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Steven Pearlstein: 25 Years of EPI Speaking Up For The 99%

By [Steven Pearlstein](#), Published: October 29

The Congressional Budget Office came out with an eye-popping report this week showing that the richest 1 percent of households captures 20 percent of the nation's pre-tax income, up from 10 percent in 1979. During the same period, everyone else's share — the 99 percent — went down.

But wait a minute? If the CBO report just came out this week, how did the Occupy Wall Streeters know to highlight “the other 99 percent”? Chances are they got it from the Economic Policy Institute, the Washington think tank that this week will celebrate its 25th anniversary.

And it's not just lefty protesters who turn to EPI for data on wages, income and unemployment. So does just about every economist and economics reporter in the country, whether they agree with EPI's liberal policy prescriptions or not.

“Really reliable, professional, carefully thought-out,” Kevin Hassett, director of economic policy studies at the conservative American Enterprise Institute, said of EPI's data and analysis.

Harvard University's Richard Freeman, arguably the country's leading labor economist, recalled that he politely declined the invitation to join EPI's board when it opened in 1986.

The founders — Jeff Faux, Lester Thurow, Robert Reich, Robert Kuttner and Barry Bluestone — were a group of lefty economists and policy wonks who had pried half a million dollars from labor unions and were determined to provide some balance to the one-sided economic debate in Ronald Reagan's Washington.

“I was very dubious,” Freeman recalled. “I thought they would be excessively political and ideological. It turned out that they were really good at collecting and analyzing data, which people on the right as well as people on the left now rely on.”

I know that until it went online, the latest edition of EPI's State of Working America was always on my desk, right next to Webster's Dictionary and the data-filled Economic Report of the President.

It isn't just the data that give EPI its influence. It's also its knack for setting and anticipating the agenda.

EPI was worrying about rising income inequality when most Republicans, and many economists, were still claiming it was all just a statistical mismeasurement.

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EPI was questioning the whole idea of a “natural rate of unemployment” when then-Federal Reserve Chairman Alan Greenspan and most mainstream economists still believed the only way to prevent inflation was to make sure that 6 percent of workers don’t have jobs.

EPI was worrying about the competitiveness of the U.S. economy long before China had shipped its first container to Wal-Mart.

It was charting the impact of trade on blue-collar wages back when most economists were confident there wasn’t any.

And when most economists were busy touting college education as the antidote to stagnant wages, EPI had the data showing that the wages of college graduates had also begun to flatten out.

With a staff of fewer than 40 and an operating budget of \$7 million, EPI now punches well above its weight in Washington, in part by drawing on a network of contributing academics and regional economic think tanks.

In its 25 years, it has had two presidents — Faux, a policy entrepreneur with a felicitous pen and a penchant for industrial policy, and Larry Mishel, a wise-cracking, number-crunching labor economist who was one of Faux’s first hires.

The first big break came in 1988 as Faux and the other EPI founders were fighting an uphill battle to persuade policymakers and the business community that the country was losing its industrial base because of the strategic trade policies of Europe and Japan. Economists back then pooh-poohed the idea, pointing to government data showing no significant change in manufacturing output. But several months after Mishel published a paper saying the Bureau of Labor Statistics was mis-measuring productivity in the sector, the government quietly dropped the series. In Washington’s wonk community, EPI established its statistical street cred.

EPI has not only been an incubator for data and ideas, but talent as well. Its alumni include Jared Bernstein, the telegenic former economic adviser in the Obama White House; Dean Baker and Eileen Appelbaum of the Center for Economic Policy Research; Michael Ettlinger and Heather Boucher at the Center for American Progress; and Thea Lee, policy director at the AFL-CIO.

EPI doesn’t hide its close ties to organized labor. Unions provide about a quarter of EPI’s funding, with the rest coming mostly from grants from mainstream foundations such as Ford, Rockefeller, Pew, and Anne E. Casey. Ten of the nation’s top labor leaders serve on its board and help set the research agenda.

It is not a coincidence that EPI, for example, provided much of the economic analysis used by opponents of the North American Free Trade Agreement and the admission of China into the World Trade Organization.

Nor is it a coincidence that EPI has done research debunking the idea that just replacing incompetent unionized teachers based on the results of standardized tests is sufficient to improve the performance of urban schools.

While EPI and its labor allies have clearly lost the policy battle over free trade, economists have finally come around to its view that trade has had a significant role in widening the U.S. income gap. Even the Institute of International Economics acknowledges that some of the \$1 trillion in benefits the U.S. economy gets every year from trade should be used to help the millions of workers who are hurt by trade.

Similarly, while the teachers unions have lost the battle against testing and accountability, even reformers are coming around to the realization that low-income students will need more in the way of early education, nutrition, health, enrichment and after-school programs and tutoring to close the achievement gap.

Faux says he's never minded that EPI is often identified as "labor-supported." What galls him, however, is that Heritage and AEI and Cato are invariably identified as conservative or libertarian rather than "supported by business and corporate interests." He's got a point.

All think tanks have their blind spots, and EPI is no exception.

In all its hand-wringing about de-industrialization, for example, it might have been useful to acknowledge that the above-market wage and benefit levels of its unionized workers had a role in undermining the competitiveness of industries such as autos and steel.

And the rust-belt lens through which EPI looks at the economy filters out the extraordinary vitality you find in places such as Boston, Austin and Silicon Valley.

The EPI view is that it might be worthwhile someday to bring the federal budget back into balance. But no matter how fast the economy is growing or how low unemployment, it never seems to be the right time.

One of EPI's earliest critics was economist Paul Krugman. Before he became a newspaper columnist and won the Nobel prize in economics, Krugman wrote a book, "[Pop Internationalism](#)," in which he belittled those "policy entrepreneurs" at "Economic Whatever" institutes who, in the name of competitiveness and income equality, wanted to restrict trade and institute a government-led industrial policy. Among his explicit targets was the EPI crew, including Faux, Thurow (then his colleague in the MIT economics department) and Reich (then secretary of labor in the Clinton administration).

Krugman chided the group for peddling "economic nonsense" and analysis that was "crude and uninformed." He called Thurow's handling of numbers "eerily inept" while dismissing Reich as a "brilliant coiner of one-liners but not a serious thinker." He portrayed himself as "playing the role of defender of civilized economics against the intellectual barbarians."

Obviously a lot has happened in the past 20 years, in politics as well as economics, that might explain why views on globalization and economic policy have evolved. But it speaks to EPI's foresight and steadfastness, as well as the respect it now has in economic and policy circles, that the keynote speaker at EPI's anniversary gala on Tuesday night will be none other than Paul Krugman.

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