SOLUTIONS

NOBODY IN AMERICAN PUBLIC LIFE is more focused than the labor movement on offering solutions to the most serious challenges facing America: wage stagnation, economic inequality, full employment, economic insecurity, the transition to a 21st century economy and restoring our democracy. Solving these problems also would stabilize the national debt over the long term.

**Fix the economy first.** Deficits are the result—not the cause—of the economic crisis. The real problem with our economy is weak middle-class buying power, which is caused by high unemployment, lingering household debt, stagnant wages and a towering trade deficit. These are our most urgent problems, and we cannot allow short-sighted budget austerity to keep us from solving them.

The AFL-CIO's approach to fixing the economy is to replace the failed low-wage economic strategy of the last 30 years with a high-wage strategy for shared prosperity. The four pillars of a high-wage strategy are (1) bolstering middle-class buying power and reducing economic inequality by restoring workers’ ability to bargain collectively; (2) achieving full employment; (3) making things in America again; and (4) shrinking our bloated financial sector and making it serve the real economy again.

The AFL-CIO also has endorsed “Prosperity Economics,” a long-term economic blueprint that calls for **stronger investment in infrastructure** to grow the economy; **enhanced economic security for working families** to make markets work better; and **political reform to reinvigorate our democracy.**

We do have a projected long-term budget imbalance, but we must address its true causes—wasteful tax breaks for Wall Street and the richest 2% of Americans and rising costs throughout our health care system—and not allow this projected imbalance to be used as a pretext to pursue unrelated agendas.

**There is no urgent debt crisis that requires us to make bad decisions.** Markets around the world are signaling more confidence in the U.S. dollar than in any other currency, and U.S. interest rates seldom have been lower. The deficit as a share of the economy is falling faster than at any time since right after World War II, and there is no economic need to meet any arbitrary deficit reduction target over the next decade. We have time to get this right.

**Repeal sequestration.** Across-the-board budget cuts—called sequestration—will cost 750,000 jobs this year—and many more jobs in future years. The solution is to repeal the sequestration, not replace it. Congress created it and Congress can make it go away. Further budget austerity before we return to full employment will only cost jobs and hinder economic growth.

**Protect Social Security, Medicare and Medicaid from benefit cuts.** Republicans in Congress want to cut Social Security, Medicaid and Medicare benefits to pay for tax breaks for Wall Street and the richest 2% of Americans, and they have been holding the economy hostage to get their way. The way to deal with hostage takers is to disarm them so they no longer can hold the economy hostage—not give in to their ransom demands. Repealing sequestration not only would save 750,000 jobs this year, but also would help protect Social Security, Medicaid and Medicare from benefit cuts.

**Rein in health care cost growth.** If the official projections are correct, health care cost growth throughout our public and private health care system eventually will bankrupt the entire economy—and not just our public health programs. The right way to contain health care cost growth is to deliver care in more cost-effective ways, not shift costs to individuals.

We can **make our entire health care system more cost-effective**, without shifting costs to individuals, by (1) closing the loophole that prohibits Medicare from
negotiating lower drug prices with drug companies ($230 billion over 10 years) or applying the Medicaid rebate on single-source drugs to Medicare Part D plans ($137 billion over 10 years); (2) creating a robust public option that offers premiums 5% to 7% lower than private insurance and partners with Medicare to implement cost-saving reforms ($110 billion over 10 years); (3) expanding Medicare competitive bidding to all health products and all other health programs ($38 billion over 10 years); (4) requiring Medicare to “bundle” payments to hospitals for post-acute care so Medicare will pay for results rather than the volume of services provided ($10 billion over 10 years); and (5) ending pay-for-delay agreements between brand name and generic drug manufacturers ($11 billion over 10 years).

Social Security has never added a penny to the deficit and should not be part of any deficit reduction negotiations. Instead of cutting Social Security benefits, we should be increasing benefits across the board to compensate for the decline of traditional pensions and to address growing retirement insecurity. The AFL-CIO also supports “scraping the cap” ($113,700 in 2013) so that all wage income will be subject to the Social Security payroll tax. High earners should contribute the same percentage of their income to Social Security as everyone else.

Close tax loopholes for Wall Street and the richest 2% of Americans. America needs more tax revenue, not only to address the causes of our projected long-term fiscal imbalance, but also to fund investments in education, clean energy and infrastructure that are necessary to lay the foundation for long-term economic growth. We should start by (1) eliminating the tax benefit to corporations of sending jobs overseas ($583 billion over 10 years); (2) collecting a tiny tax on Wall Street trading of stocks, bonds and complex financial instruments to discourage harmful speculation (more than $350 billion over 10 years); (3) collecting a 5.6% surtax on income greater than $1 million ($453 billion over 10 years) so that fewer millionaires can avoid paying their fair share of taxes; (4) implementing a “Buffett Rule” to ensure millionaires pay an effective tax rate of at least 30% on all their income ($54 billion over 10 years); (5) limiting the extra benefit of itemized tax deductions for the richest 2% of Americans ($293 billion over 10 years); (6) taxing the income of Wall Street hedge fund managers at the same rate as wage income ($21 billion over 10 years); and (7) closing other corporate tax loopholes so that profitable Wall Street corporations start paying their fair share of income taxes (hundreds of billions of dollars over 10 years).

No more tax breaks for Wall Street and the richest 2%. Most importantly, we have to stop making the problem worse by giving tax breaks to those who benefited most from the economic policies of the past 30 years. For example, we simply cannot afford to lower the top individual income tax rate paid by millionaires, or eliminate U.S. taxes on overseas corporate income (through a so-called “territorial tax system”), or lower the corporate income tax rate.

What You Should Do

Call your senators and representative now at 888-659-9401 and tell them:

1. Repeal sequestration.
2. Protect Social Security, Medicaid and Medicare from benefit cuts.
3. Close tax loopholes for Wall Street and the richest 2% of Americans.