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America's growing inequality problem

Work hard, get ahead – that's America's basic promise, right? Not in the Bush economy, which has squeezed middle- and lower-income families ever tighter. Republican economic policies reward wealth, and tax work. CEOs reap great benefits and live lavishly, while workers get pink slips and pay cuts. While we can restore a balanced economy that brings economic rewards to both companies *and* the front-line workers that make companies run, doing so requires a sharp change from the agenda of the Republican-controlled Congress and the current White House. Consider these economic problems:

Shifting tax burdens: The Congressional Budget Office concluded (Aug, 2004) that President Bush's rounds of tax cuts *did* favor the wealthy. One-third of the Bush tax cuts went to the top 1% of households (those with an average income of \$1.1 million per year). While those wealthy households got an average tax cut of \$78,640, the average middle-income household got a cut of just \$1,090.

Declining incomes: The Bush Administration will be the first since Hoover to lose jobs. Unemployment remains unacceptably high, and many unemployed workers have given up looking for employment. Many others who have found new jobs are working for less pay. According to analysts at Wells Fargo, three in five new jobs pay below the national median wage of \$13.53 per hour. And over the last two years, 57% of laid-off tenured full-time workers who were able to find new jobs learned that their new jobs paid less than the old ones. In fact, one-third of them took a pay cut of at least 20%. It's not just that new jobs pay less; median household income has declined by over \$1,500 since 2000, more than wiping out the benefit of the Bush tax cut for middle-income households.

Shrinking middle class: The number of Americans living in poverty rose by 1.3 million last year, to 35.8 million. And the number of Americans who lacked health insurance grew by 1.4 million, to 45 million, as health care premiums rose 14%. According to the Center for Economic and Policy Research, the gap between the wealthiest Americans and low- and middle-income Americans is the greatest ever recorded by the Census Bureau.

Skyrocketing CEO pay: Not everyone has suffered during the economic stagnation of the last three years. Corporate profits have grown robustly, and the average CEO now makes 300 times more than the average employee. And the CEOs who have been most aggressive in exporting U.S. jobs overseas fared best of all -- their pay rose an average of 46% last year, to \$10.4 million, compared with a 9% average pay raise among CEOs overall – and a declining median income!

A better plan. Democrats in the House of Representatives propose to help the middle class by providing incentives for employers to create and keep jobs in the U.S.; removing obstacles for workers to form and join a union; restoring overtime pay eligibility to all workers that once had it; and raising the minimum wage. We need to reduce the federal debt, make college more affordable, and deal with the rising cost of health care. But this Labor Day, Congress and the White House are pushing proposals that widen the gap in our society, and squeeze the middle class.

Each week, the **Middle Class Squeeze** looks at different aspects of how Bush Administration and congressional policies are failing the middle class. For more information, please call 202-225-2095 or visit www.house.gov/georgemiller.

Feeling squeezed? Send us an email about it: middleclasssqueeze@mail.house.gov