

Policy Blog

Rising to Meet the Central Challenge of Our Time

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Part of the reason that I created the Biden Institute at the University of Delaware is because I believe that universities do more than just educate students—they also serve as powerful platforms for solving real problems. When it comes to generating big ideas, America’s universities have always led the way. That has been especially true at moments of national upheaval and uncertainty.

Take the 1960s, for example. When the Johnson Administration faced a litany of social and economic challenges, it turned to our universities to help turn things around. The Great Society was a triumph of big thinking—and it relied heavily on task forces made up largely of academics to take on the major problems of the day.

That effort helped transform the Civil Rights movement into durable law: the Civil Rights Act; the Voting Rights Act; bans on housing discrimination; an end to racial quotas in our immigration laws. It brought us Medicare and Medicaid, strengthened Social Security, raised the federal minimum wage, made unprecedented investments in public education, and created the Head Start program. And that’s before you even get to other big ideas like the Clean Air Act, the Consumer Product Safety Commission, NPR, and PBS.

It was in that spirit of big thinking that I recently invited representatives of our nation’s research universities to take on what I see as the signature challenge of our time: to create policy solutions that help ensure America has a growing, thriving middle class for generations to come. On September 28, hundreds of university-affiliated scholars, researchers,

students, and faculty gathered with the Biden Institute team at the University of Delaware to take me up on that challenge.

It’s not hyperbole to say that revitalizing the middle class is the single most important challenge of our time. The consequences of getting it right or wrong will be felt not only by families sitting around 100 million kitchen tables, but on a global scale as well. Solving it isn’t just about economic success, or about the social stability that comes from having a strong middle class; it’s more than that. Our aspirational character as Americans is at stake—the very thing that makes us who we are.

There used to be a basic bargain in America, supported by business and labor, Democrats and Republicans—everybody. It said that if you worked hard and played by the rules, you’d share in the benefits that your work helped create. That basic bargain worked because it turns out that when the middle class does well, everybody does well—the wealthy stay wealthy, and the poor have a ladder up.

That bargain built our middle class. And what it did for Americans wasn’t just felt in their pocketbooks. It allowed millions of parents to raise their children in a safe neighborhood. When their kids did well in school and got into their dream college, it gave them the peace of mind to know that they would find a way to send them there. It kept families from having to worry that an accident or an illness would bankrupt them. For so many families, including my own, it gave us that little bit of breathing room we needed to pursue our dreams. But for far too many families today, that promise has been hollowed out. A new study from the Urban Institute shows that

nearly 40 percent of working-age people are struggling to make ends meet. Ten percent have missed a rent or mortgage payment. Nearly a quarter worry about how they'll pay for food. About 20 percent have passed up medical care because of the cost.

Some of this is due to technology and automation—in addition to the well-known job losses in our factories, we've also lost about 140,000 retail jobs in the last two years alone.

Some of it is due to globalization. Competition from low-wage workers overseas has lowered the price of our goods, but it has cost us millions of good-paying manufacturing jobs in turn.

Some of it is due to the declining power of unions. And we've seen coordinated, well-funded efforts to undermine unions for years—making it harder for workers to bargain for the better wages they deserve.

But some of it is due to a fourth root cause: declining labor market competition. If you want to see how tough it is for workers to negotiate these days, just take a look under the hood of our labor market.

One major symptom of that is the way in which the gap between productivity and income has spiked over the last 45 years. Between 1948 and 1973, productivity and income rose together in lockstep—productivity increased by 96 percent, while worker incomes climbed by 91 percent. But since 1973, productivity is up 77 percent, while workers' hourly pay has only risen 12 percent.

There are a number of reasons for it, but here are a couple of the major culprits.

First, nearly 40 percent of workers will at some point be subject to a non-compete clause. These are legal contracts that prohibit workers from taking another job. Of course, if you're the scientist who knows the formula for Coke, it's understandable that maybe you shouldn't be allowed to go work for Pepsi. But what about fast food employees? Folks who stock shelves in a warehouse? What possible rationale could there be to prevent low-wage workers from taking a better job if they can get it?

Second, we also have a complete lack of wage transparency—most workers have no idea

what others are making. That's not an accident. It's intentional policy designed to prevent them from discussing their pay, and punishing them if they do. The problem with that is that you can't ask for a raise if you don't know you're being underpaid.

There is a whole arsenal of tricks in play: mandatory arbitration clauses; needlessly onerous occupational licensing requirements; misclassifying line workers as "managers" in order to deny them overtime pay. What are these tactics for, other than to depress wages?

We know that the challenges facing the middle class have a lot of roots: bad policies and bad politics; failures to adapt quickly to global realities and technological progress; small thinking and failures of imagination. There are so many reasons why the American middle class is taking a beating—and that's why we need a collaborative, multidisciplinary approach to fix it.

This problem couldn't be more urgent. There are families out there with two working parents who still can't make the mortgage. There are single moms working two shifts who still have to choose between a trip to the doctor and a trip to the grocery store. These folks can't work any harder—they've fulfilled their end of the bargain. We cannot let that middle class dream slip away from them. The ideas that have fortified America through the years didn't arrive, fully formed, in Congress or on the desks of presidents. They grew out of conversations in the seminar room, in the cafeteria, and in the faculty lounge—conversations like the one we convened last week. I was incredibly impressed by the energy, creativity, and big thinking of our guests, and I look forward to sharing some of the best ideas we came up with throughout our day together.

Because even though our middle class has been eroded, I believe with all my heart that it only takes one idea to begin restoring and revitalizing it. We owe it to families across the country to keep thinking big, keep engaging with one another, and keep offering solutions to ensure that we can once again make good on the essential promise our nation was built on.