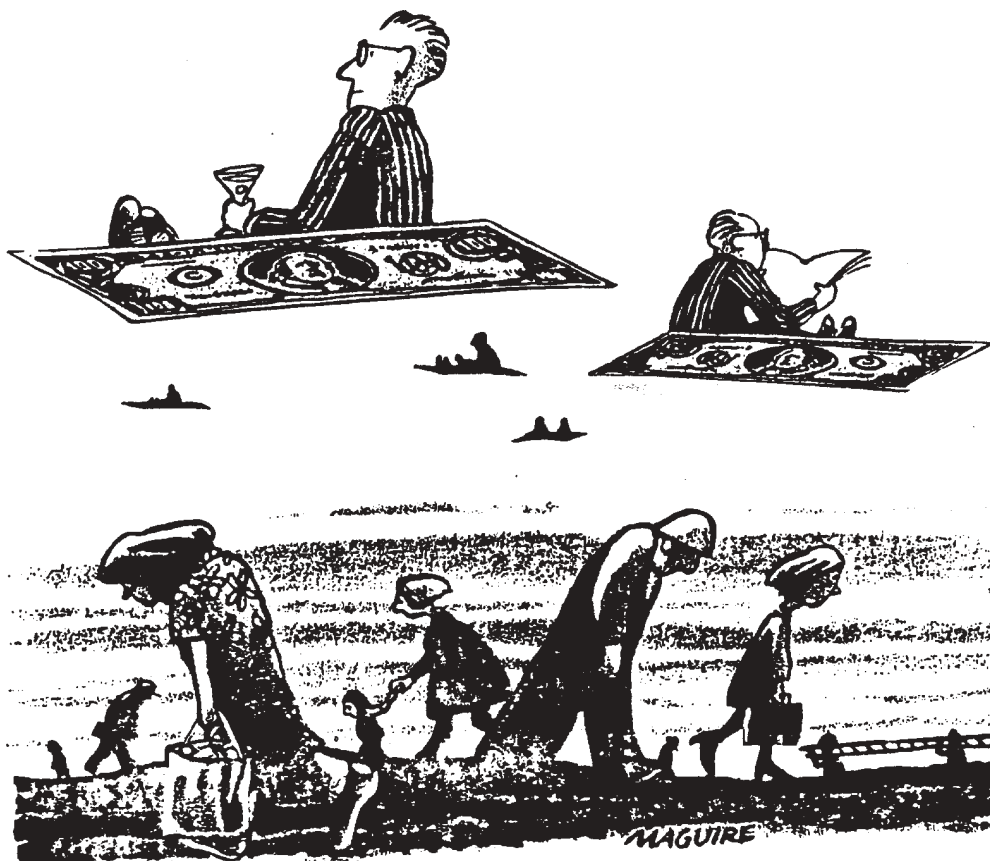


A Christian Response to Economic Inequality



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The Nation at a Crossroads

What is the Current Situation?

★ Growing Insecurity

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

Fear of crime

Gated communities; growing prison population

Anger at welfare recipients and immigrants

The Trends Since 1980

★ The Good News

Inflation down

Unemployment down

★ The Bad News

Most growth in income has gone to the top 1%; the gap between the highest and lowest paid workers has widened

Wages have not recovered to early-1970s level

The wealth gap has widened and the racial wealth gap is growing

Homeless & prison populations rising

Poor families not lifted out of poverty

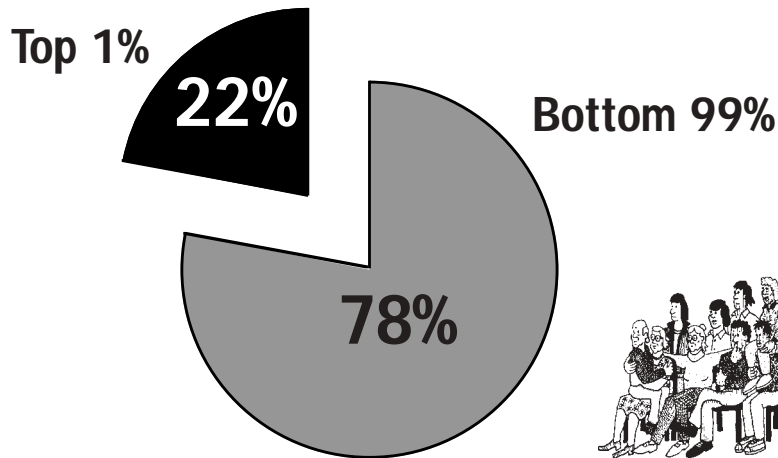
**By some measures,
the U.S. economy has done well.**

**But the rising tide in the 1990s
lifted only a few boats.**

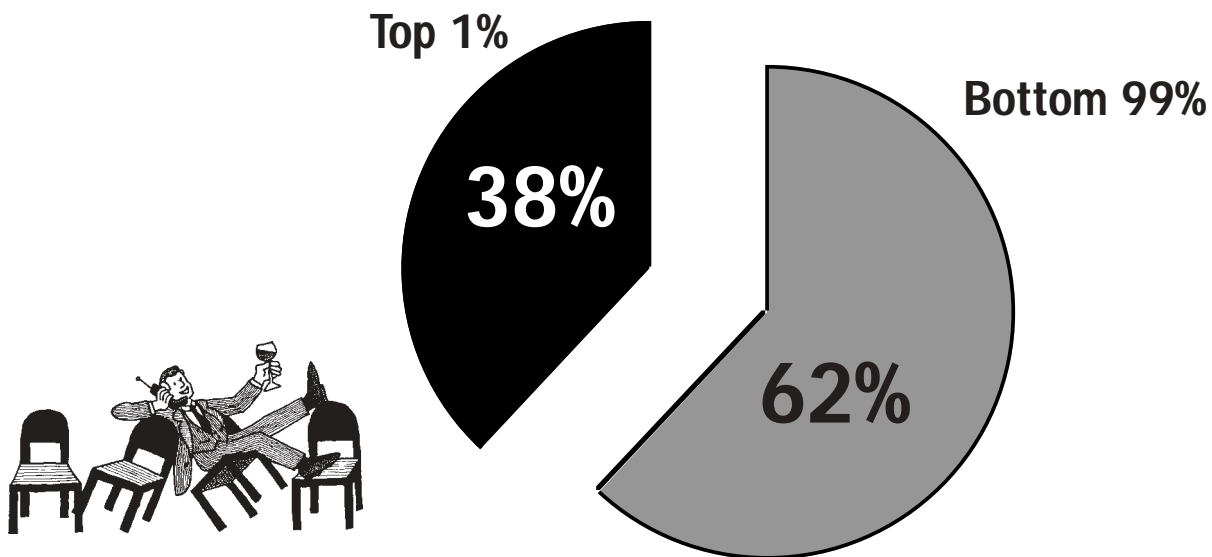
Ownership of Household Wealth in the United States

In only 22 years, the top 1% nearly doubled their share of the wealth pie.

1976



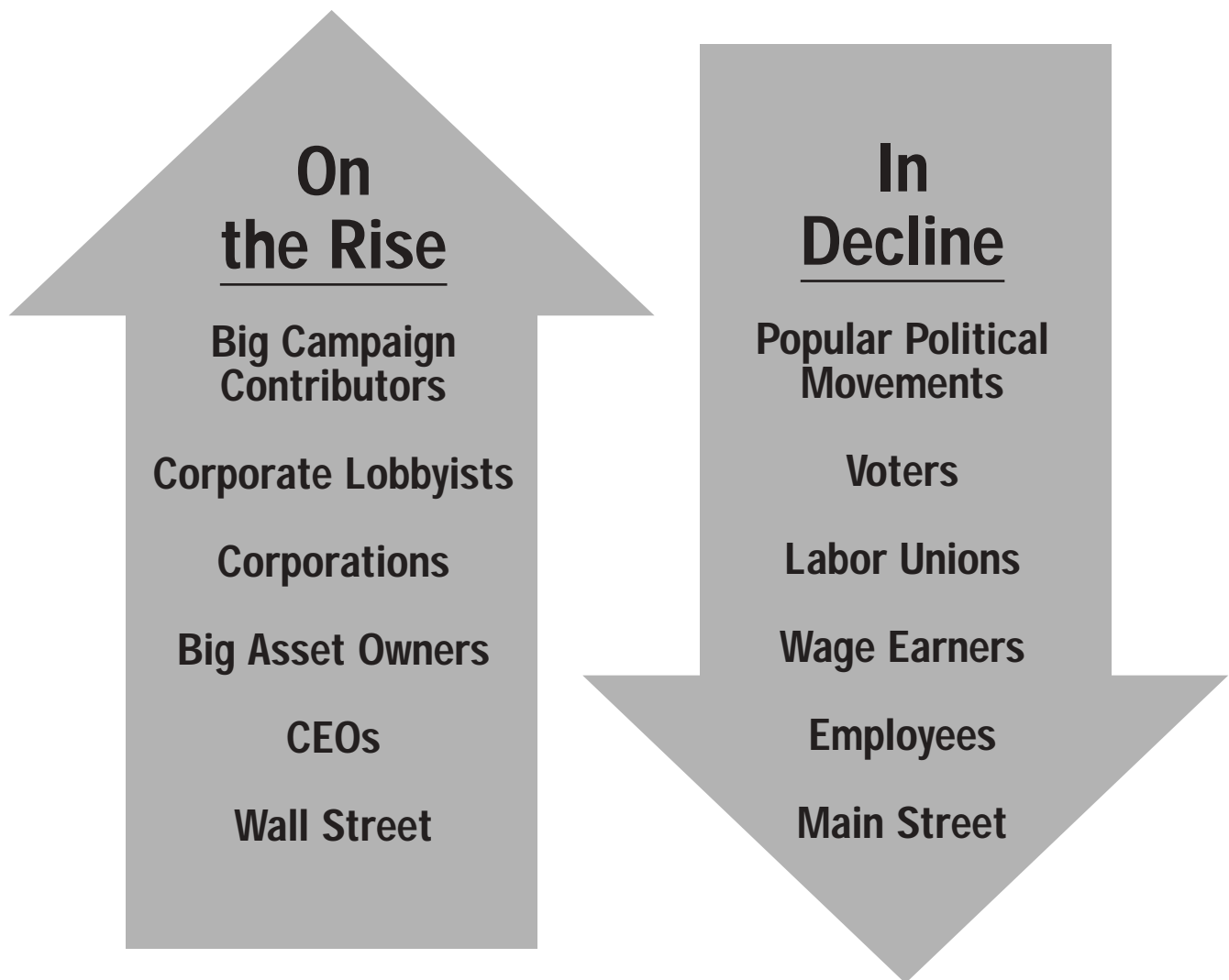
1998



Sources: For 1976: Edward N. Wolff, Unpublished data. For 1998: Edward N. Wolff, "Recent Trends in Wealth Ownership, 1983-98." Calculations based on the 1998 *Survey of Consumer Finances*, conducted by the Federal Reserve Bank.

The Power Shift Since the 1970s

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



Who sets the agenda for economic policies?

Rule Changes Since the 1970s

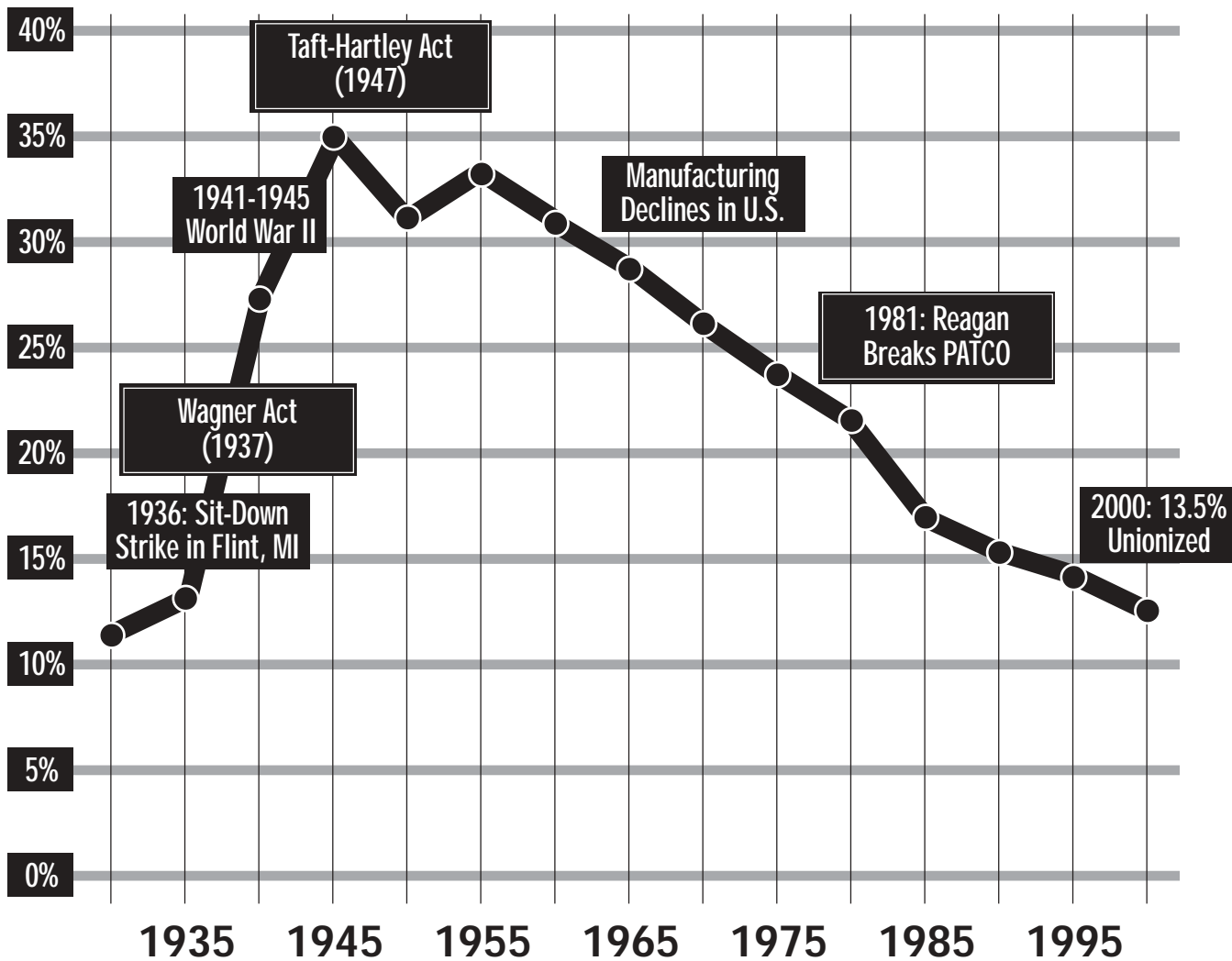
What policy changes reflect and reinforce the power shift?

Unions:	Anti-union climate weakens the power and voice of workers.
Trade:	Global treaties benefit corporations, not workers or communities.
Taxes:	Big tax cuts for the wealthy. No tax relief for working families.
Budget:	Corporate Welfare expands. Human services cut.
Minimum Wage:	Not raised to keep up with inflation.
Privatization:	Government dismantling helps investors, hurts consumers and workers.

**RULE
CHANGE**

Unions: Anti-union policies weaken the power and voice of workers.

Percentage of the workforce in a labor union, 1930-2000



Source: Bureau of Labor Statistics

**RULE
CHANGE**

Trade: Global treaties help corporations, not workers or communities.

Trade treaties like NAFTA and GATT open up trade between nations. 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**



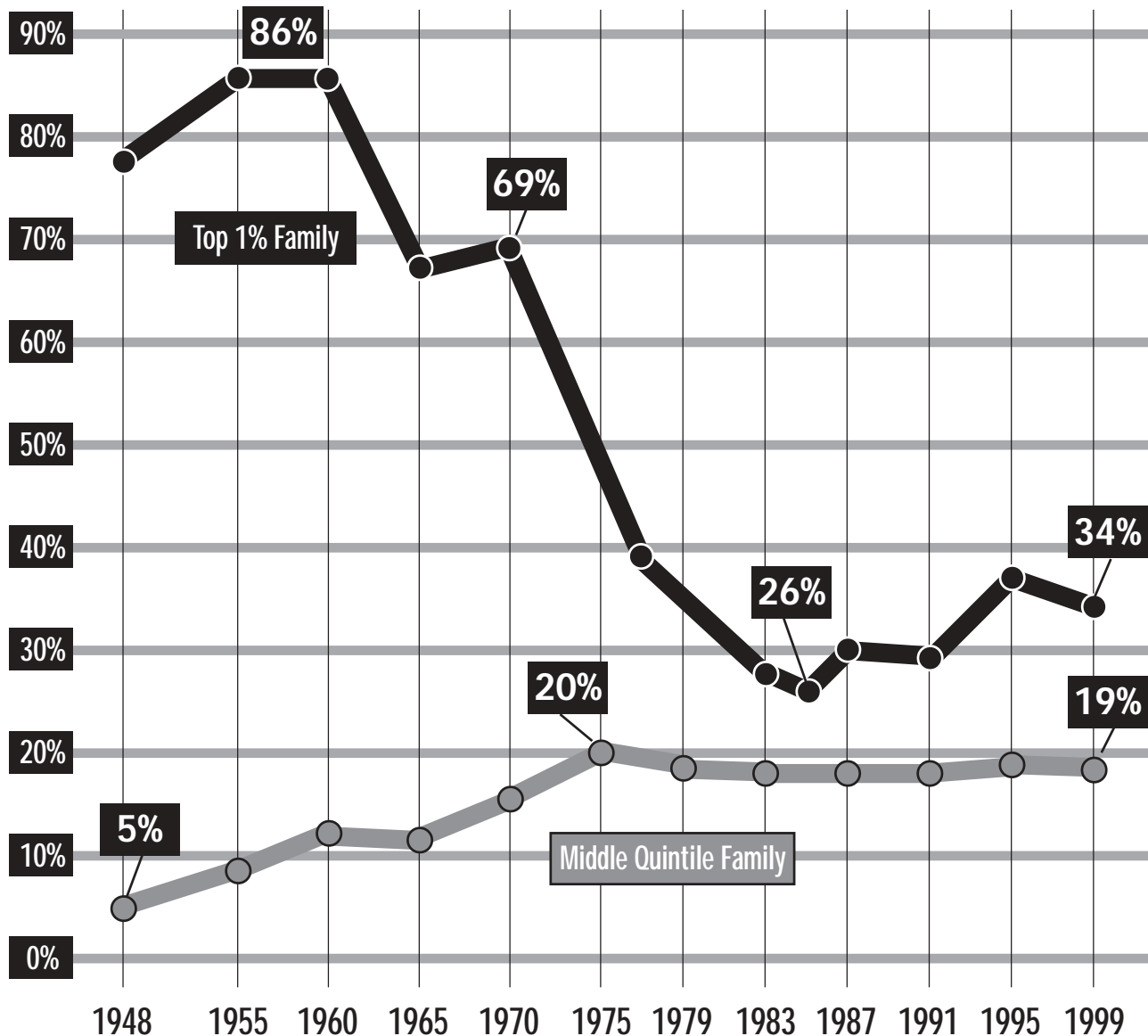
Proposed investment treaties such as the Free Trade Area of the Americas (FTAA)...

- 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.

**RULE
CHANGE**

Taxes: Big Tax Cuts for the Wealthy No Tax Relief for Working Families

Effective federal tax rates (income tax + payroll tax) for the top 1% and the middle quintile of families, 1948-1999



Sources: For the Top 1%: 1948-70: Kevin Phillips, *Boiling Point* (Random House: 1993) p. 110, citing *Statistical History of the United States*, (U.S. Government Printing Office: 1976) p. 1112; 1977-99: Congressional Budget Office, "Preliminary Estimates of Effective Tax Rates," Sept. 7, 1999. For the Middle Quintile Family: 1948: Phillips (1993) p. 110, citing *Statistical History of the United States* (1976), p. 1112, figure is for median family; 1955-75: Phillips (1993) p. 110, citing Alan Lerman, U.S. Department of the Treasury Office of Tax Analysis, figures are for median family; 1977-99: Congressional Budget Office, "Preliminary Estimates of Effective Tax Rates," Sept. 7, 1999.

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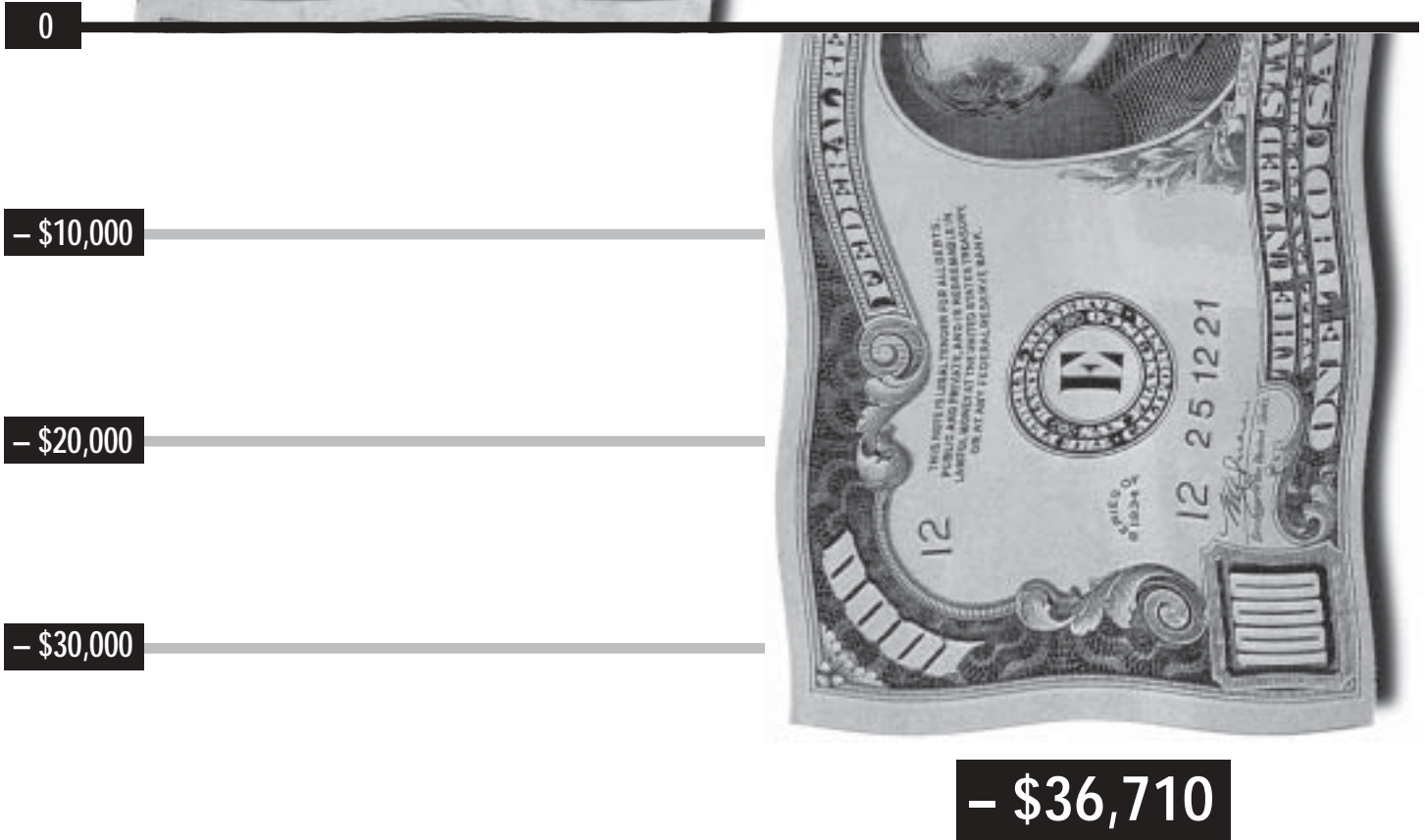
Taxes: The Effect of 1977-98 Tax Law Changes on Yearly Tax Bills

*The middle 20% are paying more taxes today
than in 1977. Meanwhile, the top 1%
are paying much less in taxes.*

Middle Quintile Tax Bill

+ \$36

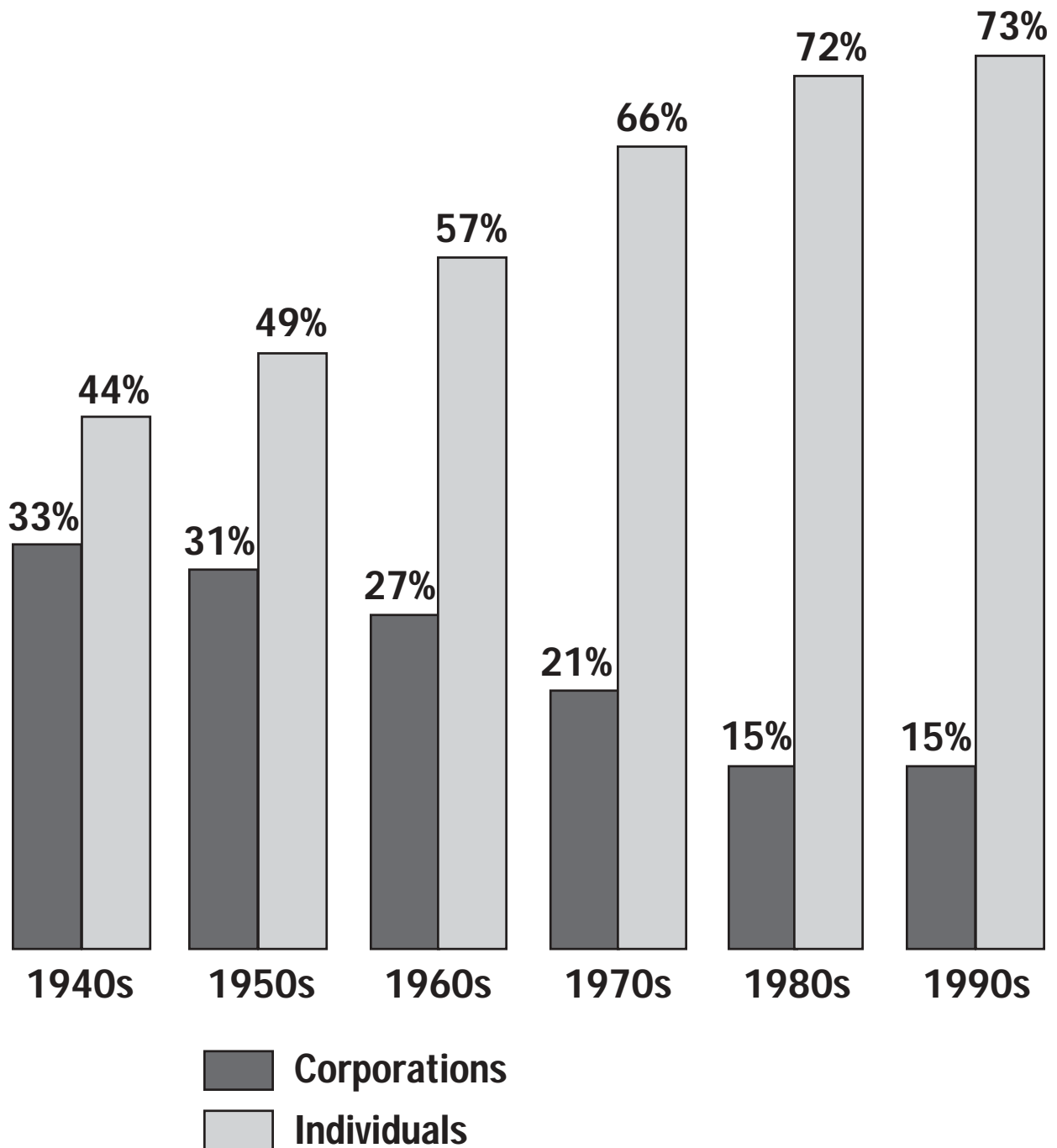
Top 1% Tax Bill



Source: Analysis of Citizens for Tax Justice figures by Mishel et. al., *The State of Working America*, 1998-99 p. 103

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Taxes: Percent of Federal Tax Collections from Individuals & Corporations

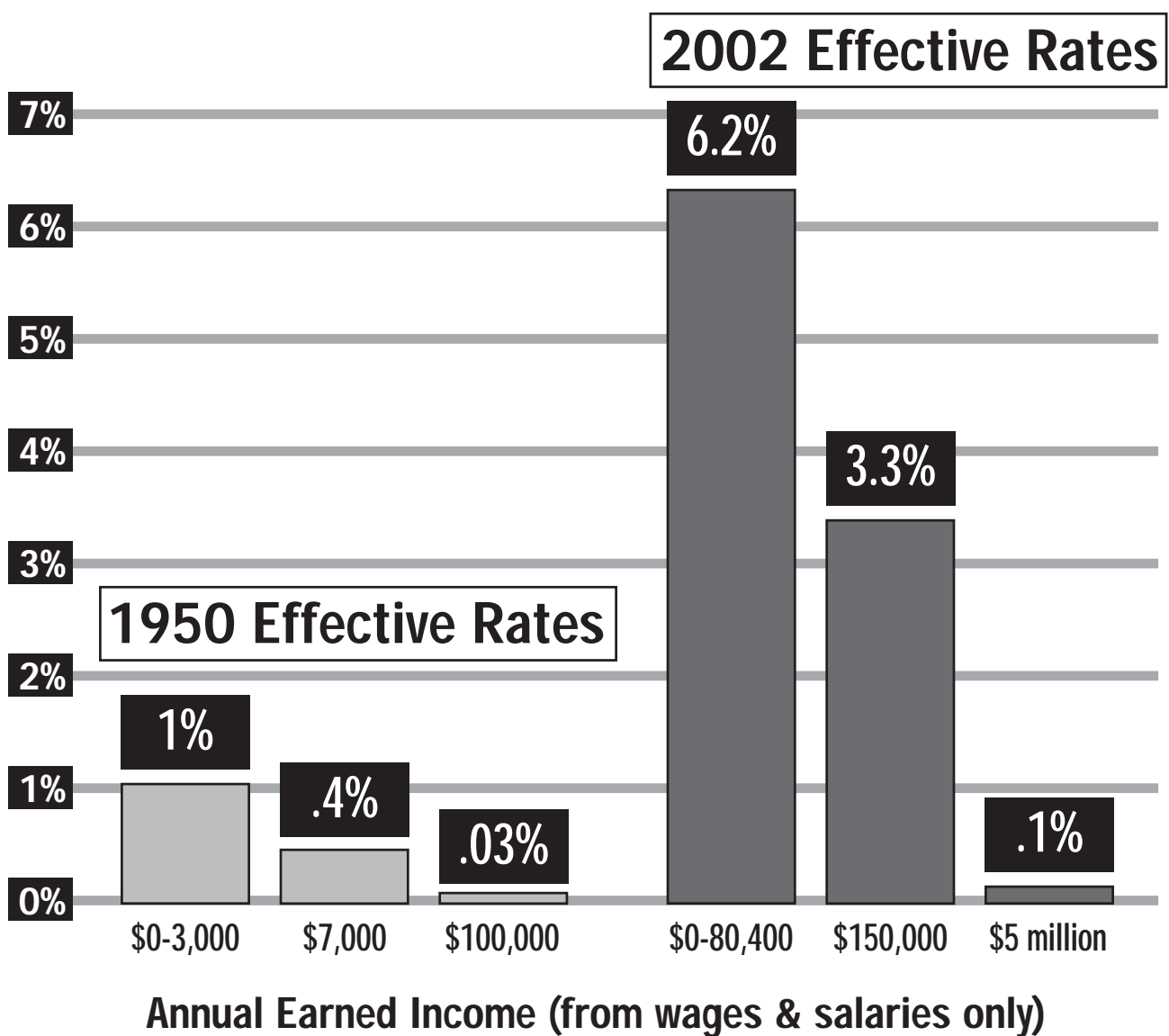


Source: Barlett and Steele, *America: Who Really Pays the Taxes?*, p.140.

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Taxes: Payroll Tax Rates on Workers Have Risen

The Social Security Tax rate has risen sharply since 1950. In 2002, *only the first \$84,900 in earned income is taxed for Social Security at 6.2%*. The effective Social Security tax rate drops as income rises.



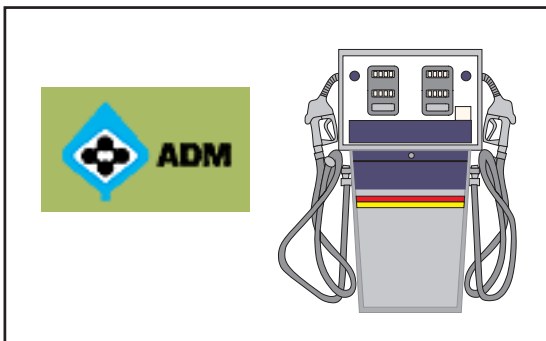
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Corporate Welfare Expands While Human Services are Cut

In the 1990s, the U.S. government gave corporations \$125 billion a year in economic incentives.



New York State gave \$24 million in tax exemptions, grants, and reduced 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.

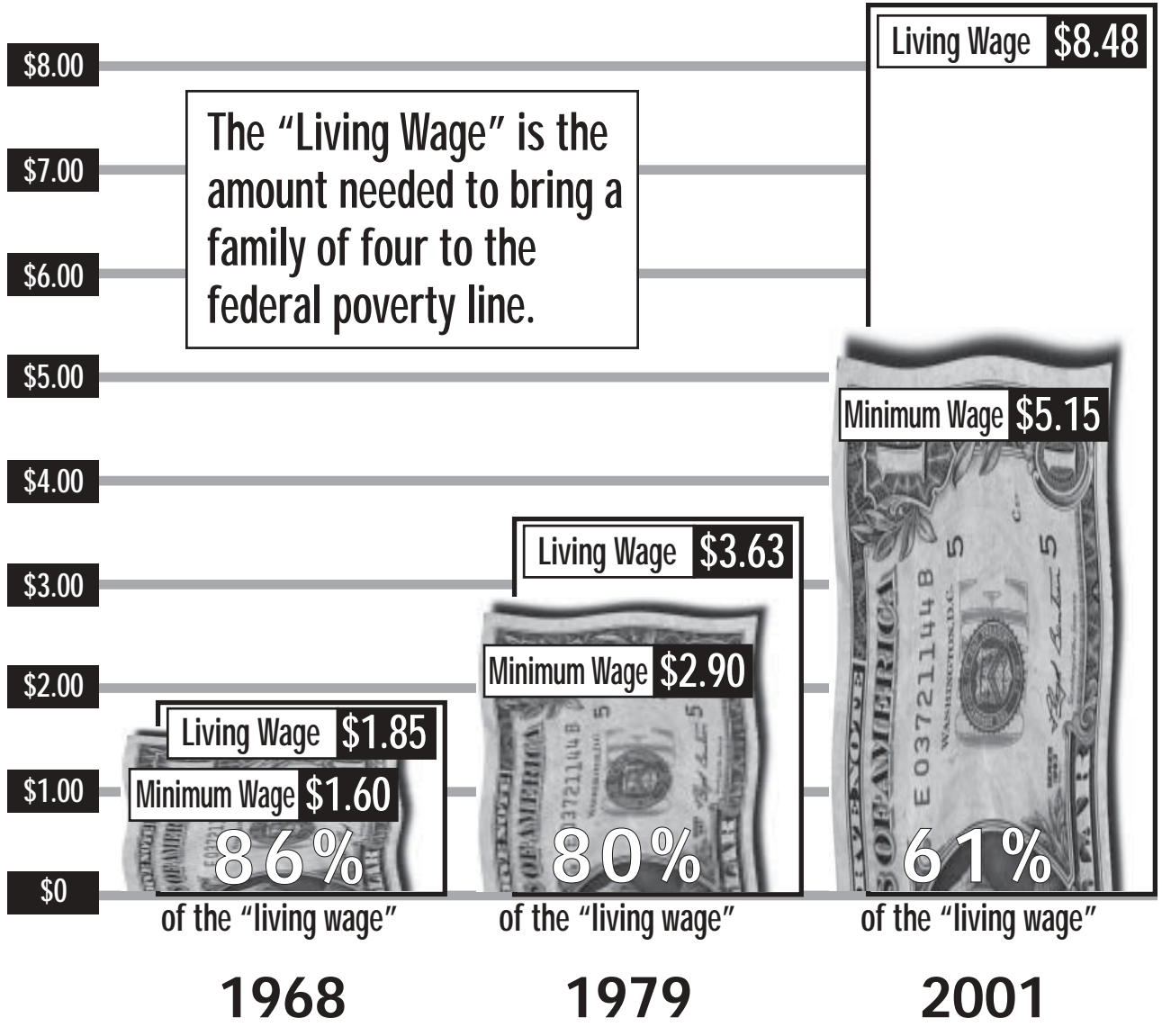


McDonald's got a \$466,000 check to market Chicken McNuggets in Turkey.

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Minimum Wage: Not raised to keep up with inflation

The Minimum Wage and the "Living Wage," 1968-2001



Sources: For the Minimum Wage: Economic Policy Institute. For the Living Wage in 1968 & 1979: Bureau of the Census (cited in *Baltimore's Living Wage Law*, Preamble Center, 1996. p. 7.). For the Living Wage in 2001: U.S. Health & Human Services Dept. Poverty line of \$17,650 for a family of four divided by 2080 hours (52 weeks x 40 hours).

Privatization: Dismantling government 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.

- ★ **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.

- ★ **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.

Sources: For Education: Phyllis Vine, “To Market, to Market”, *The Nation*, Sept. 8-15, 1997. For Prisons: “The Prison Industrial Complex and the Global Economy” by Eve Goldberg and Linda Evans, published by the Prison Activist Resource Center, 1999. For Social Security: Edward Wyatt, “For Mutual Funds, New Political Muscle,” *NY Times*, Sept. 8, 1996, pp. F1, 7.

Strategies to Reduce Economic 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 pay
- ★ Progressive taxation of wealth and income
- ★ Campaign finance reform to get big money out of politics
- ★ Accountability for corporations receiving public subsidies