



# Joint Economic Committee

Representative Kevin Brady *Chairman*

**CHAIRMAN KEVIN BRADY**

**JOINT ECONOMIC COMMITTEE**

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*Income Inequality in the United States*

Vice Chair Klobuchar, Committee Members, and distinguished witnesses, today the Joint Economic Committee will begin to examine the complex questions of economic inequality and mobility in the United States.

We're not all blessed with equal talents, but in America, we should all have an equal chance to climb the ladder of success—driven upward by our personal initiative, and not burdened by the deadweight of a bloated government.

We know that too many families are struggling, even in a country where nine of ten children born to the poorest families will earn more than their parents.

Economic mobility is very much alive. In America today the children of the poorest are more likely to climb up the ladder of success than the children of the wealthy are likely to stay where they are.

Through hard work, today one-in-three American families live an upper middle-class lifestyle or better—more than double what it was just forty years ago.

Astoundingly, better than one-in-five Americans are likely to rise to the top two percent of earners sometime during their lifetime. The American Dream is still very much alive.

Do some Americans earn more than others? Absolutely. I can't fathom how entertainer Madonna made \$125 million last year, or how actor Johnny Depp will earn nearly a half billion dollars from *the Pirates of the Caribbean* series.

We all can appreciate, though, how Mark Zuckerberg became the world's youngest billionaire launching Facebook from his college dorm room, or how Mary Kay Ash of tiny Hot Wells, Texas—frustrated with the glass ceiling in a male-dominated industry—built Mary Kay Cosmetics into an international icon with over a half million entrepreneurs.

The challenge that we face today is too many Americans no longer believe the ladder of success is available to them. They've lost hope that if they work hard and play by the rules, tomorrow will be better than today.

And who can blame them? Thanks to the weakest, most disappointing economic recovery in a half century, millions of Americans can't find full-time work, and millions more have simply given up looking for work. Proportionately fewer adults are working today than when the recession ended over four years ago.

These struggling Americans have not benefited from the White House's controversial stimulus, which failed to fulfill its promise of getting them back to work by now. They watch as the Federal Reserve has pumped up Wall Street with trillions of dollars, while Main Street and middle-class families are left behind. In the past five years, college costs have soared and energy costs have doubled. While some Americans, no doubt, are being helped by the *Affordable Care Act*, millions more have been forced out of the health insurance plans they liked and are being forced to pay even more for plans they didn't want.

While President Obama should not shoulder all the blame, out of fairness he should accept some of the responsibility for why so many Americans believe the ladder of success has been pulled from their reach. He should not divide America further, pit one American against another based on their success, or fuel resentment and jealousy in the pursuit of political gain. That's not an America we can be proud of.

I admit I can't imagine how Washington bureaucrats that have never met you or even know your name can 'equalize' your income. Can the same incompetent government that brought us the bungled *Affordable Care Act* website be trusted with your dreams and your children's dreams?

What we'll learn from today's hearing is that respected economists disagree about the issue of income equality. For example, by using a definition of income that excludes both taxes that reduce disposable income and government programs like Social Security, Medicare, and unemployment insurance that boost it, economists Piketty and Saez found large and growing income inequality. Other economists, by using a more realistic definition that considers the effects of taxes, government programs, employment-provided health insurance benefits and the changing size of the modern family, found a very modest change in income inequality over the past twenty years. Still other studies that measure what families actually buy and consume reveal that the ratio between the consumption of the poorest fifth and the most successful fifth of Americans remained stable over the past quarter century.

I hope we will agree that personal decisions affect every American's ability to make a better life. A college degree, steady work, marriage and children within the marriage increase the odds of climbing the ladder of success - although in our great country some have succeeded with none of these.

I also hope we can agree that education and skills drive high wages, especially for those earning a college, graduate or professional degree. For example, Pew research found that children from families in the bottom fifth of earnings have a one-in-ten chance of climbing into the wealthiest fifth of Americas with a college degree, but only a three-percent chance without it. Similarly, children from families in the second fifth have nearly a one-in-four chance of climbing to the top rung with a college education, but only a nine-percent chance without it.

Finally, how should the federal government act to help restore Americans' belief in opportunity?

We can heed the advice of President Abraham Lincoln—perhaps the greatest “equalizer” to inhabit the White House. In his message to Congress on July 4, 1861, he made clear the proper role of government in promoting economic opportunity is “to elevate the condition of men - to lift artificial weights from all shoulders - to clear the paths of laudable pursuit for all - to afford all, an unfettered start and a fair chance, in the race of life.”

We must do more to “lift the artificial weights” off our poorest families and get Washington out of the way so that every American truly has “an unfettered start and a fair chance in the race of life.”