

EPI JOURNAL

ECONOMIC POLICY INSTITUTE WINTER 2005

BY EPI PRESIDENT LAWRENCE MISHEL

The Economy *Is* a Values Issue

The discussion of the 2004 presidential election is just the most recent reminder of a curiosity in American politics: “values” issues are always social issues but never economic ones. Yet how the disadvantaged among us are treated is clearly a reflection of who we are as a people. How workers are treated on the job—their safety, their working conditions, their remuneration—also speaks volumes about our values as a nation. How we care for the elderly and the disabled, our response to child poverty, and our

usual stance. (Or, as one economist remarked, his role is to say, “Tell me what you want and I’ll tell you why you can’t have it.”) Clearly, this framework leaves no room for values. The underlying assumption is that unfettered markets, free and unrestricted by government or private institutions such as unions, produce the best outcomes, except in a few very specific situations: externalities (such as pollution imposed on society but not reflected in producers’ costs), monopolies, and other “market failure” cases from Econ 101. Some economists, such as Martin Feldstein (leader of the premiere economic research organization, the National Bureau of Economic Research) have contended that inequality is not a proper concern for economists, who should be focused only on determining how to maximize the output of goods and services.

It is important to examine whether unfettered markets are the appropriate means of organizing our economy, both in terms of the values we seek to see reflected in our society and for achieving our economic goals. One’s view of the proper role of individuals, institutions, and government in the economy is determined, in large part, by one’s

(continued on page 6)

MINIMUM WAGE: STATE SUCCESS, FEDERAL FAILURE

By Amy Chasanov & Jeff Chapman

On November 2, voters in Florida and Nevada overwhelmingly approved ballot measures to join 12 other states and the District of Columbia in setting minimum wages above the federal level. They also joined two states—Washington and Oregon—in requiring moderate annual adjustments to the state minimum wage to account for changes in the cost of living. The New York legislature recently overrode Governor Pataki’s veto of a minimum wage increase, and the District of Columbia city council voted to raise the minimum wage in the nation’s capital.



(continued on page 7)

IN THE NEWS...



“What we have is a laissez-faire system that basically says dog-eat-dog capitalism is great, and workers, you’re on your own.”

—EPI PRESIDENT LAWRENCE MISHEL,
MILWAUKEE JOURNAL SENTINEL, NOV. 20

compassion for the less fortunate are measures of our society’s values, and they are social problems that can be addressed by economic policy.

Of course, economists contend that economics is a science. “Tell me what you want to do and I will tell you the best way to do it” is the economist’s

- 2 EPI hosts the seventh annual Economic Analysis and Research Network (EARN) conference in December.
- 5 Institute economists cover offshoring, health care, and Social Security.
- 10 The new edition of *State of Working America* was released on Labor Day.



EPI JOURNAL

Winter 2005
Volume 15, Number 1
1660 L Street, N.W.
Suite 1200
Washington, D.C. 20036
www.epinet.org

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Institute holds research briefings for Coalition on Human Needs

In the fall of 2004, EPI held two briefings on recent research and invited members of the Coalition on Human Needs, an alliance of national organizations that work together to promote policies to help low-income and other vulnerable populations. Coalition members attending the briefings included representatives from civil rights, religious, labor, and professional organizations and those concerned with the well-being of children, women, and people with disabilities.

On October 1, EPI President Lawrence Mishel

and senior economist Jared Bernstein held a briefing for approximately 25 members of the Coalition that outlined key ideas from the recent EPI publication *The State of Working America 2004-2005*. The briefing highlighted the problems facing today's labor market, including the persistent jobs deficit, decreased labor force participation, sluggish wage growth, the erosion of employer-provided benefits, and increased poverty.

In the November 9 briefing, EPI research director Lee Price and economist Max Sawicky presented research

from their recent Briefing Paper "The Budget Arithmetic Test: Repairing Federal Fiscal Policy." The authors discussed the current crisis facing human needs spending. The presentation covered how efforts to balance the budget and maintain adequate spending will require adopting more sensible budget policies and raising taxes beyond what either party now proposes. The presentation was attended by more than 40 members of the Coalition and was followed by a lively discussion of how advocates can best protect the budgets for the programs they care about.

EARN groups meet for annual conference

On December 2-4, the Economic Analysis and Research Network (EARN) hosted its seventh annual conference in Oakland, California. A collaboration of over 40 state and local groups in more than 30 states, as well as dozens of national groups, EARN serves as a link between organizations that conduct and disseminate research on issues that affect the living standards of working families.

The 2004 conference welcomed a number of groups new to the network and had the highest atten-

dance yet—over 160 participants. Workshops, plenaries, and training sessions were held on policies such as the minimum wage and unemployment insurance; economic trends such as outsourcing and economic development subsidies; data resources, including the American Community Survey; and practical training and discussion on communications, messaging, and fundraising.

For more information about the state-based EARN initiatives, including state-level findings from *The State*



EPI Deputy Director of Policy Amy Chasanov speaks at December's EARN conference.

of *Working America*, visit the group's newly launched Web site at www.earncentral.org.

GPN expands reach, begins new research projects

The Global Policy Network (GPN) now has partners in more than 50 countries in all parts of the world, including new affiliates in Israel and a number of Middle Eastern and North African nations.

Current research projects for the organization include a study of “workforce development” around the world, the findings of which will be published in early 2005. This study examines all of the factors—such as rural-to-urban migration, technology changes, child labor, privatization, and trade policy—that can destroy or create good jobs. Each chapter addresses the economic condition in a



GPN partners in Russia present workforce development research at a conference in Moscow.

different country, with particular focus on the informal economy and its role in economic development.

Meetings in each of the five countries of focus (Egypt, El Salvador, India, Russia, and South Africa) presented the results of the

workforce development research to government officials, journalists, and union leaders. A global meeting, held in Johannesburg, South Africa, looked at ways to use the results of the study to influence national and global policies.

A similar multi-country study of the impact of privatization is currently in progress. The study, conducted in Bolivia, Bulgaria, El Salvador, South Africa, and Turkey, will look at privatization’s effect on jobs and delivery of goods and public services.

GPN HOSTS ROUNDTABLE DISCUSSIONS OF GLOBAL ECONOMICS

Throughout the fall, the Global Policy Network convened a number of roundtable meetings at the National Press Club in Washington, D.C. to discuss economic conditions around the world.

On August 12, 2004, three experts on the Egyptian economy met to discuss international viewpoints on work in Egypt with Dr. Alia El Mahdi from Cairo University. The panel explored how the Egyptian workers’ lack of access to formal jobs, benefits, and economic opportunity provides fertile ground for Islamic militants seeking to stir up hatred of the West.

On September 15, the topic was Turkey’s precarious economy. Turkish economist Erinc Yeldan presented a

study on the impact of the current International Monetary Fund (IMF) reform program in Turkey and described the recent victory against privatization of the Turkish petroleum industry. The November 17 discussion focused on Argentina’s economy and how that country can avert another crisis and secure better and more jobs in its efforts to recover from the economic collapse it suffered in 2001. Presenters included Pepe Robles, Research Director at the Buenos Aires economic research institute The World of Work, and Dr. Gustavo Marquez, Principal Labor Advisor of the Interamerican Development Bank in Washington, D.C. Listen to an audio recording of the meeting in EPI’s online audio archive at www.epinet.org.



New research explores link between education and social class

Social class differences in a stratified society like ours influence how children learn in school, and the association between social and economic disadvantage and the student achievement gap is well known to economists, sociologists, and



Richard Rothstein (left) addresses the press at the release of his book *Class and Schools*.

educators. The EPI education book *Class and Schools: Using Social, Economic, and Educational Reform to Close the Black-White Achievement Gap*, by Richard Rothstein, goes beyond this understanding to argue that raising the achievement of lower-class children requires that public policy address the social and economic conditions shaping all aspects of these children's lives.

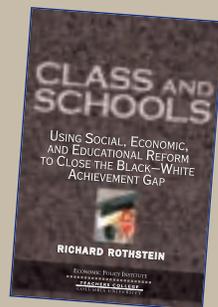
EPI marked the book's release at a National Press Club press conference featuring Rothstein, an EPI research associate and visiting lecturer at Teachers College, Columbia University. He presented his findings that concentrat-

ing solely on school reform policies as a way of reducing the black-white achievement gap is causing school officials to wrongly ignore social class differences. Other panelists included Roger Wilkins, Clarence J. Robinson Professor of History and American Culture at George Mason University, former assistant attorney general, and Pulitzer Prize-winning journalist; Arthur Levine, president of Teachers College, Columbia University; and Lawrence Mishel, president of the Economic Policy Institute.

An audio recording of this event is available on the EPI Web site.

"[*Class and Schools*] deserves to be carefully and thoughtfully read by all who shape policy for America's public schools. It should provoke thoughtful reflection and discussion at the federal, state, and municipal level. It belongs on the 'must read' list of every politician and every educator."

—MICHAEL WILLIAMSON, TCRECORD.ORG



OFFSHORING WHITE-COLLAR WORK

EPI STUDIES THE EFFECT OF SENDING JOBS OVERSEAS

At the Center for American Progress on March 31, 2004, EPI Research Director Lee Price participated in a debate with proponents of offshoring white-collar work. Offshoring, which refers to substituting foreign work for domestic labor, has recently become an issue for many white-collar jobs that were previously insulated from foreign competition.

Price predicted that offshoring of U.S. white-collar jobs would grow rapidly because of the confluence of two powerful forces: 1) the revolution of information technology and 2) the entry of tens of millions of well-educated, underemployed people from India, China, and the former Soviet Union into world market competition. Offshoring has already contributed to significant losses of high-paying jobs in the software industry.

Two presentations favoring offshoring were shown to have both exaggerated the benefits and understated the costs of offshoring. Price argued that because offshoring is eroding some of the best-paid jobs in the United States, it makes sense to use government tax and contracting authority to put "sand in the gears" to slow the pace of offshoring.

Learn more about the subject of offshoring by checking out EPI's **Offshoring Issue Guide**, available on the EPI Web site. The Issue Guide is an online resource that combines frequently asked questions, figures, and links to other offshoring publications with a full analysis and policy recommendations on the subject of white-collar offshoring.

EPI WEIGHS IN ON HEALTH CARE, JOB QUALITY ISSUES

EPI economist Elise Gould presented research on two panels at the Annual Association for Public Policy and Management meeting in Atlanta in October 2004. In a panel on Medicare and Disability, she discussed her work on trends in retiree health coverage and the rise in health costs, particularly for prescription drugs. In the second panel she presented work co-authored with EPI's Jared Bernstein and Arindrajit Dube from the UC Berkeley Institute for Labor and Employment on job quality in the recent recovery.

JOBS AND THE LABOR MARKET

In a presentation to the Democratic Caucus of the U.S. House of Representatives on March 10, 2004, EPI Research Director Lee Price identified four problems in the job market. First, the loss of two million jobs over three years marked the longest job slump since 1939. Second, the job shortfall was much larger because of growth in the working-age population. To keep up with that population, the economy should have added five million jobs, putting the total shortfall at seven million jobs. Third, many people with jobs were working harder as fears of job loss in a slack labor market allowed employers to speed up and stretch out their remaining workforce. Fourth, wages were slowing and prices were speeding up so that many workers in the middle and bottom of the pay scale had falling real wages. Full text of the presentation can be found in the *Viewpoints* section of the EPI Web site.

STATE OF WORKING AMERICA RESEARCH SHOWCASED IN REGIONAL BRIEFINGS

EPI President Lawrence Mishel and EPI economists Jared Bernstein and Sylvia Allegretto—authors of the 2004/2005 edition of *The State of Working America*—spoke about that publication's research and data analysis at a briefing held at the Rockefeller Foundation in New York City on September 17. Approximately 20 program officers from various foundations attended the presentation, which was followed by a question-and-answer discussion. Additional presentations of *State of Working America* findings were held in San Francisco, Chicago, and Flint, Michigan throughout 2004.

ECONOMISTS ARGUE AGAINST SOCIAL SECURITY PRIVATIZATION

On December 14, 2004, EPI organized a conference call to discuss the Bush Administration's Economic Summit taking place on December 15-16. More than 50 journalists from major media outlets joined the briefing, which covered Social Security and other, even more pressing economic issues. The economists explained how the administration's proposal for privatizing the Social Security system is economically irresponsible and ultimately harmful to many beneficiaries. The panel included experts from the Economic Policy Institute, the Brookings Institution, and the LBJ School of Public Affairs at the University of Texas.

INSTITUTE STAFF NEWS: EPI WELCOMES NEW ECONOMISTS

Eileen Foley became a senior economist with the Economic Policy Institute in August. She specializes in education, with a particular focus on the politics of education, the school and community connection, assessment, and the achievement gap. Before joining EPI, Eileen was a senior associate at BTW Consultants in Berkeley, California and director of evaluation at Fordham University's National Center for Schools and Communities. She has been a senior associate at Metis Associates in New York City and director of research for the Public Education Association, and has also taught public policy and evaluation courses at

Teachers College, Columbia University and at Fordham University.

Joydeep Roy joined the Economic Policy Institute in

August after receiving his Ph.D. from Princeton University. His areas of interest include the economics of education, education policy, and related fields in public and labor

economics, including socioeconomic segregation.

William E. Spriggs joined EPI in November as a senior research fellow. He is the former Executive Director of the National Urban League Institute for Opportunity and Equality, and has also held roles in the Small Business Administration, the U.S. Department of Commerce, the Joint Economic Committee of the U.S. Congress, and the National Commission for Employment Policy in the Clinton Administration. His work includes studies of labor relations and labor market regulations as well as the minimum wage and international labor standards.



Senior research fellow William Spriggs, senior economist Eileen Foley, and economist Joydeep Roy joined the staff of EPI in 2004.

Economy and values (continued from page 1)

assessment of the merits of unfettered markets. The U.S. economic policy debate is in fact dominated by the assumption that unfettered markets work best, a view that's applied to our domestic economy and to that of other countries through international financial institutions that the United States controls.

Yet there is plenty of room for applying values to the economy: an economy can be structured in many different ways and still achieve the same

bottom of the income scale. In fact, inequality has grown far more in the United States over the last three decades than at any time in the last century, and far more than in any other advanced country.

Using some data from NBER researchers Thomas Piketty and Emanuel Saez, it is possible to illustrate how large both the income redistribution and the scale of inequality in America have become:

indicates that the United States has less class mobility than previously believed, and less than in European countries. It is also the case that class mobility has not increased over the last few decades.

Even if income were distributed according to merit or to the value of one's skills, we would still need to care for society's most disadvantaged and guarantee them a decent standard of living. Moreover, children do not start off with the same amount of resources—monetary assets, or family “social capital”—and a child's economic outcome depends at least as much on background as on effort or character.

The social class you belong to really matters—it determines your health, how long you live, where you live, your exposure to crime, your success in school, and the likely success of your children. A task force of the American Political Science Association has recently concluded that inequality in income and resources translates into inequalities in participation and effectiveness in our democracy.

This inequality and how it is addressed in the United States is a clear example of the intersection of economics and values issues. Economic policy is just as much of a “values issue” as any of those that are more frequently discussed. Moreover, the teachings of the various faiths have much to say on economic matters. I daresay that there's no reason to believe that “free markets” provide us with the type of society our faiths guide us to have in terms of the lives of the poor, the treatment of workers, and the solidarity of our communities.

This essay appeared in different form as “Dismal Scientists” in The American Prospect Online, May 27, 2004. The article draws on Is the Market Moral? by Rebecca Blank and William McGurn, published by the Brookings Institution and the Pew Forum on Religion and Public Life.

“How the disadvantaged among us are treated is clearly a reflection of who we are as a people.”

amount of efficiency, i.e., produce the same outputs with the same inputs. This was the conclusion of a book that Rebecca Blank edited for the National Bureau of Economic Research (NBER) a decade ago. Major European countries, for example, have a set of policies that are far different from ours: a strong social insurance system, government provision of health care, higher taxes, and far less inequality. Yet these countries have seen faster productivity growth—the gain in economic efficiency—than the United States for most of the last four decades. At first, this trend was mainly a process of “catching up” to the United States, the technological leader. However, many of these countries have now surpassed the United States in productivity.

It seems impolite in America to mention this, but we live in a class society. There are various groups differentiated by their income and power, and the positions of these groups are strongly maintained over time. It's not that there isn't any upward and downward mobility; it's just that there's not enough of it to make having a favorable, or unfavorable, class position seem like a temporary arrangement.

There has been a dramatic upward shift in income over the last few decades, coupled with a growing gap between those at the very top and those at the

- The top 1% of families earned 9.3% of all income in 1980. By 2000, this income share had increased to 19.6%. Correspondingly, the income share of the bottom 90% declined from 66% to 53.9%. There were small gains (1.9 percentage points) in the income shares of the remaining group, the 90th to 99th percentiles.
- From 1980 to 2000, the incomes of the upper 1% increased 179%, while those of the bottom 90% increased by only 8%.
- In 1970, the ratio of top executive earnings to that of the average worker was 38.6 to 1. This ratio increased to 101.1 by 1980, to 222 by 1990, and to 1,046 in 1999.

Because of this inequality, low-income families in the United States are not better off than low-income families in some countries that have lower incomes than in the United States. And even though we think of ourselves as a mobile society compared with Europe, recent research

VIEWPOINTS

For additional information on the link between values and the economy, see [Viewpoints on www.epinet.org](http://www.epinet.org) to read a speech by Lawrence Mishel entitled “Unfettered markets, income inequality, and religious values” given at the Pew/ Brookings Institution Forum on Religion and Public Life on May 19, 2004.

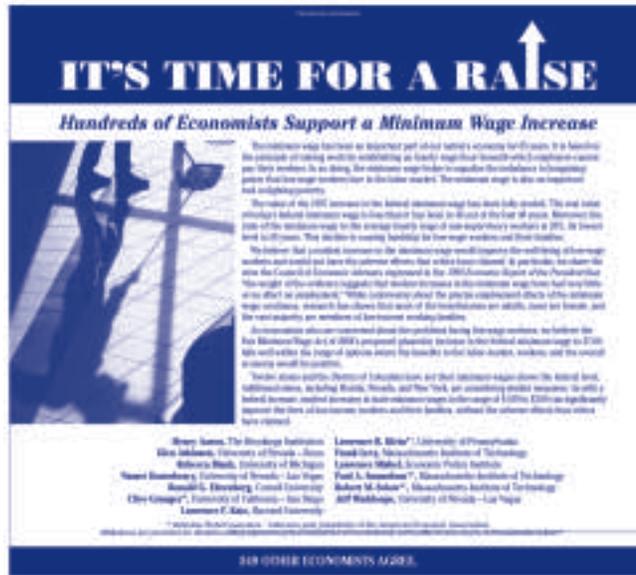
The minimum wage (continued from page 1)

Workers in Illinois and Vermont will also receive previously legislated raises in 2005. All in all, 15 states and the District of Columbia have raised their minimum wage since 1997.

Meanwhile, what has the federal government been up to? Not much—the federal minimum wage hasn't been raised since 1997, the second-longest period of inaction in the more than 60 years since President Roosevelt signed the federal minimum wage into law. Last year, Sen. Edward Kennedy (D-Mass.) and Rep. George Miller (D-Calif.) introduced the Fair Minimum Wage Act of 2004, proposing to increase the minimum wage from \$5.15 to \$7.00. Despite the urgent need for an increase, the leadership of the 108th Congress was unwilling to allow a vote on this legislation.

Voting results in Florida and Nevada demonstrate the popularity of raising the minimum wage—in these “red” states, 71% and 68% (respectively) voted for an increase. And in a recent nationwide poll by the non-partisan Pew Research Center, 77% of all Americans agreed that increasing the minimum wage is an important priority.

A recent statement declaring that a federal minimum wage increase to \$7.00 is overdue was organized by EPI and signed by more than 560 leading economists—including four winners of the Nobel Prize in economics and seven past presidents of the American Economic Association. This statement highlights the reasons why an increase is needed. In the seven years



since Congress last lifted the minimum wage, inflation has fully eroded the value of that increase. Now, the minimum wage's purchasing power is less than it has been in 46 out of the last 48 years. The decline in the real value of the minimum wage relative to the average hourly wage has been a hardship for low-wage workers and their families. These economists emphasized that the minimum wage is an important tool in “valuing work,” “fighting poverty,” and helping “to equalize the imbalance in the bargaining power that low-wage workers face in the labor market.”

Opponents of an increase routinely assert that economic

theory and opinion are settled against an increase. These critics claim that an increase will hurt the very workers it is intended to help and result in job loss. A growing body of economic research refutes this claim, however. The 560 economists agreed with a 1999 statement of the Council of Economic Advisers that solid economic research proves that past increases have had “very little or no effect on employment” and they believe “the benefits to the labor market, workers, and the overall economy would be positive.”

Another common myth spread by minimum wage opponents is that it is poorly targeted, helping primarily

teenagers and middle-income families who don't need the raise. Again, that's simply not true. In their statement, these prominent economists confirm that “research has shown that most of the beneficiaries [of the minimum wage] are adults, most are female, and the vast majority are members of low-income working families.”

Finally, the economists explicitly endorsed the state ballot initiatives undertaken by Florida and Nevada, as well as the legislative efforts in New York.

EPI has played a key role in minimum wage efforts this year, with EPI research and technical assistance making up the backbone of the economic arguments for increases at both the state and federal levels. EPI released three research papers on the minimum wage—“The Who and Why of the Minimum Wage,” “No Longer Getting By,” and “Employment and the Minimum Wage”—and worked directly with national and local groups to inform the debate in Congress, state legislatures, the media, and the general public.

In 2005, minimum wage efforts are expected in New Jersey, Minnesota, Maryland, and elsewhere. Senator Kennedy and others have recently indicated their continued desire to push for a federal increase in the 109th Congress. EPI will continue to play a key role in these efforts, but the deciding factor will be the demands of American workers and voters, who will continue to demonstrate their frustration at the federal minimum wage's long spiral downward.

For further information on the need for a higher federal minimum wage, visit www.epinet.org to check out EPI's recently revised **Minimum Wage Issue Guide**, an online resource that includes downloadable data, charts, fact sheets, and links to other sources of information on the minimum wage.

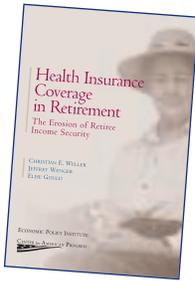


EPI's latest books, papers, and issue briefs

HEALTH INSURANCE COVERAGE IN RETIREMENT

The Erosion of Retiree Income Security

By Christian E. Weller, Jeffrey Wenger, and Elise Gould

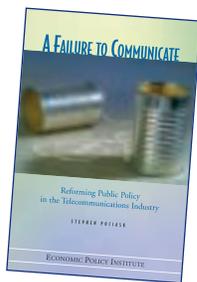


In recent years, the skyrocketing costs of medical care coupled with increasingly costly health insurance have caused many employers to reduce or eliminate employer-sponsored retirement health insurance. Those who have been hurt most by the decline in health care coverage are retirees and workers over the age of 55, who are experiencing a systematic and substantial loss of necessary coverage at an age when they need it most. This book examines the current data on medical coverage in retirement and raises serious concerns about the future retirement security of the elderly and near-elderly. ISBN 1-932066-11-X, 64 pages, \$11.50

A FAILURE TO COMMUNICATE

Reforming Public Policy in the Telecommunications Industry

By Stephen Pociask

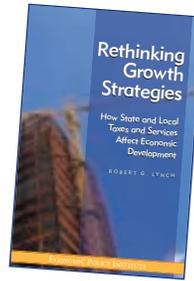


The Telecommunications Act of 1996 was designed to help the telecom industry accomplish three major goals: decrease telephone service prices, increase service quality, and accelerate the deployment of high-tech networks. These benefits, however, have largely failed to materialize. Instead, the telecommunications sector has collapsed and its slow recovery now undermines the health of the overall economy. This study explores how the Act fell short of its goals and identifies some initial steps toward revitalizing the telecommunications sector. ISBN 1-932066-08-X, 70 pages, \$11.50

RETHINKING GROWTH STRATEGIES

How State and Local Taxes and Services Affect Economic Development

By Robert Lynch

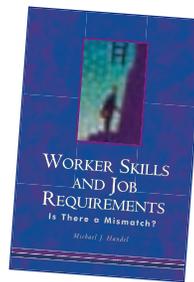


As state and local governments expand efforts to promote economic development, one increasingly popular technique for encouraging investment is the use of state and local tax cuts and tax incentives to lure businesses. This study analyzes the existing research to show that state and local tax cuts and tax incentives largely fail to draw firms to a particular location, substantially improve local economic development, or stimulate job creation in a cost-effective manner. A more successful approach to economic growth may involve raising taxes in order to better provide essential public services such as schools, education, and health care. ISBN 1-932066-07-1, 62 pages, \$11.50

WORKER SKILLS AND JOB REQUIREMENTS

Is There a Mismatch?

By Michael J. Handel



There is a widespread belief that U.S. workers' education and skills are not adequate for the demands of jobs in the modern economy, resulting in a mismatch between the skills workers possess and the skills jobs require. Many believe the purported imbalance between the supply and demand in the market for human capital will become even more serious over time. But a closer examination of the issue reveals considerable ambiguity, underscoring the need for better data than are currently available. This book takes a closer look at the limited and not completely consistent data used to research this issue, and finds

that in fact the very existence of a skills mismatch or skills shortage may be in doubt and is by no means as obvious as often asserted.

ISBN 1-932066-16-0, 104 pages, \$13.50

ISSUE BRIEFS

Full text of Issue Briefs is available online at epinet.org. Free copies can be obtained directly from EPI (shipping charges apply).

202 The chronic problem of declining health coverage:

Employer-provided health insurance falls for third consecutive year

By Elise Gould, September 2004

201 The who and why of the minimum wage:

Raising the wage floor is an essential part of a strategy to support working families

By Jeff Chapman and Michael Ettlinger, August 2004

200 Assessing job quality:

How Factcheck.org got it wrong

By Elise Gould, Lawrence Mishel, Jared Bernstein, and Lee Price, July 2004

198 Educated, experienced, and out of work:

Long-term joblessness continues to plague the unemployed

By Sylvia Allegretto and Andy Stettner, March 2004

197 Missing the moving target:

Meager job growth and the poor track record of the administration's job forecasts

By Jared Bernstein, Lee Price, and Isaac Shapiro, February 2004

196 Weak recovery claims new victim: Workers' wages

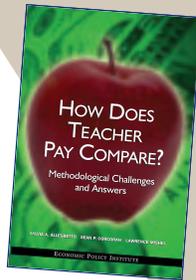
By Lawrence Mishel and Jared Bernstein, February 2004

SPOTLIGHT ON EDUCATION

HOW DOES TEACHER PAY COMPARE? Methodological Challenges and Answers

By Sylvia Allegretto, Sean P. Corcoran, and Lawrence Mishel

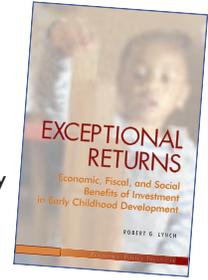
This book examines recent reviews of relative teacher compensation and provides a detailed analysis of trends in the relative weekly pay of elementary and secondary school teachers. It finds that teacher compensation lags that of workers with similar education and experience, contradicting some of the new claims that suggest that teachers are well compensated when work hours, weeks of work, or benefits packages are taken into account.
ISBN 1-932066-14-4, 58 pages, \$9.95



EXCEPTIONAL RETURNS Economic, Fiscal, and Social Benefits of Investment in Early Childhood Development

By Robert Lynch

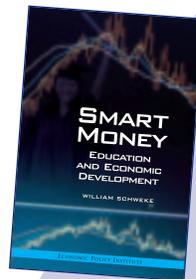
The problems for children and society that result from childhood poverty cry out for effective policy solutions. There is a strong consensus among the experts who have studied high-quality early childhood development (ECD) programs that these programs have significant payoffs. This study demonstrates, for the first time, that providing all 20% of the nation's three- and four-year-old children who live in poverty with a high-quality ECD program would have a substantial payoff for governments and taxpayers in the future.
ISBN 1-932066-15-2, 44 pages, \$9.95



SMART MONEY Education and Economic Development

By William Schweke

One of the principal challenges for states and localities is to find ways to promote more employment in high-value work. The evidence reviewed in *Smart Money* demonstrates that high-quality education and workforce preparation, while not sufficient, is a necessary condition for meeting this challenge. Without high-quality school systems or a pool of skilled workers, communities will have a difficult time becoming centers for high-value economic activity.
ISBN 1-932066-10-1, 80 pages, \$11.50

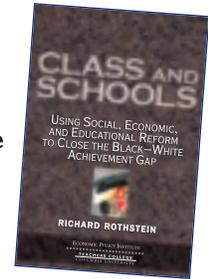


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By Richard Rothstein

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By Lawrence Mishel, Michael Ettlinger, and Elise Gould

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NO LONGER GETTING BY An Increase in the Minimum Wage Is Long Overdue

By Amy Chasanov

At \$5.15 an hour, the current minimum wage is not enough to keep up with inflation or provide sufficient wages to many full-time workers. As Congress prepares to consider proposals to raise the minimum wage, this paper examines how a significant increase would provide a much-needed boost to working families.
15 pages, May 2004, BP 151, \$5

LONGER HOURS, LESS PAY Labor Department's New Rules Could Strip Overtime Protection From Millions of Workers

By Ross Eisenbrey

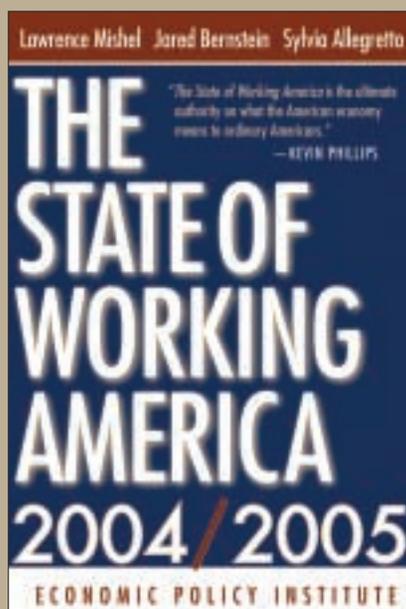
The Department of Labor's final ruling on overtime strips away the right to overtime pay for more than six million workers. This Briefing Paper analyzes the final regulatory changes and outlines the professions that will be denied overtime protection under the new rules.
15 pages, July 2004, BP 152, \$5

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THE STATE OF WORKING AMERICA 2004/2005

Prepared biennially since 1988, EPI's flagship publication, *The State of Working America 2004/2005*, sums up the problems and challenges facing American workers, presenting a wide variety of data on family incomes, taxes, wages, unemployment, wealth, and poverty—data that enable the book's authors to closely examine the impact of the economy on the living standards of the American people. Particular topics examined in this edition include the labor market situation following the 2001 recession and the unbalanced nature of the recovery, the growth of income inequality in the United States, the soaring levels of CEO and executive pay relative to that of the average working American, the growth of income inequality in the United States, and a comparison of U.S. economic conditions with the economic performance of other nations. With over 300 tables and charts, *The State of Working*

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484 pages, 6 x 9, 2005

Paper: ISBN 0-801489-62-8 \$24.95

Cloth: ISBN 0-801443-39-3 \$59.95

America 2004/2005 is an exhaustive reference work that will be welcomed by anyone eager for a comprehensive portrait of the economic well-being of the nation. Visit the EPI online bookstore to order a copy of the final edition, released in January 2005.

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SHIFTING THE BLAME FOR MANUFACTURING JOB LOSS

Effect of Rising Trade Deficit Shouldn't Be Ignored

By Josh Bivens

Changing demand patterns and rapid productivity growth are the factors most often blamed for the severe loss of manufacturing jobs. This Briefing Paper finds that trade imbalances account for a significant portion of the decline in manufacturing employment and concludes that the rising trade deficit shouldn't be ignored.

12 pages, April 2004, BP 149, \$5

EMPLOYMENT AND THE MINIMUM WAGE Evidence From Recent State Labor Market Trends

By Jeff Chapman

Despite strong evidence to the contrary, opponents of minimum wage increases continue to claim that higher minimum wage rates will eliminate jobs. This Briefing Paper examines state labor market trends and finds that minimum wages are clearly not the cause of labor market pain in the states. In fact, more states should follow the lead of those that have already instituted minimum wages higher than the federal level.

18 pages, May 2004, BP 150, \$5

THE BUDGET ARITHMETIC TEST Repairing Federal Fiscal Policy

By Lee Price and Max B. Sawicky

A truly effective budget policy will require difficult political compromises and coordinated fiscal choices. Issues such as health care entitlements and the retirement of the baby boom generation will soon begin to put a squeeze on the U.S. budget, and ill-conceived cuts in domestic spending and unnecessary obstacles to public investment will only exacerbate budget problems. This paper provides a critical analysis of recent budget decisions and offers recommendations for more sensible budget policy.

32 pages, October 2004, BP 153, \$5



EPI PRESIDENT LAWRENCE MISHEL PBS NEWSHOUR WITH JIM LEHRER

Date: September 7, 2004

“What we’ve seen is that ... family incomes haven’t done very well—they’re actually falling. Wages are going down. People have not benefitted from whatever recovery there’s been.”

State of Working America news coverage reaches national and regional media outlets

The *State of Working America 2004-2005*, released biennially on Labor Day, continues to be EPI’s premiere publication. National print and broadcast outlets covered this year’s release, as they have in the past. But this year, the *State of Working America’s* importance as a measure of the national pulse of working people expanded at the state-level.

EPI works closely with dozens of state groups through the Economic Analysis and Research Network (EARN) to help them prepare and issue their own state-level reports. In 2004, EPI partnered with 25 of these state groups to publish state-level versions of *The State of Working America*, making it the most successful collaboration to date. These reports by EARN groups provide a regional perspective on economic trends facing working families in their particular states and offers a valuable supplement to the information contained in *The State of Working America*.

With the expansion of these state-level releases, EPI and participating EARN groups also broadened the news

coverage of worker issues. Television, radio, and newspapers heralded the release of *The State of Working America* and corresponding state-level reports in Arizona, Colorado, Florida, Georgia, Iowa, Minnesota, Mississippi, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Washington, Wisconsin, Texas, and Utah.

Nationally, EPI saw a jump in the number and distribution of editorials and op-eds that used the national *State of Working America* report. Nationally syndicated columnists David Broder and Bob Herbert wrote columns that were picked up in more than 10 major daily newspapers, including the *Washington Post* and the *New York Times*. In his *New York Times* column on September 6, Bob Herbert quoted extensively from the book, concluding, “The end result of all this is a portrait of American families struggling just to hang on, rather than to get ahead....The fat cats are getting fatter, while workers, at least for the time being, are watching the curtain come down on the heralded American dream.”

Beyond the major daily newspapers, *The State of Working America* was mentioned in over 14 locally generated editorials or op-eds in newspapers in California, Delaware, Florida, Georgia, Iowa, Mississippi, New York, Ohio, and Pennsylvania.

The State of Working America was also featured in news reports beyond

IN THE NEWS...

“We’ve found that most of the economic growth has flowed to profits, not to compensation. That’s had an impact on incomes and the living standards of working families.”

— EPI SENIOR ECONOMIST JARED BERNSTEIN,
THE RECORD (BERGEN, NJ), SEPT. 5



the print media. Not only was the book a topic on the *PBS NewsHour* with Jim Lehrer and on National Public Radio, it was also covered by Bloomberg radio and TV outlets WINS-AM in New York City, WBBM-AM in Chicago, and WBZ-AM in Boston.

General and project-specific support for EPI

EPI gratefully acknowledges the support of all its contributors.

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EPI Labor Roundtable provides a critical source of general support for the Institute.

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Brotherhood of Electrical Workers; IUE-CWA; Laborers' International Union of North America; National Association of Letter Carriers; National Education Association; National Postal Mail Handlers Union; Retail Wholesale & Department Store Union; Service Employees International Union; Transport Workers Union; Transportation Trades Department; UNITE; United American Nurses; United Automobile Workers; United Food and Commercial Workers International Union; United Mine Workers of America; and United Steelworkers of America.

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