October 2009 Responsible Wealth • A Project of United for a Fair Economy Vol. 13, No. 1

# RESPONSIBLE WEALTH Action News

*Responsible Wealth believes that growing economic inequality in America has resulted from rules tilted in our favor as large asset owners. We examine these tilted rules and use our unique voice to propose changes that will lead to a fairer economy and a more democratic society.*

## Give Us the "Green Light"!

Are you receiving email announcements from Responsible Wealth? Do you receive United for a Fair Economy's monthly E-News, full of timely stories related to our work?

If not, please take a moment to send us your current email address AND make sure your spam blocker is set to allow emails from *responsiblewealth.org* and *faireconomy.org.* Send your current email to *mlapham@responsiblewealth.org*.

To keep costs down, we don't send much out by paper and snail mail these days. Most of our communication is by email, so let us know how we can keep in touch! Thanks.

## Inside


3 Estate Tax Lobby Day 2009

6 UFE Highlights

7 Estate Tax Legislative Update

8 New Yorkers Say: "Raise Our Taxes"


▶ LETTER TO MEMBERS

# Responsible Wealth Helps Break Down Walls

*A message from UFE's new Executive Director, Brian Miller*

I'm excited to be here at United for a Fair Economy. For 12 years prior to joining the UFE staff, I worked to achieve progressive tax policy victories in my role as Executive Director of Tennesseans for Fair Taxation (TFT). In doing so, I frequently faced the arguments most often raised by those who oppose our efforts. Time after time, we faced charges of class warfare, soaking the rich, or worse.

In my work at TFT, I also partnered with wealthy supporters who were more than happy to pay their fair share. During the last big tax debate in

*(continued on page 2)*

▶ SHAREHOLDER ACTION

# "Say on Pay" Success

## Shareholders and Congress Make Progress in 2009

Since 1998, Responsible Wealth members have filed over 60 shareholder resolutions on issues ranging from extreme CEO pay to predatory lending.

This year, our shareholder work focused on "Say on Pay" resolutions, which call on companies to institute a non-binding advisory vote on the compensation packages of their top executives, a practice that is already common in the United Kingdom.

With support from our terrific Boston College intern Pete Rau, Responsible Wealth members filed six Say on Pay resolutions—at Alcoa, Prudential, Target, Yahoo!, Schering-Plough, which is now part of Merck, and FedEx

*(continued on page 4)*

**Responsible Wealth Action News**

**Vol. 13, No. 1**
**October 2009**

**Responsible Wealth**
A Project of
United for a Fair Economy

**UFE**
**Executive Director**
Brian Miller

**Newsletter Editor**
Mazher Ali

**Responsible Wealth**
**Project Director**
Mike Lapham

**Newsletter Layout**
NonprofitDesign.com

**Responsible Wealth, a project of United for a Fair Economy,** is a group of business people, investors and affluent individuals among the top 5% of income earners and asset holders in the US (over $173,000 annual family income and/or $1,000,000 net assets) who are concerned about growing economic inequality and are joining together to publicly address the problem.

As beneficiaries of economic policies that are tilted in our favor, we feel a responsibility to speak out and change the system to benefit the common good. We believe it is also in our own best interest to do so.

**Responsible Wealth**
United for a Fair Economy
29 Winter Street, 2nd Floor
Boston, MA 02108

**Phone:** (617) 423-2148
Mike Lapham x112
**Fax:** (617) 423-0191
**Email:**
info@responsiblewealth.org
**Web:**
www.responsiblewealth.org

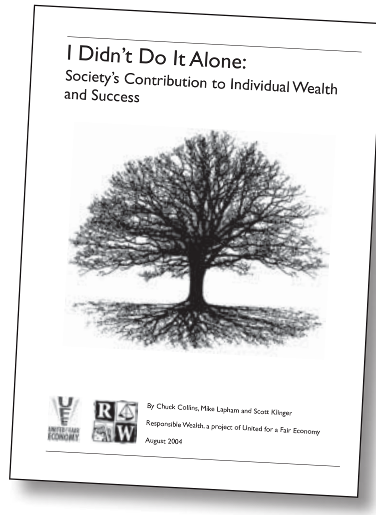
# Responsible Wealth Helps Break Down Walls

*(continued from page 1)*

Tennessee, we had a wide array of businesses and wealthy individuals join our call for comprehensive reform to reduce taxes for the bottom 60% of Tennesseans, while raising substantial new revenue for state services by creating a more progressive tax system overall. In addition to hundreds of wealthy business leaders, a number of business associations joined the call for tax reform, including several local Chambers and the Tennessee Business Roundtable.

A big part of what brought these wealthy individuals and businesses to the table was an understanding that their prosperity is intimately intertwined with the prosperity of the state as a whole. More directly, they knew that public investments in education, transportation, public safety, and other vital public structures were essential to the prosperity and success of their businesses, and they were willing to pay to support them. This, of course, flies in the face of the traditional anti-tax rhetoric of the ideological Right, who falsely claim that taxes are somehow the enemy of prosperity. The truth is, taxes and the public structures funded by them provide the foundation upon which prosperity is built.

Throughout my time at TFT, I frequently found myself calling upon United for a Fair Economy and using the many tools UFE provides groups like TFT, including the terrific 2004 Responsible Wealth report, "I Didn't Do It Alone." This analysis and understanding of the interconnectedness of public investments and individual wealth helped inform the work of TFT and similar organizations across the nation. I should also thank the many Responsible Wealth members who took the Tax Fairness Pledge, and in doing so,




**Responsible Wealth's 2004 report, "I Didn't Do It Alone," features interviews and profiles of a dozen successful entrepreneurs who recognize that they owe a large part of their success to society's investment in public education, infrastructure, technology and a legal system that allowed them to build successful enterprises.**

helped to fund the work of TFT to achieve progressive tax policy victories at the state level.

I have been on staff with UFE since mid-August, and have had the opportunity to learn even more about the exciting work of Responsible Wealth, including the great progress being made with "Say on Pay" shareholder resolutions, and the sustained work to achieve progressive tax policy victories at the federal level.

You, as a Responsible Wealth member, help to bring a unique, unexpected, and extremely valuable voice to the debate about progressive tax policy and corporate accountability. We are very grateful for your support and participation. I look forward to working with you, and with RW Project Director, Mike Lapham, in the years ahead as we create a healthier and more prosperous economy for all in our communities. ■

▶ NEWS

# Estate Tax Lobby Day

Having developed the formula for an effective pro-estate tax lobby over the past nine years, UFE and our 501(c)(4) sister organization, Fair Economy Action Fund (FEAF), with the help of Responsible Wealth, organized another lobby day in March 2009 to keep building steam for progressive reform of the estate tax.

On March 10th, members of both RW and UFE's Tax Fairness Organizing Collaborative (TFOC) came together for a one-day training in preparation for the March 11th lobby day, where they were joined by partners from Citizens for Tax Justice, Resource Generation, and RESULTS. Our timing couldn't have been better, as the lobby day took place just before House and Senate budget debates, which included potential changes to the structure of the estate tax.

Participants met with tax staff members of 17 key Senators and Representatives, urging them to support a strong estate tax during the budget debate. These meetings were extremely important, as these staff members rarely meet with estate tax supporters. In addition, recently elected officials who may be new to the debate were provided with important information on the issue.

The goal of the lobbying efforts was to generate support for Rep. Jim McDermott's Sensible Estate Tax Act (H.R. 2023), and to highlight the benefits of a strong estate tax. Congressional staffers were informed that a progressive estate tax would preserve almost $1 trillion in revenue over the next decade, provide a powerful incentive for charitable giving, and reduce inequalities of wealth. Elimination or poor reform of the estate tax would continue to shift taxes from wealthy individuals to middle income taxpayers and future generations.

This year's lobby day had a clear impact, as none of the newly elected Senators voted in favor of proposals that would reduce the estate tax, and one Senator, who supported a bad reform proposal last year, voted against it this year. ■

## New Yorkers Say: "Raise Our Taxes"

*(continued from page 8)*

**Responsible Wealth project director Mike Lapham leads a planning meeting in the effort to collect signatures for RW's letter to NY Governor Paterson. The letter was signed by 90 upper-income New Yorkers.**

letter to the Governor and the Legislature, which resulted in press coverage all across the state, and helped turn the tide at a critical point in the budget negotiations.

With the letter as cover, the leaders agreed to add new tax rates to the top end of the income tax scale. Rates go from 6.85% to 7.85% for families making between $300,000–$500,000 and to 8.97% for families with incomes over $500,000. Previously, all income above $40,000 was taxed at a flat rate of 6.85%. The new tax rates are expected to bring in $4 billion in new revenue each year.

This spring/summer, another TFOC member, Better Choices for Connecticut, approached Responsible Wealth about creating a similar sign-on letter for upper-income taxpayers as their state faced a two-year $8 billion budget shortfall. Twenty-one individuals signed that letter, which was delivered to the Governor and the Legislature. Connecticut instituted a new 6.5% tax rate (up from 5%) on income over $500,000 for individuals, and income over $1 million for couples, good for roughly $1 billion in new income annually.

A progressive tax strategy has started to gain traction in states across the nation, as Hawaii, New Jersey, New York, Oregon, Wisconsin, and now Connecticut, have embraced higher taxes on upper-income taxpayers to alleviate budget pains caused by the economic crisis. ■

# "Say on Pay" Success

*(continued from page 1)*

(see table). Our resolutions were part of a larger effort coordinated by Walden Asset Management, a division of Boston Trust, and AFSCME. In all, over 100 Say on Pay resolutions were filed this year.

Alcoa and Schering-Plough challenged our resolutions on technical grounds, preventing a shareholder vote. However, the legal and investor relations representatives at Prudential, Target and Yahoo! all engaged with us in constructive dialogue about our proposals before they went to a vote.

In general, the companies expressed concern that shareholders do not know enough details about executives' compensation packages to make an informed decision. We argued that with greater transparency, shareholders could make an informed vote that will provide important feedback to compensation committees.

**RW Intern Pete Rau**

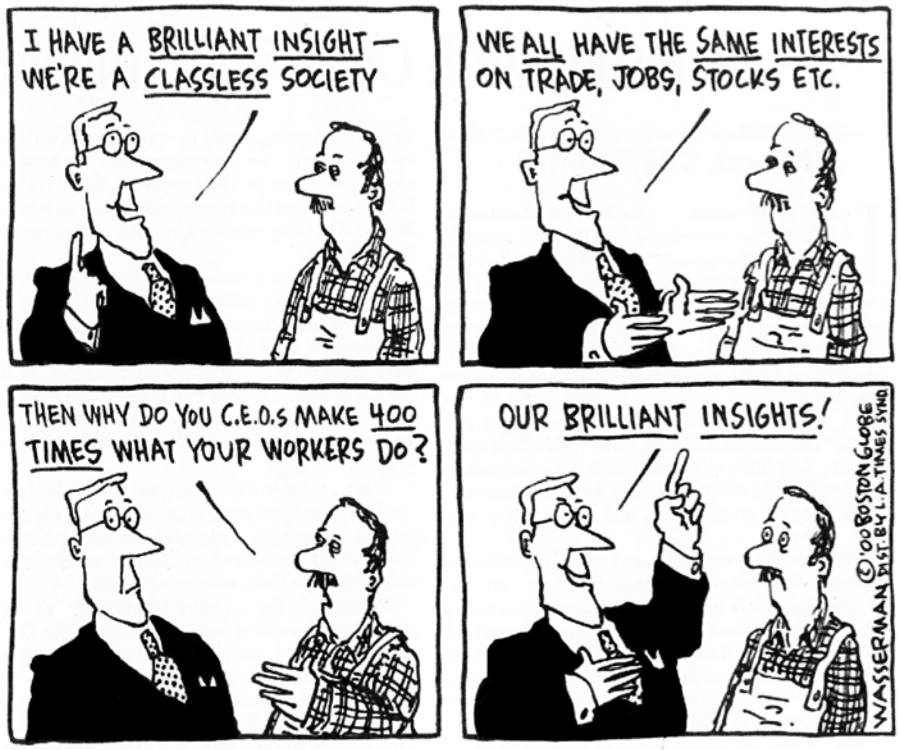
One company, Target, set up a webpage for online comments, which they hoped would be an acceptable substitute for a shareholder vote. We countered that this would provide only a very small sample, and would leave the company free to ignore investor comments. We built on our argument, adding that public shareholder-wide votes are a much more democratic and transparent means for gathering shareholder feedback.

Pete Rau prepared and read a statement at the Prudential annual shareholder meeting in New Jersey on May 12, where our resolution garnered a whopping 62.5% vote in favor. RW member John Frantz presented our resolution at a shareholder meeting held in a new Target store in Wisconsin on May 28, and investment advisor Lincoln Pain (Effective Asset Management) presented at Yahoo! in Silicon Valley on June 25. Target's vote was 45% in favor; Yahoo! was 31%. We are hopeful that both Prudential and Target will implement an advisory vote this year.

So far this year, at least twenty Say on Pay resolutions have received majority votes, and the average vote has been 46% vote in favor. Several companies have voluntarily adopted an advisory vote. One such company is Intel, where Walden Asset Management/Boston Trust filed the resolution and RW members Stephen Johnson and Marnie Thompson were co-filers.

## Responsible Wealth Say on Pay Resolutions 2008–2009

| Company | Filer(s) | Attended Meeting | Resolution Type | Result/Notes |
|---|---|---|---|---|
| Alcoa | Elizabeth Philips | N/A | Say on Pay | Withdrawn due to company challenge of filing technicality. |
| Prudential | Bill Creighton | Pete Rau | Say on Pay | 61.5% preliminary vote in favor. |
| Target | Allen Hancock | Dr. John Frantz | Say on Pay | 45% preliminary vote in favor. |
| Yahoo! | Michael Loeb | Lincoln Pain | Say on Pay | 33.8% preliminary vote in favor. |
| Schering-Plough | Michael Loeb | N/A | Say on Pay | Company challenged at SEC on proof of ownership technicality; no vote taken. |
| FedEx | Marnie Thompson | Sept. 28 | Say on Pay | Resolution was "FedExed" to FedEx! |
| Wells Fargo | North Star Asset Mgmt. | N/A | Racial Disparities in Mortgage Lending | Successfully challenged by company at SEC. |
| Western Union | North Star Asset Mgmt. | N/A | Community Reinvestment Policy | Successfully challenged by company at SEC. |




## Action in Washington

While Responsible Wealth and others were filing resolutions and negotiating with companies through the fall and winter, media attention to the issue was increasing and public anger was growing over pay packages at firms like AIG and Goldman Sachs, especially in the midst of the financial crisis and corporate bailouts.

In fall 2008, Congress created the Troubled Asset Relief Program (TARP), which included restrictions that limit the portion of CEO pay that TARP funded companies could deduct from their taxable profits. Those regulations were strengthened further in the stimulus bill. In June, President Obama established a so-called "pay czar" to enforce the new regulations on executive compensation. The authority of the pay czar, however, is unclear at this point and the new regulations enacted to date only apply to corporations with TARP funding.

On July 31, 2009, the US House of Representatives passed Say on Pay legislation sponsored by Rep. Barney Frank (D-MA). Pending approval by the Senate and by President Obama, who has already indicated his support, the legislation would require public companies to give shareholders an annual non-binding vote on executive pay packages.

The bill would also mandate a shareholder vote on so-called "golden parachute" agreements, such as the $47 million severance package AIG's CEO received upon his firing! The bill also contains provisions requiring greater independence of compensation committees and consultants, and prohibits large financial institutions from having risky incentive-based compensation provisions, all of which are positive steps toward reining in out-of-control executive compensation.

When United for a Fair Economy began calling attention to extreme CEO pay, making our annual calculation of the ratio of CEO pay to average worker pay, and co-producing the annual *Executive Excess* reports about 14 years ago, media attention to CEO pay was infrequent at best. Today, it's gratifying to see that the sustained efforts of RW and others fighting for corporate accountability are beginning to pay off.

As Say on Pay hopefully becomes the law of the land, there is still much work to be done on CEO and executive pay. Responsible Wealth will shift our attention to new resolutions that revisit the CEO pay gap at financial firms. So ready your portfolios, and stay tuned! ■

## Roll Back Bush-era Tax Cuts!

Responsible Wealth is part of a coalition of groups (Wealth for the Common Good) collaborating to gather signatures for a petition to President Obama, urging him to roll back Bush-era tax cuts for taxpayers with incomes over $235,000. In just the first few days that the petition was online, 60 RW members added their names to the cause. To read and/or sign the petition, visit *responsible wealth.org* or contact Mike Lapham at 617-423-2148 x112.

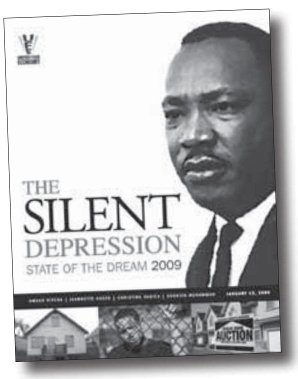
▶ UFE UPDATE

# United for a Fair Economy Highlights

This Great Recession has thrust issues of economic injustice into the mainstream. Public awareness of economic inequality is at an all-time high, and the election of President Obama paved avenues for long-awaited reform to take place.

Programs of United for a Fair Economy (RW's parent organization) strive to provide a holistic and historical analysis that digs deep to expose the root causes of economic inequality and move people toward action.

Here is a sampling of some of United for a Fair Economy's current work:




## Racial Wealth Divide

In January, we released our 2009 State of the Dream report, *The Silent Depression*, which shows that communities of color were experiencing an economic recession for five years before the current recession was even announced. This extended recession amounts to a *depression* for communities of color in this country.

Our State of the Dream reports have become valuable tools for groups and individuals in understanding the policy changes required to end the structural racism that has existed in our country for generations. We are gearing up for our 2010 report, which will continue to explore and publicize the impact of the economic crisis on communities of color.

## Tax Fairness Organizing

United for a Fair Economy's Tax Fairness Organizing Collaborative (TFOC) just wrapped up a six-month planning process that will serve as a guide for increasing the power, impact and visibility of the collaborative over the next three years. Now comprised of 26 members in 22 states, the TFOC is a forum for state-level tax fairness groups across the country to share best practices, and build capacity for more effective tax fairness organizing.

In April, UFE's Tax Team, along with board member Mike Prokosch produced our annual Tax Day Report, entitled *Safe, Fair & Sustainable: Do President Obama's Tax Proposals Measure Up?*

## Popular Economics Education

All of UFE's workshops follow a popular education model, providing a means for participants to make connections between their economic realities and the rules that govern our economy. This strategy is fundamental to building and sustaining the movement for greater economic equality. Our most recent workshop, *Bankers, Brokers, Bubbles and Bailouts*, is a primer on the economic crisis presented in a way that is accessible to everyone. All of our workshops are available for free download on our website.

In November, United for a Fair Economy will lead a four-day Training of Trainers (ToT) for community organizers in Los Angeles, where participants will learn popular education methodology. We are also planning a ToT for March 2010 at the Highlander Center in Tennessee. UFE holds five to six trainings like these each year.

## Bridging the Language Gap

As Spanish-speaking communities in the US are rapidly expanding, so too are their power and potential for influence. This spring, we launched EconomiaJusta.org, a Spanish language mirror of FairEconomy.org, which provides users with translated versions of all of UFE's materials and information.

Over the past year, UFE's Education Team held several bilingual Trainings of Trainers, and last month we released *La Depresión Silenciosa*, the Spanish language version of our sixth annual State of the Dream report. ■

**Spring Training of Trainers participants and instructors gather for a group photo on Buzzards Bay, MA.**

▶ NEWS

# Estate Tax Legislative Update

Responsible Wealth and our parent organization, United for a Fair Economy, have been on the frontline of the fight for a strong estate tax for nine years, and we intend to see it through to a final resolution.

Although full repeal of the estate tax is unlikely at this point, conservative opponents are still fighting against the tax—they've spent millions of dollars on efforts to either end or dilute the tax. But we know our voices are more powerful than their wallets, because our voices are backed by the highest ideals of our country.

Comprehensive estate tax reform has been delayed this year on account of other legislative priorities: the stimulus bill, the budget, and healthcare reform, in particular. We expect a big battle this fall when Congress votes on either a one-year change for 2010 or a permanent change in estate tax law.

Because the estate tax is our nation's most progressive federal tax, we need your help to ensure that the issue remains on the minds of our legislators. Visit UFE's estate tax webpage to find out how you can take action. ■


**Federal Estate Tax Under Current Law**

| Year | Exemption Level | Tax Rate (%) on amount above exemption | Potential Revenue Generated | Number of taxable estates per year | Percentage of estates that pay the estate tax |
|---|---|---|---|---|---|
| 2009 | $3.5 million/$7 million per couple | 45% | $14.8 billion | 6,100 | 0.24% |
| 2010 | Estate tax repealed for one year; heirs pay capital gains tax | N/A | $0 | 0 | 0% |
| 2011 | $1 million/$2 million per couple | 55% | $35 billion | 46,000 | 1.78% |

**Federal Estate Tax Under Rep. Jim McDermott's H.R. 2023: Sensible Estate Tax Act of 2009**

| Year | Exemption Level | Tax Rate (%) on amount above exemption | Potential Revenue Generated | Number of taxable estates per year | Percentage of estates that pay the estate tax |
|---|---|---|---|---|---|
| 2011 | $2 million/ $4 million | 45% rising to 55% on amounts over $10 million | $22 billion | 15,500 | 0.60% |

Tables based on data from the Tax Policy Center with calculations by United for a Fair Economy.

SOURCES: http://www.taxpolicycenter.org/UploadedPDF/411777_back_grave.pdf, http://www.taxpolicycenter.org/numbers/Content/PDF/T09-0200.pdf

Responsible Wealth
A Project of United for a Fair Economy
29 Winter Street, 2nd Floor
Boston, MA 02108

**Vol. 13, No. 1**
**October 2009**



**SUPPORT A FAIR ECONOMY!**

**Please take a moment to respond to our year-end appeal (arriving in your mailbox soon). If you're reading this, and are not yet a member, please join Responsible Wealth or United for a Fair Economy at *www.responsiblewealth.org/donate*.**

***Responsible Wealth Action News***

**RW NEWS**

# New Yorkers Say: "Raise Our Taxes"

Nobody wanted to say it. Faced with a $14 billion budget gap, Governor Paterson didn't want to say it. Assembly Speaker Sheldon Silver didn't want to say it. Senate Majority Leader Malcolm Smith definitely did not want to say it. They knew it had to be said, but nobody wanted to be the one to say it first.

Even though it was the most obvious piece of the solution, no one wanted to say, "Let's raise taxes on upper-income New Yorkers."

Even our TFOC partner, New Yorkers for Fiscal Fairness (NYFF), didn't want to be the one to say it, because they knew that, coming from them alone, it wouldn't have the desired effect. But NYFF knew who *could* say it, and who *would* say it. In fact, they knew that Responsible Wealth exists for just this purpose. So they called us.

It was November 2008. The Governor was talking severe budget cuts, raising fees, cutting public services, closing schools and parks, and on and on. Fourteen billion dollars in combined budget cuts and new revenue needed to be found to balance the state's budget. Later estimates of the gap were as high as $19 billion.

Actually, one person *tried* to say it. When New York City Mayor Michael Bloomberg was interviewed by the Associated Press on November 13, 2008 about whether he thought raising taxes would result in people leaving the state, he said, "…among my friends, I've never heard one person say 'I'm going to move out of the city because of taxes.' Not one." But he later backed away from that statement after catching some flak for it.

Together with NYFF, Responsible Wealth drafted a letter to the Governor and the NY Legislature that said, "As upper-income New Yorkers who treasure the quality of life in our state, we believe Governor Paterson's [proposed budget cuts and tax increases] are an unnecessary response to the current budget crisis….Those of us who have incomes of $200,000 and above can certainly afford an increase in our income tax," and we set about gathering signers.


**Ron Deutsch of New Yorkers for Fiscal Fairness speaks at an Albany press conference, March 23, 2009, announcing Responsible Wealth's letter to NY Governor Paterson, signed by 90 upper-income New Yorkers. Photo from Capital News 9 coverage.**

In the end, over 90 upper-income New Yorkers signed the letter. On March 23, 2009, NYFF held a press conference in Albany and delivered the

*(continued on page 3)*