

The Middle-Out Moment

BY [THE EDITORS](#) - THIS VERSION IS ADAPTED FROM THE ORIGINAL FROM [SUMMER 2013, NO. 29](#) – 3 MIN READ

At first blush, the claim that politicians need to take the needs of the middle class more seriously might seem like pushing on an open door. After all, every stump speech has lines about “saving the middle class” or “helping Main Street, not Wall Street.” But the actions of elected officials have seldom matched the rhetoric. Vice President Biden is fond of saying, “Show me your budget, and I’ll tell you what you value.” By those terms, not to mention the tax code, we have for decades valued corporations and the wealthy as the engines of growth, as job creators, and as most worthy of assistance. The results are familiar: moribund income growth for low- and middle-income Americans and soaring income inequality.

The point of this discussion is not merely to say that we need economic policies that help the middle class. That’s boring and obvious. The point is to make what we call “middle-out” economics the operating progressive theory of economic growth: That is, we must promote middle-out economics not just as a nice-sounding idea, but as the direct alternative to trickle-down economics. Where conservatives say investing in the top 1 percent drives economic growth, we say that investing in the broad middle does it. And then, having established the theory, we spell out some specific policies that put flesh on the bone.

Eric Beinhocker, the executive director of the Institute for New Economic Thinking at the Oxford Martin School, argues that an economy that’s driven from the middle out represents a truer form of capitalism than one that relies on wealth trickling from the top down. “The fundamental law of capitalism is, if workers don’t have any money, businesses . . . don’t have any customers.” Says Nick Hanauer, the

creator of middle out economic theory. In other words, Middle-Out Theory says that for the economy to prosper, the middle class needs to have the financial ability to invest their income back in to the economy by purchasing goods and services. By focusing the country's economic strategy on the middle-class first, there will be an outward effect that causes everyone to prosper.

MIDDLE-OUT THEORY

