Hearing on How Middle Class Families are Faring in Today's Economy

HEARING

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Hearing on Hearing on How Middle Class Families are Faring in Today's Economy

U.S. House of Representatives,
Committee on Ways and Means,
Washington, D.C

WITNESSES

Mark Zandi, Ph.D
Chief Economist,
Moody's Analytics

Heather Boushey, Ph.D
Executive Director and Chief Economist
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Vice President of Health Care Coverage and Access
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Kevin Brown
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HOUSE COMMITTEE ON WAYS & MEANS
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FROM THE COMMITTEE ON WAYS AND MEANS

FOR IMMEDIATE RELEASE CONTACT: (202) 225-3625
February 8, 2019
No. SRM-1

Chairman Thompson Announces a Select Revenue Measures Subcommittee Hearing on How Middle Class Families are Faring in Today's Economy

House Ways and Means Select Revenue Measures Subcommittee Chairman Mike Thompson announced today that the Subcommittee will hold a hearing, entitled "How Middle Class Families are Faring in Today's Economy" on Wednesday, February 13, 2019, at 10:00 a.m., in room 1100 of the Longworth House Office Building.

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record can do so here: WMdem.submission@mail.house.gov.

Please ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Tuesday, February 26, 2019.**

For questions, or if you encounter technical problems, please call (202) 225-3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but reserves the right to format it according to guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

The Committee seeks to make its facilities accessible to persons with disabilities. If you require special accommodations, please call (202) 225-3625 in advance of the event (four business days' notice is requested). Questions regarding special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories are available [here].

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The Subcommittee met, pursuant to notice, at 10:02 a.m., in Room 1100, Longworth House Office Building, Hon. Mike Thompson [Chairman of the Subcommittee] presiding.

*Chairman Thompson. The subcommittee will come to order. Good morning, and I would like to welcome all of my colleagues, especially my friend the new ranking member, Mr. Smith of Nebraska, and the distinguished panel of witnesses who have joined us here today. Thank you all for being here.

This is the first hearing of the Subcommittee on Select Revenue Measures in the 116th Congress, and I want to welcome all the members, Republicans and Democrats, who will be serving on this panel for the next two years. I look forward to working with each and every one of you.

The subject of today's hearing, how the middle class is faring in today's economy, cuts to the core of what I view as the key mission of this subcommittee, a subject that could not be more important, more timely, or more urgent.

It has been eight years since my side of the aisle controlled Ways and Means Committee and subcommittee gavels, and the economy has been transforming rapidly during that time. On the surface, many measures of the American economy look excellent. Unemployment is near its lowest point in 20 years. We have seen 100 straight months of job growth. GDP growth has been steady. We are always pleased to see these positive economic trends, every one of us.

But those top-line economic indicators don't capture the whole story. These indicators don't acknowledge the anxiety of regular, middle-class families in communities all across our country, red and blue communities alike, who feel that their economic position is getting more fragile.

They don't reflect the fact that middle-class wages have been mostly flat for the last 20 years, while basic, unavoidable family costs like housing, higher education, and health care are going up quick.

The unemployment rate is, thankfully, low, as I said earlier. But the jobs it counts are now more often part-time jobs, temporary jobs, or low-paying jobs. Too many people want, but cannot find, full-time, stable, good-paying jobs. We can all agree that it is this kind of job that is key to achieving the middle-class dream, and it is this kind of job that is proving elusive to so many of the Americans we represent.

The GDP is growing, and of course we are glad to see that. But we also understand that, in today's economy, most of that GDP growth is captured by wealthier families with large investment portfolios and big retirement accounts. We are glad to see those families succeed. But the economic prosperity we are supposedly enjoying right now is leaving too many hardworking people behind.

For middle income families who sometimes have trouble making ends meet and who struggle to save much, they aren’t necessarily feeling that GDP growth in the same way as their more affluent fellow Americans.

Last May the Federal Reserve found that 40 percent of American adults could not come up with $400 to cover an unexpected expense without selling belongings or going into debt. Over a fifth of adults are not able to pay their current month's bills in full, and more than a quarter of adults skipped necessary medical care in 2017 because they couldn't afford it.

Consumer debt is at record levels: Americans hold close to $4 trillion in non-mortgage debt. Student loans play a big role: since the 1970s, the cost of college has exceeded inflation by 500 percent. Seventy percent of today's college students borrow money to attend, and the average debt at graduation is $39,000.

Home ownership is slipping among Millennials, who are struggling to repay crushing student loan debt. What used to be a mortgage payment a generation ago is now a payment on an education already earned, and the prospect of home ownership, one of the greatest creators of net worth among hard working Americans, slips further away.

I am concerned that, with these trends, upward mobility, which has always been a core part of the American Dream, is in decline. Harvard economist Raj Chetty and his colleagues famously pointed out that Americans born in 1940 had a 90 percent chance of earning more at the age 30 than their parents did at that same age, adjusted for inflation. But among Americans born in 1980, only about half out-earned their parents at age 30.

It used to be that people who worked hard and played by the rules could be confident of getting ahead in America's economy. These days, that is just not a given any more. Middle class families are working so hard to try and get by. They are doing everything that anyone could ask of them, but life still feels precarious. They worry: Will I get a raise this year? How much will child care cost next month? Can I stay current on my student loan? Will I ever be able to afford to own a house? Can we put something away to help the kids pay for college? Will we ever be able to retire?

I want to be clear. I am an optimist. I want our work here to reflect the idea that we can do good for the people we represent. The policies we enact should result in security, stability, and prosperity for generations to come. To do our work, we need better insight into the financial situation of middle-class families. and that is what I hope to learn today.

[The statement of Mr. Thompson follows:]

*Chairman Thompson. And with that I would like to recognize Ranking Member Mr. Smith of Nebraska.

*Mr. Smith. Thank you, Mr. Chairman. Congratulations on receiving the gavel for the subcommittee, and thank you for holding the first hearing for our subcommittee of the 116th Congress. I appreciate the opportunity to discuss how middle-class Americans are faring in today's economy.

A growing economy and the opportunity to keep more of what taxpayers earn are good for the middle class, and that is exactly what they are seeing under the Tax Cuts and Jobs Act. Our economy is growing at greater than three percent. Wages are growing at nearly four percent. The state of our economy is strong. It has never been easier for an American who wants to take advantage of economic opportunity to get training, enter the workforce, or find a better job.

Last year in the Human Resources Subcommittee we held a series of hearings reviewing what more we could do to engage those not currently in the workforce. We found reconnecting gave workers not just an income, but also the dignity and pride of supporting their family and engaging in society. We also found employers need people as badly as people on the sidelines need that first step to get back toward opportunity.

The message from employers in those hearings was clear: they desperately need workers to fill good jobs, so much so that they are willing to train folks themselves and pay them a competitive wage with good benefits to fill open positions, therefore reducing the need for student debt.

The witnesses we heard from last year came from locations and industries across the country. This was not a regional or industry-specific trend.

I am particularly pleased we will be able to hear a message consistent with this trend from Mr. Berkebile here today.

When I speak with employers throughout Nebraska's Third District, I hear frequently about need for workers to fill good jobs in manufacturing. And this message isn't confined to just traditional manufacturing, either. Last year, when I visited MetalQuest, in Hebron, Nebraska, I had the opportunity to see their state-of-the-art, automated manufacturing facility. During my visit, the head of manufacturing told me that, despite the automated production process, the biggest impediment to growth was a lack of folks to fill open positions to operate and maintain machinery in the facility.

I also recently had the opportunity to visit the heavy equipment program at Central Community College in Hastings, Nebraska. I wanted to visit and see for myself the training programs taking place at community college because I had been hearing from leaders in our state's construction industry how pleased they were to help create and support this program to address the ongoing needs to find workers.

During my visit I was impressed with the competitive cost, quality training, and the speed at which they get people trained to succeed in good jobs, further proof you don't need an expensive four-year degree to succeed in our economy.

I am pleased to see that Dr. Eddinger, the president of the largest community college in Massachusetts, agrees community colleges have an important role to play in preparing their students for jobs. In Massachusetts alone there will be a need for 65,0000 such jobs in the coming years.

Alongside the strong job market, tax reform is allowing middle-class Americans to keep more of their -- of the money -- of their own money. As I mentioned in our hearing last week, under TCJA a single mother with two children doesn't owe a nickel in federal income tax until she earns more than $53,000, and a typical family of four earning $75,000 will save $2,000 in taxes.

The worst thing we could do for middle-class families is to take more of what they earn through tax increases. Raising Social Security taxes won't help a single mom get ahead, either. Increasing the gas tax and raising taxes as part of a green new deal won't help stretch paychecks, further. Repealing corporate tax reform, something even President Obama supported and included in his budget, won't help add new middle-class jobs.

Tax reform shouldn't be a once-every-30-years event. We should work every year to ensure the tax code is working well for as many Americans as possible. We should view any changes to tax policy with an eye toward helping Americans help themselves and their neighbors, not with the goal of collecting more money so we can grow government on the backs of hardworking Americans.

Thank you again to our witnesses. I appreciate your sharing your insight and expertise on what I would say is the front lines of our economy. So I am glad you are here today.

Thank you for holding this hearing, Mr. Chairman, and I yield back.

[The statement of Mr. Smith follows:]

*Chairman Thompson. Thank you, Mr. Smith. We have got a great panel of witnesses today who I believe will be able to really open the pages on how the middle class is faring in today's economy. And I know we are all anxious to hear what you have to say.

I would like to first introduce -- I will go through and introduce all the witnesses. Then we will just go in order for your testimony.

First we have Dr. Mark Zandi. Dr. Zandi is the chief economist at Moody's Analytics, and should be a familiar face to my colleagues here in the committee.

Thank you for joining us, Dr. Zandi.

Dr. Heather Boushey is the executive director and chief economist at the Washington Center for Equitable Growth.

Dr. Sara Collins is vice president of Health Care Coverage and Access at the Commonwealth Fund.

Mr. Kevin Brown is the former president of the California Association of Realtors.

Dr. Pam Eddinger is president of Bunker Hill Community College.

Ms. Tatum Tirado is a mathematics and special education teacher at Ballou High School, here in Washington, D.C., and a proud Marine.

And finally, Mr. Guy Berkebile is the owner of Guy Chemical Company in Somerset, Pennsylvania.

Thank you all for being here with us today.

And we will start, Mr. Zandi, with you.

You will each have five minutes for your testimony. Your full testimony will be put in the record. If you can contain yourself to five minutes, that would be very helpful.

Mr. Zandi, thank you.

STATEMENT OF MARK ZANDI, PH.D., CHIEF ECONOMIST, MOODY'S ANALYTICS

*Mr. Zandi. Thank you, Chairman Thompson and Ranking Member Smith, for the opportunity to be here, and to the entire committee to allow me the opportunity.

I am the chief economist at Moody's Analytics, but the views I express today are my own. And just for sake of disclosure, I am on the board of directors of MGIC, one of the nation's largest mortgage insurers. And I am the lead director of Reinvestment Fund, which is a large CDFI headquartered in Philadelphia, which is my home town. So thank you.

I have three points to make in my remarks.

Point number one is middle-class Americans are struggling, despite nearly 10 years of economic expansion. Believe it or not, if expansion continues on through June of this year, it will be 10 years old, the longest in history. And moreover, we are in the midst of the longest period of job growth in history, going back to 2010. But despite that, middle-class Americans are having a difficult time.

One of the best statistics to see that is real median household income, median meaning half of the folks make more than that, half make less. That is a little over $60,000 a year. Over the past two decades, real median household incomes have not grown very much. In fact, just barely outpacing the rate of inflation.

More disconcerting, middle-class households can't -- are unable to raise their wealth. The median net worth of households – This is the difference between what they own and what they owe is about $100,000. This is no different today than what it was -- on an after-inflation basis 30 years ago. So it goes up and down and all around with the stock market and housing values, but no real progress there.

Middle-class Americans can't save. They have over the last 20, 25 years effectively been unable to save. Some periods they save, some periods they dis-save. And, of course, as the chairman mentioned, debt levels are very high, particularly student loan debt.

In fact, one interesting statistic, 10 percent of all households in the middle quintile of the income distribution -- that is 20 percent of Americans in the very middle of the distribution had an experience with serious delinquency on some type of consumer credit or mortgage in 2016, the latest data available. So, even despite the solid economy, middle-class Americans are struggling.

Point number two – There are lots of reasons for the plight of the middle class. The financial crisis 10 years ago was devastating for all Americans. It was especially very hard on middle-class Americans, one reason why their net worth hasn't been able to recover. They have been just digging out from under. The unemployment rate, if you recall, peaked at 10 percent in the immediate wake of that downturn, and it has taken a long time to get back to full employment.

There are broad secular forces at work here, too, not just cyclical forces including the pace of technological change, particularly information technology. The advances in technology lift all Americans' wealth, but it is particularly hard on middle-class Americans, as they effectively get coded out by the information technology, and if they don't have the requisite skills and education and many do not -- when they lose their jobs, and they are losing their jobs, they go down the income distribution, they don't go up. So IT hollows out the middle. And this, obviously, is a trend that is going to remain in place for the foreseeable future.

And again, we want the technology, it is improving living standards, but it is very hard on middle-class Americans.

This gets to point number three. We must do something about it. Lawmakers need to act. One of the most obvious things is don't allow tax rates on middle-income Americans to rise. Under current law they do rise in the middle part of the next decade. That would be a mistake.

I do think tax rates on higher-income households should revert back to previous law, that the tax rates are inordinately low, tax revenues as a share of GDP about as low as it has been in 50 years. And we need the revenue to pay for other programs that will help the middle class. Let me mention two or three different programs I would focus on. First is infrastructure. I think that is key to growth. It provides an immediate lift to middle-income jobs, construction, manufacturing, transportation. It opens up different parts of the country that are now locked out of this successful economy in rural areas and inner cities. I would also invest very heavily in child care, early childhood education, and higher education. These are things that would support the middle class, but also lift the economy, get more people back to work, and that is, you know, precisely what the economy needs.

I appreciate the opportunity to participate in today's hearing. Thank you very much.

[The statement of Mr. Zandi follows:]

*Chairman Thompson. Thank you, Dr. Zandi.

Dr. Boushey?

STATEMENT OF HEATHER BOUSHEY, PH.D., EXECUTIVE DIRECTOR AND CHIEF ECONOMIST, WASHINGTON CENTER FOR EQUITABLE GROWTH

*Ms. Boushey. Thank you. Thank you, Chairman Thompson and Ranking Member Smith, for extending an invitation to me to speak today. I am honored to be here. My name is Heather Boushey. I am the executive director and chief economist at the Washington Center for Equitable Growth.

So I am here today to talk about the state of the American middle class and evidence-backed ideas and policies that you, as a subcommittee and as lawmakers, can use to promote growth that is strong, stable, and broadly shared. That is also the focus of our center.

So statistics that we use to measure the economy, like GDP and job numbers, have become less representative of what people across the United States and your constituents are feeling. There is a reason that the President's boast of four percent growth ring hollow to those -- to many of those you may meet at home. And as Chairman Thompson indicated in his opening remarks, headline GDP numbers don't tell us how that growth is distributed, just as headline jobs numbers don't tell us whether or not those are good jobs.

The question of who gains from economic growth is a critical one to understand. Research from economist Thomas Piketty, Emmanuel Saez, and Gabriel Zucman show that, for the 117 million U.S. adults in the bottom half of the income distribution, economic growth has been nearly non-existent for a generation. Meanwhile, incomes at the top have tripled since 1980.

As incomes have stagnated, the building blocks of a stable middle class living have steadily become more expensive. Health care, child care, and education are a few of the fundamental but increasingly unaffordable pillars of the American Dream.

A median-income family has to spend nearly 20 percent -- that is about a fifth of their income -- to cover child care costs. The total cost to attend a four-year university has increased from $26,000 to more than $100,000 over the past four decades.

The United States stands alone among rich countries in not providing workers with nationwide access to paid family and medical leave.

Rising inequality and increasing barriers to middle-class life are limiting economic mobility.

Chairman Thompson told us about Raj Chetty's work that found a decline in upward mobility for people born in the 1980s versus the 1940s. What that study also showed was that the way to address the -- that the reason that we saw this lower economic mobility was because of the rise in inequality. Their analysis shows that 70 percent of the decline in upward mobility happened because of rising inequality. So to improve mobility we also need to address inequality.

This subcommittee has a vital role to play in rebalancing policy towards the majority of Americans. The Tax Cuts and Jobs Act is contributing to inequality in the United States by lavishing benefits on corporate shareholders and the already wealthy. The Act cuts taxes for those at the top, while decreasing the revenue available to fund investments in family economic security, education, health care, child care, and housing.

The purpose of the tax system, as with public policy in general, should be to support the living standards of U.S. families, not just those of the very wealthy.

So what can you do about this? The policy agenda should comprehensively address economic issues at the bottom, middle, and top of the income spectrum. At the bottom end, to help people move into the middle class, one easy step is to preserve and expand the evidence-backed refundable tax credits, like the earned income tax credit and the child tax credit, which lifted 8.9 million Americans out of poverty in 2017.

In the middle it is really important to make sure that the fruits of growth are widely shared, and to make the economy work for workers and their families. I want to echo what Dr. Zandi said: It is very important to focus on infrastructure investments and we need to make sure that families have what they need, including access to high-quality and affordable child care, and to offer them paid family and medical leave.

And we need to know more about how to address incomes at the top. Many of the statistics that we rely on to inform us about the state of our economy are measures of the average. Yet in an era of rising inequality, these overall GDP numbers are becoming ever more less informative about the experience of most Americans.

The Measuring Real Income Growth Act, introduced by Congresswoman Maloney, would disaggregate quarterly or annual GDP growth numbers. This would tell us what growth is experienced by people across the income spectrum, giving us more information to help guide policy-making. Instead of promising four percent growth, the goal could become four percent growth for the middle class with these new numbers. This data should be made available in real time, so that we can design policies to lift up those groups that really need it.

Thank you again for inviting me. I look forward to your questions.

[The statement of Ms. Boushey follows:]

*Chairman Thompson. Thank you very much.

Dr. Collins?

STATEMENT OF SARA R. COLLINS, PH.D., VICE PRESIDENT OF HEALTH CARE COVERAGE AND ACCESS, COMMONWEALTH FUND

*Ms. Collins. Thank you, Mr. Chairman, and members -- and Ranking Member Smith and members of the subcommittee, for this invitation to testify on how middle-class families are faring in today's economy. My comments are going to focus on
the current status of health insurance coverage among people in the United States who get their insurance through their employers.

Job-based health insurance continues to be the primary source of insurance coverage for the majority of the U.S. population. More than half of residents under age 65, about 158 million people, get their health insurance through an employer.

Two recent studies by the Commonwealth Fund indicate that families' costs for employer health insurance are rising faster than median income. Moreover, even as costs climb, families aren't receiving higher-quality insurance. The amount they have to pay out of pocket before their insurance kicks in continues to rise.

Consequently, our research indicates that a growing share of people with employer coverage have such high out-of-pocket costs and deductibles relative to their incomes that they can be considered under-insured.

People across the country are not experiencing health care costs equally. This variation stems from differences in the size of employer premiums across states, how much employees are required to contribute to their premiums, the size of their deductibles, and the widening disparity in median incomes across the country. Families who could potentially spend the greatest amount of their incomes on premiums and deductibles are concentrated in the South.

These high insurance costs have implications. People may decide to go without insurance if it competes with other living expenses like housing, food, and education. And people who maintain their coverage but who are under-insured may make similar tradeoffs. Commonwealth Fund surveys find that under-insured adults are much more likely to skip needed health care, like filling prescriptions or going to the doctor when they are sick, than are people who are not under-insured.

In addition, people who are under-insured are much more likely to report problems paying medical bills or to say that they are paying off medical debt over time. Accumulated medical debt affects other aspects of people's lives. Our survey research finds that many adults with medical bill problems have serious subsequent financial problems such as depleting their savings, racking up credit card debt, or getting a lower credit rating.

People with lower incomes are particularly affected, with about one-third reporting being unable to pay for basic necessities like food, heat, or their rent as a result of their bills.

Take as an example Robert and Tiffany Cano of San Tan Valley, Arizona. The Canos were recently profiled by Kaiser Health News in its series on consumer medical bills. Both Robert and Tiffany work full time and have a combined income of about $100,000 a year. At the time of the story, the Canos had a family health plan through Robert's job as a manager at a large chain retail store. They were spending $7,000 in premiums annually for a plan with a $3,000 deductible. The birth of their son and some subsequent health problems left them with $12,000 in medical debt.

Robert has taken on three additional part-time jobs to pay off their debt, and they estimate that it will take two more years to pay it off. Concerned about accumulating more debt, they have postponed needed health care for themselves and their baby.

Tiffany, who works for a regional bank, uses a prosthetic limb because of a birth defect that required her leg to be amputated below the knee as a child. She now needs a replacement prosthesis to accommodate changes in her body since her pregnancy. And although she has difficulty walking and suffers from blisters, she worries about whether they can afford their share of the cost of a replacement.

The personal pain and financial stress suffered by families with high medical costs present a fundamental dilemma for employers. To the extent that they are designing benefits that shift more of their insurance costs to their employees, they are potentially undermining the productivity of their own workforces.

More broadly, the growing number of under-insured people could have implications for the nation's economic health. Research indicates that human capital is key to a country's long-term growth.

In a landmark study in 2003, the Institute of Medicine concluded that people who lack adequate health insurance have fundamentally different life experiences than those who are adequately insured, including lower educational attainment, lifetime earnings, and life expectancy. At the time of the study, the IOM estimated that the aggregate cost of uninsured people's lost capital and earnings from poor health and shorter life spans fell between $65 billion and $130 billion, annually.

We have insured -- the U.S. has insured 20 million more people since the IOM study through the Affordable Care Act's coverage expansions. But with 28 million people still uninsured, and an estimated 44 million people under-insured, the country continues to squander billions of dollars every year in people's lost capital and earnings.

The subcommittee is to be commended for investigating this timely issue. Thank you.

[The statement of Ms. Collins follows:]

*Chairman Thompson. Thank you very much.

Mr. Brown?

STATEMENT OF KEVIN BROWN, FORMER PRESIDENT, CALIFORNIA ASSOCIATION OF REALTORS

*Mr. Brown. Chairman Thompson, Ranking Member Smith, and members of the subcommittee, thank you for the opportunity to be here today to testify on behalf of the 1.3 million members of the National Association of Realtors about the vital issues of middle-class families and barriers to home ownership.

The American dream of home ownership is not dead. Ninety-two percent of renters aged 34 and younger aspire to own a home, and for good reason. The economic and social benefits to families, communities, and the nation are overwhelmingly positive.

The importance of home ownership and household wealth-building is difficult to overstate. Based on Federal Reserve data, the typical home owner's household net worth was 45 times the wealth of a renter in 2016.

In addition to tangible financial benefits, studies show home ownership brings many other advantages, including increased stability, higher educational achievement, better health, and lower crime.

Federal policy has long recognized these benefits by including various provisions to encourage more home ownership. This has especially been true in our tax law, at least until recently.

However, barriers that have long existed for many in the middle class to accomplish their goal of owning a home seems to be growing larger. Middle-class families face issues with affordability, high student debt, and a tax code that has become a lot less home-ownership-friendly. Unfortunately, these factors can be even worse in high housing cost areas, such as many in my home state of California.

Since 2012 home prices nationwide have increased by 44 percent, while wages have increased only 17 percent. Today a median household can afford to buy 39 percent of homes listed for sale, while a year ago the same household could afford to purchase 50 percent of homes listed.

Lack of inventory of affordable homes is a big culprit. NAR produces a housing shortage tracker, which is an index comparing building permits to new jobs. Historically, the nationwide index has been one single home permit used for every two new jobs for an index of two. Today the index is three.

But some areas are far worse. Seven of the nation's top ten inventory shortage areas are in California, ranging from the worst in San Jose, suffering an index of 13.6, to 8.1 for Thousand Oaks. Washington, D.C. has an index of 3.9.

High student debt is also taking a toll, particularly on Millennials, who are now the largest generation. Nine of ten Millennial renters want to own, but less than five percent plan to do so within a year. Most lack savings for a downpayment, and high student debt is a major factor.

The Tax Cut and Jobs Act is also playing a role, even though this is not yet widely recognized. The new law cut taxes significantly for most, but it also increased the after-tax cost of owning a home by directly cutting the mortgage interest and property tax deductions. These changes will mostly hurt those in high state and local tax (SALT) areas.

But it is the new law's stealthy indirect changes that are the most wide-reaching. By nearly doubling the standard deduction, the Act saps the incentive power of the mortgage interest and property tax deductions for all but a fraction of taxpayers, those who will still itemize.

In 2017 almost a third of filers itemize, and it was often the purchase of one’s first home that brought the incentive power of these deductions to life. Starting in 2018, however, only one in eight will itemize, and thus find owning a home makes a tax difference over renting.

According to the Joint Committee on Taxation, the amount of mortgage interest deducted in 2017 will drop by 62 percent in 2018, while state and local tax deductions claimed will fall by 71 percent.

The new tax law creates a barrier to the middle class home ownership everywhere, because now the law will rarely allow first-time home buyers to lower their tax burdens by making the purchase. Now the great majority of these households won't have enough deductions to itemize. And now, for the first time since 1913, when the modern tax code was born, owning a home will be the tax equivalent of renting for most.

These tax changes, combined with the significant challenges in affordability, lack of adequate inventory, and rising student debt mean that purchasing a home has become significantly more difficult for many middle-class families, and particularly those who live in high-cost areas.

Thank you.

[The statement of Mr. Brown follows:]

*Chairman Thompson. Thank you.

Dr. Eddinger?

STATEMENT OF PAM EDDINGER, PH.D., PRESIDENT, BUNKER HILL COMMUNITY COLLEGE

*Ms. Eddinger. Chairman Thompson, Ranking Member Smith, and members of the subcommittee, thank you for the opportunity today to brief you on Bunker Hill Community College, the mission and challenges of our nation's community colleges, and the key role we play in educating and advancing the middle class.

My name is Pam Eddinger, and I am the college's president. Bunker Hill is the largest of 15 community colleges in Massachusetts, and one of 1,100 community colleges across the country.

Bunker Hill is a mid-size institution in Metro Boston. But my sister colleges across the nation vary substantially in size, demographics, and geography. We are urban, we are rural, and we are suburban, and we range from under 1,000 students to 50,000 students. Together we educate 13 million students, 1 out of every 2 undergraduates in the United States.

In fact, both middle and lower-income students are more likely to attend community colleges than any other type of higher education institution: private four-years, public four-years, or for-profit.

You might know us best as educators of our first responders in emergency health, fire, and public safety. But increasingly, we are also the source for the future workforce, for what we call new collar jobs, jobs that are middle-skills, requiring some post-secondary training, and pay well. Jobs in IT, in STEM, big data, health care, manufacturing, and the creative economy driven by the expansion of gaming and artificial intelligence.

We are poised to shore up the work infrastructure of the crumbling middle class, and to lift those in poverty through higher education. You hear often that not everyone needs to go to college, and that is true. The concept of college as a four-year experience is not for everyone. But some training beyond high school is not only important, but imperative to working in this new collar economy.

Between 1980 and 2015, the earnings of men with a B.A. rose 29 percent, while the earnings of men with only a high school education fell 7 percent. Men who never finished high school saw their earnings decline 24 percent during those 35 years. The rise of earnings for women with a college education is even more dramatic.

College used to be a sure ticket onto the middle class, now it is a prerequisite.

In Massachusetts alone, we must fill some 65,000 middle-skills jobs by the end of the decade and the beginning of the next. Those new-collar jobs are critical to economic growth and innovation. And they are the new path to the middle class.

Our hopes of a vibrant workforce, of filling these new-collar jobs, lies in educating and training our adult workers and adult learners. Yet this realization is not widely acknowledged the way it should be, and we see even fewer evidence of it in our policies and our operations.

Already our students are not who you think they are anymore. They are not kids, not 17 or 18, going to college full-time, and supported by Mom and Dad. The demographics at
my own college tells the story.

We have 18,000 students a year. Only a third of them are traditional age. The average age is 27, and the median age is 24. They are likely to be the first in their family to go to college. Many are immigrants living in gateway cities. Three out of four work, and many of them full-time. Three out of four are parents, and likely taking care of parents of their own. Seventy-seven percent -- that is over three-quarters -- are in the lowest two quintile of income. Out of the 18,000, 8,000 are on financial aid. And out of the 8,000 on financial aid, 1,000 of them are on SNAP. This is a pretty representative profile of the low and middle-income, first-time-to-college working students across all geography.

Even though adult students know that college is their path to the middle class, education is not at the center of their lives. Their family, their children, their jobs -- and usually there is more than one job -- are their priority. Schooling happens when they can afford it, often a class or two at a time. Our students are one car battery, one pediatric visit, and one small disaster away from dropping out. Yet they are courageous enough to enroll and persist. Our students take an average of four to five years to complete their associate degree, and slightly shorter for certificates.

If we know that the adult learners have good work ethic, and are serious about getting ahead, and will be the key to the labor force, what is holding up progress? What is needed? I would suggest to you two things.

One, we give up the notion that students be college-ready, and insist that our colleges are student-ready. We must meet students where they are, physically and metaphorically. Give up the mental model of the four-year college, and align our financial and college policies with the reality of working adults/

Two, we count the basic needs of food, housing, transportation, and child care as essential education costs, and fund them. It is true that Pell grant pays for tuition and fees, but the average unmet need come close to $4,500 a year for my students on my campus. There is no mom and dad to call here. It is not a coincidence that all 15 community colleges in Massachusetts have food pantries and emergency aid offices.

Make applying for aid simpler, by simplifying the FAFSA, the federal application for aid, and cover the full essential costs of our adult students.

Thank you.

[The statement of Ms. Eddinger follows:]

*Chairman Thompson. Thank you very much.

Ms. Tirado?

STATEMENT OF TATUM TIRADO, MATHEMATICS AND SPECIAL EDUCATION TEACHER, BALLOU HIGH SCHOOL

*Ms. Tirado. Mr. Chairman and members of the committee, thank you for the opportunity to testify about how middle-class families are faring in today's economy. With my own personal story, I intend to illustrate to you that the middle class is barely making their way.

My name is Tatum Tirado, and I am a highly-qualified mathematics and special education teacher at Ballou High School here in Southeast D.C. I am 36 years old and have two gorgeous daughters, a 13-year-old and a 6-year-old. When I graduated from high school in 2001, I wanted to attend college. But the limited academic scholarships I qualified for were not enough to make college truly affordable.

Instead, I enlisted in the United States Marine Corps. I was in boot camp on Sept. 11th, 2001, and I watched the towers fall on an old tube TV in a squad bay on Parris Island in South Carolina. In the fleet I was an ordnanceman in the now decommissioned Marine Attack Squadron 513. I have multiple commendations from a year-long tour in Afghanistan in support of Operation Enduring Freedom. I am a disabled veteran with combat experience.

While in the Marine Corps, I developed type I diabetes, and I was awarded early retirement for medical reasons in 2006.

As a veteran, I was able to use a combination of the Montgomery GI Bill and vocational rehabilitation and employment services to complete my undergraduate degree. I attended the University of West Florida in Pensacola, Florida, where I graduated with a bachelor of science in mathematics, with minors in professional education and physics. It was as an undergraduate student that I realized that I could teach by tutoring my peers and high school students, and that is exactly what I did.

As a teacher in Pensacola, Florida I earned $32,000 a year. This was in 2012. I taught in Escambia County for five years and did not get a pay raise the entire time, even as I was rated a highly effective teacher under Florida's teacher evaluation system. After taxes and deductions, my monthly paycheck was $2,000. Of that, $1,000 a month went to child care expenses.

Although I worked multiple side jobs, I could not afford to continue to live and work as a teacher so far from my childhood home. Two years ago I moved back to the D.C. area, where I was born and raised, to be closer to family who could help support me.

I was specifically chosen to work at Ballou High School, where every student has a story and every teacher has a reason. My students, their parents, and I, we forged relationships based on common struggles, and we work together to generate positive outcomes. We understand that without each other, that none of us can be successful.

Marines believe that once we are Marines, we are always Marines. To that end I am always faithful. I intend to support my family and my school community in even greater ways, so I am in the process of earning a master's degree in educational leadership. My course work is completed, and I am trying to find a way to complete the required internship hours, which I can't do while teaching, even though I need teaching to make a living.

I am a single mother with two children, I am in graduate school, and, like more than a million other Americans, I have type 1 diabetes. I am totally and irrevocably insulin-dependent. I diligently take my medication, I eat a low-carb diet, and I exercise. But none of this is cheap. I knew the health insurance offered by my employer -- the cost of my insulin would be prohibitive. Fortunately for myself and my family, as a Marine Corps retiree I have Tricare benefits.

My salary as a D.C. teacher is definitely higher than my salary was in Florida, but so is the cost of living. I can't afford to buy a home in this area, not in the suburbs, and certainly not in the District of Columbia. At the moment I rent an apartment in the suburbs that is about 600 square feet for myself and my two children.

I have a huge amount of student debt from graduate school. I am living on a single teacher's income with a very expensive health condition and two gifted children. Their schools have officially labeled them gifted; these are not just the words of a proud mother. I wish that I could give them things like violin lessons or soccer, but I just can't afford it.

My older daughter is in the eighth grade and scored an 1190 on the PSAT. I taught that PSAT prep class myself at a local community center as a volunteer. There were 20 other students in that class. If it weren't for me, PSAT preparation would have been financially inaccessible for them, as well.

I receive no public assistance.

I have gone over and beyond what you have asked of me. I have served my country. I graduated from college.
I am a dedicated teacher. I am a loving family member. I have devoted my life to public service. I volunteer teach and tutor when I can. And yet, here I am, struggling. How do I provide for my family or feel confident I am climbing the ladder to live the middle-class lifestyle, when everything continues to get more expensive but my salary doesn't go up?

Thank you for allowing me to share my story with you. And I look forward to answering your questions.

[The statement of Ms. Tirado follows:]

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*Chairman Thompson. Thank you, and thank you for showing the courage to share that fantastic story.

Mr. Berkebile?

STATEMENT OF GUY BERKEBILE, OWNER, GUY CHEMICAL COMPANY

*Mr. Berkebile. Chairman Mike Thompson, Ranking Member Adrian Smith, and distinguished members of the subcommittee, I am Guy Berkebile, president and founder of Guy Chemical Company, located in rural Somerset County, Pennsylvania. And I thank you for inviting me to speak about how the Tax Cuts and Jobs Act has had a positive impact on my company and on my employees.

At Guy Chemical we are manufacturers. We manufacture primarily adhesives, silicone sealants, silicone grease, two-part epoxies, anaerobic adhesives that are used by mechanics for repairing your car, by homeowners for repairing their houses, by contractors for building a building. And these products are made here in the U.S. and they are shipped, literally, over the entire world.

I started Guy Chemical in 1995 by taking the $80,000 in savings that I had -- I took out a $70,000 development loan, and then I mortgaged my house and I used the equity in my house as working capital for my business. And the start was a very rocky one. I went on to -- I didn't have an employee for eight months. I lost money for two-and-a-half years. I did not draw a salary from my business for the first five years of the existence of Guy Chemical because making my payroll and the survival of my business was always more important than how much money I put in my pocket at any given time. Over the first 15 years of -- after I started

Guy Chemical I mortgaged my house a total of 7 times to pay -- or to finance the growth of my business.

Today I have over 160 employees in production facilities located in Somerset, Pennsylvania and Bethel, Vermont. The company is doing well. And whenever you have a manufacturing company like Guy Chemical in your community, you have a real asset because, as a manufacturing company, we employ everyone. We employ engineers, chemists, skilled laborers, unskilled laborers, business managers, and accountants. So virtually everybody has an opportunity to be employed at a company like Guy Chemical.

I am an S Corporation. I was paying a tax rate of 39.6 percent at the federal level. When you add on my state taxes and my local taxes, I was paying a tax rate of nearly 50 percent. So nearly $.50 for every dollar I made in profit went back to the government in the form of taxes.

Then, in 2017, along came the Jobs Cuts and -- the -- I am sorry, the Tax Cuts and Jobs Act. And this enabled me to keep more money in my company, and I used that money wisely. We have invested it in new equipment. We have a new lab we built that is five times larger than our old lab. We have new mixing equipment. We have new production equipment. I have also invested in my employees in the form of a higher salary and bigger bonuses.

And I have some of these employees and their families -- the children that you hear in the background have come with me today, as a member of one of my employee's families.

Donnie Zeigler is a new employee. We added 29 new jobs and our -- as a result of the tax cuts. We saw unprecedented demand and our sales in 2018 were up approximately $9 million. So Donnie was one of the beneficiaries of a new position at Guy Chemical. He is paying down his credit card debt that he incurred while looking for a job.

George Tomoiaga is an immigrant from Romania. He and his wife, Amber, got married this past summer. They were able to pay for a bigger wedding. They are paying down student debt, and they are now looking for a house to purchase because they are now more financially secure.

It is evident that the tax cuts Act not only had a big impact on Guy Chemical, but also on other businesses, and also on our employees. On behalf of Guy Chemical and the many other small businesses that have benefitted from the Tax Cuts and Jobs Act, I thank the committee for giving me the opportunity to speak today. Thank you.

[The statement of Mr. Berkebile follows:]

**********INSERT 7**********

*Chairman Thompson. Well, thank you, and congratulations on a successful small business. All of us who have small businesses know how tough it is to make it, and it sounds like you have done well. So congratulations.

Thank you to all the witnesses. Now we are going to proceed under the five-minute rule with questions for the witnesses. And I will begin by recognizing myself for five minutes.

Dr. Zandi, first thing I would like to talk with you about is the situation involving millions of Americans whose tax refunds are much smaller than usual this year. I am assuming you have read the same articles and seen the same reports that I have.

And I know that my Republican friends spent a lot of time saying that their tax law would give people bigger paychecks, but we are starting to see evidence now that the drive to show higher paychecks after passage of the tax law has led to a significant drop-off in the size of tax refunds, and so many middle and lower-income taxpayers depend on those. And many Americans, who are used to getting tax refunds, will instead owe taxes in April.

Can you briefly describe the withholding, what withholding is, and why it is done?

*Mr. Zandi. Yes. Taxpayers withhold from their income or set aside part of their income towards their tax liability.

Withholding is very important, because it avoids the problem of getting to April 15th with a huge tax bill for which many lower and middle-income Americans, would be a very severe hardship to pay. They couldn't do it, and there would be a lot of financial pain and suffering. So this is a way to effectively have taxpayers save along the way, so that when they get up to April 15th they don't have a tax bill that they can’t manage. Because of withholding, in times past as you point out, many taxpayers enjoy a refund.

I believe the last year before this tax legislation took effect roughly 70 million taxpayers out of 160 million had tax refunds, and the average tax refund was a couple thousand dollars. So far this year -- and it is still early days, as the tax refunding is just now kicking into gear -- it does appear that the refunds are meaningfully smaller, somewhere between 5, and as much as 10 percent lower than last year. So that is $150 to $200. And some folks won't have any refunds at all this year. They won't get a refund.

And this is a big surprise to many. No one planned for it. And thus, you can hear angst everywhere across the country. And if this continues on as it has over the last few weeks over the next two months we are going to have a lot of people that are going to really struggle.

*Chairman Thompson. Thank you. So it is -- it helps them avoid a big lump sum payment. It is kind of a forced savings.

But I am also hearing from a lot of my constituents in the business community that it is also -- acts as a bonus for people who then take that money and spend, and the multiplier effect ripples through the community and helps, and that ripple may not be there this year.

And to be clear, the Treasury Department has the authority to determine how withholding is calculated. And can a worker's take-home pay be manipulated through those withholding rules?

*Mr. Zandi. Yes. So, excellent point about the bonus. I mean people treat it like this is a one-time bonus. And if they don’t get a refund, then retailers will feel it.

*Chairman Thompson. Well, we have all been there.

*Mr. Zandi. Yes, we have all been there. Retailers count on that. If taxpayers don't get this refund, then the retail sector is -- and actually, the retailing data is now coming in very weak. There may be other reasons going on, but this feels like it is one of the reasons that this is happening.

And yes, Treasury has a big part -- the way they implement the tax law change has a -- is -- contributed significantly to this shortfall in refunding that we are experiencing right now. So in an effort to really juice things up this time last year -- you know, because everyone got, you know, kind of a big tax cut -- and to really juice things up, the way they set it up, now we are paying the price. On the other side of this, refund checks are a lot smaller. Or, again, people are not getting refunds at all.

So yes, the Treasury -- the way they implemented it, this is a big contributing factor here.

*Chairman Thompson. So the withholding manipulation has really done damage to about four-and-a-half million taxpayers who now find themselves owing the IRS.

*Mr. Zandi. Yes. So 70 million people got refunds, so this year it looks like it is going to come in around 65, 66 million. And then, of course, all the 65, 66 million who get refunds will be -- many of them will be smaller than otherwise would be the case.

*Chairman Thompson. So that is way out of the normal for this to happen.

*Mr. Zandi. Actually, in recent years, the refunding has increased year by year by year. Now, it has been --

*Chairman Thompson. But the manipulation is what I am talking about.

*Mr. Zandi. Yes. Oh, that is --

*Chairman Thompson. Out of the ordinary --

*Mr. Zandi. Never -- I mean only --

*Chairman Thompson. A callous move --

*Mr. Zandi. Exactly.

*Chairman Thompson. -- on the part of somebody. So thank you for that.

And one other thing, Dr. Zandi. President Trump and my Republican colleagues spent about $2.3 trillion on deficit finance tax cut as their marquee accomplishment under the tax cut bill. And that money was borrowed. That was money that we didn't have. So it was a windfall for folks who were already wealthy, and it did little for the rest of the country. That is pretty much what the numbers look like today.

If you had the ability to right that big tax bill last year, would it have looked anything like this?

*Mr. Zandi. No. I mean this is deficit financed, as you point out. I mean the Congressional Budget Office, the non-partisan folks that -- and the Joint Committee on Taxation that look at this -- non-partisan, you know -- clearly have -- came out and said this is going to add significantly to budget deficits, and it has. And we are on track to have a $1 trillion budget deficit, if not this fiscal year, certainly next fiscal year.

And a lot goes to the deficits -- and, you know, I am a fan of lower corporate tax rates. I thought the 35 percent top marginal rate was too high. And President Obama did propose to put it down to 28, and I think that was very reasonable. But it has to be paid for. We have to figure out a way to pay for it. Otherwise, the benefit of the lower corporate tax rate to businesses who invest, like Guy Chemical, that is offset by the fact that interest rates are all -- are going to be higher because we have to borrow all this money going into the future.

So it has no net benefit to the economy, but we ended up with this much larger budget deficit and higher debt load. So if I were king for the day, I would have given -- I would have gone down the path of trying to make our businesses more cost competitive and address those concerns that we had. But I would have not lowered it nearly as much, and I would pay for it through other tax revenue. And I certainly wouldn't have gone down the path of much lower tax rates for high-income households, both on income, capital gains, estate taxes, because that provides no long-term benefit, and adds significantly to the budget deficits.

And just a final point, tax revenue as a share of GDP today is as low as it has been in 50 years. And it is falling. You know, the idea that this tax cut was going to juice up growth and it was going to pay for itself and then some, absolutely not the case. Tax revenues are falling. And that is because of the tax cut.

*Chairman Thompson. And much of the individual benefit that Mr. Berkebile mentioned goes away.

*Mr. Zandi. Yes. I mean absolutely. I mean somebody has got to pay for the --

*Chairman Thompson. For those --

*Mr. Zandi. Yes, it is --

*Chairman Thompson. -- corporate tax cuts that you talked about remain, and the other --

*Mr. Zandi. Yes, the individual tax cuts go away.

*Chairman Thompson. Correct?

*Mr. Zandi. Yes.

*Chairman Thompson. Thank you very much. I would now like to recognize Ranking Member Congressman Smith.

*Mr. Smith. I will reserve and come back.

*Chairman Thompson. And I will recognize Mr. Rice from South Carolina.

*Mr. Rice. Thank you, Mr. Chairman, and thank you for having this hearing on the effect of the middle class on the Tax Cuts and Jobs Act. I wanted to just kind of go through some statistics. I am sorry, you all. I am a CPA, and statistics are just exciting as hell to me.

[Laughter.]

*Mr. Rice. So just a few things that have happened in the last two years since the President was elected, and since the Tax Cuts and Jobs Act became law.

Only two years ago we were being told by the media that we would never see sustained growth over two percent in GDP. Over the last six quarters, GDP has averaged over three percent -- surprise, surprise -- double the last six quarters of the -- under the Obama Administration. We have 157 million people employed in the country, the highest in history, 6.9 million available jobs. The unemployment rate is at a 20-year low. Since last March we have had each month more job openings than people unemployed. All-time lows in African-American unemployment, all-time lows in Hispanic unemployment. Unemployment for women is at a 65-year low. Unemployment for teenagers is at a 50-year low. My goodness. How can we not be just celebrating these figures?

It is harder to find blue-collar workers than white-collar workers for the first time in decades. Florence-

Darlington Tech in my -- a community college in my district, they tell me that they could place 1,000 diesel mechanics tomorrow. Horry Georgetown Technical College in my district has just started a free program, free tuition -- it is not discounted, you don't have to get a loan, it is free -- to -- it is a six-week education in construction, welding, or electrical. And they not only pay the tuition, they also pay your bus fare to come. And they struggle to get people to show up.

Wages rose 3.2 percent in 2018, the highest in 12 years. Consumer spending over the holidays was the highest in six years. Small business confidence hit the highest -- is the highest in 15 years. In the two years since the President took office, we have gone from 10 years of economic stagnation to a long-overdue economic boom.

The things -- this is -- these statistics are the proudest -- the things that I am the proudest of.

I have the poorest county in a poor state, South Carolina, Marion County, South Carolina, poorest county in South Carolina is in my district. In January of 2017, when President Obama left office and President Trump took office, the unemployment rate in Marion County, South Carolina, which is 57 percent African-American, was 9.3 percent. Today 4.7 percent.

Dillon County, South Carolina -- you know, think about that, 9.3 to 4.7. The unemployment rate was cut in half. My goodness, how can we not celebrate this incredible success? Dillon County, South Carolina, January 2017, 6.5 percent. Today it is 3.8 percent, 47 percent African-American.

Marlboro County, which is 51 percent African-American, when President Trump took office, 7.6 percent unemployment. Today 4.1 percent unemployment. These are staggering statistics. What an incredible success. What an opportunity for the middle class.

And, you know, I think their future is brighter now than it has been in decades. A growing economy lifts all boats.

But we can do more. You see, I think I understand why the middle class has struggled, really, since about 1990. It is because, you know, the last time we did tax reform was 1986. And I don't think that is coincidence. In those 30 years since then economies around the world have designed themselves to be competitive of us, and they have been successful in attracting our companies and our jobs away. But the Tax Cuts and Jobs Act stopped that flow. In fact, it is starting to reverse; over 300 manufacturing jobs created last year.

And we can do a lot more to make our economy competitive. If we can work on these trade agreements and make them fair to America -- 30 years ago we could enter an unfair trade agreement. We were so far ahead of the rest of the world. But we can't do that any more. And President Trump and this committee are working actively to make our trade agreements fair.

We need to work on merit-based immigration, like most companies -- countries use their immigration system to make themselves more competitive.

And finally, we need to stop the endless flow of people who work for nothing, the illegal immigrants that come over here and work for nothing, because who does that affect? That overwhelmingly affects people on the lower end of the scale. And of course it depresses wages, and it -- of course it holds our middle class down.

I could keep going, but the chairman is tapping. I yield back.

*Chairman Thompson. Thank you. I recognize Mr. Doggett to inquire.

*Mr. Doggett. Well, just picking up right there, most every objective economic study, whether it is from the U.S. Chamber of Commerce or independent economist, shows that if we move forward with comprehensive immigration reform, it would be a boon to our economy, and that even just doing the modest step of assuring the future of our DREAMers, these talented young people, most of whom have never known any country other than America, let them achieve their all, that that would be a growth incentive in Texas, in our southwestern states, and in many other parts of the country.

But I want to pick up with the statistics with you, Dr. Zandi. Because, as I recall, you provided us some pretty sound advice about how we try to dig out of the financial debacle that President Obama inherited. And isn't it correct that with the enactment of the stimulus, which was, unfortunately, along partisan lines, right up until the time that President Trump was sworn into office, we had steady economic growth, we had jobs, we had job growth, we had economic progress well underway?

*Mr. Zandi. Yes, we did. Just consider unemployment, unemployed, which peaked exactly at 10 percent in late 2009. President Obama became president January of 2009. Stimulus package was passed in February of 2009. The recession ended in June of 2009. We lost a million jobs in January of 2009, you remember back to that --

*Mr. Doggett. Right.

*Mr. Zandi. -- fateful month. Unemployment peaked at 10 percent. When he left, the unemployment rate was down closer to five-and-a-half percent. And what we have seen since is a continuation on --

*Mr. Doggett. Continuing the progress --

*Mr. Zandi. -- that steady improvement.

And here is what I would say. If I go and borrow money and then spend the money I just borrowed for a brief period of time, it is all going to feel pretty good, right?

*Mr. Doggett. It is a sugar high.

*Mr. Zandi. Absolutely. And of course, I have a bill to pay. And when the money is gone, what happens? The time good times are over.

So enjoy it while it lasts, because the economy is already slowing. Growth in Q4 is going to come in somewhere around two, two-and-a-half percent, which is exactly where it was before the tax cuts, and it is going to be lower than that in Q1 of this year. And we are not getting back to sustained growth of three percent --

*Mr. Doggett. And --

*Mr. Zandi. -- under the current tax law.

*Mr. Doggett. And --

*Mr. Zandi. And let me say one other thing. You are absolutely right about immigration reform. If you want strong, sustained economic growth. If you want three percent growth sustained in the long run, it will require immigration reform. We need more immigrants, not fewer immigrants.

*Mr. Doggett. Thank you. And there really is as near as you ever get to economic consensus that our growth rate is slowing and it is burdened by the huge amount of debt that you told us to avoid when we were considering this tax law last year, right?

*Mr. Zandi. Exactly. It was pretty obvious.

*Mr. Doggett. Right.

*Mr. Zandi. And the CBO and the Joint Committee on Tax was telling you this, and we are getting exactly the scrip they provided.

*Mr. Doggett. I am pleased that every amendment that we offered as Democrats trying to improve that bill was fully paid for.

Would your advice be to the committee that, out of concern for this huge amount of Republican debt, we ought not to be doing things that will add to the debt further with unpaid tax cuts?

*Mr. Zandi. Absolutely. I think we are losing that very important fiscal discipline. Every tax cut, in my view, every spending increase, has to be paid for. We have to figure out how to do that.

*Mr. Doggett. And Dr. Boushey, you, like Dr. Zandi, mentioned the need for some improvements with child care, with infrastructure, with getting a competitive work force.

Dr. Eddinger, certainly our community colleges.

Isn't the -- really, the primary need there for some direct expenditure to strengthen our community colleges, to meet our workforce training needs with effective programs, and not just more inefficient tax credits and tax cuts?

*Ms. Boushey. A hundred percent. I will be quick, so that we can hear from the community college expert, as well.

I mean I would say two things. I mean, first, you know, part of what the tax reform did, the tax cuts did, was starve the government of the ability to make these much-needed investments. And we are not seeing the investments that we need to be making in infrastructure, in early education, in education writ large, and health care. These are all things that are demonstrably going to improve our economy, moving forward, on a stable path. Not like the -- as you just called it -- sugar high we are on now. So I would 100 percent agree.

On the question of tax credits, certainly we do need to be making these investments and encouraging investments where businesses aren't making them.

*Mr. Doggett. Let me just ask, with my time expiring, can any of you tell me how you spent the $4,000 in average adjusted income that President Trump and this crowd said you would get every year as a result of this tax cut? Anybody get their $4,000?

Just another of the phoney promises that were made for --

*Chairman Thompson. The gentleman's time has expired.

*Mr. Doggett. -- a measure that does not work. Thank you.

*Chairman Thompson. Mr. Schweikert?

*Mr. Schweikert. Thank you, Mr. Chairman. Just for the fun of it, Mr. Doggett, many of us absolutely agree, immigration is a crucial part of future economic expansion. And if you will work with us on developing what the rest of the industrialized world has done, which is a talent-based system -- because, as we can see from the literature -- and I don't think any of you are part of the -- but lots and lots of the robust literature says a talent-based system is where you get your maximum multiplier. In our current system it is often a second generation to third generation before you get the multipliers.

So we agree, we just have to actually make the designs work, because we have a demographic crisis coming at us. And if we don't start to deal with -- I have been heartbroken with some of the, forgive me, some of the partisan math, because you all know it is more complicated. We need a multi-level approach. It has got to be immigration.

It has also got to be incentives for maximum economic expansion.

It has got to be incentives for workforce participation, radical adoption of technology and health care so we stop having this crazy debate of who gets to pay, but lowering the price.

And then we are going to have to have the most difficult discussion, and that is the redesign of our earned entitlements.

Doctor -- and, forgive me, I want to -- don't want to mispronounce your name -- Eddinger?

*Ms. Eddinger. Eddinger.

*Mr. Schweikert. Eddinger. You actually said many things that I think, A, we all agree on, but I find very optimistic, but there is a frustration here. For many of us, being from Arizona, we have seen some amazing data in the U6 -- if you get down to the U6 cross-steps, that individuals without a high school education, that we would have discussions in this room just a couple years ago that they were part of the permanent under-class in this society, are actually going to community colleges, getting those certificates in maybe welding, in maybe something else. And because of the impressive job creation out there, we are seeing some upward mobility of entire quartiles that the really smart people had written off in the previous decades.

And if we are going to have an intellectually honest -- there needs to be sort of joy and optimism, but also a focus on these quartiles and the velocity of movement into higher quartiles.

What do you do in your system to make it affordable, to encourage someone to do those certificates? And what sorts of partnerships are you setting up with the employers that are so short of employees?

*Ms. Eddinger. So we always try to put the funds in the hands of --

*Mr. Schweikert. No, no, no, you are fine. I am trying to get her to put a slide up.

*Ms. Eddinger. Oh. We always try to encourage folks to put the funding and put the dollars in the hands of the students, because they best know how housing, food, and all of the wrap-around support would work.

When students finish with us, they hop two quintiles in income. It is demonstrable. It is what you saw in --

*Mr. Schweikert. Say that last part again. So when they finish and get their certificate, you are actually tracking that they are not going to the next, they are literally doubling up on --

*Ms. Eddinger. They literally double up.

*Mr. Schweikert. -- their velocity.

*Ms. Eddinger. And what we do with the employers that -- we bring them to the table and say, "Help us co-educate our students. Do not just count on the state or the federal government funding everything. We our financial partner, and then tell us what the competencies are that we need in order to create those jobs.''

*Mr. Schweikert. Mr. Chairman, considering this committee is about our middle class, and we all know there is sometimes constantly moving definitions of what is the middle class -- is the middle class in California with a high-cost state, or Massachusetts, or Connecticut, different than Arizona? But I have a great concern that we are pricing out much of our middle classes as -- Tirado? Tirado, that is actually -- so elegantly said and so emotionally said is she is being priced out of the middle class.

[Slide]

*Mr. Schweikert. If you look at this slide -- and I will be happy to pass it around, but this is easier than me standing there with one of those boards. If you actually take a look at the last -- okay. But if you functionally look at the last 20 years, the areas that have exploded in cost are those areas that have -- are our fault. It is this elected body that touches hospital services, college tuition, medical care. We have distorted those markets.

But take a look. If you see the blue lines, the other areas that have actually crashed in consumer purchasing power. They are those that have the lightest touch from this institution. We are going to have to sort of think through how do we reach out in health care and use technology, availability, and those things, instead of what you are seeing.

The very top of the chart is hospital services, which our reimbursement mechanisms have created absolute distortions.

The last thing I would just -- Mr. Brown, for much of my life -- I was a Realtor for a decade, I was a leader in --

*Chairman Thompson. Your time has expired.

*Mr. Schweikert. You spoke to doubling the deduction as being a difficulty. You owe her an apology, as she is trying to survive as a renter, needing that deduction.

*Chairman Thompson. Okay, the gentleman's time has expired.

Mr. Larson?

*Mr. Larson. Thank you, Mr. Chairman. And let me start by commending the excellent witnesses that we have, especially Ms. Tirado and Mr. Berkebile, who I would also note is an Ironman. And based on your testimony, Ms. Tirado, you are an iron woman who deserves enormous credit.

Let me also commend Chairman Thompson and Mr. Neal. The difference, I think, that we are noticing this year is that we have returned to regular order.

Now, what do we mean by that? What we mean is that we are actually going to have hearings. We are actually going to have substantive discussion, where we can exchange ideas and views on both sides. Our colleagues on the other side have a lot of good ideas. It would have been great if we had public forums and hearings on the tax proposal that we are now dealing with. Because with everything, there is always unintended consequences.

The goal of Mr. Neal and Mr. Thompson is to make sure that, through expert witnesses, we have an opportunity to hear the rest of the story. And so I commend all of you for giving us the -- your various points of view.

Chief among my concerns in a return to regular order is that this tax cut, as we hear in testimony, has fallen unevenly.

Not only unevenly, but if you are from the State of Connecticut and you have to deal with, say, the state and local tax you can no longer deduct, you find yourself in a situation where -- 750,000 people in my state itemize deductions. The average deduction is $19,000. But without any public hearings or forums or anything, we concluded -- we, meaning the body -- that we would cap this -- our colleagues on the other side -- at $10,000. The average in Connecticut is 19; 10,000 was the cap.

So now, when it comes to paying the fiddler this April, not only are people going to see an increase -- and this is my question for you, Dr. Zandi -- a person who previously used to deduct 19,000 and now is capped at 10, are they in fact subsidizing the tax cuts and the corporate rate?

And as you pointed out, President Obama had a tax rate of 28 percent and 25 percent for manufacturers, I believe. However, there was never a hearing in the eight years that they were in control on any of Mr. Obama's proposals to reduce taxes. Only behind closed doors and without a hearing did we get the tax bill and, therefore, these uneven results that we are experiencing now.

Are citizens of Connecticut and, frankly, a number of states across this country, because of this tax bill, subsidizing the tax cuts of the very wealthy?

*Mr. Zandi. I think you are right. I think the tax legislation has raised tax liabilities for many people in the Northeast Corridor -- so for Boston through Connecticut, New York, down through Philadelphia, Baltimore, and D.C. Parts of Florida, and on the West Coast, particularly around California. Around Chicago, as well. These are areas of the country where the SALT deduction was very important. And you take that away or reduce its value, it is a significant financial hit to those households. In many cases they are now doing their tax returns, and they are going to find that their tax liability is much higher which will force them to significant adjustments.

So you go look across the housing market and take a look at house prices in these different parts of the country, and they are now weak, going flat, and in some cases actually declining, as these markets adjust to the fact that, you know, these tax preferences that were in the code before are no longer there.

So it is a very significant adjustment, particularly to home owners in a place like Connecticut, you know --

*Mr. Larson. Mr. Brown, are you finding that in California also, the impact of the lack of the ability to deduct state and local taxes?

*Mr. Brown. Very much so. We have a huge supply and demand imbalance in California, and extremely high prices. We also have a very robust and large economy. And housing prices are very high.

So if people can't write off those taxes, it takes some of the incentive away to buy a house. We believe that buying s home is a way for people to enter the middle class. It is a way to climb the economic ladder. People that are struggling to buy that first house face a lot of barriers. They have health care costs, they have the competition factor in California, and they high prices. It is hard to get in.

So there has to be an economic benefit or incentive for somebody that is in that position. The economic benefit, or the incentive, was largely taken away for many in the Tax Cuts and Jobs Act.

*Mr. Larson. You bet.

*Chairman Thompson. Thank you. Thank you very much. Because of the numbers on the committee, we are going to move to a two-to-one ratio, as has been done always in this committee. And I will recognize Ms. Sanchez.

*Ms. Sanchez. Thank you, Mr. Chairman, and thank you to all of our witnesses for being here today. I am pleased that we are beginning the long-overdue process for tax -- hearings on tax reform. Although I think, as Mr. Larson mentioned, it would have been better if we had done those hearings prior to when the Republicans passed their tax bill, but here we are.

Republicans held the committee gavel for eight years, and in that time they used that time to focus on multi-national corporations, while middle class and aspiring middle class Americans often had to take second jobs to make ends meet. It is impossible in this hearing to address all of the missed opportunities that we could have had in the last tax bill. So I am going to focus on just a couple. And I want to start with Ms. Tirado.

I know that you are a D.C. native and you spent some time in Florida, but your story reminds me of so many stories that I hear from constituents in Southern California. And I really want to thank you for your testimony. But I wonder if that side of the dais has listened to your testimony, because clearly, all this rosy information about how the tax bill has helped everybody -- it really hasn't helped you, has it?

*Ms. Tirado. Yes, I have been listening and I have already done my taxes. And I didn't -- I saw some extra money from Maryland, they have some things for teachers, but not from the federal side. So all of the great things that they are talking about from the tax --

*Ms. Sanchez. All these wonderful things, you know, unemployment is down, and wages are up -- are you feeling that, personally?

*Ms. Tirado. No. And, you know, unemployment rates dropping isn't instantaneous. It didn't happen in the last ten years. That is a decade's worth of work. And I think that needs to be recognized, as well.

*Ms. Sanchez. Thank you. And as you mentioned in your written testimony, you know, I think you have done far more than society asks of you. You have served your country in uniform, you teach, you volunteer in your community, all while trying to further your own education and trying to raise two children on your own, which I think is -- the most amazing thing are single mothers in this world.

I would like to talk to you about something that hits close to home for me, too. I have four boys, three of them step-sons and one of my own. I want to talk about child care costs, because --

*Ms. Tirado. Okay.

*Ms. Sanchez. -- all the unemployment in the world isn't going to help working parents afford child care. You mentioned that child care costs were not only half of your take-home pay in Florida, but that a need for child care assistance was one of your -- the factors in your decision to move back to D.C.

*Ms. Tirado. It was.

*Ms. Sanchez. And I am sure, as an educator, you know how important early learning is.

*Ms. Tirado. Yes.

*Ms. Sanchez. I want you to tell us that, as we look to maybe realign some of the benefits so that middle-class families really do get relief, what should we know about your attempts to access quality and affordable child care?

*Ms. Tirado. Well, in Florida, child care was provided to me by a church. You know, church is very important in my community. And my child care expenses were actually supposed to be $1,200 a month, but I went to the pastor of the church with my situation, and he gave me that discount, so it would only be $1,000 a month. And I took a second job to help me pay for it. And then, of course, the father of my children helped me out, as well.

But even with all of the help from my ex-husband, from the pastor of my church, I still had to take on a second and a third job. So I worked until 7:00 in the evening after teaching all day, and then I worked on Saturdays, as well, to keep up with child care.

When I look at my students, a lot of my students are late to school every day, because they have younger brothers and sisters, because their parents can't afford child care. They have to take their younger brothers and sisters to school first, and then come to school. Then they are late, they don't get there until second period or lunch time, and then we say they were absent from school for the whole day because of the rule that if you miss one class then you are absent for the whole day.

Then we tell them at the end of the year, "You have too many absences and you failed the entire school year and have to repeat the year,'' because their parents can't afford child care.

*Ms. Sanchez. Yes, amen.

*Ms. Tirado. Those are the sort of things --

*Ms. Sanchez. I wish we could, you know, blast that out over every television set and radio in the United States. You have had to get a second job, so the tax bill didn't help you climb out of, you know, the deficit of -- your ages aren't being -- aren't going up, and you have got student loan debt, and the cost of milk isn't the same, you know, from one week to the next.

*Ms. Tirado. No.

*Ms. Sanchez. I mean all of those expenses go up. Interest rates are going up. When you hear, like, wow, GDP is great, and unemployment is low, you know, the reality is those are statistics, but those statistics reflect lower-paying jobs or jobs that don't provide the kind of benefits that you need in order to support your kids and make sure that they have health care.

I mean I really want to drive down that point, because you can hear statistics, but you hear stories like yours, and yours is not unique. How many people do you know that are similarly situated, where they are struggling to afford child care and basic necessities, and their wages aren't going up?

*Chairman Thompson. The gentlewoman's time has expired.

*Ms. Tirado. Every single teacher I have ever worked with. All the teachers I have ever worked with have the same problem. All of them.

*Ms. Sanchez. Thank you so much for your testimony.

*Chairman Thompson. Thank you very much.

*Ms. Sanchez. And I yield back.

*Chairman Thompson. Mr. LaHood, you are recognized.

*Mr. LaHood. Thank you, Mr. Chairman, and I want to thank the witnesses for being here today, for your valuable testimony.

And Ms. Tirado, thanks for sharing your story and for your service to our country in the military. I appreciate that very much.

My district that I represent in central and west central Illinois is kind of the heart of the middle class -- middle-class, lower-middle-class folks. I am fortunate enough to represent about 710,000 people, rural agricultural area, but with a lot of manufacturing. And I look at our economy today and it is the strongest economy we have had in 25 years.

And I look at small, medium-sized companies in my district. And in going back 10 years and looking at how devastated our manufacturing was, our job markets, and I look at the statistics today, I mean, the number-one issue that I hear in my district as I traveled around -- and, Dr. Eddinger, you touched on it -- we can't find enough workers. Seven million unfilled jobs. We don't have enough truck drivers, we don't have enough welders, we don't have enough nurses, we don't have enough mechanics, we don't have enough technicians.

But I will also tell you, as I look at companies in my district -- for instance, Dot Foods based in Mt. Sterling, Illinois, they could hire tomorrow 70 new truck drivers, start out at $68,000 a year -- that is a head-of-household job in Mt. Sterling, Illinois for a middle class person -- and don't have enough workers for that.

Keystone Steel and Wire in my district, in Bartonville, Illinois, they have a waiting list of 80 new people for welders, starting out at $20 to $25 an hour. We can't find them.

I look at Knapheide Manufacturing based in Quincy, Illinois. Again, they are looking for 100 new workers to come in. We have never seen this before.

And you look at the statistics, and Mr. Rice went over it. GDP has grown at over 3 percent, lowest unemployment in 50 years in all sectors, African-American community, Hispanic community, with women, with people with disabilities. Private-sector wages continue to go up.

Look at -- the stock market is up 27 percent. And remember, that affects 529 plans for middle-class Americans, 401(k)s, all retirements, created 5.3 million new jobs in the last two years, 600,000 in manufacturing. Nobody ever thought we would bring back manufacturing in this country, and we have done it.

And so I look at there -- it doesn't mean we don't have challenges. Clearly, we do. And a number of you have hit on those challenges. And we ought to be working on those right now. But when you look at the economy, I look at this as let's do no harm with the economy and keep it going, and let's focus on these other things.

And I think, Dr. Zandi, you hit on a couple of important points with infrastructure. Absolutely, we ought to work on infrastructure. You are going to find a lot of bipartisan support on working on infrastructure. You know, the President has talked about an infrastructure plan. We ought to be working on that.

Workforce development, career technical education, clearly those are bipartisan issues that we can legislate on and find a solution.

Immigration is another one, and health care has been touched on.

So those are all things we should be focused on. But the economy is going strong, we ought to keep it going. And it has helped middle-class folks. That is not just anecdotal evidence, that is real evidence.

I would also like to submit for the record, Mr. Chairman -- this is a poll that Gallup just did last month. Here is the title: "Optimism about Personal Finances Hits 16-Year High with the Middle Class.'' And so I would like to submit that for the record.

*Chairman Thompson. Without objection.

[The information follows:]

*Mr. LaHood. And I would just say, you know, again, the title of this hearing is how are middle-class families faring in today's economy. In my district, they are faring pretty well.

And Mr. Berkebile, I want to ask you. Going back 10 years and looking at 2008, 2009, where we are at, and where we are at today, can you tell us how middle-class workers in your business are doing?

*Mr. Berkebile. Yes, they are better off. This is why I brought these employees here. It is one thing for me to tell you a story about one of my employees. It is another to tell you the story with them here, so you could actually ask them for yourselves.

But our bonuses -- we have always been fortunate enough that we have been able to pay a bonus for many years. We have increased our bonuses up to 50 percent. But -- and we have increased salaries.

But regardless of whether I am voluntarily increasing wages, forget about that. The job market right now is so tight that I have to increase wages. I have no choice. And I don't hear these people talking about that. The job market is so tight right now we are having trouble finding workers in our factory. We had to increase these salaries in order to attract and retain them.

*Mr. LaHood. Thank you. I yield back.

*Chairman Thompson. Thank you. I recognize Ms. DelBene.

*Ms. DelBene. Thank you, Mr. Chairman. And thank you so much for holding today's hearing, because I think that this Congress needs to consider how our actions are lifting up the middle class. And today is an important step to getting back to doing that.

My colleagues on the other side of the aisle talk a lot about all that we need to do. They had the gavel for eight years, and they spent all this money, created this huge debt, and this is work that we should have been doing a long time ago, in terms of investing infrastructure and investing in human capital.

I want to focus on an issue that is particularly front of mind for many of my constituents, and that is affordable housing.

Every financial planner will tell you that people should spend no more than 30 percent of their after-tax income on housing. Unfortunately, over 235,000 people in my state of Washington, or 11 million nationwide, so roughly 1 out of 4, spent over 50 percent of their monthly income on rent, leaving too little for necessary expenses like transportation, or food, medical bills, or saving for retirement.

And in Washington State a minimum-wage worker has to work 78 hours a week in order to afford a modest one-bedroom apartment. Data from the NHP Foundation suggests that under-employed and strapped with debilitating debt Millennials aged 22 to 37 are renting at a greater number and for much longer than previous generations. This will have a variety of consequences, the most obvious of which is the longer someone puts off buying a home, the longer they delay their ability to build equity and pay down other debt.

Additionally, research shows that high rent burdens have priced out many workers from the most productive cities, resulting in a 13.5 percent foregone GDP growth, a loss of roughly $1.95 trillion between 1964 and 2009.

Mr. Chairman, I ask unanimous consent to enter into the record a recent opinion piece by Mr. Richard Burns, the president and CEO of the NHP Foundation published in The Hill.

*Chairman Thompson. Without objection.

[The information follows:]

*Ms. DelBene. Dr. Zandi, could you talk about the importance of affordable housing and the budget for a middle-class family?

*Mr. Zandi. It is the largest expense for most families, middle-class families. And, as you pointed out, 30 percent of income, that is of the threshold beyond which it is very difficult to manage, for any household. And many, many households are being forced into that position, because we have an affordable housing crisis.

By my estimate, we have a shortfall in new housing construction of about two million units. For context, in 2018 we put up 1.3 million homes. This shortage is becoming even more severe as we go along here. The gap between supply and demand is very large.

So I do think we need to focus on how to improve the availability of affordable rental and affordable home ownership, increase the supply. And actually, there is a number of very good proposals to expand out -- funding through the Housing Trust Fund would be a good example. New market tax credits are another good example. But I think, if we don't focus on this, then middle-class families are going to fall increasingly behind. And it is a problem for the job market?

One of the reasons why we have labor shortages in many communities, particularly in cities, is because people can't afford to live anywhere close to where the jobs are. Like you know that if you live in California, here on the East

Coast you are pushed way out, and there is no way to pay for the commute costs.

So if we want to address this shortage of workers, which is, I agree, severe and we need to address it, immigration is one way to do it, but this affordable housing crisis, we have to address it. Otherwise, we are not going to be able to create those jobs.

*Ms. DelBene. And if you live further out you have got greater transportation costs, and that impacts child care --

*Mr. Zandi. Child care costs --

*Ms. DelBene. -- also be there for your family.

*Mr. Zandi. The whole shooting match, right.

*Ms. DelBene. Absolutely. Since the burst of the housing bubble in 2007, 2008, how has that affected the rate of home ownership? And has the decline in home ownership between equitable -- or been equitable through different income levels, Dr. Zandi?

*Mr. Zandi. Home ownership declined, it peaked in 2004 at 69 percent of households. We are now down to 64.5 percent. We are off bottom. You know, the economy has improved, unemployment has declined, so we have seen an improvement. But, you know, we are back to where we were 20, 25 years ago, in terms of home ownership.

And obviously, the lower your income level -- I mean high-income households home ownership is very, very high, and it is a choice not to be a home owner. You move down into the middle income groups and lower income groups, then home ownership falls significantly. And it is well below 50 percent.

One of the other issues is, because of the affordable housing crisis and we haven't put in enough homes, house prices and rents have risen very rapidly for affordable rental, affordable home ownership. People can't afford it. And, given the tight mortgage credit standards, they have not been able to get a mortgage, either. So all these things are conflating and keeping the home ownership rate down.

If we don't change something the home ownership rate is not going to rise. It is going to stay exactly where it is.

*Ms. DelBene. Thank you.

And I yield back, Mr. Chairman.

*Chairman Thompson. Ms. Moore, you are recognized for five minutes to inquire.

*Ms. Moore. Thank you so much, Mr. Chairman. And let me join the entire group in welcoming our panelists and thanking them for their time here today.

I -- my good friend and my good colleague, Mr. LaHood, waxed on about the health of the economy. He said it is growing faster than ever. GDP is great, unemployment is at an all-time low, African-Americans are doing well, Hispanics are doing well. Wages are rising at the fastest pace in 10 years, blah, blah, blah, 90 percent of all tax bearers over all income categories received a tax cut under the Tax Cuts and Jobs Act, and so on and so forth.

So there seems to be kind of a disconnect between the -- these -- this recitation of things and what testimony we have heard here today. In particular, Dr. Zandi, you talked about the -- that there has been an expansion of our economy, that -- but -- fill in the blank.

*Mr. Zandi. Well, I would say a couple things. One, that the current state of the economy is very much a function of deficit finance tax cuts that will provide a near term boost to the economy, but will fade away. It is already fading away. If we come back to this room a year from now, the data we are going to get is very different than it is currently. Growth certainly will not three percent, it is going to be back exactly to where it was prior to all of this. And the evidence to that is already very strong.

Second, the benefits of the strong growth are accruing to folks in the upper part of the income distribution. Here is an amazing statistic. This is an amazing statistic to me. If I look at the 20 percent of the population that is in the middle of the income distribution, you know, 40 to 60 percentile, if you go back 20 years ago, they accounted for 15 percent of all the consumer spending. So 20 percent of the population, today they account for less than 10 percent of consumer spending.

If you consider those in the top quintile of the distribution, the top 20 percent, you go back 20 years ago they accounted for one-third of all spending. Today they account for nearly half of all consumer spending. And that is the bottom line, right? Consumer Spending.

And so the middle class is doing better than the last several years, because the economy has finally got back to full employment, a process that started well before this Administration, but it has to be put into this broader historical context. And obviously, in this context, the middle class has really struggled and continues to struggle.

*Ms. Moore. Well, and Dr. Zandi, thank you for that. And I just wanted to ask Dr. Boushey to lean into this, as well, because while wages have not necessarily grown, you said the GDP was less representative of how people were doing than other factors, that while there might have been a four percent -- there might be four percent growth. When you start subtracting it for the inflationary cost of child care, health care, housing costs, other things, that is a negative number. You even said that the average child care was $1,230 a month.

So I guess I would like you to respond to the -- you know, the notional assumption that people in the middle class are doing better.

*Ms. Boushey. Yes. Let me make two points. One, you know, it is the case that when the economy grows not everyone is experiencing it in the same way that it -- that they were in decades past.

In the 1960s and 1970s, when the economy grew, the vast majority of people saw growth at about the average. And today, only those in the top 90 percent see growth that is at or above the average, you know, over the -- looking over the past 20 to 30 years. So that is a real significant difference in whether or not a rising tide lifts all boats. I don't think we can say that any more. The data shows that when the economy grows, it is disproportionately at the top.

And I want to add to something that Dr. Zandi said about this statistic about what the middle class is consuming. There is some new research out that shows that -- that actually gets to the slide that was up about consumer prices. Because so much of this consumption is happening at the top end of the income distribution, you are actually seeing that push producers to be supplying goods and services to the top, which is actually lowering inflation for rich people on the things that they buy. And at the other end you are seeing less investment and less productivity or changes in products at the middle and bottom, so that those of us who are not at the top are seeing actually higher inflation, because there is just less competition.

So there is the -- some real serious economic implications of this divergence in spending that are affecting middle-class families in ways that we haven't talked about enough.

*Chairman Thompson. Thank you very much --

*Ms. Moore. My time has expired. I sure had a lot of questions, though.

*Chairman Thompson. Mr. Ferguson, you are recognized.

*Mr. Ferguson. Thank you, Mr. Chairman, and to all the witnesses, thank you for your time.

Ms. Tirado, thank you for your service to this country, your profession, and your community. We greatly appreciate that.

I know each of you come today with unique backgrounds and experiences and perspectives, just like we all do up here. And as I sit here and listen to a lot of the testimony today, I sit here in a little bit of bewilderment.

And Dr. Zandi, you know, one of the things is you were talking about -- and one of the things I worry that you are missing as part of this conversation is the truth about what is happening on the ground in a district like mine.

Business after business, whether it is a small business, whether it is a large business, whether it is multi-national, every one of them tells me that the direct -- the growth in their business model and the investment in their employees and the investment in their equipment, the investment in new technologies, is all a direct result of tax reform.

So I think to make statements that it doesn't impact the economy -- and you said it had a no-net increase on the -- no net effect on the economy -- I think you are missing part of what is going on in my district.

The other thing that I would like to point out is that all of these CEOs and leaders of these companies are telling me that the investments that they have made in their people and the technology and the equipment are just now beginning to come to fruition. The systems are being brought up, the training is beginning to pay off. And they see increases in productivity down the road that they otherwise would not have seen.

Another thing I -- when we talk about doing all of this, I get pretty excited about it, excited about talking about it, for this reason. I come from a rural district in Georgia that lost about 35,000 jobs in our area over -- in the late -- in the 1990s, early 2000s, with the loss of the textile industry there -- even going back a little bit further. And one of the most important things to remember in all of this is that our economy, our communities, our friends and neighbors all need access to a job.

And so I went through living in the community and being a mayor of this community for a number of years, where there were more people moving on to government programs than moving into the job market, because of the lack of jobs. It wasn't until we revitalized our local economy, and then had the boost from the tax reform, that we saw more and more people move from poverty into the middle class, and now moving up through the middle class, and that is great for everybody in my community. And that is something that you simply cannot, with statistics and numbers, write off. It is real in my district.

Here is another thing. Somebody -- reclaiming my time, but you mentioned something -- we all mentioned something about -- and I have heard it many times up here about workers. Okay? Could not be more excited about the bipartisan work that we did last year to re-authorize the Perkins CTE bill, really put good money into it, funded it well, bipartisan bill that came out of -- talking about a guest worker program and real immigration reform. Our businesses tell us they need that. The limiting factor right now is they got so many people working that there are not enough new employees coming along. It is an issue that we have got to solve.

But here is another real issue. And you talked about investment in infrastructure. I hope that we will make significant investments in infrastructure, particularly broadband. And I hope that we make reforms in our education system to begin to train more and more people to actually make a living on the Internet.

And I hope that that gets distributed into rural America, because we have these booming urban centers, as people have indicated, and we think sometimes the only way that we can get someone to a job is to put them -- or for them to have to buy a car, get on a bus, and get there. What if we connect them to those jobs remotely? Don't you think that would be a fantastic improvement to deal with the poverty and the lack of hope that exists in rural America?

I think we have a remarkable opportunity to continue this wonderful economy. I would have a very hard time going back to my district and saying we believe that we need to take back and take a step backwards in tax reform, because I think that it has a negative impact on my district. Every single CEO, real estate agent, small business, everyone is saying this is having a positive impact on their bottom line.

So I don't mean to stand up here and preach, but please connect to the districts, and not just the papers out there. Thank you.

And, Mr. Chairman, I yield back.

*Chairman Thompson. I thank the gentleman and I recognize Mr. Boyle for five minutes.

*Mr. Boyle. Thank you, Mr. Chairman. In many ways I think that Chairman Thompson's opening remarks set the stage and almost verbatim -- when I speak about this topic I like to say that it is the best of times, it is the worst of times, that in terms of the traditional indicators, economic growth, stock market, how much it has grown from what President Obama inherited in January 2009 on approximately 100 months, straight months of job growth, by those measures people should be enormously happy.

And yet the reality for most Americans is they have not had real wage growth in a generation. The indicator that you used, Dr. Zandi, of median household income, is completely flat. Moreover, if you compare where we are today versus 30 years ago, about 30 years ago, when you compared the top 1 percent and everyone else, there were about equal shares of wealth. Today it is a two-to-one gap, and the two-to-one gap is the top one percent versus everywhere else.

So I don't begrudge the top one percent anything. I am very proud, as a Pennsylvanian, particularly, about your success and the success of others. What I begrudge is the fact that Ms. Tirado and so many of my district in Philadelphia have not benefitted from those gains, and that we just passed a massive tax cut last Congress in which 83 percent of the benefit went to the top 1 percent.

George W. Bush's tax cuts in 2001 and 2003, while I wasn't in Congress at the time, was in graduate school, but -- which will get me to my next topic of student loans -- but back in those tax cuts, 27 percent of the benefit went to the top 1 percent. Tax cuts that were just passed in the Republican Congress, 83 percent went to the wealthiest 1 percent.

So given that, it really is the best of times and the worst of times.

Now, let me shift, because there is so many different aspects of this. I do want to talk specifically about student loans. Proud to be the first member of my family to go to college. I consider myself very fortunate. Graduated almost 20 years ago from undergraduate, and still own about $40,000 of student loan debt to pay off. And again, I consider myself very lucky. I am very fortunate.

However, what concerns me, knowing that we are at likely the tail end of this economic growth cycle, if you could speak, Dr. Zandi or anyone else, about the number of defaults that we are seeing in a growing economy, and recognizing we have almost $1.5 trillion of student debt out there.

And then, if we could, address what we expect will happen when the next recession inevitably occurs.

*Ms. Eddinger. So the student debt issue is directly tied to the tuition and fees that the students are asked to pay. When you went to school 20 years ago, we probably have quadrupled the number of dollars that is needed for students to get through school.

At the same time, the defunding of public higher education has played a role. So the -- 10 years ago students were paying 30 percent, and my state appropriations paying 70. Ten years hence, that formula has flipped.

*Mr. Boyle. Yes.

*Ms. Eddinger. So in some ways, the public universities are forced, because of our revenue streams, to raise student fees. And the students have nowhere else to go, because Pell has -- even though had a small number of increases, has been flat.

*Mr. Boyle. Let me just reclaim my time, just because I only have about 50 seconds. I want to make two points on this.

One, as Ms. Tirado eloquently showed, this is a problem for individuals who are repaying student loans and trying to make ends meet. I want to make the larger point, though, that even if you are not in college today, even if you are not in repayment, this is a threat to our economy.

And perhaps, Dr. Zandi, if you could speak to that, with an overhang of $1.5 trillion, what we expect to happen when the next recession inevitably occurs.

*Mr. Zandi. Yes, that is a very serious issue. $1.5 trillion is -- just to put it in a context, that is more than -- that is twice as much as credit card debt outstanding. That is more than auto debt outstanding, which is $1.2 trillion. This is the single largest debt after mortgage debt, the single largest liability of households. And a lot of it, obviously, is owed by Millennials. And Millennials are clearly struggling to manage through. They have negative saving rates. They are unable to accumulate wealth.

The median age of a first-time home buyer is rising because they can't afford to get in, they can't start families. So this is very corrosive on the economy.

And you are right, in the next economic downturn the defaults on this are going to be very significant. And because of the $1.5 trillion, approximately $1.3 trillion is backed by the federal government, this is going to be a very serious taxpayer problem. We are going to have very large losses that are going to be covered by us, as taxpayers.

So it is a pernicious issue for this Millennial generation that is making their way up.

Here is one other really important point that goes to entrepreneurship --

*Chairman Thompson. The gentleman's time has expired, so if you --

*Mr. Zandi. It is a great point.

*Chairman Thompson. If you have more information, if you could get it to us, I will make sure everybody gets it. Thank you very much.

*Mr. Boyle. Thank you.

*Chairman Thompson. Mr. Arrington?

*Mr. Arrington. Thank you, Mr. Chairman and panelists. The notion that the Tax Cuts and Jobs Act and the benefits accrued to the wealthy is just patently false. Over 56 percent of the benefits from the Tax Cuts and Jobs Act go to families and workers making below $200,000. The majority of the share of taxes paid by millionaires increased from 19.3 percent to 19.8 percent.

Here is what is just startling to me, as an American, that when America is doing well and when something has worked -- and clearly, lowering taxes and lowering the regulatory burden has worked to stimulate this economy the way it -- and the sustainable stimulation of this economy -- that is, we have provided incentives for folks like Mr. Berkebile to actually invest and expand and support his workers with bonuses and higher wages and offer more job opportunities.

And to the gentlelady's point who is not here, but she says these are just stats, and data, and yada, yada, yada. These are real people. This is real money in the pockets of hard-working Americans. These are real jobs, seven million surplus jobs. More people are going to work every day.

I was at the State of the Union and the President said five million people are not dependent on food stamps because they have got a job, and nobody clapped on one side of the aisle. That, to me, is disheartening, as an American. Things are better and things are looking up.

And while I respect you all, and I appreciate your information, I respect my colleagues on -- along the spectrum -- I put my faith and trust in the American people. And when 69 percent of them say that they believe that next year at this time they will be better off, I believe them. That is real confidence.

And you know, this whole bit of the sugar high, Mr. Berkebile, are you surprised that you have done what you have contributed to your employees, whether it is the 401(k) or helped them with higher wages or bonuses -- are you concerned that you have been doing that under the context of a sugar high, and that you may come down from that sugar high, realizing that things aren't as rosy as you anticipated?

*Mr. Berkebile. No. What I fear is that the -- these incentives that we have been given by the federal government are going to end, that they are going to say that my -- that the money that I earn at my company is better spent in

Washington than -- that they know how to spend it better than I know how to spend it on my own employees and how to grow my own company.

*Mr. Arrington. How big of a burden is the cost of health care in your small business, just a scale of 1 to 10, 10 being the most costly?

*Mr. Berkebile. Ten.

*Mr. Arrington. And burdensome.

*Mr. Berkebile. Ten.

*Mr. Arrington. Ten?

*Mr. Berkebile. Yes.

*Mr. Arrington. It is a 10.

And Dr. Collins, you talked about the people -- the number of uninsured folks. Do you realize that after the implementation of the -- quote -- Affordable Care Act that premiums doubled from 28,000 [sic] to 6,000 across the board, across the nation? Are you aware that premiums and deductibles went up significantly after the -- quote -- Affordable Care Act?

*Ms. Collins. Well, actually, right after the Affordable Care Act there was a flattening in growth in premiums among -- across the board.

*Mr. Arrington. It is indisputable, and most of my colleagues even on the other side of the aisle would say costs have gone up significantly since the advent of the -- quote -- Affordable Care Act.

And in fact, are you aware also that there were millions of people, 10-plus million people, who paid the fine, paid a fine because they didn't want, need, or could afford the Obamacare and the mandate from our government that you should -- that you must buy from that exchange, that government-created health care program? Are you aware that millions paid a fine, rather than to purchase health care on the exchange?

*Ms. Collins. Actually, about 20 million people got health insurance.

*Mr. Arrington. Are you aware that millions paid a fine? Are you aware of that? Is that --

*Ms. Collins. Some people did --

*Mr. Arrington. Millions of people --

*Ms. Collins. -- pay the fine.

*Mr. Arrington. -- paid a fine.

*Ms. Collins. Right, but --

*Mr. Arrington. So we didn't solve health care with big-government solutions. We are not going to solve our problems with green new deals, $50 trillion over 10 -- are you aware, Dr. Zandi, as you were concerned about the debt and deficit, are you aware that under Obama that the debt doubled from about 10 trillion to 20 trillion? And is that something you were concerned about at that time?

*Mr. Zandi. I was, yes.

*Mr. Arrington. Are you as concerned about that as you are --

*Mr. Zandi. I am more concerned about it now, though, because we are at a full employment economy that is growing strongly and we still have a budget deficit that is rising very rapidly. It is in this economy where the budget deficit should be falling, not rising.

*Mr. Arrington. I --

*Mr. Zandi. That is what really concerns me.

*Mr. Arrington. I appreciate the input.

*Chairman Thompson. The gentleman's time has expired, thank you.

Mr. Suozzi, you are recognized for five minutes.

*Mr. Suozzi. Thank you, Mr. Chairman, and thank you for having this hearing and returning us to regular order. We appreciate it very much.

If there was ever a time in American history when corporations, employers, successful individuals could be sharing their good fortune voluntarily with their employees, as Mr. Berkebile has suggested that he has, it would be now. This would be the time to do it. The stock market is going up dramatically. It is not just the past couple years. The stock market is 12 times higher today than it was in the 1880s. The GDP is six times higher in American than it was in the 1980s. So the stock market is going up, GDP is going up.

But I think I have heard from the testimony -- is it correct, Dr. Zandi, to say that the middle class is shrinking in America?

*Mr. Zandi. Yes, by many measures, in terms of the share of the wealthy they hold, in terms of the share of the income they hold, and, most telling, the share of the spending that actually occurs.

*Mr. Suozzi. So, despite this enormous growth in our stock market, enormous growth in the GDP of America over the past 30 years, 40 years, the middle class is shrinking. There is a serious problem that exists in our country. It is not a Democratic or Republican or Obama or Trump issue. The middle class is shrinking in America.

I grew up in a family, my father was born in Italy. I am the first-generation American. The American Dream is a big thing in our family, the American Dream. The American Dream for us is if you are willing to work hard, you make enough money, and with that money you could have a place to live, you can educate your children, you can have health insurance, and you can retire one day without being scared.

And as we heard from Ms. Tirado, she wants the American Dream. She is doing her part. She went to school, she was in the military, she works hard every day. There are so many hard-working people in this country that are trying their very best and giving it their full effort that are not making it. It is just not happening in our country.

The minimum wage in Pennsylvania is the federal minimum wage, it is $7.35 an hour, $.25 an hour. If you work 40 hours a week and you work 50 weeks a year you make $14,500 a year. You can't make it. There are so many people trying.

So we saw shareholders are doing well. We saw a chart earlier. Consumers, arguably, are doing well. Now I want to come to the health insurance or housing costs. But when it comes to buying a car or maybe some clothing, the prices have been relatively modest.

So shareholders, consumers, but what about workers? The workers are left out of the whole equation. They are not sharing in the good fortune of what is happening in the economy. They are not making it in America.

So I am going to -- I am just going to -- you know, the measurement of how well you are doing in a country is not just how many people get off of food stamps. It is how many people are able to have a house, how many people are able to educate their children, how many people can retire without being scared. And that is not happening.

So let me just ask this question. I want to focus specifically on the SALT deduction, because it is a very big issue in my district.

The country is different from place to place. There is 105 million full-time jobs in America. Of the 105 million full-time jobs, 59 million people make less than $50,000 a year; 86 million make less than $75,000 a year. It is different in my friend Congressman Arrington's district than it is in my district. It is different from place to place in the country.

Of the 50 highest SALT deduction districts in America, 49 of them are in California, New York, and New Jersey. In fact, all of my colleagues on the Republican side of this subcommittee had SALT deductions less than $10,000, whereas 6 out of -- 7 out of the 9 on this side of the aisle had SALT deductions well above $10,000. So it is different from place to place.

Let me ask you, Mr. Brown. Is the capping of the SALT deduction encouraging home ownership in America?

*Mr. Brown. No, it is not. If anything, it has taken some of the incentive away. And, you know, capping of the SALT deduction has really hurt California home buyers and people looking to get into the market.

If you look at home prices in the area where I am, in the San Francisco Bay Area, and the other major employment centers, you see that the price of housing is extremely high. I think the median price of a house in California is about $588,000. The median price in the area or county where I am is about $950,000. The median price in San Francisco is around $1.6 million, as of December 2018.

People who are buying these houses are not rich. These people that are buying these houses are struggling, in a very hot economy. California has the fifth-largest economy in the world.

*Mr. Suozzi. So it is just very different from place to place --

*Mr. Brown. Very different.

*Mr. Suozzi. -- throughout our country.

*Mr. Brown. There is huge geographical differences.

*Mr. Suozzi. We have to recognize the middle class is shrinking.

*Chairman Thompson. The gentleman's time has expired.

Because Mr. Suozzi brought up the fact that -- or made the statement that people buying cars are in good shape, I would like to ask unanimous consent to submit for the record this article that reads a record seven million Americans are three months behind on their car payment, and indicates that it is a red flag for our economy.

[The information follows:]

*Chairman Thompson. And I recognize Mr. Beyer.

*Mr. Beyer. Mr. Chairman, thank you very much, and thank all of you for being with us.

Mr. Chairman, I represent the seventh wealthiest district in the country. When I was visiting my bank two weeks ago I talked to the -- the bank manager brought me into his office, and I said, "How are you doing?''

And he said, "I am exhausted.''

I said, "Why?''

He said, "Because I have two children at home and a wife. And to support them I am the bank manager 40 hours a week and then I drive Uber at night and on the weekends, and I am working at 7-11 about 16 hours a week.'' So he was doing three jobs just to get by in Northern Virginia.

So Dr. Boushey, I was thrilled, with many Americans, to see the 304,000 jobs last month, the 4 percent. But I also read that the Bureau of Labor Statistics said that of the 10 jobs with the greatest job growth, 5 of them have a net income less than $30,000. And underneath the job growth is this hollowing out of the middle class, with people doing really well at the top, and an awful lot of people at the bottom just not doing well at all.

Is this your understanding of how this job market is working, also?

*Ms. Boushey. Certainly. And it is my understanding of how the economy has been going, unfortunately, for quite some time. But that -- the -- while the Tax Cuts and Jobs Act has created this stimulus in the short term, it has not led to the broad-based gains that we would like to see up and down the wage distribution.

And in fact, some of the evidence shows that some of the gains that we have seen at the bottom are actually, in fact, due to new policies at state and local levels to raise the minimum wage that went into effect earlier this year and last year that have increased wages at the bottom. But we haven't seen the kind of bump-up in wage gains that we should have, given the level of stimulus that went out into the economy.

*Mr. Beyer. Thank you very much.

Mr. Berkebile, I was very pleased to see what you had done, you know, raised wages, expand bonuses, start a 401(k), create 29 new jobs. I have been part of a family business for 45 years, too. But you are not seeing that in the economy. There have been very, very few businesses like Guy Petroleum, or -- that have done that. And you see this in the statistics. People are getting raises of 1.5 percent, 0 percent, 2 percent.

Where did you get this incredibly generous work ethic, culture ethic, that you bring your employees down to do this? And how come other businesses aren't doing it?

*Mr. Berkebile. You know, I think it is more of a country ethic that we have. You know, a small-town ethic. But being a manufacturer, I see what is happening in the economy. And then these people over here try to measure what I did after I have done it.

So whenever I buy paper, I can tell when I am buying paper from international paper and it is going up in price and our lead times get longer, I can tell if the economy is expanding or whether it is contracting. When I buy commodity chemicals from Dow Chemical --

*Mr. Beyer. But do you recognize there is a difference between the GDP and how it affects individual families?

*Mr. Berkebile. But --

*Mr. Beyer. Individual workers.

*Mr. Berkebile. Well, but I can tell what is happening across the country, because I do business across the country and the entire world.

*Mr. Beyer. Yes, that still doesn't take away that connection, but let's move on. I am -- I was hoping to understand where your values came from, because I admire them. I just wish there were more of them.

*Mr. Berkebile. Well, my grandparents were Mennonite, so maybe that is where they came from.

*Mr. Beyer. Okay, that is great.

Director Boushey, Rosa DeLauro has this amazing bill called the Schedules That Work Act, which talks about trying to direct predictable work schedules, because there are so many people, especially the people that Ms. Tirado is teaching right now, that are going to be limited to 20 hours here or 10 hours there, they don't find out until the night before what time they are working. How do you see this affecting overall health of the middle class and the lower middle class?

*Ms. Boushey. I think that the Schedules That Work Act is one really very important pillar of what we need to do to improve employment for people in middle-class jobs. So we have a Fair Labor Standards Act that doesn't ensure that people have schedules that are posted well enough in advance so that they can both get to school and deal with their child care, or deal with their other care needs. And this bill would allow employees to have the right to know what their schedule is, so they can have a predictable schedule, which is really important.

So many workers, especially retail workers, low-wage workers, don't know their schedule more than a couple days in advance. And when you think about the broader economic implications of that, you can think about how that might affect an individual, but then how that might affect the child care facility that is trying to make sure that they have enough kids each week so that they can balance their books, but if the people that are bringing their children there don't know their schedules, it makes it all very difficult for everyone to have sort of a sound economics, both for the child care facility, as well as for that family.

So this kind of scheduling issue is something that is not currently in the Fair Labor Standards Act and that is part of what we need to think about for a 21st century economy.

*Chairman Thompson. Thank you very much.

*Mr. Beyer. Mr. Chair, I yield --

*Chairman Thompson. Are there other members of the committee that wish to inquire?

Mr. Pascrell, do you wish to inquire?

*Mr. Pascrell. Thank you, Mr. Chairman.

*Chairman Thompson. Hold on one second.

[Pause.]

*Chairman Thompson. Go ahead, you may proceed.

*Mr. Pascrell. As so many of our great witnesses pointed out in the narratives which they have presented to us, which I have read, the American Dream is slipping away. Today it is less likely than at any point in the last 70 years that a child will be better off than their parents were. That is startling to me, anyway.

Tax policy has a lot to do with it. The Trump tax cuts were a missed opportunity to reform our tax policy. We did not have tax reform. Senator Bradley and Congressman Kemp, Democrat and Republican, knew what they were doing in 1983, 1984, and 1985. That was real reform. We have a more simple way of doing the taxes now? You got to be kidding me. That is not the calls that I am getting.

So I think it is a missed opportunity, plus the fact -- and I think we cannot forget this -- the new tax law spent $2.3 trillion. The new law did nothing to provide opportunities for middle-class families and those who aspire to it.

It was two Democrats eight years ago that projected and offered the legislation to cut the corporate tax from -- down to 25 percent: Charlie Rangel and myself. We knew it had to happen, also. But instead, the tax law of December of 2017 entrenched wealth for the already wealthy. It cuts taxes further on stock holders and business owners, and concentrated wealth further in the hands -- all data show that -- all by robbing the U.S. Treasury of needed resources to invest in tools for working families to keep a roof over their heads, to put food on the table, and get an education for the children.

I agree, too many colleges and vocational and technical schools are two new engines for the 21st century. I think those engines are critical. What are we doing about it, besides the STEM programs, which are excellent?

Yet we had a choice back in December of 2017. We could have taken this opportunity to create a fair system for everyone to rise and fall by their own merits. Instead they chose to stack the deck.

And let me -- you know, Dr. Zandi, I have been wanting to ask a question of you for a few years. We wrote some papers and talked about what is the difference between taxing assets and taxing income. Because, as you know, that has been turned upside down in the past 35, 40 years. We used to tax assets that people had at a much higher level, and we taxed income lower. Now it is reversed. You know what I am talking about?

*Mr. Zandi. Sure.

*Mr. Pascrell. And would you respond to that issue?

*Mr. Zandi. I think that is the case. The changes in the tax code, particularly the -- one year ago, a year ago, significantly reduced taxation of individuals' assets, you know, the capital gains, state tax. And that has been a trend that has been ongoing.

*Mr. Pascrell. So it makes it easier to protect your assets than you do to your income. And who does that hurt most of all? The middle class. That is what we are here to talk about today. Is that an overreach on my part?

*Mr. Zandi. No, I don't -- that is just patently true. I mean who has the assets, right? It is not the middle class. I mean the average -- the median net worth of someone in the middle of the distribution is 100K. The median net worth of somebody in the top 20 percent is 500K. So it is very clear that is the case.

*Mr. Pascrell. So we have, I think, entrenched wealth. Here is a question that I have, Mr. Brown, as the -- from the National Association of Realtors.

We talked about the state and local tax deduction. The oldest deduction on the books, Mr. Brown, goes back to the Civil War, before we had the code. And there was a very specific reason why that was a very big issue during the Civil War, to help the states pay their bills so that the federal government couldn't take anything for whoever they were protecting at that particular time, and whatever side you were on.

I introduced a bill this week to restore the state and local tax deduction, while restoring the top individual income tax rate that was cut from 39 percent to 37.5 percent. Let's face it, the Republican Party -- and I have many friends on the other side, most of my bills are bipartisan -- but what they finally decided on was the tax cuts on the top by robbing states, middle class of their SALT deduction.

*Chairman Thompson. The gentleman's time has expired.

*Mr. Pascrell. Can I just finish my question?

*Chairman Thompson. Go ahead.

*Mr. Pascrell. Thank you.

*Chairman Thompson. Make it quick, please.

*Mr. Pascrell. Mr. Brown, how do the SALT cap and tax law impact the housing market in California and elsewhere?

*Chairman Thompson. Mr. Brown, we will take that, your answer, in writing and I will share it with the rest of the committee members.

*Mr. Pascrell. Thank you, Mr. Chairman.

*Chairman Thompson. I recognize the distinguished ranking member for his close.

*Mr. Smith. Thank you. Thank you, Mr. Chairman. And again, thank you to our witnesses. I think much of this discussion is valuable.

I think it is very interesting to note -- and if we could have the Schweikert chart back up on the screen here, and I will get to that in a moment.

[Chart]

*Mr. Smith. But we have heard from Mr. -- Dr. Zandi that our country needed a corporate tax cut, and that we had numbers prior to the current administration that I hear Dr. Zandi say positive things about. And we have seen the numbers further improve over the last two years. And we can argue about who gets the credit or who gets the blame, whatever. We can save that for another time.

But here we are in a situation where we have a very capable witness here, telling us that she is not experiencing some of the middle class benefits, perhaps. But when you look at this chart, I think we need to ask ourselves the question which part of the chart do we feel is driving our daily lives more, and our financial situations?

I mean we have Ms. Tirado, who cannot deduct her rent directly. We have Mr. Brown, who was saying that folks purchasing a almost $600,000 house feel left out. And so when we went through tax reform, in formulating tax reform, I think -- especially when you look at the results being so positive -- that we weren't going to just -- even though there was agreement that we needed to be more non-partisan -- or, I should say, bipartisan agreement, that we needed to be more competitive in the world economy by reducing the corporate tax rate, not for a moment did you think we -- I didn't think we would do that and just leave individuals behind. So that is why we doubled the child tax credit, that is why we doubled the standard deduction and have spread the benefits out across the spectrum. So that is why I think it is so important.

And I think that, over time, you will see more folks really celebrate what the doubling of the child tax credit had done, for example, what the various other benefits through tax reform, whether it is Mr. Berkebile bringing his employees here today who have benefitted directly, that is incredible. And I hope that we can get to the point where Ms. Tirado can feel more benefits through a growing economy. And I think she is sacrificing a great deal with her current situation, and I hope that we can pursue policies that can bring her to a better situation.

So Mr. Berkebile, can you elaborate further on -- obviously, you need employees. I mean the most common concern across my district -- and I think other districts, as well -- is the need for more employees. I stated that in my opening comments. Can you elaborate more on the competitive position that you need to find yourself in to keep and attract employees?

*Mr. Berkebile. Yes, we are seeing -- my professional staff that I have is pretty much consistent. What we are seeing in our -- with our factory workers, you know, some of our skilled staff, is wages are being driven up across the board. So now they are looking at, you know, "I have opportunities outside of Guy Chemical, you know, where can I go?''

So this is what is driving up the wages, you know, that I was talking about at Guy Chemical, that we need to drive up -- we need to pay our production workers more money in order to retain them. And we are also looking now at work environment. What else can we do, you know, with our work environment to retain these workers?

*Mr. Smith. So as you look at resources available and you try to strike that balance of keeping a vibrant business, you know, obviously, your personnel situation is vital. That is what I hear from employers, like I said, all across my district. Do you feel that, you know, moving forward -- if these benefits don't continue, what might happen?

*Mr. Berkebile. We are going to downsize. And the expansion that we have experienced will slow down or reverse.

The -- one of the biggest boons to my company that came out of the tax cuts is the depreciation of assets. This has made it so much more affordable for me to go out and buy a piece of equipment when I can expense it in the same year that I purchased it.

*Mr. Smith. Okay, thank you.

Thank you, Mr. Chairman.

*Chairman Thompson. Thank you, Mr. Smith. And thank you to all the witnesses for your testimony today. And I want everyone to be advised that members will have two weeks to submit written questions to be answered later in writing. Those questions and your answers will be made part of the formal hearing.

I want to thank all the members for being here.

And along the lines of what Mr. Smith was talking about in regard to what we are seeing as a result of passing the last tax bill, I think it is important that, as we are today, we are getting back to regular order. A lot of the problems that we talked about today were unforeseen consequences based on passing policy without the benefit of regular order, without the benefit of hearings, without the benefit of hearing from the experts in the field. And it is my intention to continue on with the regular order, having hearings, hearing from experts, and you are a very important part of that, and I thank you again for being here.

And with that, the hearing is adjourned.

[Whereupon, at 12:22 p.m., the hearing was adjourned.]

Questions for the Record follow:

Kevin Brown

Submissions for the Record follow:

Michael Binder, Center for Fiscal Equality, Letter