



FAIR PLAY

SUMMER 2007

Poverty: Of the Wallet, or of the Spirit?

By Meizhu Lui
Executive Director

“There is nothing new about poverty. What is new is that we now have the techniques and the resources to get rid of poverty. The real question is whether we have the will.”

— Dr. Martin Luther King, Jr., 1968

Should a person be ashamed to be poor?

Neo-conservatives would have us think so. Poor people, the story goes, have bad attitudes and bad behaviors: they're unwilling to work hard and they want something for nothing. Therefore, if a person is poor, the rest of us can assume that they've got character flaws; giving “those people” financial assistance would just create an unhealthy co-dependency. What they really need is a good swift kick in the pants to get them moving.

The number of billionaires has grown from a few to over 400 during the last six years, and the number of poor Americans has increased by five million. The neo-conservative logic would have us conclude that we have a whole lot of newly lazy people, and some unbelievably hard working, married and chaste folks who would never accept a free lunch. You know, people like the Walton siblings, owners of Wal-Mart, worth \$15 billion each.

But thank goodness, this made-for-television version of economic analysis is losing its hold. As the pre-election season heats up, more and more people and candidates are talking about the problem of systemic poverty (as opposed to the problem of poor people), for the first time in a generation. And poverty, it turns out, is not about someone else. As economist Rebecca Blank found out, in a

13-year period, one out of three people experienced poverty for at least a year.

As Martin Luther King said, there is nothing new about poverty. Our nation has increased poverty before, by allowing the wealthy and corporations free rein to plunder the nation's and the world's natural and human resources. But we have also achieved greater equality. Between 1959 and 1973, with the War on Poverty, the poverty rate was reduced from 22.4%, to 11.1%. With public investments that target help to those who need it most, the goal set by the Center for American Progress' Task Force on Poverty can be achieved: we can cut poverty in half in a decade, and eliminate it in a generation.

Poverty is not an individual shame, nor is it just a matter of personal responsibility. Poverty is a national shame, and a social responsibility. We have enough in our national wallet. What we need is the will to open it and make investments in reducing our national shame.



UFE Contributes to National Poverty Task Force

Poverty is a tricky concept. In the nineties and until very recently, we couldn't talk about poverty without evoking images of handouts to people who weren't "pulling their own." And that sentiment is still widespread, but we've learned a lot about how to talk about poverty. The new frame that's evolved focuses more on the root causes and evidence that proves that poverty is not so much the failure of individuals, but of our society.

We can take some credit. By increasing awareness about growing economic inequality, we've helped move the conversation away from blaming poor people for their situation and towards an understanding that the system is broken. And finally, just since January, inequality has become a hot topic—with even President Bush admitting that it's problematic.

Within this context, UFE Executive Director Meizhu Lui contributed to a report released in April by the Center for American Progress entitled, *From Poverty to Prosperity: A National Strategy to Cut Poverty in Half*.

A result of one year's work by a task force, which also included UFE board member Barbara Robles, and other progressive economic advocates such as Dorothy Stoneman, Alice Rivlin, and Peter Edelman (who's featured in an interview on p. 3), the report contains strategies for reducing poverty in the nation by half over the next 10 years.

With 37 million or one out of eight Americans living in poverty and inequality at record highs, the report says that the time for action is now.

It was guided by four principles:

- Promote Decent Work
- Provide Opportunity for All
- Ensure Economic Security
- Help People Build Wealth

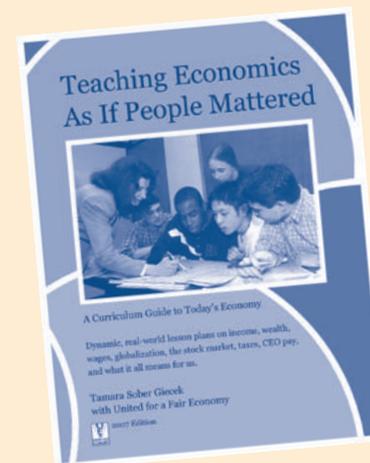
The report recommends 12 key steps to achieving its goal, but three of these steps alone would reduce poverty by 26 percent—more than halfway towards the goal—according to modeling from the Urban Institute. These three are:

- Raise and index the minimum wage to half the average hourly wage.
- Expand the Earned Income Tax Credit and Child Tax Credit.
- Guarantee child care assistance to low-income families and promote early education for all.

In her work on the task force, Meizhu Lui championed asset building as a key long-term solution to poverty and focused attention on the racial aspects of poverty and the current poverty programs. In her media interviews promoting the report she has challenged Congress to pay for the report's recommendations by rescinding the tax cuts for the wealthy.

"We now have a strong starting place for policy discussions," says Meizhu, "but communities across the nation need to put pressure on policymakers to move the nation closer to ending poverty."

The report can be found on the Center for American Progress website: www.american-progress.org



Economics As If People Mattered, 2007

Anyone who's studied traditional economics—or business for that matter—knows that much of it treats the humans involved as if they weren't human at all. They're "rational choosers," or "consumers," or "labor." But depersonalizing the participants makes it easier to excuse the behaviors of those who benefit and devalue those who are hurt.

In 2000, we published a teaching guide, *Teaching Economics As If People Mattered* (TEAIPM), to help bring more humanity into the discussion. Now, we've updated and broadened the book—and a DVD is in the works.

Field-tested by high school teachers, this innovative and accessible economics curriculum is also great for college courses, formal and informal adult education, and self study.

If you'd like to learn more, visit our website. If you know teachers or instructors who might be interested, please let them know about this great teaching tool.

Almost one in five American children, or 16.9 percent, lives in a family experiencing poverty.

Q&A with Peter Edelman

Contributor to the Center for American
Progress Poverty Task Force

Peter B. Edelman is a writer, lawyer, policy advisor, and law professor at Georgetown University Law Center. He focuses on poverty, welfare, juvenile justice, and constitutional law. He has taught at Georgetown since 1982, and took a leave of absence to serve in President Clinton's administration. He is married to Marian Wright Edelman, president and founder of the Children's Defense Fund. We spoke to him recently over the phone.

How did you get started in your work on poverty?

It really began when I worked with Robert Kennedy while he was a US Senator. I had the extraordinary opportunity to be a staff person for his travels across the country meeting with people who were having a difficult time. I got a very profound education in the problems of poverty we have in this very wealthy nation. I've been working on the issue ever since.

Then, later, something happened where you needed to take a stand.

Right. The Clinton era was good for low-income people in the United States, particularly during his second term when poverty went down considerably. This was in significant part because the economy was so hot. But Clinton signed legislation, so-called welfare reform legislation, with which I disagreed profoundly. I believed—and still believe—it hurts too many families, too many children, so I resigned in protest.

Why was the theme of “work” chosen for the report from the Center for American Progress (CAP) Poverty Task Force?

Over the last 35 years, low-wage work has become more and more central to the issue of poverty in the country. Especially when you look at the problem as we should, and include all the people who have difficulty paying their bills every month and making ends meet. Then you see that low-wage work is a fundamental part of the problem.

When people who are working hard and playing by the rules can't get ahead, we've got a big problem.

How do you think the plan would help poor women in particular?

We don't make recommendations in the report that are specifically gender based, or specifically targeted to racial and ethnic minorities, but virtually every proposal we make is going to have a disproportional effect on women and minorities, because women and minorities are disproportionately poor.

For example, fundamentally for all workers, but especially for women or single moms, income from work, and as necessary supplemented by public policy, is just critical. So the minimum wage, the earned income tax credit, the tax credit for children—especially making it refundable down to zero income—these things are all particularly important for low-income women.

What do you think about the Urban Institute modeling and its ability to show that just a few of the recommendations reduce poverty significantly?

If you take the first few proposals that we have on the minimum wage and the earned income tax credit, the child tax credit, child care assistance, and you quantify those, which we asked the Urban Institute to do—just those proposals would reduce poverty by 26 percent. I think that proves that the complete set of proposals is a very realistic way to achieve the overall goal of reducing poverty by 50 percent in 10 years.

Making the child tax credit refundable down to zero income is very powerful. Just that one proposal would reduce poverty by nearly 10 percent.

What do you think is the most exciting recommendation?

I'm personally very excited about the way we've lifted up and emphasized clear pathways for low-income young people to be able to make the most out of life themselves, both in terms of jobs and education. Dorothy

Stoneman from YouthBuild and I spent a lot of time on those proposals.

For example, there's the simple idea of making Pell grants more adequate, raising them to the point where they constitute 70 percent of the average cost of attending a four-year public institution. And there a range of other things that need to happen at the community level, but with some federal and other outside funding, to create on-ramps and pathways for young people to get from here to there. Every young person who's poor now deserves a fair shot at moving themselves out of poverty.



In 2006, the average federal tax cut for the lowest 20% was \$63, while the average for the top 1% was \$44,477.

The Poor Pay More and Shareholders Hold their Noses

Wells Fargo & Company is one of the leading providers of so-called “sub-prime mortgage loans,” which have interest rates at least three points higher than conventional mortgages. Aggressively marketed as a way for potential homebuyers with less than stellar credit to receive a loan that they otherwise wouldn’t qualify for, these mortgages often end up costing much more than borrowers can afford. They contribute to soaring default, repossession and bankruptcy rates. Currently, almost 14 percent of all sub-prime loans are in delinquency.

Because of aggressive marketing by sneaky lenders and the lack of attention paid to lower income communities by more honest lenders, the most vulnerable and least informed borrowers are being scammed at an increasingly alarming rate. In fact, according to the Brookings Institution, total debt held by families earning less than \$30,000 per year increased by 40% from 2001 to 2004.

A conservative estimate in a recent *BusinessWeek* cover story entitled “The Business of Poverty,” is that 15% of sub-prime mortgage borrowers could have qualified for cheaper loans. If they’d only known.

As if this weren’t bad enough, according to the Federal Reserve, wide racial disparities exist in the interest rates charged to minority borrowers. For example, in 2005, high-cost, sub-prime loans, were granted to 54.7% of African-American borrowers

and 46.1% of Hispanic applicants. In contrast, 17.2% of white borrowers were granted sub-prime loans.

For Wells Fargo specifically, its own reporting for 2005 shows that African-Americans were over *five times more likely* than whites to receive high-cost loans (up from 3.9 times in 2004), while Latinos were *twice* as likely as whites to receive high-cost loans (up from 1.7 times in 2004).

UFE’s Responsible Wealth project has been challenging Wells Fargo’s predatory practices for four years. As a result, the company has changed certain lending policies, such as reducing pre-payment penalties and eliminating mandatory arbitration.

This year’s resolution, filed by NorthStar Asset Management on behalf of Responsible Wealth, asked the company to prepare a report explaining the racial and ethnic disparities in the delivery of its high-cost, sub-prime loans. The resolution also asked the company to consider whether “the company’s racial and ethnic disparities in high-cost loans affect the home affordability or wealth-building benefits of homeownership for its minority customers.”

The resolution was presented at Wells Fargo’s April annual meeting in San Francisco, where UFE Research Assistant Larry Brown read a short statement. In the end, the resolution received only 8% of votes in favor, but perhaps more interesting was the fact that 18% abstained.

The full text of the resolution is online at www.responsiblewealth.org.

Americans living in severe poverty—earning less than half of the poverty threshold—grew by 20% or 3.6 million between 2000 and 2004.

Change is Possible: Announcing the UFE 2nd Decade Capacity Building Fund

To help us build on our many successes and elevate our capacity to reach more people with strategies and tools for making economic justice possible, we are pleased to announce the UFE 2nd Decade Capacity Building Fund.

Through a special mailing coming soon, you will be invited to participate in an exciting opportunity to invest in our future, to enhance, solidify, and strengthen our framework and potential in our 2nd Decade.

UFE is coming of age. In 12 years of passionate service, we have provided our unique analysis infused with common sense and humor to demystify the economy and inspire people from all walks of life to take action to change the rules. We have tested and honed our approach.

The result is that we have become the single most effective group in the country for drawing attention to growing economic inequality, income and wealth disparities, and the persistent economic gap between whites and people of color.

Now we are at an opportune moment to grow to the next level. The 2nd Decade Fund will allow UFE to expand all of our programs, hire additional staff, and upgrade our operations and technology frameworks. The increased capacity will enable us to significantly increase our support of the growing economic justice movement.

We appreciate your past support. As we move into our 2nd Decade, we hope you will accept our invitation to invest in our future – and the future of the fair economy we all desire. Please keep an eye on your mailbox!



Meizhu Lui
Executive Director

New Immigration Workshop

What is “the immigration problem”? Economics is at the heart of why people immigrate—and why that presents difficulties for the host country.

Our new workshop was designed in Spanish to help Spanish speakers understand the underlying economics of immigration and its history in the United States. For example, we present labor rights abuse as a new form of slavery, we identify what’s behind the demand for foreigners to migrate to the United States, and how US foreign policy and business practices help create poor local economies elsewhere. We also bust the myths about immigrants and taxes and explore a range of possible solutions to immigration issues.

The workshop is being enthusiastically welcomed by immigrant communities and organizations that serve them. We have begun piloting an English translation of the workshop and hope to officially launch that soon.

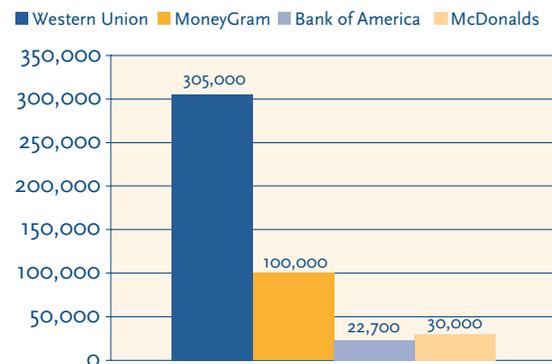
Western Union Pressured on Excessive Remittance Fees

When immigrants send money to their families and their community back home, those payments are called “remittances.” According to the World Bank, in 2005, worldwide remittances exceeded \$230 billion, which is more than all foreign aid worldwide.

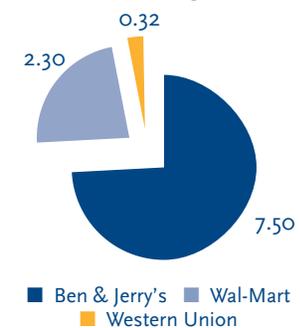


One of the major providers of money transfer services, Western Union, has faced numerous lawsuits based on predatory fees and unfair exchange rates. This year, Responsible Wealth teamed up with the Transnational Institute for Grassroots Research and Action (TIGRA) to press Western Union on the effects of its remittance practices. This included a press conference, march, demonstration and speaking at the company’s annual meeting, where we gave a special Mother’s Day card to CEO Cristina Gold.

Number of Outlets Worldwide



Community Reinvestment per \$100



The average age of a homeless person is 9 years old. The majority of homeless adults work.

Putting Pressure on Predatory Lending in Louisiana

A new report from a coalition formed earlier this year is helping to put pressure on banks in the Gulf Coast to improve their racial lending equity. The goal is to get banks to help build stronger communities through fairer lending practices and more equitable access to credit.

The Louisiana Community Reinvestment Coalition (LCRC) is a joint project of United for a Fair Economy (UFE) and the National Community Reinvestment Coalition (NCRC). It released a new report in May detailing disturbing racial trends in the types of home loans banks granted to New Orleans residents trying to rebuild their houses.

The report, entitled “Fair Lending Helps Community Prosperity,” found that whites are disproportionately getting low-interest prime loans, while almost half of African-American loan applicants (49.32%) receive high-cost, sub-prime loans. Sub-prime loans are those that have interest rates at least three percent points higher than conventional loans. Sometimes, they are much higher than the three-point difference. Among Latinos in New Orleans, 32% were sub-prime, while for whites only 18% were sub-prime.

According to Josh Silver of the NCRC, a report co-author, credit worthiness alone is not enough to account for the disparity. And even though African-Americans across the country receive a high percentage of sub-prime loans, it’s worse in New Orleans.

“As we all struggle together to rebuild New Orleans,” says LCRC project director Emma Dixon, “we need full support from the banking community. It’s clear that truly fair lending would go a long way to help, and that we have a way to go before we achieve that.”

Two additional reports detailing lending practices for other Louisiana cities are in the pipeline and will be released in the coming months.

Fair Play, a United for a Fair Economy publication, is published twice a year.

Editor: Bob Keener
Design: NonprofitDesign.com

United for a Fair Economy

29 Winter Street, Boston, MA 02108
phone: 617-423-2148 • fax: 617-423-0191
www.FairEconomy.org • info@FairEconomy.org

All Aboard the Asset Train

How much do adults learning about managing their finances need to know about the economic rules that put up barriers for the have-nots and supports for the haves?

We’ve long thought that this knowledge would help people to blame themselves less and thereby be more successful in improving their own financial situation. Recently we’ve been testing this approach with a program in the Boston area—and the response has been terrific.

As part of a four-week financial literacy program funded by a regional bank, we spend one two-hour session covering the basics of UFE’s analysis of inequality and the rules that support it. For example, we talk about current economic trends and the unequal wealth distribution in the United States, we facilitate the 10 Chairs exercise, and we explore some of the government policies that have created a playing field that’s far from level. Then we offer space for people to explore what rules need to be changed and what they could do to help change them.

Not only are we finding that workshop participants respond positively, but several have attended more UFE workshops and then gone the next step to be trained as trainers themselves. Pretty good evidence that this information can promote change!



Ninety million Americans—nearly one-third of the nation—have household incomes below a minimally decent standard of living, which is twice the official poverty line of about \$20,000 a year for a family of four.

Holding the Dems to Task

Once again, UFE made those who support racial economic injustice uncomfortable with our annual “State of the Dream” report, published on Martin Luther King Day.

This year, with the spotlight on the new Democratic majorities in Congress, we took a critical look at the highly anticipated “First 100 Hours Agenda” that was designed to give a boost to those on the lower rungs of America’s economic ladder. Our report examined those proposals from Dr. King’s perspective: How much would they help close the economic gap between whites and people of color to achieve Dr. King’s dream of economic equality?

Perhaps not too surprising, our report found that, in general, the 100-hour agenda with its “color-blind” policies, did not address the race gap. Sure, many people of color would be helped by many of the policies, but even in those cases, we found that the relative economic situation among the races would not improve.

In some extreme cases, our analysis found that because race wasn’t taken into account in designing the policies, some would actually help whites more than people of color.

We found all this particularly disturbing given that for the last half century, about 90% of the African American vote has been Democratic. So we named the report, “*Voting Blue... Staying in the Red.*”

Then we were encouraged to see it warmly received by progressive media including *Democracy Now!*, the *New Standard* and many talk radio shows.

Already, we’re planning for next year’s report and setting our strategy for how to best contribute to the conversation during the coming presidential election year.

The Estate Tax—at Issue in Congress and in White House Race

The recent budget debate in Congress shows that repeal of the estate tax is less likely, but substantial reductions in the estate tax are still under discussion. Congress held seven votes on repealing or reducing the estate tax during the budget debate—more than any other tax issue—showing it continues to be a hot issue.

The good news is that Congress passed a final budget that says extending any tax cuts must be paid for. But if a budget surplus develops later, the Senate also voted to spend billions of it on setting the 2010–2012 estate tax exemption at \$3.5 million per spouse.

Senate staff indicate there may be estate tax legislation proposed this fall, so UFE will be working to educate the public and legislators about the huge cost of reducing the estate tax.

Meanwhile, repealing the estate tax is a big topic on the Presidential campaign trail, with Mitt Romney and Rudy Giuliani advocating repeal in most speeches. Giuliani had to cancel a scheduled media event after he failed to find a farm family in Iowa that would be hurt by the estate tax.

The next President may be the “decider” on the fate of the estate tax, if Congress does not act before the election.

Tax Cut Madness Continues

Many of us may have forgotten about tax cuts. After all, President Bush hasn’t proposed one in years. But, unfortunately, the negative impact of the existing tax cuts is actually increasing.

To call attention to this for Tax Day this year, we updated the Responsible Wealth Tax Fairness Pledge with a quick online calculator, called MyTaxCut, to let taxpayers find out how much they personally received for a tax cut last year.

Bloggers pointed out that you can see how much you’d receive if you were a millionaire by adding a few zeros to your total income. You can still try it yourself at responsiblewealth.org or google “MyTaxCut.”

Average Value of Bush Tax Cuts for 2006 Tax Year

Taxpayer's 2006 Cash Income*	Share of Taxpayers	Share of Total Tax Cuts	Average 2006 Tax Cut
More than \$1,000,000	0.2%	16.9%	\$111,549
\$500,000 - \$1,000,000	0.5%	6.1%	\$20,633
\$200,000 - \$500,000	2.7%	12.7%	\$7,249
\$100,000 - \$200,000	10.4%	24.9%	\$3,736
\$75,000 - \$100,000	8.5%	11.3%	\$2,063
\$50,000 - \$75,000	14.4%	11.3%	\$1,215
\$40,000 - \$50,000	8.2%	4.6%	\$877
\$30,000 - \$40,000	10.5%	5.1%	\$747
\$20,000 - \$30,000	13.9%	5.0%	\$561
\$10,000 - \$20,000	17.4%	2.1%	\$183
Less than \$10,000	12.9%	0.0%	\$5

Source: Based on data from *Tax Policy Center*, February 3, 2006. Does not include the effect of capital gains tax cuts enacted in 1997.*Cash income includes wages and salaries, investment income, and government benefits on a pretax basis.

23 percent of requests for emergency food assistance are estimated to have gone unmet during 2006.



29 Winter Street, Boston, MA 02108

Non-profit
Organization
US Postage
PAID
Permit No. 55116
Boston MA

ADDRESS SERVICE REQUESTED



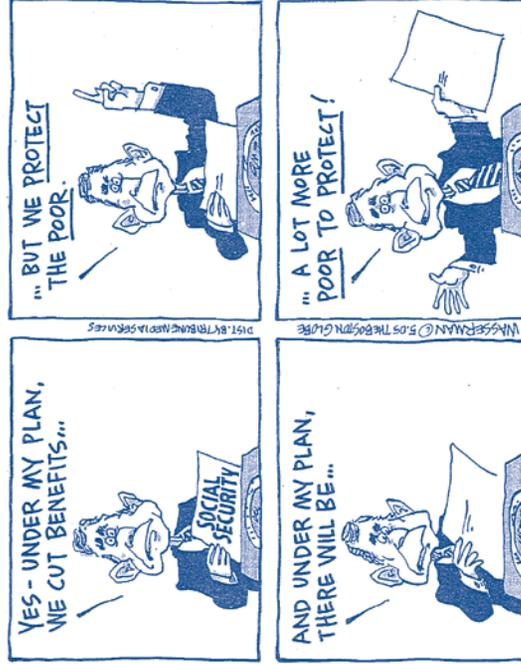
visit us on the web at www.faireconomy.org



FAIR PLAY

The Newsletter of United for a Fair Economy

SUMMER 2007



The Roots of Poverty Are
Back on the National Agenda.

See page 3 inside.