The Growing Divide
Inequality and the Roots of Economic Insecurity

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The Nation at a Crossroads

★ Growing Insecurity
Layoffs & job instability
Stagnant wages
Insecure pensions
Roller-coaster stock market

★ Greater Burdens
Longer work hours
Loss of family time
Rising costs of housing, health care, child care, education, utilities

★ Stress, Isolation and Scapegoating
Endless war
Anger at immigrants
Fear of crime
Gated communities; growing prison population
Families hunkering down
The Trends Since 1980

★ The Good News
Inflation is moderate
Interest rates are low

★ The Bad News
Most growth in income has gone to the top 1%; the gap between highest and lowest paid workers has widened
Real wages have dropped since the 1960s
Wealth gap has widened and the racial wealth gap is growing
Homeless & prison populations rising
Poor families not lifted out of poverty

For some, the U.S. economy has done well.
But the rising tide lifted only a few boats; most of us are struggling to stay afloat.
Workers in the U.S. are Losing Ground

- **Household Income:** Down since 2000
- **Job Security:** Layoffs, part-time, temporary
- **Health Benefits:** Paying more for less coverage
- **Pensions:** Fewer people covered
- **Cost of Living:** Rising for health care, housing, utilities, education, child care
- **Working Conditions:** Deteriorating; exploitation of immigrant labor

Still waiting for trickle-down . . .
Real Family Income Growth by Quintile & for Top 5%, 1979 - 2006

We Grew Apart

Source: U.S. Census Bureau, Historical Income Tables - Families, Table F-3: Mean income, Table F-1: Income Limits. Percentage change based on average income for each income group in 2006 dollars. Income ranges in 2007 dollars.
We All Grew

Real Family Income Growth by Quintile & for Top 5%, 1947 - 1979

Racial Income Inequality Persists

Source: Analysis of US Census Bureau data in Table 1.3 in The State of Working America 2008/2009 by Lawrence Mishel, Jared Bernstein, and Heidi Shierholz, Economic Policy Institute. All income in 2006 dollars.

* Prior to 1967, data for African Americans included all “non-whites.”
** The Census Bureau uses the term “Hispanic.” We prefer “Latino.” Persons of “Latino” origin may be of any race.
Median Hourly Wage for Women & Men, 1979-2004

A Gender Income Gap Persists

CEO Pay as a Multiple of Average Worker Pay, 1960-2007

For large U.S. corporations surveyed by *Business Week* magazine

Source: *Business Week*, annual executive pay surveys.

Ratio of CEO pay to manufacturing worker pay for medium-sized corporations surveyed by the Towers Perrin consulting firm.

(Countries are ranked by size of per capita GDP, largest left to right.)

Source: Towers Perrin, 2003-2004 Worldwide Total Remuneration. The survey covers only industrial corporations with sales of approximately $500 million. Manufacturing workers in the U.S., as classified by this survey, make about 30% more than the “average worker pay” used in Chart 10.
The Economy since 1980
Who Really Benefited?

Big investors and CEOs did very well . . . . . . . . and workers produced more per hour.

But worker pay hardly changed at all.

Ownership of Household Wealth in the U.S. in 2004

Top 1%: 34%
Bottom 99%: 66%

The average wealth of the top 1% ($14.8 million) has grown from 125 times in 1962 to 190 times the median net worth in 2004 ($77,900).

Net Worth is
ASSETS minus DEBTS
(What You OWN minus What You OWE)

African American: $20,600
Latino: $18,600
White: $140,700

Ownership of Stocks and Mutual Funds, 2004

Who really wins when the stock market rises?

Wealthiest 1% own 45% of all stocks and mutual funds

Next 9% own 30%

Bottom 90% own 25%

Many families are forced to live on the edge.

The Power Shift Since the 1970s

Why has this happened?
A power shift led to rule changes.

Who sets the agenda for economic policies?

On the Rise
Big Campaign Contributors
Corporate Lobbyists
Corporations
Big Asset Owners
CEOs
Wall Street

In Decline
Popular Political Movements
Voters
Labor Unions
Wage Earners
Employees
Main Street
### Rule Changes Since the 1970s

**What policy changes reflect and reinforce the power shift?**

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unions:</strong></td>
<td>Anti-union climate weakens the power and voice of workers.</td>
</tr>
<tr>
<td><strong>Trade:</strong></td>
<td>Global treaties benefit corporations, not workers or communities.</td>
</tr>
<tr>
<td><strong>Taxes:</strong></td>
<td>Taxes have been shifted off investors and corporations and on to workers.</td>
</tr>
<tr>
<td><strong>Budget:</strong></td>
<td>Corporate welfare expands. Public services cut.</td>
</tr>
<tr>
<td><strong>Minimum Wage:</strong></td>
<td>Not raised to keep up with inflation.</td>
</tr>
<tr>
<td><strong>Privatization:</strong></td>
<td>Government outsourcing plus no-bid contracts hurts taxpayers, workers, and public safety.</td>
</tr>
</tbody>
</table>
The Wheel of Misfortune

Power shifts to corporations & big investors

Decline in political participation

Rule changes that favor the top 1%

Greater economic inequality

- Scapegoating
- Divided communities
  - Individualism
  - Escapism

- Big money in politics
- Longer work hours
- Rising personal debt

Greater economic inequality

Rule changes that favor the top 1%

Decline in political participation

Power shifts to corporations & big investors
Unions: Anti-union policies weaken the power and voice of workers

Percentage of the Workforce in a Union - 1930-2006

- **1930**: 40%
- **1940**: 35%
- **1950**: 30%
- **1960**: 25%
- **1970**: 20%
- **1980**: 15%
- **1990**: 10%
- **2000**: 5%
- **2006**: 12%

**Source:** Bureau of Labor Statistics

- **1936**: Sit-Down Strike in Flint, MI
- **1941-1945**: World War II
- **1947**: Taft-Hartley Act
- **1979**: Taft-Hartley Act
- **1981**: Reagan Breaks PATCO
- **2006**: 12% Unionized

**Manufacturing Declines in U.S.**
Treaties such as CAFTA & NAFTA reduce “barriers” to trade. The worldwide result:

- **Jobs** shifted to low-wage countries
- Lower **wages** and living standards
- Weakened **worker rights**
- **Environmental** damage
- Economies collapse in **developing nations**
- Rise in **poverty**
- Cuts in social **safety nets**

**Proposed trade & investment treaties such as the Peru Free Trade Agreement . . .**

- will allow multinational corporations to **overturn local laws** as “barriers to free trade.”
- will **threaten laws that protect** community lending, health and safety, pay equity, pro-human rights government purchasing rules, public control of water and education, etc.
Effective federal tax rates (income tax + payroll tax) for the top 1% and the middle quintile of households, 1948-2005

People with investment income and large amounts of inherited wealth have received a multitude of tax breaks in recent years.

<table>
<thead>
<tr>
<th>Rule Change</th>
<th>Top Tax Rates on Wealth &amp; Investment Income</th>
<th>Top Tax Rate on Work</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ 25%</td>
<td>+ 25%</td>
<td></td>
</tr>
<tr>
<td>0%</td>
<td></td>
<td>+ 25%</td>
</tr>
<tr>
<td>− 25%</td>
<td>− 31%</td>
<td>− 46%</td>
</tr>
<tr>
<td>− 50%</td>
<td>Estate Tax</td>
<td>− 50%</td>
</tr>
</tbody>
</table>

Source: UFE calculations from Tax Policy Center data (www.TaxPolicyCenter.org) for Payroll Tax (through 2005) and Capital Gains Tax (through 2002) and the Heritage Foundation for the Estate Tax (through 2005).
Taxes: Percent of Federal Tax Collections from Individuals & Corporations

Source: Congressional Budget Office, “Revenues by Major Source, 1962 to 2004.”
The Social Security Tax rate has risen sharply since 1950. In 2005, **only the first $90,000 in earned income is taxed for Social Security at 6.2%**. The effective Social Security tax rate drops as income rises.

### 2005 Effective Rates

<table>
<thead>
<tr>
<th>Annual Earned Income (from wages &amp; salaries only)</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0-3,000</td>
<td>7%</td>
</tr>
<tr>
<td>$3,000-7,000</td>
<td>6%</td>
</tr>
<tr>
<td>$7,000-10,000</td>
<td>5%</td>
</tr>
<tr>
<td>$10,000-15,000</td>
<td>4%</td>
</tr>
<tr>
<td>$15,000-25,000</td>
<td>3%</td>
</tr>
<tr>
<td>$25,000-50,000</td>
<td>2%</td>
</tr>
<tr>
<td>$50,000-100,000</td>
<td>1%</td>
</tr>
<tr>
<td>$100,000-90,000</td>
<td>.4%</td>
</tr>
<tr>
<td>$90,000-150,000</td>
<td>.03%</td>
</tr>
<tr>
<td>$150,000-5 million</td>
<td>3.7%</td>
</tr>
<tr>
<td>$5 million</td>
<td>.1%</td>
</tr>
</tbody>
</table>
RULE CHANGE

Corporate Welfare Expands While Human Services are Cut

In recent years, the U.S. government has given corporations $125 billion a year in economic incentives.

New York State gave $24 million in tax exemptions, grants, and bargain borrowing rates to General Motors to help them retool a plant to generate jobs. But GM cut 200 jobs.

Archer Daniels Midland, the world’s largest agricultural commodity firm, has received more than $3 billion to subsidize production of the gasoline additive ethanol.

McDonald’s got a $466,000 check to market Chicken McNuggets in Turkey.

The “Living Wage” is the amount needed to bring a family of four to the federal poverty line.

Sources: Living wage is calculated by dividing that year’s poverty threshold for a family of four by 2080 hours (52 weeks x 40 hours). Poverty thresholds from U.S. Census Bureau, Historical Poverty Tables, Table 1.
Privatization: Dismantling gov’t helps investors, hurts consumers, workers

★ The 1996 Welfare Reform Act slashed benefits for low-income families...
  • but defense contractor Lockheed Martin took over the welfare program in Texas.

★ Social Security can remain solvent well into this century with only minor changes...
  • but Wall Street firms are actively lobbying for the chance to manage our public pension system — and pocket $125 billion a year in fees.

★ The U.S. public school system suffers from disinvestment and unequal funding...
  • but Lehman Brothers investment firm views schools as “a local industry that over time will become a global business.”

★ A prison industrial complex is opening up to private investment and control...
  • Investment firm Smith Barney is a part owner of a prison in Florida. American Express and GE have invested in private prison construction in Oklahoma and Tennessee. Correctional Corporation of America, operates more than 48 facilities in 11 states, Puerto Rico, the UK, and Australia.

The Wheel of Shared Prosperity

- Cooperation
- Social cohesion
- Interdependence
- Celebration of diversity

Power shifts to ordinary people

Rule changes that benefit everyone

Broaderly-shared prosperity

Political Participation Rises

- Meaningful elections
- Strong unions
- More time for democracy
We Need New Rules to Reduce Wealth & Income Inequality

Lift the Floor for Lower Income People

★ Higher minimum wage
★ Adequate incomes so families can save
★ Greater access to homeownership
★ Expansion of Earned Income Tax Credits

Level the Playing Field for Everyone

★ Equal access to education and training
★ Publicly-funded asset accounts at birth
★ Fair trade policies that benefit wage-earners, consumers, communities, and the environment as well as investors
★ Fair taxes that treat income from investments and work the same
★ Expansion of business and corporate ownership

Address Concentration of Wealth and Power

★ Reduced subsidies for excessive CEO pay
★ Progressive taxation of wealth and income
★ Campaign finance reform to get big money out of politics
★ Accountability for corporations receiving public subsidies
How Do We Get There?

Expand power of working people through unions

Change the rules of the economy to benefit the whole community rather than mainly corporations and investors

Build assets & security for all

Educate ourselves about how the economy works

Greater employee ownership & control of companies

Write Fair Trade rules for a sustainable global economy

Get big money out of politics

Assert democratic control over corporate behavior
Program for a Fair Economy

Make Taxes Fair
- Play Defense: Prevent repeal of the Estate Tax
- Play Offense: Support a progressive tax program

Change the Rules of the Global Economy
- Oppose the Free Trade Area of the Americas (FTAA)
- Cancel the Global South’s debt
- Support Fair Trade businesses

Challenge Corporate Rule
- Support shareholder resolutions on the wage gap within companies
- Support straightforward disclosure of corporate governance issues
- Oppose predatory lending

Close the Wealth Gaps
- Support asset development to close the racial wealth divide
- Join local Living Wage campaigns
- Support a Federal Minimum Wage increase
- Pass the Income Equity Act (limits tax-deductibility of CEO pay)

Support Other Economic Fairness Issues
- Protect Social Security
- Adequately fund essential services
- Advocate for economic rights as human rights
- Support fair elections — get big money out of politics
What You Can Do Today

Educate Yourself and Others
★ Host a UFE Popular Economics Education workshop.
★ Learn to lead UFE Economics Education workshops.
★ Educate yourself — look at the resources on our list.

Influence the Media
★ Monitor inequality issues and respond in the media.
★ Write articles or letters to the editor.
★ Organize a writers’ group.

Join Legislative Campaigns
★ Support progressive tax proposals.
★ Support Local living wage campaigns.
★ Lobby for the Income Equity Act (limits tax deductibility of CEO pay).

Build Power
★ Use your religious congregation as an organizing base.
★ Join or support a labor union.
★ Get involved in coalitions, political parties, or civic groups.

Support United for a Fair Economy
★ Make a donation and become a UFE member.
★ Encourage friends and colleagues to join.
★ Organize a house party.
★ Help us reach out to a specific constituency.
**GENERAL**


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**CORPORATE ACCOUNTABILITY**


**GLOBALIZATION**

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Raise the Floor: Wages and Policies that Work for All of Us by Holly Sklar, Laryssa Mykyta, and Susan Wefald (MS Foundation for Women, 2001).

RACE & GENDER


Policing The National Body: Race, Gender, And Criminalization by Anannya Bhattacharjee and Jael Silliman (South End Press, 2002).

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TAXES

American Taxation, American Slavery by Robin Einhorn (University of Chicago Press, 2006).


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Top Heavy: The Increasing Inequality of Wealth In America and What Can Be Done About It by Edward Wolff (New Press, 2002).


* These titles may be ordered from Dollars & Sense <www.dollarsandsense.org>.

Other titles are available at Powells, the independent on-line bookstore. Order from the UFE web site at http://www.faireconomy.org/order/index.html and UFE gets a percentage from each sale.