UNITED FOR A FAIR ECONOMY

FAIR PLAY

SPRING 2005

THE ONEROUS SOCIETY

By Meizhu Lui,
Executive Director, UFE

Wow! The “ownership society!” That sounds almost as appealing as “Morning in America” did when President Reagan was around. Rosy cheeks, sunny days, a house with a white picket fence, a sense of security and belonging...

Wake up and smell the coffee. It was indeed a good morning under Reagan for the wealthy who got nice fat tax cuts. Unfortunately, the “trickle down” we were promised turned out more like a hail storm. As economist Randy Albelda pointed out, “Mink coats don't trickle down.”

In Bush's ownership society, no matter what the economic question is, the answer is tax cuts, so that the wealthy can own even more. *Time* magazine recently devoted some pages to the renewed fashionability of extravagance, such as diamond studded handbags, which also don't trickle down. We get tricks, not trickle.

But it gets worse.

Even if we don't own a lot ourselves, think of how much we own together as a society: national parks, roads and bridges, laws and courts, immunizations and school lunches for all our children. We've got insurance programs that we all pay into together, like Social Security and Medicare. Even without the house with the picket fence, these common goods make us more secure.

Sure, we all dream of owning some wealth. But we've got to watch out for scams that tell us the way to own more individually is to dismantle what we own together.

Social Security privatization is the biggest scam in the headlines recently. Anyone who can add and subtract can figure out that if we take money out of the insurance pool to put into the stock market for our children's old age benefits, we'll only be able to pay the current generation of seniors by going into debt.

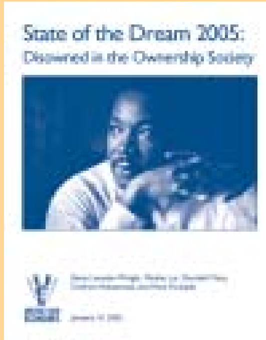
But there are other scams that promise us riches by dismantling our common wealth. The Central America Free Trade Agreement (CAFTA) would turn our legacy of democratically decided labor and environmental protections over to multinational corporations. The trade policies that promise to enrich us all only trickle down misery.

Laws called "Taxpayers' Bills of Rights" (TABOR) promise to let us keep all our own dollars instead of putting some into a common treasury. But shrinking our common wealth forces cuts in health, education and welfare programs, even if voters and their elected officials don't want them. Passed in Colorado, TABOR is being considered in twenty more states.

But you can't trick all the people all the time. Social Security privatization has encountered massive resistance, unexpected by the neo-conservatives, fresh from an election victory. Both US citizens and immigrants have organized against CAFTA, pressuring governments on both sides of the border. And TABOR is beginning to be recognized as a wolf in sheep's clothing. Thanks to good organizing and the good sense of the people, the political weather is shifting, and a real morning in America will dawn.

"THE OWNERSHIP SOCIETY"

NEW UFE REPORTS



The second annual ***State of the Dream*** report compares income, unemployment and asset ownership of white, black, Latino (Hispanic), Asian American and Native American families before and after 2000, and finds that the racial wealth divide widened during the first Bush administration.

The Wall Street companies that have lobbied for Social Security privatization, which would bring them billions in fees, pay their CEOs so much that they're done paying their Social Security tax on January 4, on average. Their effective Social Security tax rate is 200 times lower than the average taxpayer's rate. These are the findings of UFE's Tax Day report, ***Taxpayers for a Day.***

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TRICKLE DOWN MISERY

By Jeannette Huezo

This spring the United States Congress will debate whether to ratify the Free Trade Agreement of Central America (CAFTA), which extends NAFTA southward. The CAFTA is an asymmetric agreement between an economic powerhouse and the six poorest countries in Latin America – Nicaragua, El Salvador, Guatemala, Costa Rica, and Honduras – as well as the Dominican Republic.

Trade negotiators promise that such agreements will create jobs, diversify agriculture, and improve regular people's lives. But in fact, "free trade" agreements expand corporate rights at the expense of people's democratic rights, workers' health, safety and wages, and environmental protections.

CAFTA is like a boxing match between a heavyweight and a featherweight, an unfair competition. It would cover not just what we think of as "trade" (goods and products), but also facilitate the privatization of public services, such as education, health care, housing, telecommunications, energy, and water. Multinational corporations would be able to buy up infrastructure and charge fees for previously free services.

The language of the agreement defines CAFTA's goal as promoting investment, and in particular every investor's "expectation of gain or profit." If CAFTA's effects parallel those of NAFTA and other international trade agreements, it would expand the existing gap between the countries signing the agreement. In a race to the bottom, low wages would draw jobs into whichever country paid the least.

Congress is divided on this issue. They need reminders of the hundreds of thousands of jobs NAFTA cost the US.

There is strong movement against CAFTA in Central America as well in United States. Hundreds of people, most of them Central American immigrants in the US, have participated in UFE's English or Spanish workshops on CAFTA. Once they learn what CAFTA is going to do to the economy of their home countries they get angry and start to hold their representatives accountable, both those in Central America and those in the US. They've been spreading the word on how CAFTA threatens to dismantle common wealth in the interests of private wealth.

PRODUCIDO POR EQUIPO MAIZ, EL SALVADOR

CHART FROM CAFTA WORKSHOP IN SPANISH.

The highest price ever paid for a home in US history was the $70 million shelled out by Dwight Schar, CEO of NVR Inc. His 26,000-square-foot new Palm Beach, FL house has 18 bathrooms.

TAMING THE TABOR-TOOTHED TIGER

By Karen Kraut

A dangerous predator is on the prowl, threatening the lives of ordinary Americans. It was first sighted in Colorado. TABOR, the "Taxpayers Bill of Rights," was passed in 1992 - as a Constitutional Amendment, no less. What rights does it give taxpayers? Mainly, the right to hamstring their government.

o TABOR requires that every proposed tax increase be approved by all voters. Elected representatives are not allowed to make these changes, which are a normal and essential part of government business.

o TABOR says that government revenues cannot grow faster than inflation plus population, and if it does, the state must give that money back to the taxpayers. Health care and prisons are just two examples of programs that have increased at significantly higher rates.

o TABOR limits spending at an artificial and arbitrary level. Mandatory spending requirements in certain programs, such as Medicaid, have crowded out dollars for other vital state services like public health and higher education.

o TABOR limits the kinds of taxes that can be proposed. It prohibits local income taxes and state property taxes. That gives legislators a toolbox with a bunch of tools missing.

Recently, the TABOR tiger has increased its reach, trying to expand its feeding ground across the country. Well-funded neo-conservatives are pushing TABOR-like proposals in eighteen other states, so it behooves all of us to know what its effect has been in Colorado.

The list of TABOR's effects reads like a Taxpayers Bill of Wrongs. After 12 years of TABOR, Colorado ranks 47th in K-12 education funding as a share of state income. It ranks dead last in the nation in on-time immunization rates. The percentage of low-income children who lack health insurance rose from 7% to 15%. Colorado eliminated the mental health program in youth corrections facilities. For a state that passed a constitutional amendment ensuring discrimination against gays (in the same year TABOR passed) because it wanted "family values," its fiscal policy embodies a callous disregard for the state's children.

As these results have encroached more and more on the lives of Coloradans, tax policy has become a hot issue. United for a Fair Economy has been working with the Colorado Progressive Coalition (CPC) – whose 40 member groups include religious, labor, women's, Native American, Latino, African American, and environmental organizations – to produce an education campaign on the need for TABOR reform. Since 17% of Colorado's population is now Latino, UFE's Spanish language workshops are critical. And thanks to the new national Tax Fairness Organizing Collaborative initiated by UFE last year, which brings together budget and tax activists from many states, Coloradans are sharing their experiences to help other states stop TABOR.

Opposition in Colorado is not just from the usual suspects. A business coalition also wants TABOR de-clawed. Even Republican Governor Bill Owens – who for years has been the poster child for the slash and burn anti-tax crowd – wants his picture off the poster. He's entered into an alliance with

UFE RAN THIS AD IN THE MARCH 11 EDITION OF THE NATIONAL CATHOLIC REPORTER.

the Democratic legislature to temporarily stop giving out the tax refunds in order to save what's left of state services.

To national neo-conservatives, Colorado was supposed to be only the first stop in their effort to pass similar draconian anti-government measures across the country and eventually at the federal level. But TABOR's dismal results in Colorado have taken the wind out of their sails. With Governor Owens' defection, it looks like Colorado could split the neo-conservative juggernaut.

TABOR's failure could be a catalyst for organizing to restore our government's responsibility to levy and spend public funds for the common good. The TABOR-toothed tiger deserves to go extinct.

The CEO of United Technologies, George David, was paid about the same amount in 2004, $89 million, as the US president, vice-president, 535 members of Congress and 9 Supreme Court justices - combined!

TOP TEN FLAWS OF SOCIAL SECURITY PRIVATIZATION

By Betsy Leondar-Wright

For a sheer, shameless rip-off, Social Security privatization takes the cake.

Why would the Bush administration run around the country crying "The sky is falling," when in fact the Social Security system is more solvent now than it was from the 1940s through the 1970s, and certainly more solvent than the rest of the federal government? Might the explanation be campaign contributions from Wall Street firms who would make a killing on fees for managing private accounts?

UFE AND OTHERS PROTEST APRIL 13 BOARD MEETING OF SECURITIES INDUSTRY ASSOCIATION, MADE UP OF WALL STREET FIRMS FUNDING SOCIAL SECURITY PRIVATIZATION LOBBY.

Privatization has lost popularity recently, but the idea is not dead yet, and it's up to all of us to help kill it for good.

Many of us encounter friends and family who think "personal accounts" are a nice idea, a way for the government to help ordinary people get in on the next stock market boom. Next time this happens to you, here are ten reasons you can give them to oppose privatizing Social Security.

1) We'd get less.
The Bush privatization plan lowers future guaranteed benefits for everyone now under age 55 – not just for those who choose a private account. People now 15 years old would retire with benefits 40% lower than today's retirees.

2) It would be less fair.
Social Security now gives a higher percentage of their former pay to people who need it more. Private accounts would give less to people who earned less.

3) It hasn't worked elsewhere.
In other countries that privatized their social retirement systems, such as Britain and Chile, the private accounts paid lower benefits than the completely public system had paid.

4) There's more risk.
The Social Security Trust Fund is invested in US Treasury notes, historically a much more stable investment than the stock market, which could be crashing just at the moment you retire.

5) If it ain't broke...
No dramatic fix is needed, just a modest adjustment after 2051. To keep the current Social Security system running in the black forever, just raise the cap on taxed income from $90,000 to $175,000 – or eliminate it entirely.

6) Insurance only works when risk is pooled.
You can't save enough to protect yourself against all life's vicissitudes. To replace all Social Security's guaranteed benefits with private finances, you'd have to buy disability insurance, life insurance, and an annuity with a guaranteed income for life. Social Security is a better deal.

7) Old folks shouldn't have to fear poverty.
Thanks to Social Security, only one in ten seniors are poor, but without Social Security benefits, over half would be poor. The program is especially important to African American and Latino families, who depend more heavily on it.

8) It's full of fuzzy math.
The president's rosy forecasts for a privatized system include very high economic growth when predicting how much would be in private accounts, and very low economic growth when predicting how much will flow into the Trust Fund from FICA taxes. You can't have it both ways!

9) It requires borrowing huge amounts.
Who would pay back the $2 trillion federal debt that would be run up in the first decade to create the private accounts? Wouldn't that liability set our children and grandchildren back more than they'd ever gain even if their private account lucked out from another stock market boom?

10) We all have a stake in the current system.
Social Security has been "the third rail of American politics," untouched while other programs get cut, because everyone benefits from it. If voters are divided into smaller groups, such as those with and without private accounts, each program will have fewer to defend it.

Let's make sure the voltage in that third rail surges stronger than ever. If we want Social Security to be there for coming generations, we need to make sure that this and every privatization scheme gets zapped.

To learn more...

o Updates on the Social Security debate at www.faireconomy.org/research/SocialSecurity.html

o Social Security and people of color at www.faireconomy.org/research/socialsecurity_40605.htm

Since Congress last raised the minimum wage in 1997, they have raised their own pay seven times, according to columnist Holly Sklar. In 1963 a member of Congress earned nine times as much as a minimum wage worker, in 2005 fifteen times as much.

SILVER SPOONS FOR OUR CHILDREN

By Meizhu Lui

Some of us have the good luck to be “born with a silver spoon.” Through no effort of our own, our parents provide us with a safe and secure home, a good education, college tuition, a down payment on our first home.

What if we could put a silver spoon in every child's mouth? An impossible dream?

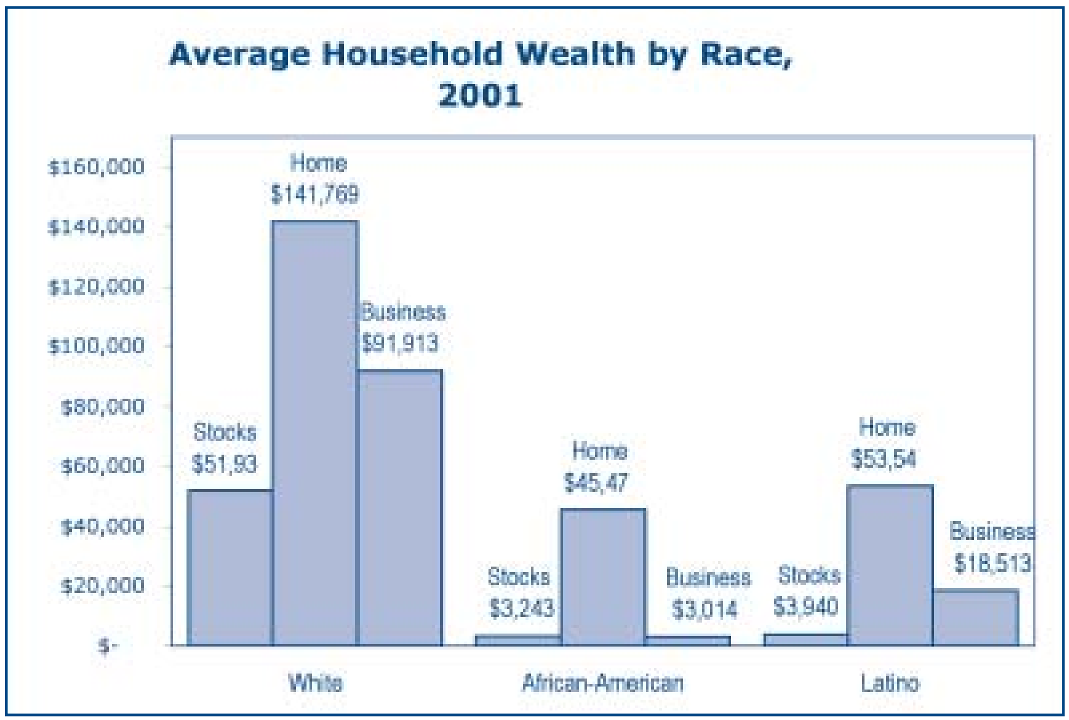
In the stodgy old United Kingdom, which still uses public dollars to support a monarchy, there is a new program to level the economic playground for British children. A Tony Blair initiative provides that every baby born in Britain gets a free grant from the government at birth, a "baby bond," of about $750. The government adds $75-$150 more at ages five, eleven, and sixteen. With interest, it should be worth roughly $3000 when the child turns eighteen and is allowed to withdraw the money. Parents can also add to the account tax-free to grow the nest egg.

In the US, the idea of helping all citizens build assets is gaining ground. A plan similar to the “baby bonds” program was put forward in Congress in July 2004, called the America Saving for Personal Investment, Retirement, and Education Act (the ASPIRE Act). The government would provide every newborn with a “KIDS Account” endowed with $500. Additional government contributions would be available for low- and moderate-income families as well as other incentives for those families to add more dollars. At adulthood, the money could be used for a college education, a first home, or saved for retirement.

While using tax give-backs to enrich the already rich is high on the Republican agenda, the idea of using tax dollars to broaden wealth also has bipartisan sponsors in the House and Senate (Republican Rick Santorum and Democrat Jon Corzine on the Senate side)!

At UFE's February conference, “Defending the Dream: Economic Opportunity and Tax Fairness,” participants learned about the gaping racial wealth divide, fueled by federal policies over decades and centuries. They heard about the increased hardships and disparities that would result from the elimination of the estate tax. They also heard about exciting new ideas for asset building that could help to close the gap, of which ASPIRE is just one example.

UFE has debunked the bootstrap myth of wealth creation, showing that it takes a village to raise a billionaire. And the US has done a great job of that – there were 313 billionaires in the US in 2004, up from 262 in 2003. But we need to remind our village not to ignore the children, as almost one child out of five is living in poverty in these United States. For them to achieve their dreams, bootstraps don't work. We can afford to give them all silver spoons.



DATA FROM UFE'S REPORT, *THE STATE OF THE DREAM 2005: DISOWNED IN THE OWNERSHIP SOCIETY.*

When the Justice Department charged billionaire Walter Anderson with the biggest tax fraud in US history, his excuse for sneaking $450 million of his income out of the country to avoid paying taxes on it was that he was going to use the money "to change the world."

WINNING AT OVARIAN ROULETTE

Worth Magazine *interviewed UFE co-founder Chuck Collins and ran a first-person article in the April issue. Here's an excerpt:*

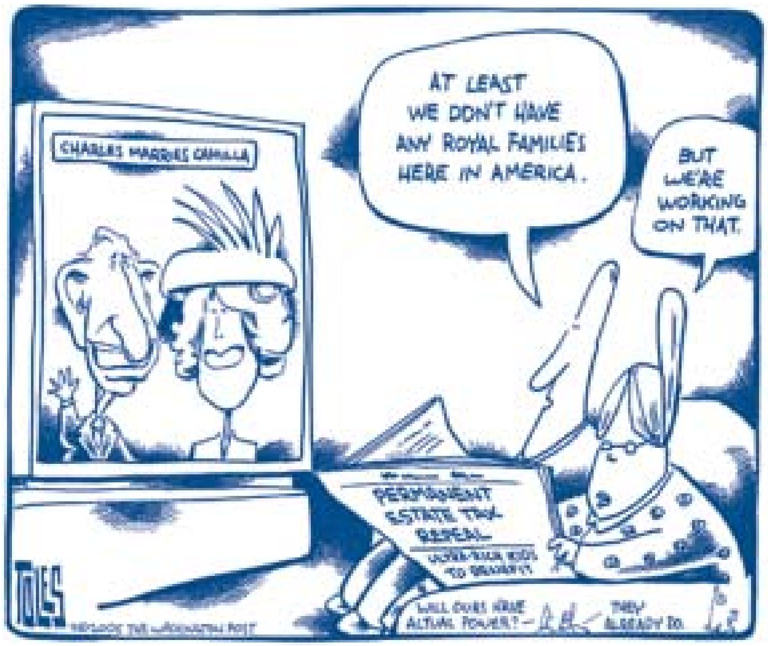
"We have a mythology about wealth creation in America: that it is something an individual does on his own. In fact, all of those on the Forbes 400 list owe their wealth partly to a taxpayer-financed inheritance of public services such as research and education...

My great grandfather, Oscar Mayer, came here from Bavaria and was able to apprentice to a butcher in Chicago. The fact that government enforced health and safety regulations made it possible for people to trust the sausages he made and packaged...

[I] gave away my $500,000 inheritance to a couple of foundations. Someone recently pointed out that if I had held onto the money I would have $6 million today, and think of what I could do with that. I say, "Think of what it did then." If you cross the class line and your heart is open, and you do not embrace an ideology that says these people get what they deserve because they have some deficiency, then it is very hard to sit on a pile of money that you didn't earn and feel that it belongs to you...

There was a responsible wealth movement during the first Gilded Age. Both Andrew Carnegie and Teddy Roosevelt believed adamantly that there should be an inheritance tax.

Now, in the second Gilded Age, there seems to be a group of people with enormous wealth who feel almost entitled to it by birthright. The Mars family, with a net worth of $10 billion, is bankrolling the campaign to permanently abolish the estate tax... I think a lot of people who hit the lottery at birth think of themselves as prime movers of society, like those depicted in Ayn Rand's *Atlas Shrugged*, when all they really did was win at the ovarian roulette.



Roll this scenario out another 30 years, and we will find around 1 percent of the population controlling more than 50 percent of the private wealth. You have to ask yourself if you want your grandchildren to grow up in an apartheid society...

People talk about remembering the school that helped make them what they are and feel an obligation to give back. Our society is an alma mater too. One of the easiest ways to say thank you America for the opportunities you gave me is through a certain amount of taxation on excessive wealth...

There is something particularly unseemly about giving tax cuts to multimillionaires and billionaires in wartime; it is a move unprecedented in U.S. history. During World War II fortunes beyond $50 million were taxed at 70 percent, as a way of conscripting wealth for the war effort. In a famous invective against war profiteering, FDR said: "I don't want to see a single war millionaire created in the United States as a result of this world disaster."

When you cross the class divide, you find friends whose children are in Iraq and Afghanistan. Recently I went to a fundraiser at the VFW hall so that we could raise money to send Joe a Kevlar bulletproof vest. Where is the outrage over the inequality of sacrifice? Aren't people embarrassed about it? By eliminating the estate tax we shift the burden from deceased multimillionaires and billionaires to people who have less capacity to pay... To paraphrase J. Paul Getty, money is like manure, better when spread around."

See the full article at www.FairEconomy.org/press/2005/classconscious.html

The richest half of one percent of taxpayers will get more from the Bush tax cuts this year than the entire bottom 60% of the taxpaying public, according to the Tax Policy Center.

BACK BY POPULAR DEMAND!

TRAINING OF TRAINERS

UFE Popular Economics Education Institute

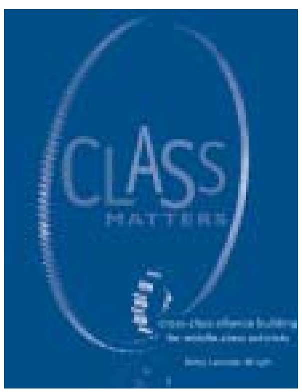
June 2 - 5, 2005
Highlander Center, New Market, TN

English and Spanish tracks to prepare people to lead UFE's participatory Growing Divide workshop and help build support for campaigns to reduce economic inequality.

For more info: 617-423-2148 x 132

CLASS MATTERS

UFE aims to help build a cross-class movement, and a new book by Communications Director Betsy Leondar-Wright helps activists learn how.



If you order *Class Matters* (or any book) online at www.Powells.com, UFE gets 7% of the price.

STAYING POWER

What will it take to overturn two decades of radical conservatives rolling back progressive taxes and shrinking public benefits?

It will take a long-term social movement to change hearts and minds and build the political will for change.

United for a Fair Economy is now ten years old. When we began, few made the connection between growing concentration of wealth, shrinking of public services and the slow unraveling of our social fabric. Today, UFE's message is embedded in our national conversation. But watching the Bush administration and Congress continue to tilt the playing field in favor of the already wealthy, we know we'll be needed for at least twenty more years of winning hearts and minds.

A significant bequest from the family trust of one of UFE's members (who wishes to remain anonymous) will help us stay in the game until the job is done. We deeply appreciate the confidence expressed in this legacy gift, and we will use it to strengthen UFE's capacity for long-term social change.

UFE welcomes legacy gifts. *If you would like more information about including UFE in your will, please contact Jane Covey, Development Director at 617-423-2148 x127 or jcovey@faireconomy.org*

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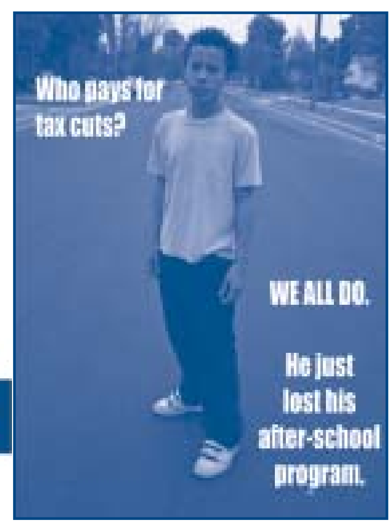

TaxCutsHurtKids.org

LEARN MORE ABOUT UFE'S NEW TAX CUTS HURT KIDS CAMPAIGN AND SEE MORE POSTERS ON THE WEB AT WWW.TAXCUTSHURTKIDS.ORG