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CONTACT: [Julia Lawless](#), [Antonia Ferrier](#)
(202) 224-4515

HATCH STATEMENT AT FINANCE COMMITTEE HEARING EXAMINING WAYS TO STRENGTHEN & EXPAND THE MIDDLE CLASS

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following opening statement at a committee hearing examining ways to strengthen and expand the middle class:

Focusing on the middle class is, of course, always a safe political landing spot. A host of surveys reveals that many Americans see themselves as residing in the so-called “middle class,” including many that, to an outside observer, would appear to reside elsewhere. That being the case, when politicians say they are working for the middle class, there is clearly a large constituency.

Yet, I don’t believe that the motivation for today’s hearing is politics or class warfare – at least I hope that is not the case.

The motivation, I trust, is to explore the evolution of middle-income families in America over the past few decades, to discuss what can be done to enhance their prosperity in the future, and to find ways to allow lower-income Americans to climb into the middle class or beyond.

There are two ways to analyze the condition of middle-income Americans.

One way is to cherry-pick economic data that conform to the policy or political points that one wants to make, without checking to see if the position is also supported by other evidence.

The other way is to analyze data to see if they are consistent with one’s position and to compare the findings with different measurements, data sets, or economic models.

If you’re only interested in making a political point, you’ll likely choose the first option.

But, if you really want to see what’s happening with the middle class, the second option is the better one.

I mention this because, in debates concerning things like inequality and middle-class incomes, people often tend to choose the first option, utilizing only the data that confirms their preconceived notions.

For example, if you try to measure median income using a measure that is pre-tax and pre-transfer and with a tax unit as the unit of measurement, you find growth of only around three percent between 1979 and 2007, which is consistent with the common claims of middle class stagnation.

However, if you look at post-tax, post-transfer income data that includes valuation of health insurance benefits, and take a size-adjusted household as the unit of measurement, you find that, over the same period, median income has grown by close to 40 percent which is decidedly less stagnant.

There are similar measurement issues when it comes to data commonly used to analyze income inequality.

Mr. Chairman, I know that I make these observations at great risk of being accused of denying stagnation, inequality, or any number of struggles facing the middle class. However, given what I think is the spirit of this hearing, I believe that we should fully examine the issues and measures surrounding the middle class, including income growth and income inequality. That is the only way we can get to the heart of the problems we should be addressing and to what our priorities should be.

Mr. Chairman, I can point to positive examples very close to home.

The latest data from Harvard's Equality of Opportunity Project rank Salt Lake City as the number one city in America in terms of upward mobility. Keep in mind that, in terms of policy, the vast majority of Utahns support a vibrant private sector. We seek lower taxes, individual responsibility, and less intrusive government. And, we take a back seat to no one in terms of caring for the less fortunate in our communities. The means by which we care for the less fortunate is, by and large, through strong charitable institutions.

I think Utah's story is instructive on what we can do to help grow the middle class.

Finally, Mr. Chairman, I must say that, while there has been a lot of rhetoric in recent years about the middle class, I believe that the Obama Administration's focus has been misplaced and that its policies have actually been hurting the middle class.

Four and a half years after the end of the recession, economic growth remains sluggish and the labor market remains depressed. Yet, in all that time, what has the administration been focused on?

We've seen a massive expansion of our national debt due to policies like the failed stimulus.

What little deficit reduction we have seen has been – by a factor of nine-to-one – due more to increased taxes than reductions in spending. And, to date, the administration is unwilling to do much of anything else unless there is yet another tax-hike attached.

We've seen the effort to pass and implement the Affordable Care Act, which further increased taxes and health care costs for middle class families and is, according to the Congressional Budget Office, having an adverse impact on labor-market incentives.

We've seen a vastly expanded federal bureaucracy through the Dodd-Frank Act, which has failed entirely to address known significant contributors to the recent financial crisis.

And, we've seen a regulatory effort from the EPA to the Department of Labor to the NLRB that has imposed costs on American businesses that will surely be passed along to employees and consumers in the middle class.

I do not see a laser focus on job creation or growing the middle class anywhere in those policies.

Mr. Chairman, if we're serious about helping and expanding the middle class – and I think we should be – it needs to be more than just a slogan. Sadly, I believe that, over the last five years, the talk about helping the middle class hasn't translated into policies that would actually do the job.

I look forward to working with you to explore other ideas that will lead to a strong middle class and an economy with robust growth in jobs, private investments, and prosperity for all American families. And, I hope today's hearing will provide us with some insights on how we can do better.

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