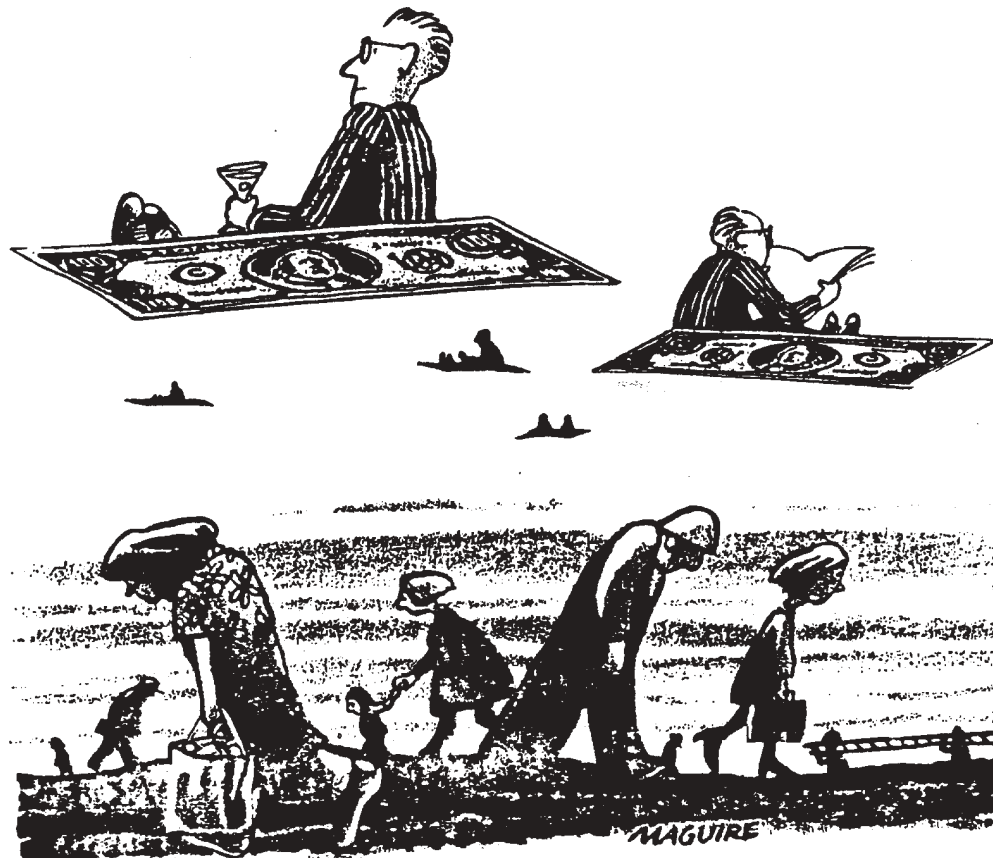


A Christian Response to Economic Inequality

Participant Packet



United for a Fair Economy
37 Temple Place · Second Floor
Boston, MA 02111
Phone: 617-423-2148
Fax: 617-423-0191
E-mail: info@faireconomy.org
Web: www.faireconomy.org

**Episcopal Network for
Economic Justice**
4800 Woodward Avenue
Detroit, MI 48201
Phone: 313-833-4413
Fax: 313-831-0259



Web: www.episcopalchurch.org/peace-justice/enej

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

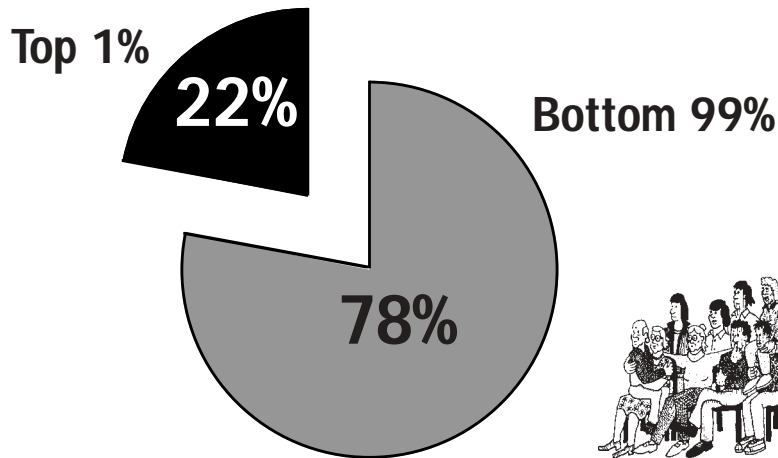
**By some measures,
the U.S. economy has done well.**

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

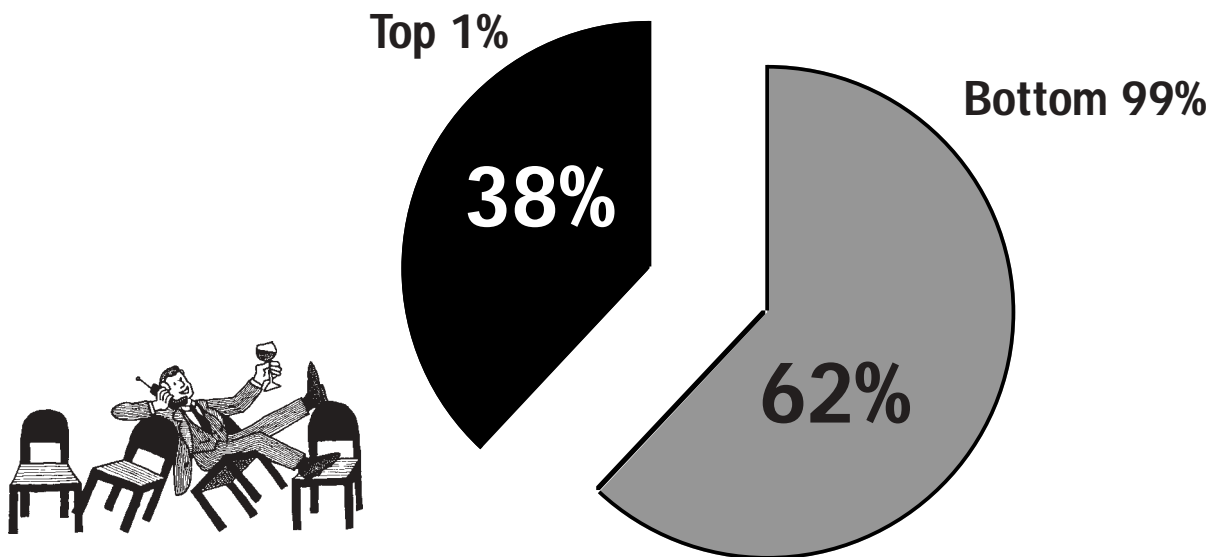
Ownership of Household Wealth in the United States

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Sources: For 1976: Edward N. Wolff, Unpublished data.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**.*

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

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.

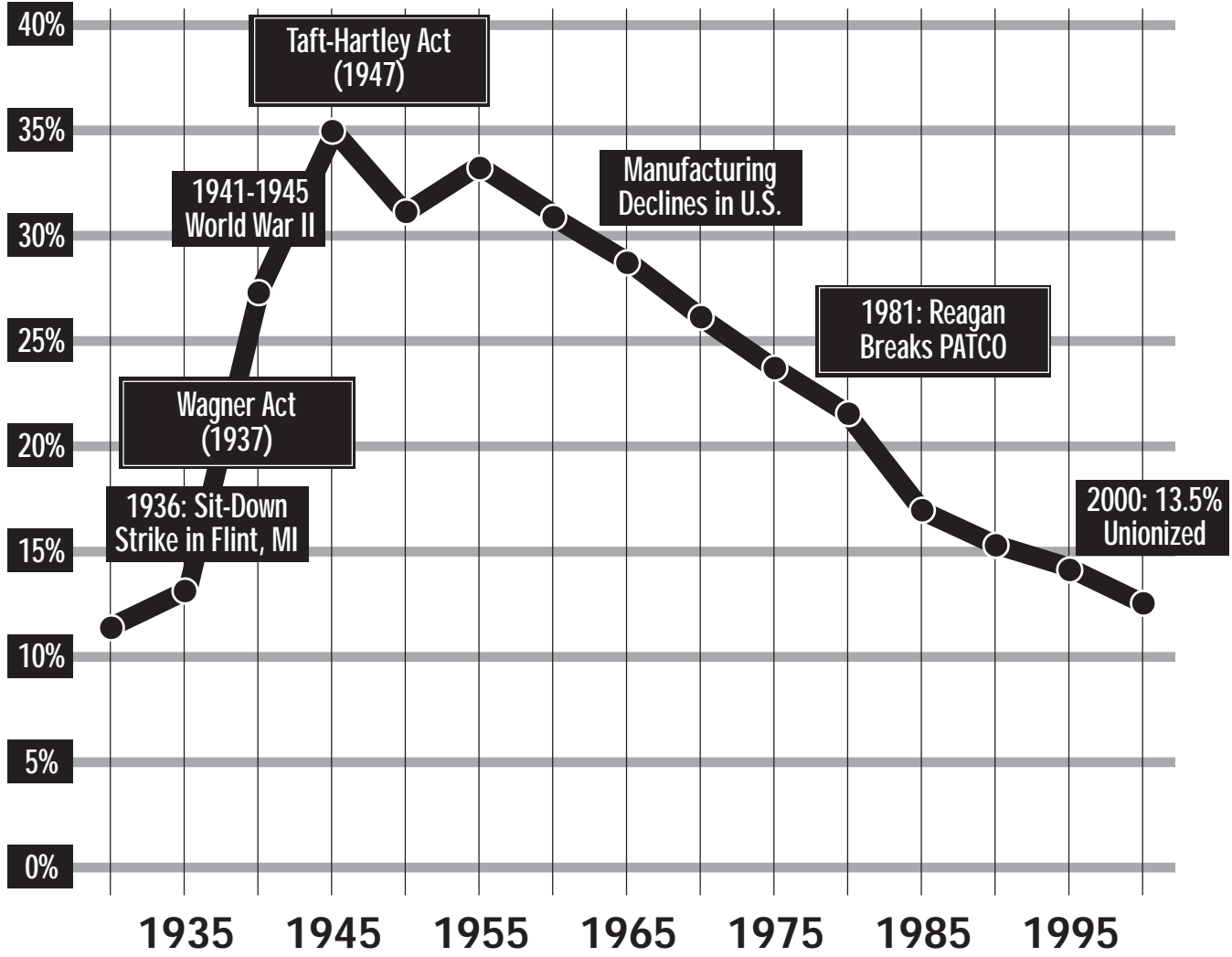
Privatization:

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**



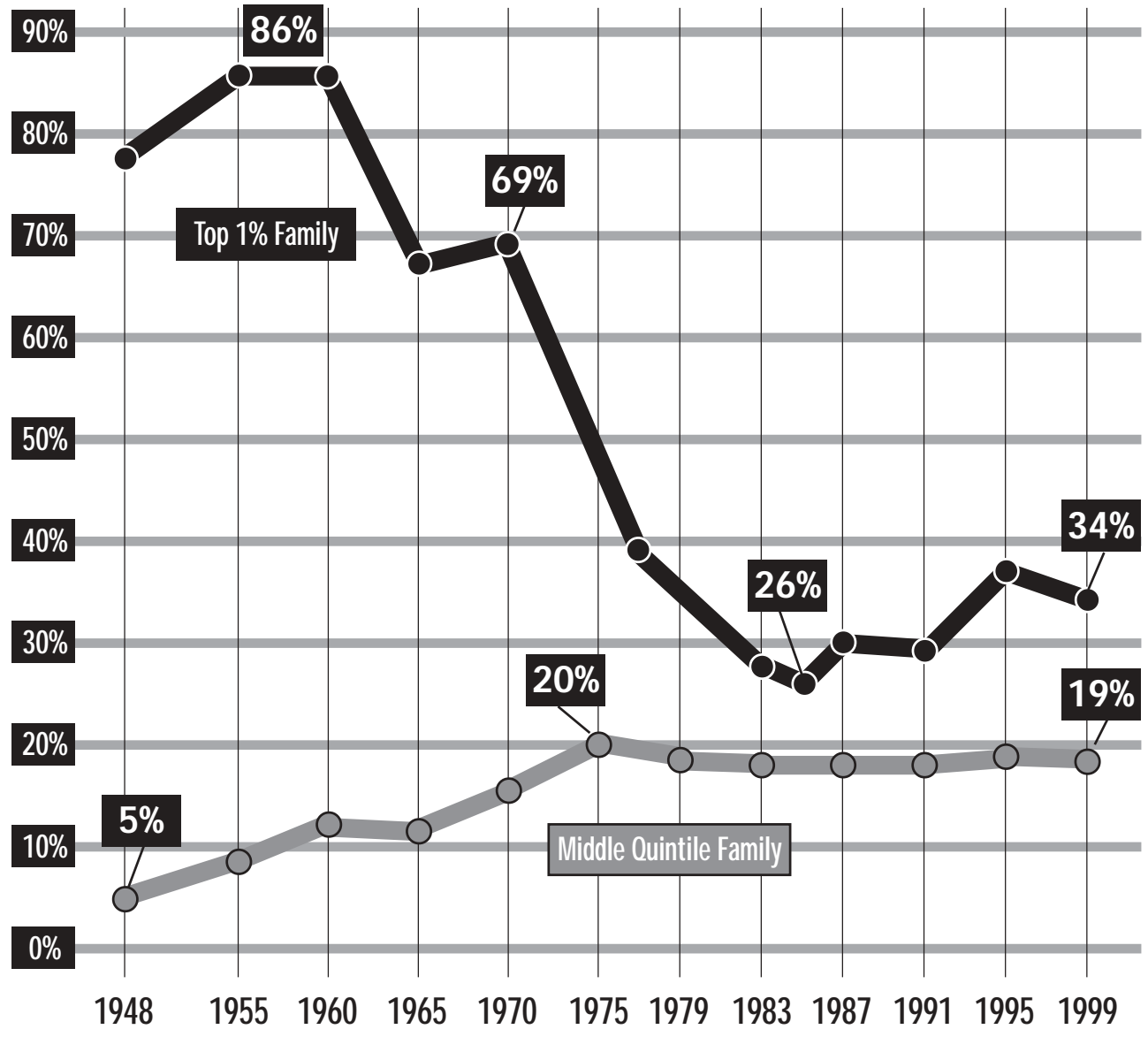
Proposed investment treaties such as the Free Trade Area of the Americas (FTAA)...

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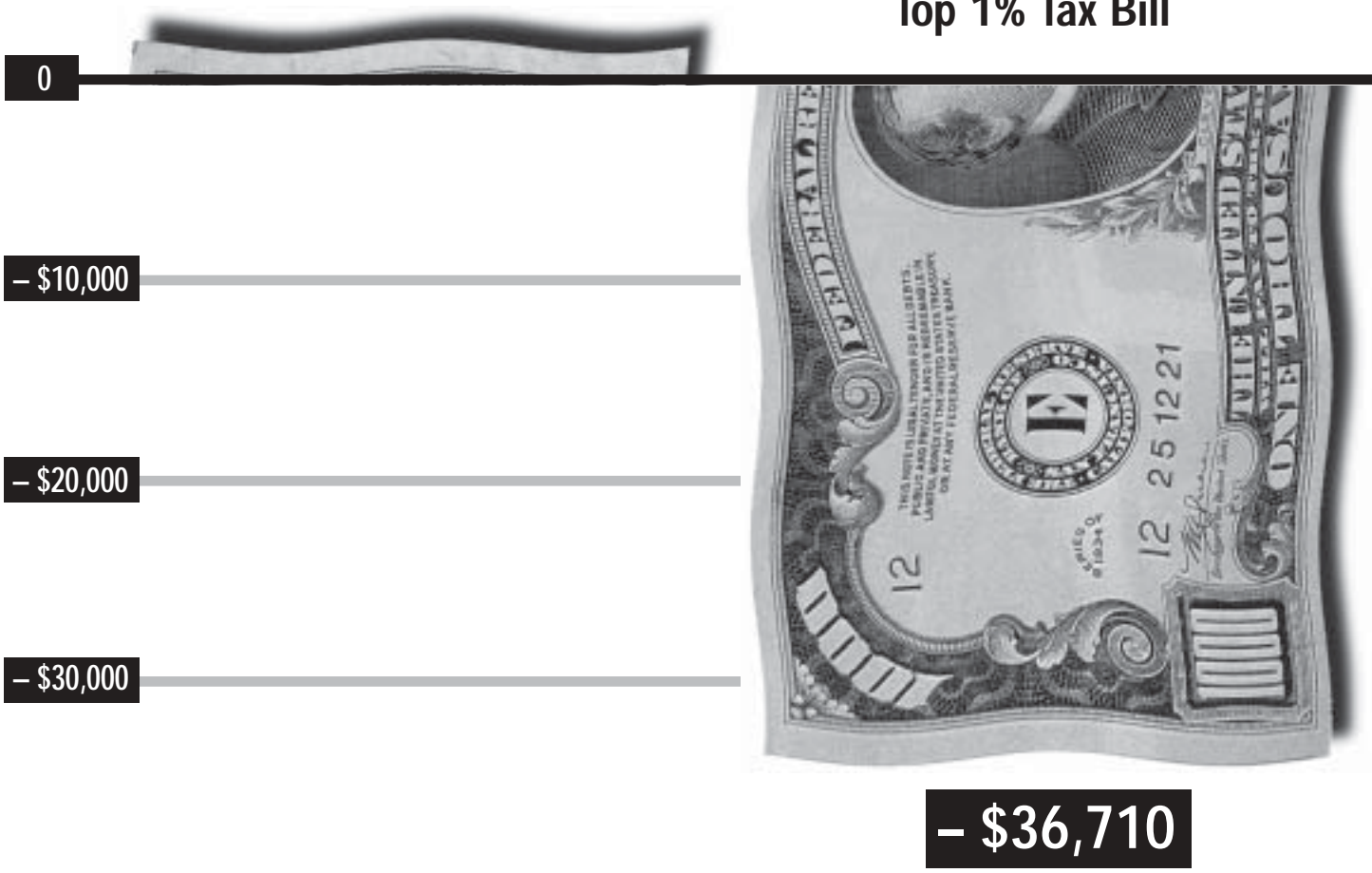
Taxes: The Effect of 1977-98 Tax Law Changes on Yearly Tax Bills

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

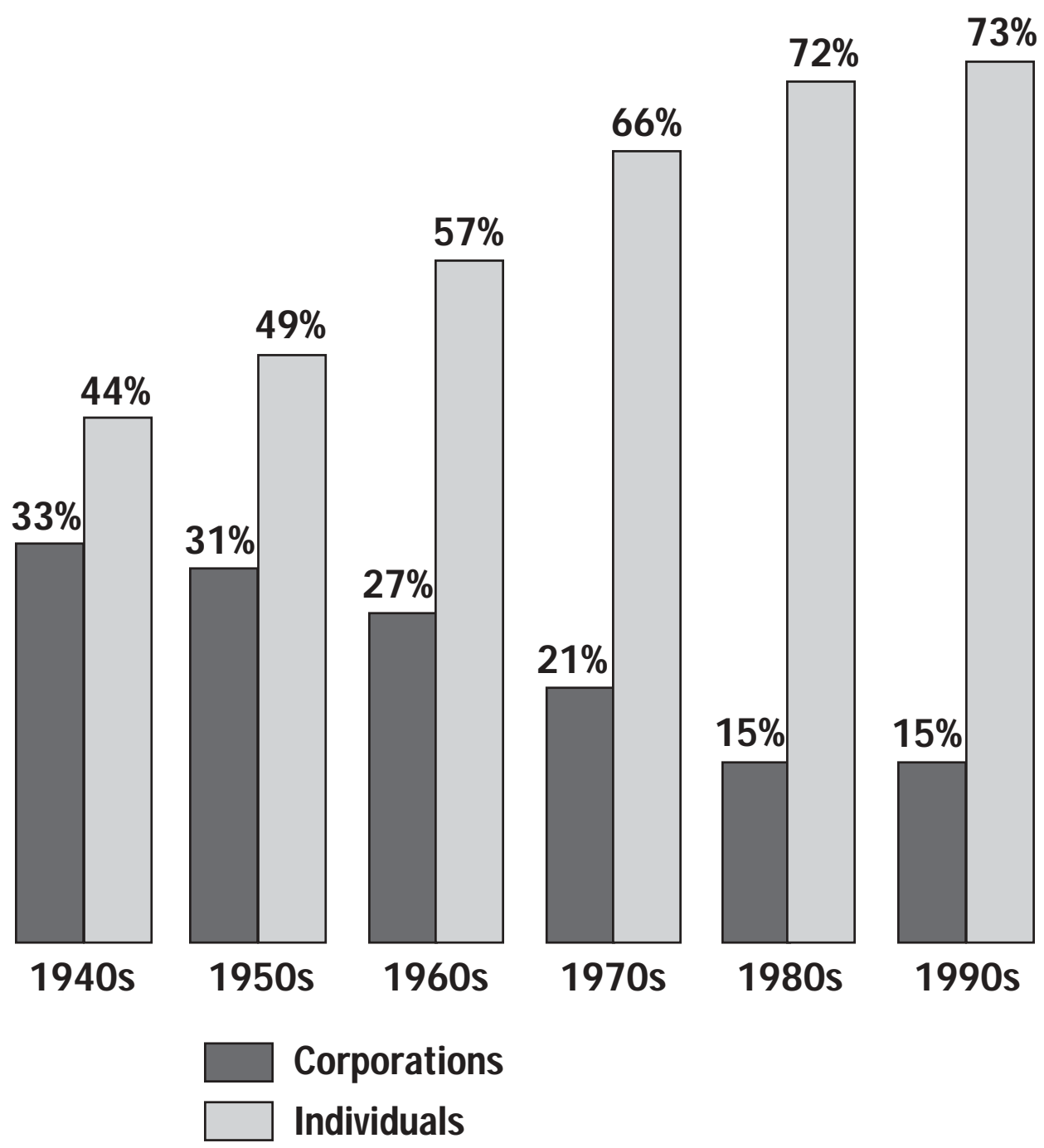
Top 1% Tax Bill



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

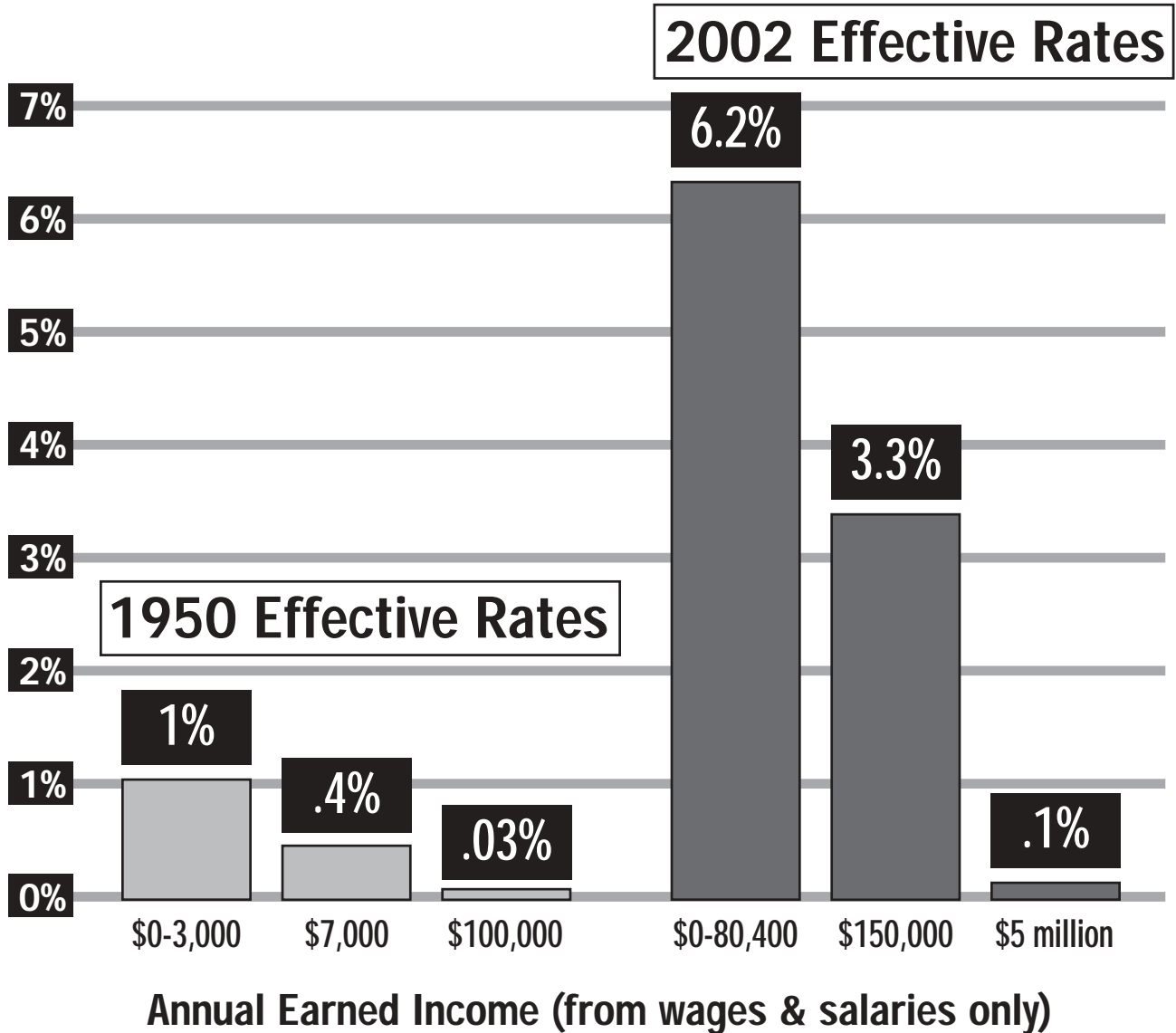


Source: Barlett and Steele, *America: Who Really Pays the Taxes?*, p.140.

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CHANGE**

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.



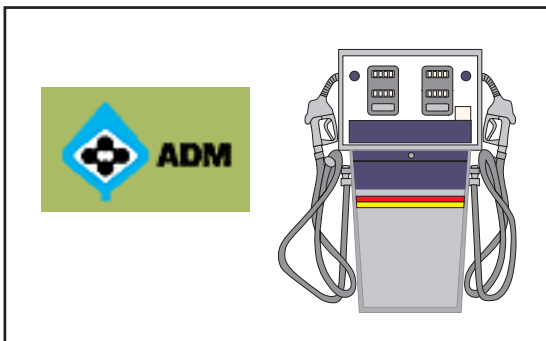
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Corporate Welfare Expands While Human Services are Cut

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.

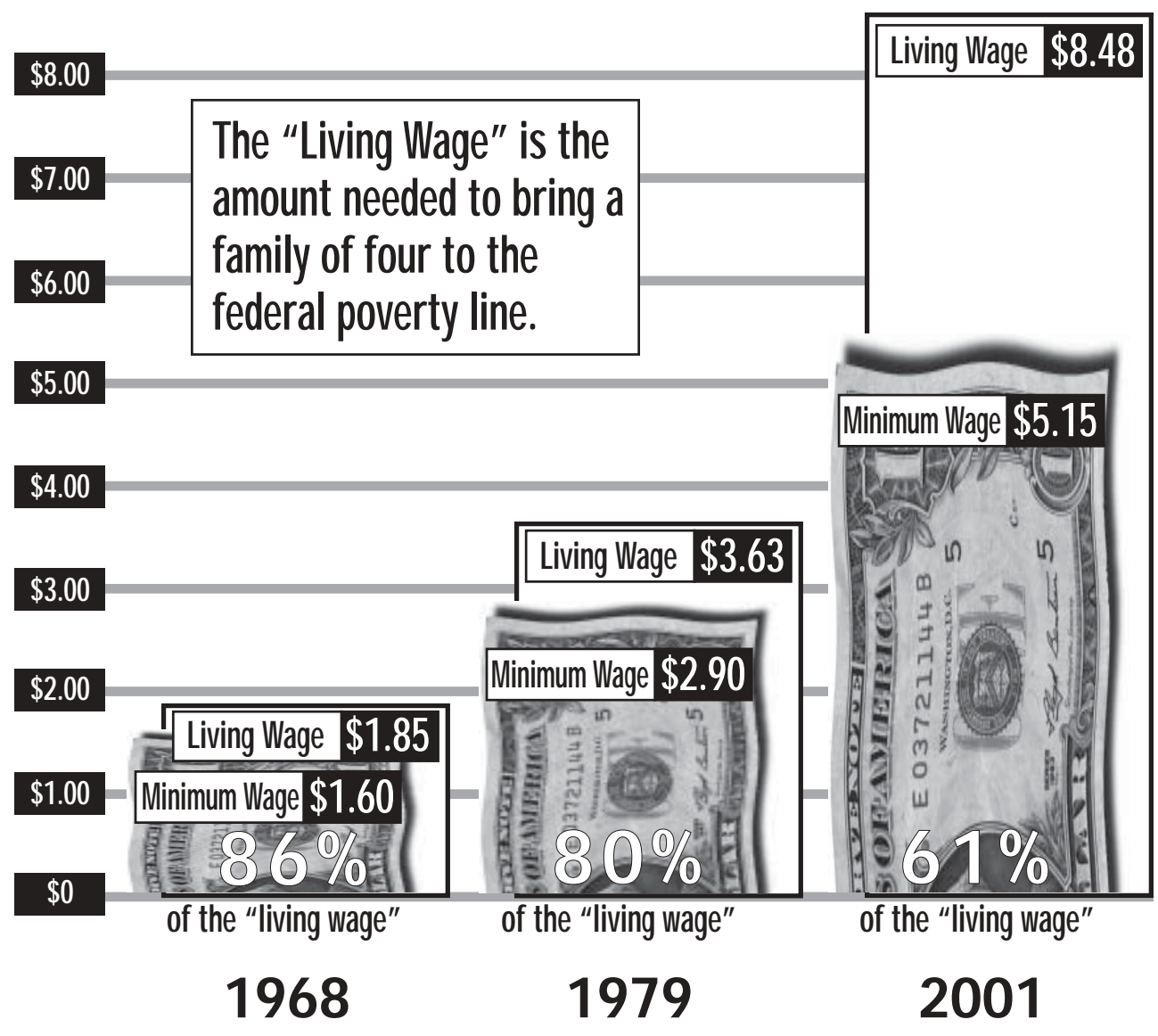


McDonald's got a \$466,000 check to market Chicken McNuggets in Turkey.

**RULE
CHANGE**

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