causation, is that it's a combination of the factors I've just mentioned, technological development, globalization, and the decline of labor unions, on the one hand; and also the abject failure of our political system to put in place and effective inclusive growth agenda.

Anyway, and after the Fireside Chat, then Jay Shambaugh, formerly a Member of the CEA under President Obama, and now the new Director of The Hamilton Project, will take us through the fact paper that The Hamilton Project has done on this. If you haven't looked at it, I strongly recommend you do. It's thoughtful, it's insightful, and I think really interesting. And finally we will conclude the panel on policies to address the wage conditions, and the causes of those wage conditions, which we will discuss.

We have a long history at The Hamilton Project of focusing on wages, on wage growth and on jobs. If you look forward, or we look forward now, and next month we are to cosponsor a discussion in Palo Alto with Stanford Law School, and with Sheryl Sandberg's lean in on the economic issues relating to women's participation in the workforce. And then at an event next year, we will lay out a new group for policy papers on the behavior of wages.

Let me conclude by thanking the participants in our Fireside Chat, and in our Roundtable. It's a remarkable group of people that are deeply steeped in these issues, and I think we all have much to look forward to, and hearing what they have to say.

I've already recognized Jay Shambaugh, as our exceedingly well respected, and outstandingly well equipped new Director of The Hamilton Project. And we also recognize Kriston McIntosh, our highly capable and effective Managing Director; and Ryan Nunn, our Policy Director, who has contributed greatly through his substantive thoughtfulness, his knowledge and his insight.

And finally, I think the talented and the hardworking staff of The Hamilton Project, without which we could not do any of that which we do. And with that let me turn the stage over to the Fireside Chat. Thank you. (Applause)

MS. RAMPELL: Thank you, everyone, for being here for this very important event. This panel with our esteemed guests, and which we will be talking about the causes -- primarily focusing on the causes behind wage stagnation. So, just to give you a sort of an overview, and much of this is contained in the report that was released today.

As we know, the share of output growth going to workers has fallen over time, and productivity itself, which usually -- excuse me -- which usually we think of as boosting American workers' wages, productivity growth has slowed, and even conditional on that, the share of productivity growth that seems to be translating to worker wages, has also fallen. There's sort of this decoupling between those two trends that began sometime like around the '70s, late '70s.

The wages at the top have been going up, but median wages have been relatively stagnant. In fact, if you look at wages for men, the median male worker, if you saw the recent census data, is making about as much today as he did -- full-time, year-round worker, I should say, is making about as much today as he did in the early '70s. Women's wages, on the other hand, have gone up.

So, we are going to be talking about what's behind all of this, what might explain these trends. Is it globalization? Is it skill-biased technical change? Is it labor policy, et cetera?

So, my panels today, and thank you very much for joining me; are Jason Furman, who as you'll see in the bio packet is now at the Harvard Kennedy School, and was previously a Senior Advisor in the Obama White House, he was the Chair of the Council of Economic Advisors; and held various other economic positions there, and in the Clinton administration.

And Larry Mishel, who is the President of EPI, and has been working on these issues for many, many years, and produces lots of reports on exactly these core issues every year. And I believe, also, has some past experience working as a policymaker. You worked in the Labor Department years ago?

MR. MISHEL: (Crosstalk) Department, but I also spent many years as a Trade Union Economist.

MS. RAMPELL: Yes.

MR. MISHEL: Sort of bargaining wages.

MS. RAMPELL: So, we have some interesting perspectives. And I should introduce myself. I'm Catherine Rampell, I write and op-ed column for The Washington Post, mostly on economics and lots of other things. So, let's get started.

My first question, Jason, is to what extent are these trends that we have seen in stagnating wages over time, due to forces beyond our control. Things like globalization perhaps, or technological change, and to what extent are they deliberate policy decisions that we have made as a country?

MR. FURMAN: Thanks so much for that question. Thanks for having me here. And you left out Former Director of The Hamilton Project.

MS. RAMPELL: Oh. Yes, of course.

MR. FURMAN: I want to say how lucky you all are to have Jay. One of the highlights in my eight years in the Obama administration was working with, and he's just spectacular as an economist, and in terms of thinking through these things. And you see that manifested in these great Thirteen Facts, which really, people should -- you don't have to tell people they have to read stuff, but really, you do have to read it.

In answer to your question, I think we've had all sorts of adverse trends, but a lot of countries have had a lot of adverse trends, and the levels of inequality, the degree of wage stagnation in the United States, has been much larger than most any of the other peer countries that we have, all of them have faced the same challenges.

So I think it's a story of, you know, you have skill-biased technology change, you have a bunch of inputs like that, and then how do you -- what institutions do you have for coping and managing. I mean, we had institutions that largely took a pretty *laissez faire* approach that we are going to have, you know, free markets in labor, flexibility for employers, a low minimum wage. And I don't think that's worked out in terms of wages, and not as much the subject of today, it hasn’t really worked in terms of employment either.

So you'd think maybe we have stagnant wages, but at least we have a high participation rate and a high employment rates, no we don't have that either, so I think this very much reflects a set of choices that we made about how to handle these adverse shocks.

MS. RAMPELL: And Larry, what is your broad overview on this?

MR. MISHEL: I'm going to give a somewhat longer answer.

MR. FURMAN: Longer like Jay, or?

MR. MISHEL: Yeah. Jay is really great. You were a really Director of The Hamilton Project too, and a great Chair of the CEA actually. I give you great kudos for that. Well, I think the bottom line is that policy, which is acts of omission or commission, are totally responsible for the wage problems we've seen over the last 40 years.

But I want to put this in a political context, if I may, for this crowd. You know, to me it's really important to realize that we just elected a man, who, in the last election claimed to be the pro-worker candidate, and successfully branded his opponent as an elitist. And we have to think about, and I think especially people associated with this political tendency if you might say, have to really think about: how did that happen? Because I think where there is smoke there is fire.

Now, Mr. Trump was wrong on both counts, but Donald Trump does manage to make workers, maybe it's just White workers, feel like they are heard and seen, and it doesn’t seem like Democrats have been able to do the same thing. That even when they execute pro-worker policies, they don't seem to highlight them, and we've talked about this when you were in the White House; I don't really understand why, it befuddles me to this day.

And I think that establishment Democratic thinkers, center-left thinkers and institutions, and policymakers have not focused enough on the problems of middle-wage workers and what to do about it. And they bear a lot of the responsibility for the particular situation that we are in politically. And we have to rethink that.

So, now getting to causes, you know, as Catherine said, you know, there are -- the conventional wisdom is, it's for causes we neither can nor would want to change, primarily technological change. Sometimes people put globalization in there too. Except if you believe in those things, you think you can do something maybe about worker skills. I want to point out that -- and praise the paper that you were given by The Hamilton Project, takes a strongly different approach than that conventional wisdom. I guess I'll say, finally.

You know, they say that technology and globalization have likely contributed to wage inequality, that's pretty soft. Compare that to, you know, the fact that there's no mention of occupational job polarization, which is The Hamilton Project in fact touted in a David Autor paper from 2010. The word polarization doesn’t appear in the paper. The 2015 Hamilton Project said technological change played an especially prominent role in wage inequality.

I think this follows a remarkable shift of the center left, economists and politicians, and moving away from this globalized technological change as something that caused our wage problems. And I think that's good, I've been working trying to get people to do that for 25 years, along with my colleagues, Jared, and Heidi, who are here, among others.

But this opens up space, so let me go over some of the -- what I think are some of the factors -- but I don't want to get involved in the specific factors and lose the theme. The theme is that there were policy choices made which cumulatively have disempowered workers. And the policy choices have favored those with the most income, and wealth and power. And I think, also accommodated by the economics profession, whose *laissez faire* values, or beliefs, really blessed a lot of what happened.

So, let's talk with the top 1 percent, which isn't mentioned in the paper. The top 1 percent of wage earners, and this is not income households, so their wages grow 137 percent since 1979, and those of the top 0.1 percent had doubled the wage growth, while those in the bottom 90 percent saw about 20 percent wage growth. And most of that was when Bob Rubin was Secretary of the Treasury, in the late 1990s. So, thank you.

Why did the top 1 percent do so well? Well, a lot of it has to do with the exorbitant increase in executive pay, the expansion of the financial sector, and the expansion of financial sector pay. And I think you can trace those to policy choices, glad to talk about that.

But there is also the policy of the Federal Reserve Board, which privileged inflation over employment, so every time it saw wage growth it used -- it was exempted out, this was prior to Chairwoman Yellen. So, we had excessive unemployment for three decades, which hurts middle- and low-waged workers the most, but especially disadvantaged minority workers.

There is the erosion of labor standards, people are most familiar with the minimum wage, I'm glad to talk about that, but it also has to do with worker misclassification, the overtime, the erosion of overtime rights and many other things. Or collective bargaining, there's been a dramatic erosion of collective bargaining, and this, to me, is the single largest factor that affected the man in the middle, relative to those at the top.

It also affected women, and it affected nonunion workers as well, because when unions were strong, they were able to set standards that non-union workers benefited from because their employers tried to match the union wage. We have a study that show that men with a high school degree or less, have lost about $3,200 -- lost now $3,200 a year because of the erosion of collective bargaining.

Now I want to introduce a new term, but not a new factor. I call it disruptive legal innovation, and I use this to mock the technology innovation argument. Disruptive legal innovation is when the corporate MBAs and lawyers sit around a table and they figure ways to screw worker. And that's gone a lot, that's why we have worker misclassification, that's why we have wage step, that's why we have the fissured economy and subcontracting, and it's how we got the weakening of labor laws, and in my view, the weakening of unions.

It wasn’t actual legislative changes, you let any regulation stand enough, there's enough MBAs and lawyers to innovate in ways that help the employers. So these factors can explain, in my view, what happened, with the acquiescence of conservative and moderate, and even liberal economists. I used to believe the economy was broken, but over time learned it was behaving exactly as it was designed to behave.

It's not broken, what we are seeing is what you expect when you think about the implementing of policies, and the tools that led to upward redistribution away from the vast majority, to the very top of our society. Thank you.

MS. RAMPELL: So, Jason, what is your perception of, within the economic community how skill-biased technical change is -- how much it's emphasized today versus in the past? Because my impression is that the center has not moved that much, but this report notwithstanding.

MR. FURMAN: Right. So, listening to Larry, I mean, I agreed with every one of your explanations of rising inequality. I'm a little bit more ecumenical than I think you are, and that I think there's been a lot of increase in inequality, so there's a lot of room for a lot of explanations to help explain that, and they don't need to crowd each other out, there's enough space, unfortunately, for all of them.

The dominant one I think, still, in academia, including on the left within academia, would place a lot of emphasis -- not on skill-biased technological change itself -- but the so-called race between education and technology.

So, you have constant increasing demand for skilled workers, you had that in the '50s, you had that in the 60s, you had in the '80s, and you had that in the '90s, the degree of educational attainment for people started to slow, for people born around 1950, people who came of age, into the workforce in the '70s and the '80s. So that was after the high school movement, after the GI Bill, after deferments from Vietnam kept people in school for longer.

And that hypothesis does seem to explain a decent amount of the data, there's a lot of parts of the data it doesn’t, and it doesn’t at the very top of the wage distribution, it doesn’t cleanly match the international evidence. It can explain the 50/10 differential as well as it does the 90/50. But I do think education is a big part of the story too, and to say that is not to say that unions, wage collusions, erosion of the minimum wage, non-competes agreements, and a whole set of other things aren’t really an important part of the story, but she's pushing on they are, and I've been pushing on that story.

I think it would be fair to say, there's more interest in that story now, revived interest among academics relative to 10 years ago, but I don't think there's a whole lot of revived quantification of that. Again, I think those factors are real, I think we should be pushing on them from a policy perspective, which is probably the next panel.

But I don't think we want to forget that there's a lot of evidence that education is an important part of this, and how do we increase our education going forward, it's both, at extending it down you know, to preschool, and extending it up in terms of community college and beyond. I don't think you need to be against the other things to be for education.

MR. MISHEL: May I say that this is not a debate about whether we ought to give every child the best education possible, so there's not one bit of difference between us. I think of the expanding education as about mobility, about how this generation does into the future, and whether this generation's disadvantaged children have access to middle class or better jobs in the future.

But in my view -- and I'm surprised to hear you say it, Jason -- I don't think there's any plausible evidence, at least since 1999 or 1995, that technological change could be explaining wage inequality. And I'll just give you a couple examples. I mean, there's two theories of it, and they differ a little bit, but just take the Katz-Goldin Technology Race stuff, you know, the paper shows that college wage premium has been flat. We think it's been flat since the mid-'90s.

But the wage gap between the middle-wage worker and the high-wage worker, it's the 98th percent or 95th percent, has kept on going up almost at the same speed as what it did in the '80s and early '90s. So, it's impossible that the education wage gap could be the one thing driving up the wage gap in the top half, and the bottom half doesn’t support it whatsoever, because you expect that the people with the least education should keep on doing worse, relative to those in the middle; but the 50/10 wage gap has been stable since 1987.

So, I just think that the pattern of data, besides the fact that it doesn’t actually contribute at all to an explanation of the top 1 percent, is just, you know, I'm just surprised to hear you say that. I thought the center of gravity had really shifted.

MR. FURMAN: I think Catherine asked two questions, one I'm pretty confident I'm right in answering, which is if you talk to, you know, Larry Katz who you just brought up and cited, he's a pretty good exemplar of a leading labor economist, someone who certainly comes at this from a --

MR. MISHEL: Much respect.

MR. FURMAN: -- pro-worker perspective, and if you asked him, I don't think his views have shifted a lot on education and technology being the main factor. So, one question was, in terms of the academic economists, have they shifted in the same way? And the answer is what I said, which is there's an increasing amount of intrigue, an increasing amount of exploration of other hypotheses, but nothing resembling this (inaudible) explanation.

The second thing is, I think I agree with and even made every one of the criticisms you made of that education hypothesis, because I think that is one part of the explanation that explains one part of what's going on in one part of the distribution, and then you need a bunch of other things to explain the other parts as well.

MR. MISHEL: Probably that's where we agree. I want to shift there.

MS. RAMPELL: Okay, well --

MR. MISHEL: Go on. You ask the question.

MS. RAMPELL: Yes. Thank you. But skill-biased technical change or, you know, sort of a slightly different formulation of this idea is, the-winner-take-all economy, it's not only about, do you have a degree or do you not have a degree, right? It's that there are -- if you are at the very top part of the skill set, technology has changed such that it's much easier for you to capture a broader share of the gains. I mean, am I being fair in kind of how people understand that argument?

So, it's not only about, do you have sheep skin, if you are at the very -- If you are Google, if you are somebody who is working at Google, if you are an Engineer there, there's just a lot more payoff, if you are doing very well, if you are very successful in your field today possibly than there was a generation ago?

MR. MISHEL: Well, what you are talking about, I would say is called the within-group inequality, that there's more inequality of people for every education level, and winner take all is one explanation of that.

MS. RAMPELL: And there's a lot of inequality across firms as well?

MR. MISHEL: Yes. But, you know, let's rewind the clock to the Clinton administration, which said that there was -- problems that workers were facing, but we are having information, economy is developing, everybody has to get a college degree, learn how to use computers and you'll be okay. And just within a few years, after the end of that administration, the college wage was flat from 2002 to 2014. The wage of someone with an Associate College Degree is no higher today than it was in 1992 when we first got the data.

So, I'm for people getting more education, but the idea that somehow the fact that there was insufficient education is the cause of the wage problems, I don't buy. But let's shift to where I think we have more agreement, if I may, which, you know, I think the CEA did really great reports, one called Monopsony Power, which is essentially what I think I'm talking about.

And monopsony is when you have one employer for a town, but I don't think it's really about having a few employers, I think the economy is acting as if employers have all the leverage. And I think all the observations about monopsony are reflecting that. And so I think the problem we have which has to do with a little bit -- not a little bit -- a lot of way with low employment we don't see even better wage growth, is that employers have all the leverage, and workers are beat down, and the institutions to actually force higher wages, unions, don't have that power anymore.

So we end up having really the -- you know, we may end up having the worst of both worlds if we have like a Trump Federal Reserve Board. You know, they are going to give us high unemployment, and we won't even have had the wage growth that you're trying to stop.

MR. FURMAN: I think that point and your question, Catherine, brings up, what I think is one of the exciting developments both in policymaking and in academia in the last couple of years, which is trying to understand ways in which reductions in competition in the economy have affected the labor market, and that takes the policymaking, and takes the set of labor market policies that Larry has been talking about and broadens it out, and says, you want to look at the product market too.

So, for example, we've allowed lots of hospital mergers, that's the major employer in most places. The way people get a raise in our economy is primarily by switching employers to a new employer who is going to pay them more. The second main way is by threatening your employer that you are going to switch employers, unless they give you a raise.

If there's only one employer in town, your ability to do that is greatly diminished if moving to another place has, you know, occupational licensing restrictions, land-use restrictions, it makes it hard to do that, it's diminished even more. So I think some of these things, and I think Bob rightly was unsure about it, I'm unsure about it too, because it's still at an earlier stage in terms of both thinking and policymaking, is understanding: have we reduced the degree of competition in the economy? Is that tilting the share away from workers? Is that, to go to your Google example, meaning certain firms can have persistently high returns relative to other returns, they share some of that with their workers.

The problem is not that Google doesn’t have a labor union to make sure that its lower-paid employees are paid better. You could add labor unions to Google, Goldman Sachs and Pfizer, you wouldn't do a whole lot of -- of inequality in this country, some of that is between firm issues, we can get at that through the labor market, we can get at that through the fiscal system, but we may want to think about other ways we can get at it directly through the way we handle mergers and do competition policy more broadly.

MS. RAMPELL: But the decline in dynamism, that you describing, the idea that people are switching jobs less frequently, it's not solely attributed, right, to greater market concentration. We've seen this over time, that there are fewer firm births and deaths, that people are less likely to switch jobs, for all of the bad rap that millennials get about how they are disloyal employees, actually young people are not switching jobs any more frequently than their predecessors. To what might you attribute those broader trends, and what role might they be playing in wage stagnation?

MR. FURMAN: I think there's good reasons that it's happened, and bad reasons it's happened, and the good reasons we shouldn’t worry about, the bad reasons we should do something about. So, if we have better technology to match employers to employees, and people end up in jobs that are better suited to them, than was the case before, and as a result they are changing jobs less than they were before, that's a perfectly fine, good thing, we don't want to do anything about that.

If it's because of occupational licensing restrictions where you see people who need a license to do a job, are less likely to move across the state than somebody who is similar to them who doesn’t need a license to do a job, is much more likely to across -- to move to a different state, then we do something about that.

So, I think if you did the whole agenda I would have to inject more fluidity and dynamism into the economy, we would still have less turnover than we had before, we'd still have larger businesses than we had before, and that wouldn’t be a problem, because that would be the part of the trend that happened for good reasons, we want to do something about the part that it happened for bad reasons.

MS. RAMPELL: Do you think people are afraid to leave their job? Whether because they don't have union protections or otherwise, they become more timid about negotiating with their employers?

MR. MISHEL: This is not one of the problems that I wake up in the mornings worrying about. I think people would leave their jobs if they felt they could go to another job that had better pay and benefits, and better career advancement. And I think we know in the 2000s, I mean up until very recently, that a vast bulk of the jobs have traded in the bottom third of the wage structure.

So, you know, the idea that there's a lot of jobs being created that people can move up, hasn’t been so true. And I'm a little skeptical, I mean, when I was grad school I studied industrial organization because I wanted to fight corporate power, and I studied the labor market, because I was interested in wages.

So I'm anti-monopoly to my bone. Monopoly doesn’t seem to me a really plausible explanation for much, because the problem with monopoly is that we get higher prices. And it's not as if, you know, it was inflation, or high prices that we see real wages problematic. I mean, that's the natural thing. Monopoly gets high profits and raises prices.

I think there's something to be studied there, and obviously there's something to be done to deal with the monopolist, but I don't think that's really much of a factor, in the labor market. I think what's going on is the issue between workers and their employers. And around that, you know, I think some of the -- there's many, many issues that we can deal with, but are not going to -- it's not going to happen overnight. So, yes, we can get rid of non-competes in a heartbeat.

We are about to release a study this week on forced arbitration that shows that 56 percent of all workers are covered by forced arbitration agreements.

Another study we were just told about today says that 80 percent of workers in the largest 100 firms are covered by these arbitration agreements. I think there are a lot of corporate bullies out there that are misclassifying people, and there's no way that workers can win in those battles to sue employers who misclassify them, and as soon as they win the suit, like at FedEx, they just reconfigure the jobs to make them look like they're self-employed in another way.

So, you know, we want to switch the default, so that workers are actual payroll employees, let the employers prove that they are self-employed, rather than workers have to prove that they are employees. These are things that can be done. On day one of the job, there's an imbalance of power. People don't even know what their pay is, whether they are eligible for overtime. They don't know what's going to come out of their paychecks.

It's amazing for economists who think that there's full information, people know very little about what they are getting into when they take a job, and that contributes to race and gender discrimination. It's something that the administration tried to do something about, and it was great. And I think we need to do that for everybody, we need to change the playing field so that everybody starts out at a better -- everybody, the people work for a living, start out in a better place.

MS. RAMPELL: There's a political economy aspect to all of this though, right; which is that even where we know there are policies that could help workers, that could potentially raise their wages, or give them more power, or what have you, give them more security, there isn't a lot of political will, particularly to enact them, especially in this administration and this Congress.

And of course you have a very powerful business lobby that's going to fight a higher minimum wage, stronger overtime protections, anything that basically makes workers more expensive to hire. So then the question is where --

MR. MISHEL: Yeah, which side are you on?

MS. RAMPELL: Well, no. But where is there actually -- What are the levers that are available, and what are the levers that we actually have the potential of pressing? You know, I think that those are related questions, but there are ways -- The reason I'm asking about all of this, is in part, because I wonder if maybe in focusing so much on these pre-tax policies, and Jason and I have talked about this before, these pre-tax policies, where you are likely to get a lot more opposition from powerful business interests, you are forsaking lots of other policies that are on the side; the post-tax policies like the EITC.

Note it's not an either/or question but it's just a matter of, are we expending too little energy on one set of policy remedies that is potentially less likely to be opposed, or less likely to face a difficult opposition?

MR. MISHEL: Go ahead.

MR. FURMAN: First of all I don't think this is zero sum, we haven't brought in the topic of productivity, and I get (inaudible) the topic of productivity at all. You know, we have had bad productivity growth for about 40 years in this country, we have had bad productivity growth, and the last 5 or 10 years have not been an exception to that, they have been a continuation, if not a little bit worse.

So, I think it's really urgent, as a country, that we figure out what we can do to expand economic growth. Right now real wages are rising at about 1 percent a year, productivity is rising about 1 percent a year. Workers could do better for a while by getting a higher labor share, but that's only going to work for so long. Over the long run you need faster productivity growth if you want faster wage growth.

Conversely, business did fine with a rise in profit share even as the pie wasn’t growing as quickly, but that's a strategy that has its limits, and in fact the profit share hasn’t risen a lot in the last couple of years, so, who knows, maybe we'll reach in limits. Maybe that's premature statement.

So I think it's not a zero-sum thing, I think it's in everyone's interest to think hard about what we can do to expand productivity. And I think that productivity then automatically goes to everyone, I think that will very naive, If you want to have all these post-tax policies, you know, market income policies we've talking about, but I think the tax and transfers are really large instruments.

If you look at what we did in the Obama administration between the Affordable Care Act and the tax credits for low-income households, the ITC in child tax credit, that raised the income of the bottom quintile by 18 percent. You would need, you know, a lot of other stuff to make a change that large, that quickly. The next quintile up is about 6 percent, and then the effects were frankly smaller as you went up from there, and that's one of the limits to the tax and transfer instruments.

I think that's one of the limits of all the instruments we have, and I worry about that, what do we have that's quantitatively large for people in, say, the third quintile of the income distribution? But that doesn’t mean we shouldn’t try everything we can, and shouldn't try, you know, turning over some stones to come up with some new ideas.

But I do sometimes worry, that people don't have as much enthusiasm for these well-proven, sort of, automatic, direct, large instruments like the earned income tax credit.

MR. MISHEL: So, I recall Jason giving a great presentation at EPI, making the case for the minimum wage, and showing the data on poverty that a lot of the progress on poverty over the last 40 years, was on the social safety net side. And that, you know, that what was missing was the wage side. We know that if you raise the minimum wage to $15 in 2024, it only puts it 28 percent above the 1968 level, it's not after 50-some years, like a humongous increase; but it would benefit 42 million people. Dave Gruper where is he at? And what?

SPEAKER: Forty-one.

MR. MISHEL: I'm rounding up, 41.5, I looked it up. So, you know, that's the bottom 30 percent, that is a sign of how low it is, that if you just get it to 28 percent above, it starts to peak, your effect is 30 percent. But, you know, let's look at some of the politics, because you are raising it. I mean, it's not as if protecting ACA is a cake walk. You know, that was a great policy.

MS. RAMPELL: Yes. That's just about staying in place.

MR. MISHEL: Yeah, yeah.

MS. RAMPELL: That's not moving the ball forward.

MR. MISHEL: Right. That's just protecting what was a great thing, and there seems to be a lot of people dedicated to making sure that their tax dollars don't go to pay for those people. And that's going to be true of every -- and that has a racial component, obviously I'm -- So, you know, there's nothing politically easy about expanding stuff, I think we should do both. I mean, we will never get people in the bottom to have a modest but adequate standard of living, unless we have improvements both on the safety net expenditure side, and on wages.

But then the question is, what are we going to do for the middle? You know, and I don't want to be limiting this discussion about what's potential in the next two years legislatively, or the next four years. I mean, I think my job is to speak to the fact that we can make changes, that what has happened is not because of inevitable change, it's because of the choices before us, and it's just a matter of mobilizing politically and implementing policy that we can have, the next generation can have shared prosperity, I truly believe that's possible.

And if it means challenging money, the role of money in politics, and challenging the business community, then any group of people that I want to be a part of, I want them to do that. And to say that it's hard because the Chamber of Commerce, and the NFIB, the National Association of Manufacturers and all, are going to be against you, they have been against progress for more than a century. And so I'm for progress, and if they want to come along, I welcome them.

MS. RAMPELL: Jason, you brought up productivity, and I don't want to let that fall by the wayside. So, I remember you had this really interesting chart in the economic -- or table in the Economic Report of the President in 2015, that looked at the relative effects of the slowdown in productivity growth, versus the increase in inequality on wages, and I think that the numbers that I had written down, were that if we had pre-1973 trends in productivity growth, then the median, I think it was the median household would be making 30 grand more per year.

Whereas if we had pre-1973 levels of inequality, the median household will be making $9,000 a year, which suggests the bigger problem is the slowdown in productivity growth than the increase in inequality. Could you talk a little bit about -- well, about what the consensus is about why productivity growth has declined and what we could do about it?

MR. FURMAN: Sure. So, why don't I tell you about that exercise, how it came about, and how I'd interpret it; which is, I genuinely didn’t know the answer. I knew productivity growth was slower, and I knew that inequality had risen, so you are getting a smaller share of a pie that isn't growing as much. And was curious just in a mechanical counterfactual, it's not a proof, and we should talk about, you know, what it means: which one of those, what the relative size of those were?

My guess was sort of 50/50, went around it, and it turned out, and as Catherine said, if we discontinued our productivity, even with much wider inequality you would have had about $30,000 extra. If you had the crappy productivity growth we actually had, that hadn't seen the big increase in inequality, you would have had nearly $10,000 higher income.

And my take away from that is both of those factors are quite important. If we could figure out a policy instrument that could raise median income by $10,000 that would be a really thrilling instrument to find and to implement, and we may even have more dials on the inequality side than we have on the productivity side.

So, I don't take from that, one of them is important, one of them is not, I take from that, both of them is important. I do take from that a reminder that the productivity side is important, and that gets back to the thing I said before. If we are going to have 1 percent productivity growth a year going forward, we are not going to have sustained good wage growth. Maybe we can for a period. We are not going on a sustained basis.

The last thing I'd say, is that was a mechanical counterfactual, assumes all else being equal. So, let's say your model is, we could have had really great productivity growth but workers would have gotten none of that productivity growth, why would you believe they would. Do you think these are determined independently of each other through separate ways? But I did something on that recently, and it turns out, if we had the faster productivity growth, if workers hadn't shared in that al all, their share of the income for the bottom 90 percent of workers would have needed to fall from 66 percent to about 5 to 10 percent of the economy.

So, to me, that's a little bit implausible to think that wages are determined entirely independently of productivity, you could have had this great growth, workers would have gotten just 5 to 10 percent. I think they are related, the relationship isn't perfect year-to-year, it isn't something we can completely take for granted. But you look across countries the main determinants of different living standards for the bottom 20 percent, the middle 20 percent is what the level of productivity is in those countries.

MR. MISHEL: I'm for higher productivity. I just want to get that on the record. And I've had this discussion with Larry Summers who thought that the chart and Jared and I developed back in -- and showed it to, Bob, and when he was in the White House, the Productivity Wage Divergence, and he said, well, I don't believe that if we got the higher productivity that it wouldn't be an increase in wages. And I looked for evidence of that, and I actually couldn’t find it.

So, I don't see any -- You know, if we just got higher productivity for a few years, I'm not so sure, how much that would affect the median wage. And I think it would be especially dubious to present to American people that if you are just going to get better growth, they are going to be better off, given the experience of the last four decades. I'd certainly be skeptical. But there's no reason to choose. We can be for both, and we are for both; right?

MR. FURMAN: Oh, me?

MR. MISHEL: Yes.

MR. FURMAN: Oh, absolutely. I thought you were talking about Catherine.

MS. RAMPELL: I'm for both, too.

MR. MISHEL: Excellent.

MS. RAMPELL: So, we have been collecting questions, audience questions on these little index cards, somebody has been coming around, if you have others? I see one right here, if somebody wants to grab them and bring them to me, please do so. But I'll read some of the ones that I have so far.

"Are there politically feasible policy changes that we can advocate to stimulate wage growth during this administration?" (Laughter)

MR. MISHEL: Do you mean of ones that they proposed? Well, I think that they actually did something about exchange rates, I think if they actually did something that improved the way we oversee our guest worker programs, those would be helpful, but I think a more important thing in immigration is actually making the 5 percent of workers who weren't documented giving them access to rights and legal citizenship, and thereby raising wages. I think that's a much better way to do it.

I mean, Mr. Trump fancies himself pro-worker, we have an initiative overseen by Heidi, who is on the next panel, called The Perkins Project, which tracks what's actually happening in labor policy, what's being done in the Congress, in the administration, and it's pretty hard to any evidence of any kind of tilt towards workers.

So, I think the politically nice thing is that people seem to be talking about workers now. In all other administrations they didn’t. Trump introduced that. It's kind of cool to be for workers. I think we should have debate about what policies would actually help workers. I was hoping for that during the election, it didn’t quite get there.

MR. FURMAN: At present Trump has not proposed an infrastructure plan, and so far as any proposal out there --

MR. MISHEL: That would be (crosstalk) --

MR. FURMAN: -- it's a tax credit for people that make infrastructure or not, and if it would get us any more infrastructure. That being said, do I think it's impossible that one day Chuck Schumer and

Nancy Pelosi could walk into the Oval Office with an infrastructure plan, and walk out with a deal. I would hope for that.

MS. RAMPELL: Have some Chinese food and three scoops of ice cream and you've all got a deal. We frequently discuss wage stagnation --

MR. MISHEL: Reappoint Yellen, yeah.

MR. FURMAN: I think, yes, I think he has one excellent person on his short list for Fed Chair, and that would be Janet Yellen.

MS. RAMPELL: Yes. "We frequently discuss wage stagnation and inequality, but we don't often discuss compensation inequality. What important facets, if any, do we miss out on in this discussion through our focus on wages and not compensation?"

MR. FURMAN: There was a little note in The Hamilton Project, 13 Facts, that says, the word wages is used here but sometimes we mean compensation, sometimes we mean wages and we just sort of blur it all together. I think a lot of these things, if workers have more bargaining power is that going to manifest itself in better benefits, better wages, probably both, probably whatever combination, you know, works the best for them.

So I think focusing, most of these policies are focused on the overall compensation package. I think the more you try to focus on one narrow part of it, the more likely it is that you are pushing on a balloon. If you don't improve the bargaining power of workers, but you say, every worker needs to be paid a lot on Tuesdays, you are just going to have people pay a lot less on Fridays.

So, the narrower the thing you mandate, the less likely it is that you are increasing total compensation, the more likely it is that you are just changing the form of compensation, and potentially changing (crosstalk) less, less is going be --

MS. RAMPELL: Yes, but -- just to butt in -- if you are --

MR. FURMAN: You have opinions too, you know, you do it for a living.

MS. RAMPELL: I do have opinions too. But if you were to slow down health care cost growth, which has happened in the last 10 years, that could potentially leave more room for higher wages.

MR. MISHEL: But you are not changing compensation, is what he's saying.

MS. RAMPELL: Right.

MR. FURMAN: I was reacting more to something like, you know, mandating various benefits, because then they also have all sorts of, you mandate paid leave and then you don't hire the woman you're worried is about to have a baby. You know, so a lot of these things work better either at the level of overall compensation, overall working at bargaining power, or at the level of public insurance, as opposed to thinking about, you know, mandating individual benefits.

MR. MISHEL: Let me say two facts about compensation versus wags. One is that the inequality is even greater when you include benefits. There's BLS Studies that show that using the data underlying the ECI, or ECEC, or whatever, and the other thing is that it's not true in all of my studies that the improvement of benefits is in any way really responsible for the wage problems, especially in recent years.

So, you know, it's not -- sometimes people brace this because they say, you're talking about wage problems, but if you looked at compensation it wouldn’t look so bad. I don't think that's true from the perspective of a low- or middle-wage worker; because the people in the bottom half are very unlikely to have employer-provided health care, employer-provided pensions.

MR. FURMAN: I do find it amazing how, you know, whenever you have a conversation somebody finds some other way of looking at the statistics under which they claim that inequality hasn’t increased your wage stagnation, and once went to AI, and I brought table of, you know, 20 different measures. And someone said, but what about, that hasn’t increased. I'm like, well, that's actually line 12 and it also did and, you know, just every one of them.

MS. RAMPELL: "Would productivity grow if the federal inflation of the labor supply via immigration were reduced?"

MR. FURMAN: I think it would be very hard to have faster productivity growth with less immigration. There's been a range of studies that have found both at the high end that immigrants are more likely to patent, more likely to start business, that native workers who work in proximity to immigrants, themselves become more productive and innovative.

And then if you talk about the unskilled people they are just facing a massive uncertainty and ability to, you know, find the right jobs, start a business, invest in their future, all of the things that are needed for productivity growth. So I think that sensible immigration policy wouldn’t just increase the labor supply, it would be actually one of the larger ways in which we could increase productivity growth.

MR. MISHEL: I would say the issue with

immigration to me is labor standards, not supply. It's a fact that we have too many people here who are exploitable, and in a capitalist economy if you are exploitable you will be exploited. And they are, and that hurts their wages, and it hurts the wages of people in the same occupations and industries.

MR. FURMAN: Yeah. I know. I mean, if you are worried about wage pressure on the bottom, when you are not given a path to citizenship and working for the undocumented 11 million, most of them are still going to be here. Most of them are still going to be working, but the ability to enforce the various work rules on them, that pertain to them will be much less, and so their ability to underbid other people, will be even more.

So, I think some of these are win-win. Give them a path to citizenship, and the same set of rights that everyone else has, and enforce it, and you are going to help them, and help the native workers that are already here.

MR. MISHEL: And I really wish the

Democratic administrations would talk about that. Because it ends up being -- immigration tends to be a thing that is just seen as, don't break up families. These are really important issues, I mean, for those people directly affected. But it also helps people beyond those communities, and I think that case has not been forcefully made.

MS. RAMPELL: "Wouldn't greater investment by companies in the real economy, not M&A, increase productivity?"

MR. MISHEL: Yes. (Laughter) No stock buy-backs either.

MR. FURMAN: I'll say yes to that, and a puzzle has been that we have these very high rates of return to capital, and very low investment in capital. The hallmark of a monopoly is high prices and low quantities, so I think that's, broadly speaking, consistent, at the industry level, you see that evidence as well, in Gutierrez's and Phillippon's recent research.

MR. MISHEL: And we have some of the highest corporate profits ever, including after tax, which is of course why we have to cut corporate taxes, to be able to get more investment.

MR. FURMAN: We are not seeing your logic, Larry?

MR. MISHEL: Ah!

MS. RAMPELL: Well, on that note, are there things that, as long as we are talking about tax reform and not just tax cuts that we could be doing to address any of these issues. I mean, besides the EITC are there changes to the tax code that could potentially actually trickle down?

MR. FURMAN: I think what we need is more revenue to do a lot of the investments we need to do in science, infrastructure, everything else. I think we could make our economy better with revenue-neutral tax reform, and I think more of the economics of that is probably on the business side than the individual side, because businesses really can move and respond to incentives more I think than high-income individuals do in that regard.

But that's not the conversation we are having now. The conversation is sort of, you want this candy, I want that candy, you spend six months in a room negotiating and agree, like everyone is going to get their thing and, you know, it's sort unbelievable how much time and effort has gone into figuring out just the plan as far as I can tell is pure rate cuts for everyone.

MR. MISHEL: If corporate tax reform were so easy, then you would have observed National Association of Manufacturers, where the Chambers of Commerce actually having offered plans. But since they can't sit around their Director's table and figure out a plant, it lets you that neither will Congress.

MS. RAMPELL: Well, thank you very much. We are out of time. But thank you to our panelists.

(Applause)

MR. MISHEL: Okay. Thank you.

MR. FURMAN: Thanks, Catherine.

MR. MISHEL: Thank you, Catherine.

MS. RAMPELL: Thanks.

MR. SHAMBAUGH: Good afternoon. Thanks, everyone, for being here, and thanks again to our Panel. I thought that was a great discussion. I'm Jay Shambaugh from The Hamilton Project, and right before our next panel starts, we are just going to walk quickly through some of the information we put out in the Wage Facts document that we put out today.

And so what we are trying to do in this document, is first all, document what's happened to wage growth in the United States, but really more so think some about: what are the conditions necessary for the typical American worker to get a raise?

So, if we look at the first picture of this thing, so the typical American worker hasn’t been getting a raise, I think is the shortest way to summarize it, at around 0.2 percent a year real wage growth. That takes about 350 years to double, so I think we can think of that as basically flat.

And starting from there, we want to think about then, well, what's necessary for that typical worker to get a raise? And so I think the first one, which is a picture that, I the previous panel was talking about some, is just, you need productivity growth. That it's a necessary but not sufficient condition, but it's necessary because you need workers to be making more on an hourly basis, if you want to pay them more on an hourly basis.

And so for some period of time, you can see that productivity and compensation we are tracking together, and then over time, compensation has grown more slowly. And such that not all the productivity gains were going towards workers, or not even part of them in some cases. But the other thing that's disturbing is at the very end of that picture, if you squint correctly, you can see that that productivity line is flattening out even more as well. And so that, if you think you need the productivity growth to drive wage growth, we are not necessarily even getting enough of that either.

But the other thing you need beyond the productivity growth, is you need workers to have some bargaining power, to be getting some portion of the gains. Right? And if we look we can see the labor share of income has gone down, it started falling sometime in the early '90s, but especially around 2000 it dipped back much farther than it had before.

It's flattened out in the last five years of so, but at a much lower level. And so we can just see a smaller share of income heading towards workers, there are some measurement issues, sometimes people worry about with this, but across different ways of measuring, it does seem like it is at least going down somewhat. And so, if you have productivity gains, but labor share is falling, you are not necessarily seeing any more in wages.

Similarly though, even if you have more money flowing towards workers, if you want the typical worker to get a raise, you are going to need to make sure it's spread across the distribution some. I find one of the more distressing pictures to look at in this report is the one that you just look, and you see across the lower three quintiles there's effectively zero wage growth in terms real wages since 1979.

There is some for the upper-middle quintile, and then a decent amount, around 27 percent, for the highest quintile. But realistically for the bottom chunk of workers are not far bottom, like more than half of workers there's basically no real wage growth at all. So, if we try to think about what are some of the things impacting this, as mentioned in the last panel, so unions have effectively disappeared from the landscape, private sector unions disappeared from the landscape for most American workers.

They’ve gone from being a very large presence in what workers dealt with, to being a much, much smaller amount, and that's going to drive down worker bargaining power. You can also see that some groups are faring better than others, and I'll skip through much of this, because the last panel talked quite a bit about the fact that the college premium for a while was going up, up and up, and then has largely flattened out, but that still means the fact that over long stretches of time, you’ve got lower education workers who have had some sense of declining relative share of the wage portion.

At the same time, the other thing that's true in terms of how are different groups faring, we've seen, women's wages have actually gone over this time period. Women earn less than men, and they still earn less than men, and that's important to remember. But there's been some closing of the wage gap over the last 40 years, the problem is it hasn’t closed because, you know, men's wages are rising, women's wages rose even faster, it's men's wages have basically been flat, and women's wages have gone up some.

And so when you start to think about the frustrations a lot of people feel, I think, the notion that some just look and don't see any real wage growth in their -- for people like them over long periods of time, shows up in different ways.

In terms of reasons why, beyond worker bargaining power, both globalization and technology play roles. You can think of on the one hand, in just any simple model of trade, if you are capital-abundant and high skill abundant as a country, and you start trading with other countries that are low-skill abundant, that's probably going to put downward pressure on the real returns to the low-skill people in your country.

It's important to remember there's lots of other aspects about trade that could be far more beneficial in terms of productivity growth or varieties of workers, or things like that, but in terms of how those gains are distributed, that's one thing to bear in mind.

And at the same time the role of technology, putting downward pressure on demand for a certain type of skill occupations, or for that matter, you can see it in the figure putting downward pressure on demand for manufacturing jobs, which is one place where you often saw people with less education getting higher wages is another factor as well.

But what are the other factors talked about in the last panel that I think is useful to talk about a little is what appears to be a decline in dynamism.

And I think this is something that is less well understood, both by the people still trying to figure it out, as well as more broadly, but what we mean by this, often, is just, so you can think of the rate of startups has declined over time in the United States.

And this is something that's been going on since about 1979, you see this nice, long downward trend there. And so, if you start to think about what that means, it's going to, on the one hand, mean fewer opportunities for workers to change jobs. On the other hand, it also just means, less productivity growth in many cases, if you think a lot of the innovation and dynamism in the economy is coming from those new firms.

And this also manifests in workers switching jobs less which is the other figure there, so you have a lower reallocation rate going on. And so this is a place where, you know, it doesn’t have to be zero sum, if you can increase dynamism and increase both startups and worker reallocation, moving workers towards higher productivity firms, you could see both higher wages, and just much faster, broader growth across the economy.

And then lastly, in terms of bargaining power, you also see the minimum wage has eroded. It is actually a little bit lower today in real terms than it was almost 50 years ago, and so you effectively have no pressure coming from the bottom of the distribution, coming out of the minimum wage.

Then the last thing, just to mention to make sure people remember the facts of where we are in this particular business cycle. One of the things I think surprises some people is that, actually real wage growth in this business cycle, has been higher than it was in the previous three. And we often think, well, wage has been terrible in this recovery, how is that possible, frankly the short answer is, there's been lower inflation.

But what that means is that you have slightly higher real wage growth. Does that mean we shouldn’t have panels like this? I think frankly the answer is, 0.8 percent is still really slow, so it's not like -- it's better than the previous three recoveries, but that doesn't mean it's been fantastic. But also people often care about their paycheck, not just the real wage gains. And when you look at nominal wage growth, that's been far, far lower in this recovery than in previous ones.

And so if people have fixed obligations in terms of whether it's mortgage payments, or car payments, or anything else, and those are nominal, they would like to see a nominal raise in their paycheck.

And then lastly, just to put these two things together, you can see the blue bar on the bottom here is productivity growth, the green is inflation, and so when you look in this case you saw in the previous set of times you saw the combined inflation and productivity growth, wages were coming in much below that, and that in some sense is the declining labor share in a nutshell. On the other hand, more recently we have seen kind of wages tracking roughly productivity growth plus inflation, the problem is, the productivity growth hasn’t been very fast, and therefore neither has the wage growth.

So, I'll stop there, mostly because I want to leave plenty of time for our panel, but this was just an attempt to get some broad facts on the table before we start talking. So, we are going to welcome up the panel now. And I'm going to go get my microphone here.

So I'd like to welcome our panel today. We have with us, starting from my left, we have Jared Bernstein, who is a Senior Fellow at the Center on Budget and Policy Priorities and has worked on issues around wage growth for much of his career, if not most, I think it's safe to say. We have Heidi Shierholz, who is a Senior Economist and Director of Policy at the Economic Policy Institute, and Bob Greenstein, the Founder and President of the Center on Budget and Policy Priorities. And so all three of them have worked on a lot of these issues for a long time and so we're going to dive right in asking some questions to get their take on some of these issues.

So, Heidi, both the last panel and just looking through facts, we see a lot of different forces in the economy that contribute to stagnate wage growth or lower wage growth. But then there's also, as talked about some, these things get filtered through labor market institutions. And so I'm wondering if you want to share any thoughts about how either the labor market institutions we have or changes in them have contributed to more stagnant wages?

MS. SHIERHOLZ: Yes, I would be happy to. I feel like Jason and Larry's panel did this great job of showing how it's not one thing that has contributed to increasing inequality and stagnating wages for the middle and lower wages for the bottom, it's a huge number of things. But, yes, the erosion of labor standards in institutions is a huge part of them. So I'm going to -- I'll just say a few things about it.

So this was also talked about in the last two parts of this event, but the minimum wage is the big one everyone thinks about when they first think about labor standards. It's more than 25 percent below where it was in the late '60s, so it's like one of the things that really obvious to figure out what to do to solve that problem. We need to raise it back up. We should also get rid of the sub minimum wage for tipped workers.

Just to give you an idea of where a sort of reasonable threshold for the national minimum wage would be, the Sanders, Murray, Ellison, Scott most recent minimum wage bill has the minimum wage going up in many stages to $15 by 2024. In today's dollars that's roughly $12.50 an hour. We could talk about that more, but that's a very reasonable level for a national floor.

A labor standard that does or should hit more at the middle of the wage distribution are overtime protections. So overtime protections have, however, been allowed to erode dramatically over the last many decades. Right now the threshold below which workers are automatically -- if they earn less than this -- they're automatically eligible for overtime pay if they work more than 40 hours a week is now $23,660 for a full-time, full year worker. It's less than the poverty rate for a family of four. If it had simply kept up with inflation since 1975 it would be well over $50,000 right now. So the Obama threshold set it a little south of $47,500. So it's sort of a consummately reasonable level for that threshold.

There's another set of standards -- can I just keep going for a little bit?

MR. SHAMBAUGH: Yeah, please, yeah.

(Laughter)

MS. SHIERHOLZ: There's another set of standards that I think are really important related to scheduling because irregular and unpredictable schedules lead to irregular and unpredictable earnings. It also can create huge disruptions for workers, huge disruption for worker's families. It's particularly problematic for anyone with kids who may be unable to plan for childcare because women shoulder on average a disproportionate amount of the responsibility for caring for children. It's particularly problematic for women workers. The policies that different states and localities are working with to try to combat this issue include things like require advance notice of scheduling, and then sort of in the spirit of overtime premiums, require extra compensation if your schedule changes at the last minute. That way businesses have some skin in the game if they're going to then make a decision that is really harmful to workers. So that's one area.

Another broad point that I think should always be talked about in this context is enforcement because our labor standards are only as good as their enforcement. And we know that billions of dollars are stolen every year from workers from employers not paying minimum wages that they're owed, employers not paying overtime premiums that people are owed, not paying people for all the hours they worked. It's the you are working in a fast food restaurant, it's closing late at night, your manager says close up -- or clock out and then clean up. It's that sort of stuff, that's wage theft, and it happens all the time. We estimate -- Dave Cooper, who's sitting in the audience -- he estimates that just minimum wage -- minimum wage violations alone are on the order of $15 billion a year. And I know that this panel is talking about mostly focusing on wages, but worker safety is sort of tied in here. Over 4 million workers are injured every year on the job and 5000 workers die every year on the job. And so we need to boost enforcement of wage and hour laws and of health and safety laws. And we also need to increase the penalties for violators.

I'm going to just say I think one more thing, and it was already touched upon in the previous panel, and that is that we really obviously cannot ignore unionization in all of this. I think unionization was probably the single biggest factor that led to the stagnation of wages for sort of the broad middle class. And it is useful to think about this happening for two reasons, we know that union workers get higher pay than similar workers who are not in unions. So when union density drops that hurts wages. But it is also true that when you're in a sector or an occupation or a place where there's a high union density non union workers also do better because the union helps to set wages. So when union density falls you also see falling wages more broadly for that reason. One of the core causes of the decline of union density has been massively increased employer aggressiveness in fighting unions and labor law has not been allowed to evolve to keep up. It is not because workers don't want to join a union. In polls where workers are asked if they want to be in the union roughly half of them say if there was an election -- roughly half of non union workers say if there was an election in my workplace tomorrow I would very likely vote for a union.

Another thing that I think is worth just talking about -- I'll say it in this context, but it's worth always mentioning in any conversation about wages -- is that there's still a huge amount of discrimination in our labor market against black and Hispanic workers -- discrimination and sort of unequal opportunity. Black and Hispanic workers make lower wages, earn lower wages than similar white workers. And unions actually help push back on that. The racial gaps are actually lower in unions because the boost that black and Hispanic workers get from unions is actually a little bit higher than the boost that white workers get for a union.

So, for all of these reasons, we should do things like make policies that will make it easier for workers to join a union, increase penalties for businesses who retaliate against workers like illegally firing workers for when they engage in collective action, make it illegal for states to pass so called right to work laws. Those kinds of things could help sort of halt and reverse this trend of declining unionization.

And I will actually just stop there. Sorry I took so long.

MR. SHAMBAUGH: Okay. So, Jared, I'm wondering if we could then flip things around and pull way back out of thinking about the overall economy and think about one thing I don't think we've really touched on much so far, and that is how the state of the business cycle affects both wage growth but also workers ability to bargain, so some combination there, and how you see the importance of business cycle management there.

MR. BERNSTEIN: Well, I think the important place to start is to talk about the amount of time that the labor market has been at full employment in recent years versus the amount of time the labor market was at full employment when the wage performance was much better than it has been and as shown in your earlier slides.

So since about 1980 we've been at full employment 30 percent of the time. Now that's a calculation that economists can argue about, but I've tried to crunch it every which way and, if anything, when you sort of factor in some statistical irregularities the finding comes out stronger. Prior to that we were at full employment 70 percent of the time. So between the mid '40s and 1980 we were at full employment 70 percent of the time, since then we've been at full employment 30 percent of the time. Now, that's really important and interesting on a lot of levels. If anyone in here ever studied economics you know that the assumption is that we're at full employment all the time. Most of the models basically assume that, except for when you have some sort of a hiccup, demand contraction, and that is by definition time limited.

And especially given the decline in unions that you just heard about from Heidi, the absence of full employment has been a very important factor in eroding the bargaining power of working people. And this is just very, very simple supply and demand economics. The idea being that if employers are facing a strong demand for the goods, the services, that they sell and produce, then in periods of labor markets tight economies they either have to bid up the wages and compensation to get the workers they need to meet the demand and increase their profit margins or they're going to fail to do so. And so we see consistently more wage pressure when the economy is really tight than when it isn't. Now, there's a bit of a riddle now because the labor market is tightening up a fair bit, certainly based on the unemployment rate and wage pressures. They're there, as Jay was showing, but they're not as strong as you might think. However, I think there's more slack in the job market than the unemployment rate reveals, for reasons we can get into.

So, point one, we haven't had enough full employment and full employment gives a real boost to bargaining power and it's a disproportionate boost to middle and lower wage workers, ergo it helps push back on some of the inequality problems that the last panel was talking about.

Secondly, when economies are slack, persistently slack, you run into this problem -- economists have to give an unintelligible word for everything, otherwise no one will invite us to talk to them -- you run into this problem called hysteresis, which sounds like a disease, and it is a disease. The nature of the disease is that if the macro economy runs too slack for too long cyclical problems morph into structural problems, meaning that the problem that somebody was facing in a down economy, they couldn't get a job, there wasn't enough employment, that problem persists into the expansion when the economy is growing. And they sit at home, their skills begin to erode, and next thing you know they're really pretty disconnected from the job market. Businesses under invest in periods of persistently weak demand. And so this problem of hysteresis, or kind of a structural -- Larry Summers calls it secular stagnation -- this problem of a persistently weak demand economy ends up being a very significant cost to workers. And let me just give you this number and then I'll stop. If you look at what the CBO told us the GDP would be at full employment back in 2007 -- so before the great recession and the kind of laggard recovery -- and you look at that line, you know, it goes up. Then you factor in all the kinds of damages that were done to the economy because of the great recession, and other factors. This is not all hysteresis by a long shot. The difference between the potential GDP, where it would be based on the '07 projection and where it would be now, is about $2.5 trillion. So that's how much lower GDP is now at potential than it was measured back in 2007 before the great recession. That's about $8000 per capita, $24,000 for a family of three. That's real money. So that just gives you a sense -- a couple of different senses of the cost of operating an economy with as much slack as we have.

MR. SHAMBAUGH: Thanks. So, Bob, we talked labor market institutions and macro policy, but in terms of what the government does kind of on a daily basis, its bread and butter, then there's also the tax and spent policies. And I wonder if you'd talk a little bit about how tax and spend policies can shape these labor market outcomes? And, for that matter, if you see any kind of competition between the kind of safety net policies and the market returns?

MR. GREENSTEIN: Well, for starters, as Jason mentioned, in particular the great importance of smart productivity increasing investments, which we've really fallen down on in recent decades. So I think that was really covered in the last panel. I won't say more about it other than to underscore the importance of that.

When you look at labor market policies and safety net policies, particularly safety net policies for working families, it's unfortunate that people on various sides of the divide, on both sides of the political spectrum, sometimes portray these as competing with each other where really they complement each other, and you need them both. Supposed we had a $15 an hour minimum wage, wages do not adjust by family size. They can't, they shouldn't. For families with more kids even $15 an hour in various parts of the country isn't going to meet the needs. Politically and economically it's just not possible to do the whole job by making the minimum wage high enough. The same is true on the safety net side. The earned income credit, for example, is a very important wage supplementation policy, bigger than most people realize. But it comes nowhere close to doing the job by itself and the magnitude of the EITC increase you would need to reach various standards would be beyond the realm of what's politically feasible in terms of cost. Then there are other complementarities as well. As noted, the minimum wage does not adjust by the number of kids in the family, the EITC does, up to three kids. The EITC only comes once a year, really helpful if you have to buy a new car because the old one you use to get to work broke down or you've blown a hole in your roof, but people have bills all year long. The minimum wage comes in every paycheck. You can go down the list and there's really a lot of complementarity here. By the way, that applies not only to the earned income credit but also to a program that in its origin was more on the public assistance side but today is more of a wage supplement, and that's what we used to call food stamps and we now call SNAP, Supplemental Nutrition Assistance Program. It's far more these days for working families than for families without earnings on public assistance. It does even a better job than the EITC of adjusting by family size. The EITC hits its max when you have three kids, SNAP does not have a similar limitation. And there's all of this evidence for both the EITC and SNAP, some of which the Hamilton Project has put out, on the long-term positive impacts on kids, such as the paper co-authored by your predecessor as head of Hamilton, Diane Schanzenbach, finding evidence that the availability of SNAP food stamps increased high school graduation rates in that study by a remarkable 18 percentage points relative to similarly poor kids who didn't get SNAP.

So in my view the policy path forward, in addition to the productivity investments, is to strengthen both of these pillars. Clearly, as every panelist is saying, the minimum wage is eroded badly, there are the overtime issues, there's the labor standards enforcement issues Heidi has just been mentioning. On the safety net wage supplementation side, the earned income credit is about this big for workers not raising children. There are a variety of proposals to improve that. In a more visionary sense, there's a proposal on the bill in the Hill introduced by Congressman Khanna and Senator Sherrod Brown for a really robust expansion in the EITC that actually would go up to about $70,000 a year, if I remember correctly, helping many middle income workers as well as lower income workers. Quite robust. Now, it would cost over a trillion dollars over 10 years and it isn't immediately politically viable. Sadly neither are the things in the current political environment on the labor standard side, but if over time one could do both of these things it would help. Hamilton had a proposal that your predecessor Diane Schanzenbach talked about and championed as to why there's a strong scientific basis for a somewhat larger basic SNAP benefit, which would benefit every working family that was on the program. So all of these are things I think we could move forward on.

Jay, there was one last thing that came out of the previous panel, and also I think it was fact number 10 in your 13 facts. Regardless of whether the college premium differential has been stagnant, it's still large. This relates both to how much money you make and the overall productivity issue. Pell grants, the principal and most efficient way to help people from lower income backgrounds afford to get a college education, now cover a much smaller share of college costs than in prior decades. And I'm very worried that the policy prognosis ahead, for reasons I won't take the time to get into, is there's a very great risk that Pell grants will shrink in the years ahead and will fall to even lower percentage of college costs. The bottom line is that we need to do all of these things -- productivity, including things like Pell grants, more people can go to college, minimum wage and overtime labor standards, and strengthening things like the earned income credit, the part of the child tax credit that's another wage support for low income working families with kids, and SNAP benefits.

MR. SHAMBAUGH: Great. Thanks. And I'm glad you mentioned that about the education. I always fear when we mention that the premium has stagnated it makes it sound to people like oh, well then there's no point to go to college or support education anymore, but --

MR. GREENSTEIN: That's not right.

MR. SHAMBAUGH: -- it's stopped growing but it's still a huge premium.

So, I've got a few more questions, but I think also just want to reiterate to people if you've got questions, you've got note cards there. If you need another one, there's one, and so we'll take some more questions from the audience as well.

Heidi, I wanted to pick up on something that came up in the last panel. And you talk a lot of the labor market institutions, and that's this question of what immigration policy might mean towards labor market institutions, and in particular on the question of what happens if you've got a lot of people in the labor force who actually don't have even the protections we have. So setting aside strengthening the labor market protections that we've currently got, if you've got a decent chunk of the labor force who don't really have access to those protections because they're undocumented, how that plays out in the labor market.

MS. SHIERHOLZ: Yes, it's a really good question. I was really happy to hear it come up in the last panel because I think there's these things out there that are really important to wages that people don't think about in the context of, or as being so relevant to wages. And making that connection is really important.

So talking about immigration I feel like I always want to be really careful because it's this incredible flashpoint right now, but a useful way that I find to think about this -- and your question fits in here -- is first to just start with permanent immigrants who come here on a path to citizenship, they have very little, if anything positive, but we'll just say sort of very little meaningful effect on the unemployment rate or the wage distribution. And when a worker comes here with a full set of rights, as limited as they may be, but not any different than other U.S. workers, you could think of them as they're not actually that different from a U.S. born young person who is leaving their parents' house for the first time and starting a life. Like we know that person will take a job, but that person will also spend the income that they earn on that job in the economy generating demand for goods and services. The sort of point is that more workers in the economy, be they more U.S. born workers, more foreign born workers, if they have a full set of rights, it doesn't necessarily have a meaningful impact on sort of these top line numbers in the labor market. What does have a problem is when you a sort of lawless zone carved out in the labor market where immigrants don't have rights. And this is where you would sort of think about undocumented workers, I would also bring in people who are here on temporary guest workers visas, so sort of taking those in turn. Undocumented workers, they are unbelievably vulnerable due to their status, their families are unbelievably vulnerable. If they are facing things like unsafe work places, bad work conditions, they're facing violations of wage and hour laws, they're going to be much less likely to complain about them.

Similarly, people who are here on temporary guest worker visas, the thing about these temporary -- the temporary guest worker visas bring people in to work for a limited time period and then they go back to their home countries. We have over a million temporary guest workers in the country at sort of any given time. Typically those visas tie you to one employer. So if you are being mistreated by that employer or if that employer isn't paying you what you're worth you can't actually quit to go to another employer because you lose your visa and you get deported. So you have essentially or exactly zero bargaining power.

And so that's what I mean where these sort of zones of the labor market that are just carved out where workers don't have rights. It hurts the wages and working conditions of those workers and it hurts the wages and working conditions of similar U.S. born workers who do that work or who would do that work. And so it's an important sort of policy area to think about in terms of wages. And the policy prescriptions are -- again, this is not happening right now -- but are sort of really obvious. We need a path to citizenship for undocumented workers and we should dramatically reduce the use of temporary guest worker visas and increase enforcement to sort of reduce abuse in those programs.

MR. SHAMBAUGH: Great. Thanks. So, Jared, one thing that sometimes gets tossed around in thinking more broadly about what to do about the labor market, or whether it's how to think about labor force participation and things like this, is a jobs guarantee, so it's something that gets some attention.

I'm curious if you think that plays a role on the wage side as well. So would something like a jobs guarantee, is that something that would drive wage growth or is that something that's a separate issue that's much more on the area of say labor force participation?

MR. BERNSTEIN: No, no, I think it has a lot to do with wages and I think it would help significantly. And I've kind of interestingly put it on my list of ideas that I have to address the problem that I spoke about in my first intervention, this pervasive slack problem.

And the way to think about this is that we need to have some sort of a job guarantee, or at least subsidized employment. So I think of this on a policy continuum. And in the paper -- I'm actually writing a paper for Hamilton on all this stuff and I have a bunch of ideas to help try to solve this aggregate demand problem, this shortfall. And one of them is direct job creation. And direct job -- or I should say job creation because it exists on a continuum from subsidized employment, which can be a fairly mild intervention, all the way down to the more guaranteed jobs at living wages idea. And one reason this is important is because even at pretty low unemployment, as I mentioned earlier, there's still considerable slack in the job market, and I think that a lot of it is somewhat geographic. Now, by that I'm not just talking about the rustbelt and places that have been sort of obviously left behind by the loss of manufacturing employment, although that is at the heart of what I'm thinking about, I'm also thinking about urban places. There are job deserts within cities, including the one we're sitting in right now and the one to our north in Maryland, there are job deserts in many more places than there should be.

And so what I'm going to recommend in the paper I write for Hamilton is something called an FEF, a full employment fund. And this is a fiscal policy that ramps up not just in recession, but something Jason called in a paper sustained fiscal policy, the idea that we sustain fiscal support for job creation in places where folks can't find gainful employment even when the rest of the economy is in full employment. And simply put, if you can't find a job you're not going to have any wage and if the unemployment rate is too high, based on my first set of comments, there's not going to be enough wage pressure from the dynamics I discussed earlier. So I think that this is an important idea. Now, some people might be thinking, boy, that sounds outside the box, or what are you, stuck back in the FDR New Deal or something. In fact, we've done a ton of subsidized employment in this country. Recently a very nice piece of work by Indi Gupta and some others at the Georgetown Center reviewed 40 years of subsidized employment programs and not every one of them is great. But we actually kind of know what works and what doesn't.

And one of the things that works -- and I may be -- up to you, Jay, of course -- but I may be setting up a question for Bob here -- one of the things that works is something we did in the Recovery Act, which was of course the big Keynesian intervention in the last recession, and this was through the TANF Program. It was a subsidized employment program. I was working for the White House then and I thought it worked well, so maybe I have a thumb on the scale, but -- Bob knows a lot about that. I don't know if you --

MR. SHAMBAUGH: Yeah. Bob, do you want to?

MR. GREENSTEIN: Created 250,000 job slots in about 15 months. There wasn't much longitudinal evaluation, but there was some done by the economic mobility corporation on some sites in Florida. And if I recall correctly, it found for some of the workers some lasting gains even after the recession ended and the subsidized job ended.

MR. SHAMBAUGH: I wanted to follow up on something we were talking about before, about again going back to this question of should we think of these safety net programs being in competition with market raises or complementary. And I think you laid out really nicely why we should think of them as complementary. Do you have any thoughts on the proposals to try to make them more directly in competition with one another, where you'd say look one way to get wages up is just tell firms, if you don't pay workers enough that they're not using the safety net, then we're going to charge you for the safety net.

MR. GREENSTEIN: So as we all know, often wherever you are on the political spectrum it's possible to come up with extremely well intentioned policies that sometimes have the opposite of the effect you desire. And I think that's the case with these kinds of policies.

For starters, we should say -- maybe somebody in the audience knows things I'm not aware of -- I am not aware of credible academic research evidence that because of the existence of the Medicaid program employers pay lower wages, because of the existence of SNAP employers pay lower wages. I've never seen evidence of that. So there's a proposal floating around that would say for all large employers you must pay tax to the federal government equal dollar for dollar to the dollar value of Medicaid any of your employees get, SNAP, food stamp benefits any of your employees get, Section 8 housing, and free and reduced price school meals. The intention of the proposal is to push employers to pay much higher wages. But what would employers do if faced with this? Well, if you're an employer this is really big tax, this is a big cost of doing business. One of your prime incentives will be to try to avoid hiring workers who would be likely to be on Medicaid or SNAP. How do you do that? Well, it's actually not very complicated. All of these programs, the eligibility limits, the benefits vary by family size. So you're looking at a couple of people you're interviewing for a job. The person who has more kids is more likely to make you pay that tax. The single parent is much more likely to make you pay that tax; because there isn't a second earner the family income won't be as high as someone who's in an intact family. You're looking at the people you're interviewing and you're trying to assess who's more likely to cost me a lot of money in the tax. One of them is a person of color from an inner city area and the other is a white person from the suburb. Who do you think -- you know, just based on the demographics, the poverty rates. The likelihood is that this would have a significant discriminatory effect in hiring.

By the way, this emerged briefly in 2009 in policy debates. One of the first versions in the senate in the Affordable Care Act's employer mandate was drafted in a way that would have just these same kinds of effects. We looked at it and did an analysis raising very strong concerns about the subtle inducements for discriminatory hiring practices. Jason did any analysis, came to the same conclusion. Fortunately, policy makers listened, they redesigned the employer mandate, and they avoided the problem. But it's not a problem we want to bring back. And it's worse than that. Just think about the following: if an employer has to pay tax dollar for dollar on the value of the Medicaid they're employees get and you're in a state that has not taken the Affordable Care Act's Medicaid expansion, the employer community is going to unite in opposition to the Medicaid expansion. The employer community is going to unit in opposition to the kinds of SNAP increases the Hamilton Project recommends. The employer community is going to be in favor in cuts in things like Medicaid and SNAP because that would be a tax cut for them. This is a classic case of hurting the very people you intend to help.

So I think this is not the route to go. The route to go is what on both panels we've talked about, strengthen labor rules, overtime, minimum wage, standards, enforcement, strengthen key supports for working families through things like refundable credits, SNAP, and the like, rather than pitting them against each other and perhaps inadvertently hurting the very people we're trying to help.

MR. SHAMBAUGH: Great. Thanks. I think we're going to move to the questions soon, but maybe while I shuffle through them, Heidi, I was wondering if you could follow up on one thing that got brought up really quickly in the last panel, which is that

I've heard you talk about a question about what happens on the first day. Because when we think about labor market institutions and labor market rules a lot depends on what you sign when you show up and how things start going. I was wondering if you could -- how things around those areas might impact wage growth.

MS. SHIERHOLZ: Yes, so we've been sort of throwing around a phrase to describe this tranche of things that sort of rig the system against workers before they even work for one minute. And we're sort of of calling this day one fairness stuff, but who know if that will stick. But the idea is you can think of three types of workers who are affected by this sort of thing. So, one, you have workers who should be classified as payroll employees, with all the rights and protections that go with that, but are instead misclassified as independent contractors. You have workers who are correctly classified as payroll employees, but because of the layers of contracting and subcontracting that they work within they don't actually know who it is that controls the conditions of their employment. So if they want to grieve something, if they want to bargain with their employer, they actually don't know who to talk to. And then a third kind of person are just people who are sort of subject to this increasingly common employer practice of asking people to sign away their rights as a condition of employment. And you guys brought this up in your paper with non compete agreements. And then we're also seeing a big increase in mandatory arbitration, people being required to sign mandatory arbitration agreements with class action waivers. So all of these things really shift bargaining power from workers to employers, put downward pressure on wages. The policy solutions I think sort of go hand in hand with them. So for non compete agreements we can ban non compete agreements, except in cases where there's like really limited cases for trade secrets for very highly compensated workers. We could make it illegal for employers to ask workers to sign mandatory arbitration agreements in the labor and employment space. Or, you know, in regards to their labor employment rights.

As far as misclassification goes, I think of it as sort of a three pronged policy approach to that. So one has already been brought up, just transparency. It is making sure that workers know what their status is. Are they exempt or not exempt from overtime, are they independent contractors or payroll employees, what is the justification for their status, for what status they are, what is the name of their legal employer or employers, how much do they make, how many hours do they work, what are the deductions from their paychecks. Like all of those things should be made very clear on a regular basis to workers. So that's transparency.

Larry mentioned this, but this idea of just making W2s, so making payroll employment the default status. Like you walk in, if you are going to do work for somebody the default is that you are on their payroll and then if the employer wants to assert that you are actually an independent contractor they have to make a positive attestation to that affect. Like they have to actually give you a notarized document explaining why you are an independent contractor, or something along those lines. So W2 is the default status.

And then the third one is just enforcement. And we talked about that, but we just really need to boost enforcement.

MR. SHAMBAUGH: Okay. Great. So I'm just flipping through the questions and one question comes up more than once here. And, frankly, it's a question I got asked this morning, it's a question I never know how to answer. So I want to be really unfair and ask all of you to answer it because I don't know the right way to answer it (laughter), which is if you only got to pick one thing, so you get your one proposal for wage growth. And so I think on the one end if you'd rather you could just have the one policy you think would raise wages the most or, alternatively, if you were in the White House right now what's the one policy aimed at wage growth you would push most?

So if you were in the White House you might have a whole range of policies you want to push, but in terms of this conversation about wage growth, you know, where do you think there's the most bank for the buck?

And this is really to all three of you, so I don't know -- whoever wants to jump in first and give the other two time to think.

MS. SHIERHOLZ: I do think one thing that we do know is the thing that's been the single biggest cause of stagnation for middle class workers is the decline of unionization. So the bucket of things I would want to go to is the things that would increase unionization. And so like how to think about what the best one would be, and there I don't know. I was just talking about default status, so if I was going for the moon you can make unionization the default, right, and then somebody -- you know, like you could -- anyway, the main point is policies that would really boost unionization I think is an important area that we need to think about.

MR. SHAMBAUGH: Okay.

MR. BERNSTEIN: You know, I think that I would go to a fairly far down the continuum version of direct job creation and a job guarantee. Now, I'm not talking about this White House, you know, as others have said. But I'm answering -- you know, this is my answer to your question.

MR. SHAMBAUGH: Yes.

MR. BERNSTEIN: I think that my research over decades has led me to -- I look at that 4.4 percent unemployment rate, if you're really good about it, with caveats that I gave earlier, but the more that I age in this business the more I realize how that is just an incomplete measure of labor utilization or even economic utilization. Historically this is well known but it bears repeating, the unemployment rate for African Americans twice that of whites. And, by the way, that holds almost in every education category. If you look at college educated African Americans, you know, their unemployment rate is closer to 4 percent versus 2 for whites. And so recently I saw my friends, David Ratner, formerly of BPI here from the Fed -- a recent Fed paper shows how you can help close that gap by running particularly hot tight labor markets. And so I think a job guarantee that meets the employment needs of all comers -- and probably as long as we're -- you know, you asked us such an open ended question -- I would definitely attach a lot of the labor standards and the safety net ideas to that guarantee, but basically if you run a full employment economy, guarantee jobs, have a decent minimum wage, and a robust safety net, you know, not only are you going to close up a lot of the slack but you're going to raise the living standards of a lot of people who've been hurt by the trends you showed in your slide.

MR. SHAMBAUGH: Bob, you had the most time to think so you have to have the best answer. (Laughter)

MR. GREENSTEIN: Well, you'll probably regard it as the worst answer because I'm really allergic to a question like that. (Laughter) But here's why, here's why. I think we have too much in several parts of the political spectrum of people picking their one great silver bullet, and that great silver bullet may have no political reality for years and years to come. And if we focus on that instead of stuff we can win you can end up with nothing. And, no, I'm not referring to the single payer plan, but I could be. I think it does meet that category. (Laughter) But, for example, I love the employer of last resort job, and it goes up automatically in recessions, which you have it there all the time. It's been an idea around for a long time. It's not new, hasn't moved politically. I agree we should keep trying. If we could pass a law that you could actually enact and enforce and the share of the private sector labor force and unions would go from whatever it is today, 7-8 percent, back towards 25-30. It would be huge. Not gonna happen probably in our lifetimes.

The Bill that I mentioned that Khanna and Brown have introduced is not trivial, this $1.4

trillion over 10 years EITC expansion. You actually look at the data, it does offset a non trivial share of the growth of inequality among certain groups in recent decades. It's actually big in terms of wage supplementation. The idea congress is going to pass a $1.4 trillion tax cut all in the EITC, that isn't -- so what I find myself saying is within a relatively modest menu of things that are all important to do, calibrating what are the biggest chunks you can actually get in each, and if it's only a piece of the ultimate goal, whether it's on jobs or it might be on unions or it might be on the EITC, the minimum wage, whatever, you go for it and you come back and you keep going for more. This is a country in which change generally and progress normally happens incrementally. If you look at how big the EITC is now compared to 1975, that's really big, but it took like 9 different pieces of legislation over maybe 30 years. And you just have to take several things that are all good in my view, go for the biggest fish you can get next year, the year after, whatever, and then you keep coming back and going for more rather than just having one huge thing. And I worry people put energy in it, it fails, they get discouraged, and then the energy dissipates

MR. BERNSTEIN: So I have a slightly -- I agree with everything Bob said -- and, by the way, we were talking about wage setting -- he's my boss, so (laughter) I'll be a little ginger here in my reflections. I definitely agree with everything you've said, but I have sometimes of late -- and I wonder if this is some of an old guy problem -- I've worried that people like us -- and there is no distance between me and Bob on every sentiment you've heard -- I worry that people like us are not ambitious and forward looking and aspirational enough. And by that I mean you're completely right about incrementalism and how sometimes I hear people talking about leapfrogging reality in a way that completely ignores path dependencies and the realities. And it just rubs me the wrong way. But there's a tendency among people, you know, democratic in particular, to always negotiate with ourselves and sort of start out where we want to end up. And I've come to actually appreciate more the somewhat, you know, maybe seemingly unrealistic aspirational folks because then when we pull back to our more path dependent -- like Bob was just articulating, which I think is the way forward -- and saying well we're not going to get to single payer next week or next year or in the next five years, but if we start thinking about planting seeds that plot a way there, so maybe a public option in the exchanges or lowering the Medicare age. And we're not going to get to a $600 billion a year job guarantee program, which is something people are talking about, but if we start thinking about expanding a full employment fund that gets us the way there. I've started to appreciate more these very ambitious progressive aspirations, both in the policy sense that I mentioned, but also in a political sense.

MR. GREENSTEIN: I think you can do both.

MR. BERNSTEIN: Yeah. It's a walk and chew gum thing.

MR. GREENSTEIN: And my only amendment would be on health. I think the long-term goal is universal coverage.

MR. BERNSTEIN: I would agree with that.

MR. GREENSTEIN: Single payer is one route to get there that -- I don't think you can get there given that 170 million people (inaudible) their employer's coverage.

MR. BERNSTEIN: I recently wrote the same thing.

MR. GREENSTEIN: But if you say the goal is universal coverage and then you put all the incremental steps in the service of the ultimate goal.

MR. SHAMBAUGH: We don't have much time left, but one thing I'm curious about in terms of stepping away in some sense from our grandest dreams to things that are actually possibly doing in the very near term, is to wonder if people think there are some things that are not doable in the near term at the federal level are there things states and localities could be doing today in places that are more amenable to thinking about wage growth as a crucial goal that might push wage growth forward? And, again, this is to anyone who's got one that they --

MR. BERNSTEIN: I have one, but you go first.

MS. SHIERHOLZ: You go; be my guest.

MR. BERNSTEIN: So I just have a quick thing, which is I've become more interested -- this is actually going to be on my list in my paper of aggregate demand boosters -- I've become more interested in the extent to which rules around offsetting climate change, renewable portfolio standards -- so this is where a state says in year X 30 percent of our energy has to come from renewables. I've been really interested in connecting that -- this is a Paul Krugman idea -- in connecting that to greater demand, more jobs, particularly in the green sector. And so this is kind of a public-private idea, but the public sector sets up an environmental goal. There could be tax credits involved in this. And the idea is that states can do this on their own and make the investments that create jobs and help to offset climate change.

MS. SHIERHOLZ: Almost all of the labor standards stuff that I talked about actually can and has been done at the state level. It's even being done in the localities. We're seeing a pushback with states trying to preempt particularly progressive localities from doing stuff. But absent that we've seen states increase their minimum wages, we've seen states implement higher overtime thresholds, we've seen states implement really progressive scheduling policies, et cetera, et cetera, et cetera. So I think in a time like this where everything is blocked at the federal level, we will see a lot of interesting information and movement out of the states continuing.

MR. GREENSTEIN: I think it's on the one hand, on the other hand. On the one hand you can do stuff, on the other hand it's generally more limited than what you do nationally. But as Heidi just mentioned, we've seen states and localities raising the minimum wage. We have 30 states with a state earned income credit and so forth.

Having said that, people tell me that we're getting close to exhaustion in terms of the number of states where you can wage and win a statewide ballot initiative on the minimum wage. The earned income credits in the state are very good, but they're relatively modest compared to the federal credit.

One other we haven't mentioned until now that I'd really like to see, in early November on election day on the ballot in Maine is getting Maine to finally take the Medicaid expansion. Important for a lot of low income workers without children. And we still have 19 other states that haven't taken the Medicaid expansion. I'm hoping, I'm not that sanguine, but I'm hoping that the demise of Cassidy-Graham and ACA repeal and replace, at least for the time being, might reinvigorate interest in some places in Medicaid expansion, such as our neighbor across the river, Virginia. It would be nice to see Virginia make another run at the Medicaid expansion.

MR. BERNSTEIN: Hey, I have a quick comment about this that ties things into current events.

MR. SHAMBAUGH: Okay.

MR. BERNSTEIN: I'm a little concerned. There are a lot of wasteful tax expenditures in the tax code, but I'm a little concerned that the idea of disallowing the state and local tax exemption, which is one of the pay fors under the republican tax plan -- as we're coming to know it -- will actually hurt in this space that we're trying to talk about now because first of all we know that it's some of the bluer states that have more of a presence of an income tax, so they're the ones that will be dinged by ending the state and local tax exemption. But we also know -- I mean I've been doing some research and I'm pretty sure this is true that one of the things those states do is they raise more revenue from their income tax and they spend it on helping poor people, for example. So, you know, state EITCs and things like that. If you had --

MR. GREENSTEIN: Or education.

MR. BERNSTEIN: Education, of course. Yes, education is a big one. So if you end the SALT, state and local taxes -- if you end the SALT it's going to make it much tougher for states to sustain their tax burden and certainly much harder for them to increase it.

MR. SHAMBAUGH: That's great. So I think we're out of time. I want to thank the audience for a lot of really interesting questions. I'm sorry if I didn't get to yours. Most of all I want to thank our panelists now and our panelists from the first round as well. And thanks everyone for coming.

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