

The Growing Divide

Inequality & the Roots of Economic Insecurity



March 2016

The Nation at a Crossroads

★ **Growing Insecurity**

Layoffs & 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, education,
utilities, and food

★ **Stress, Isolation & Scapegoating**

Growing prison population

Anger at immigrants

Environmental crisis

Endless war

The Trends since 1980

★ The Good News

Inflation is moderate

Interest rates on loans are low

★ The Bad News

Most growth in income has gone to the top 1%; the gap between highest and lowest paid workers has widened.

Real wages have dropped since the 1970s.

Wealth gap has widened and the racial wealth gap is growing.

High unemployment persists.

Poor families not lifted out of poverty.

**For a few, the U.S. economy has done well.
But the rising tide lifted only a few boats and
most of us are struggling to stay afloat.**

Workers in the U.S. are Losing Ground

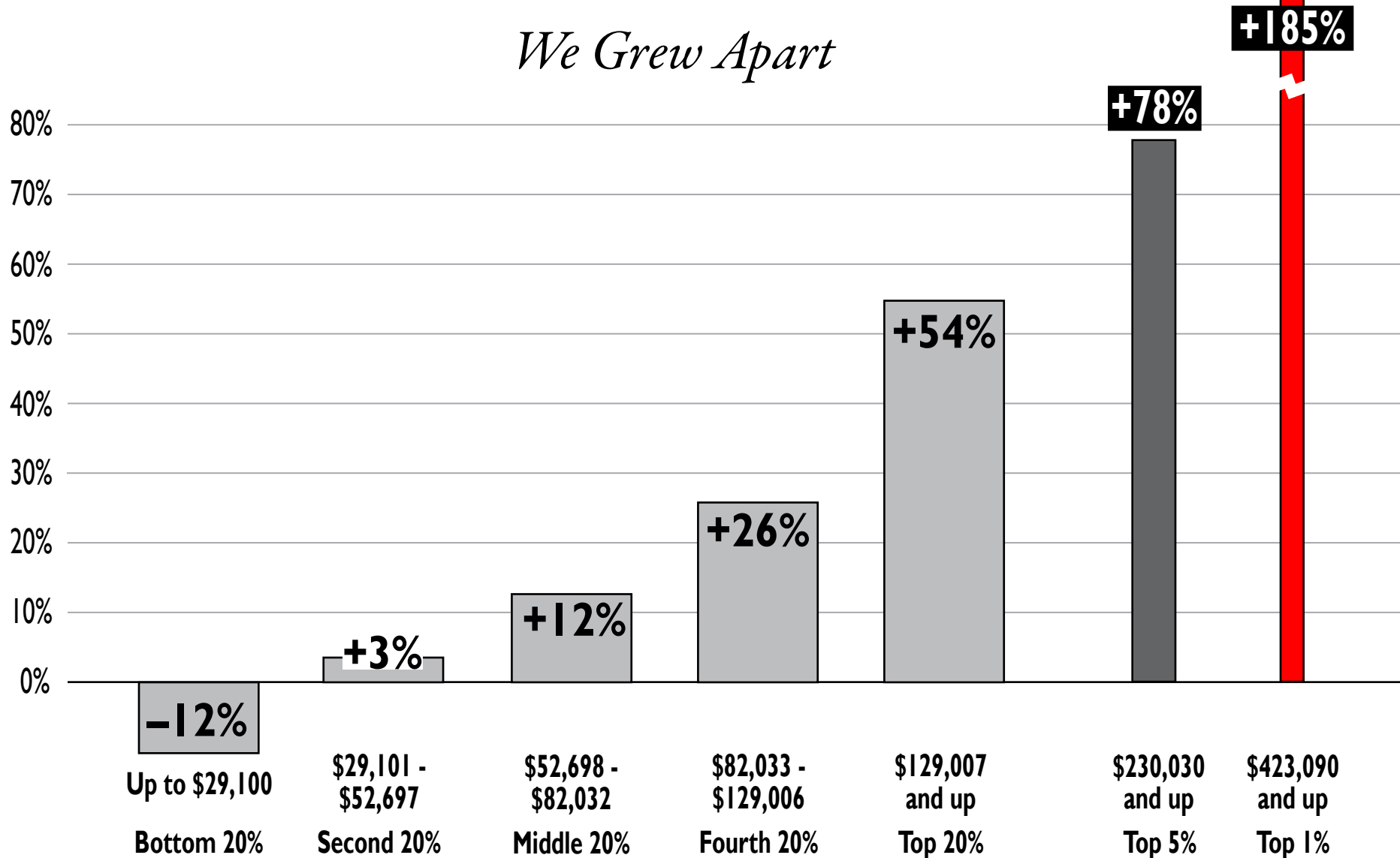
- ★ **Household income stagnating**
- ★ **Persistent high unemployment**
- ★ **Paying more for health benefits**
- ★ **Disappearing pensions**
- ★ **Rising cost of basic necessities**
- ★ **Deteriorating working conditions**

Still waiting for trickle-down . . .



Real Family Income Growth by Quintile & for Top 5% & Top 1%, 1979 - 2014

We Grew Apart

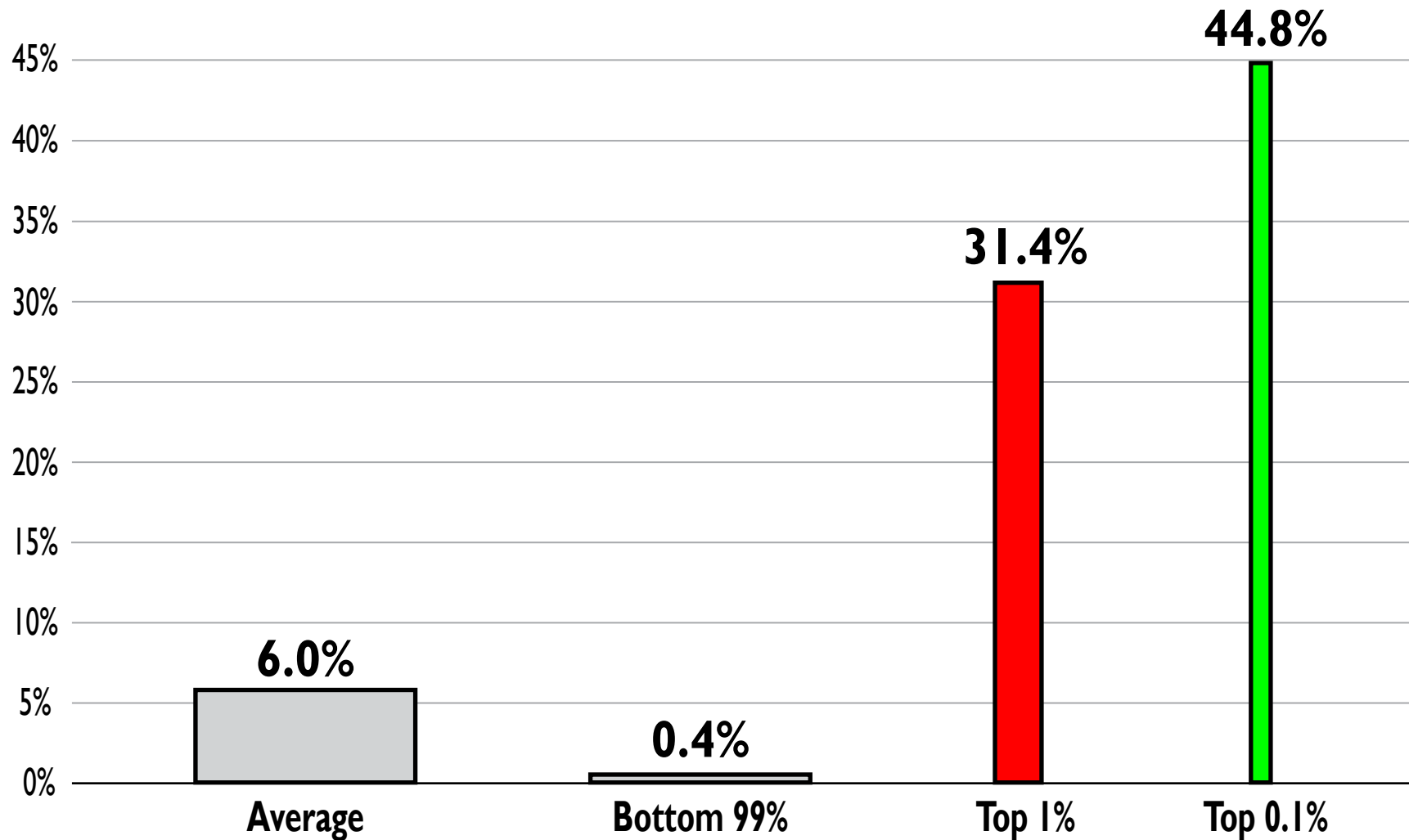


Source: For quintiles and top 5%: US Census Bureau Historical Income Tables, Table F-1 (Income Limits 1947-2014) and Table F-3 (Mean Income 1947-2014). For income threshold for top 1%: "Income Inequality in the United States, 1913-1998" Emanuel Saez with Thomas Piketty, Quarterly Journal of Economics, updated to 2014 in Excel format, June 2015 (TabFig2014prel.xls). For percent growth of top 1% "Growing Together Growing Apart - Real Income Growth 1979-2012" by Colin Gordon <<http://scalar.usc.edu/works/growing-apart-a-political-history-of-american-inequality/index>>.



Real Family Income Growth from 2009 - 2012

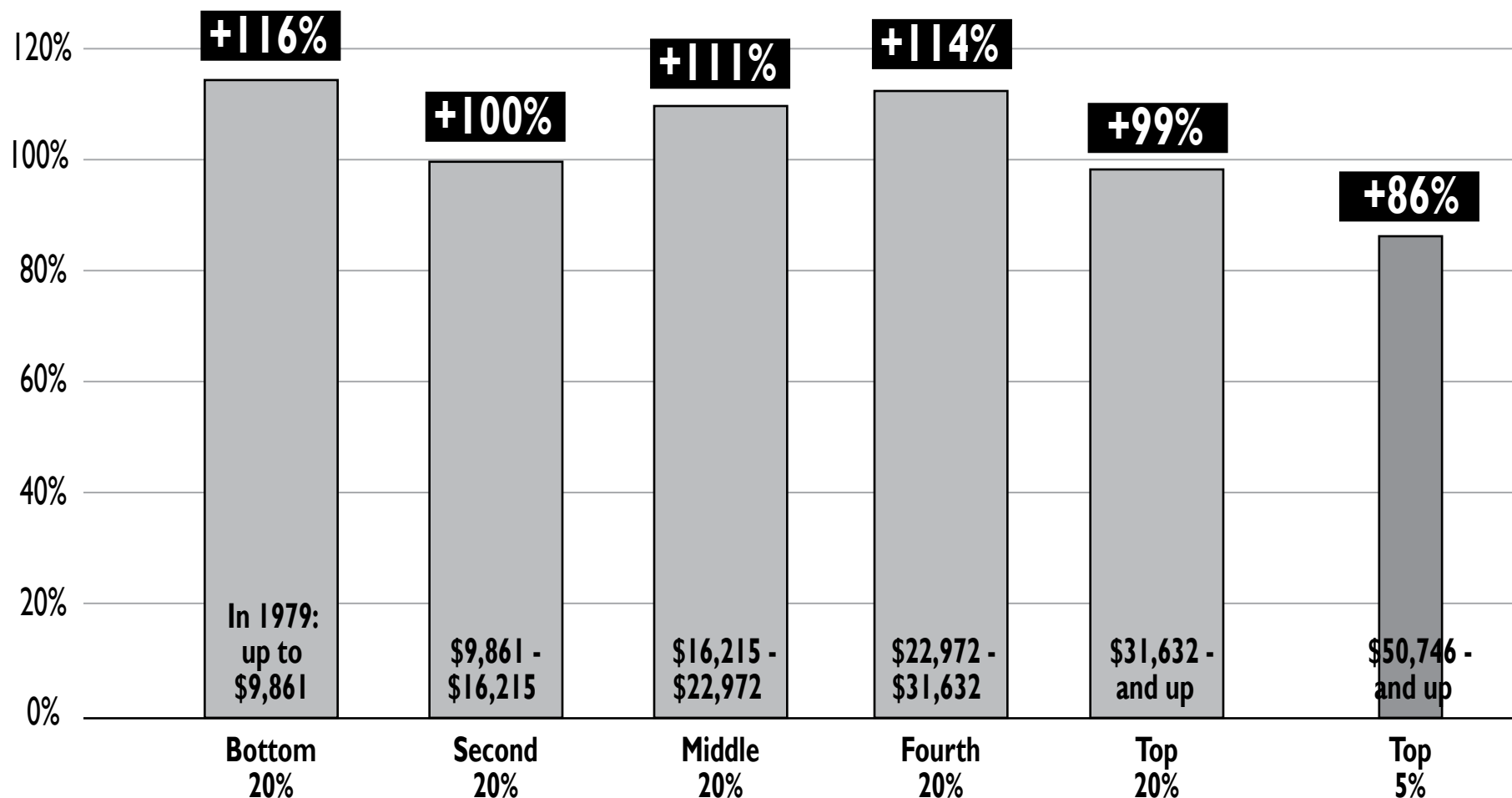
Growing Apart Even Further since the Great Recession



Source: Piketty and Saez (2003), series updated to 2012 in August 2013 using IRS preliminary tax statistics for 2012.

Real Family Income Growth by Quintile & for Top 5%, 1947 - 1979

We All Grew



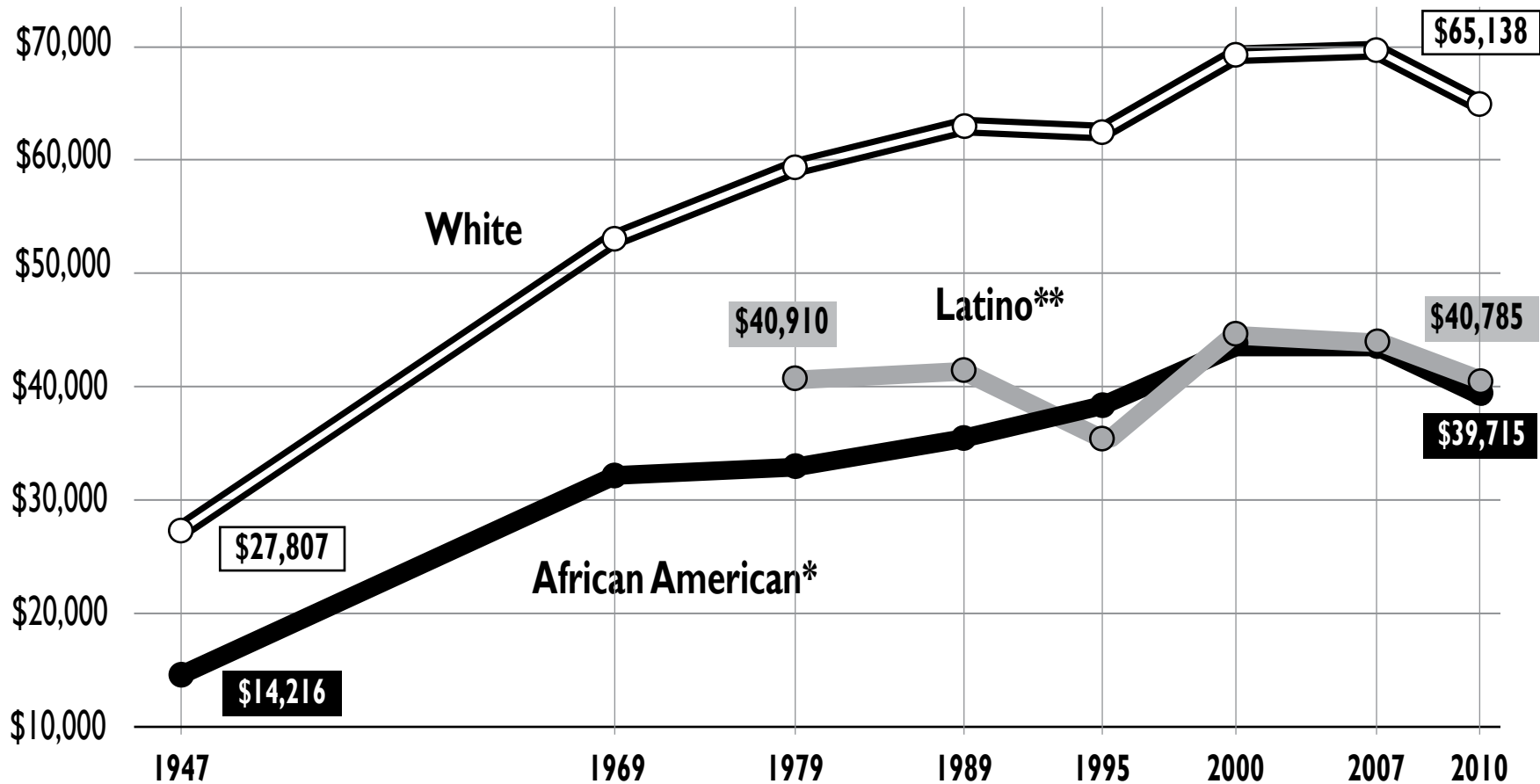
Sources: Analysis of Census Bureau data from *The State of Working America 1994-95*, Mishel, Lawrence and Bernstein, Jared, p. 37. Income ranges in 1979 dollars, from March 2000 Census Current Population Survey, Table F-1.



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Median Family Income by Race, 1947-2010

Racial Income Inequality Persists

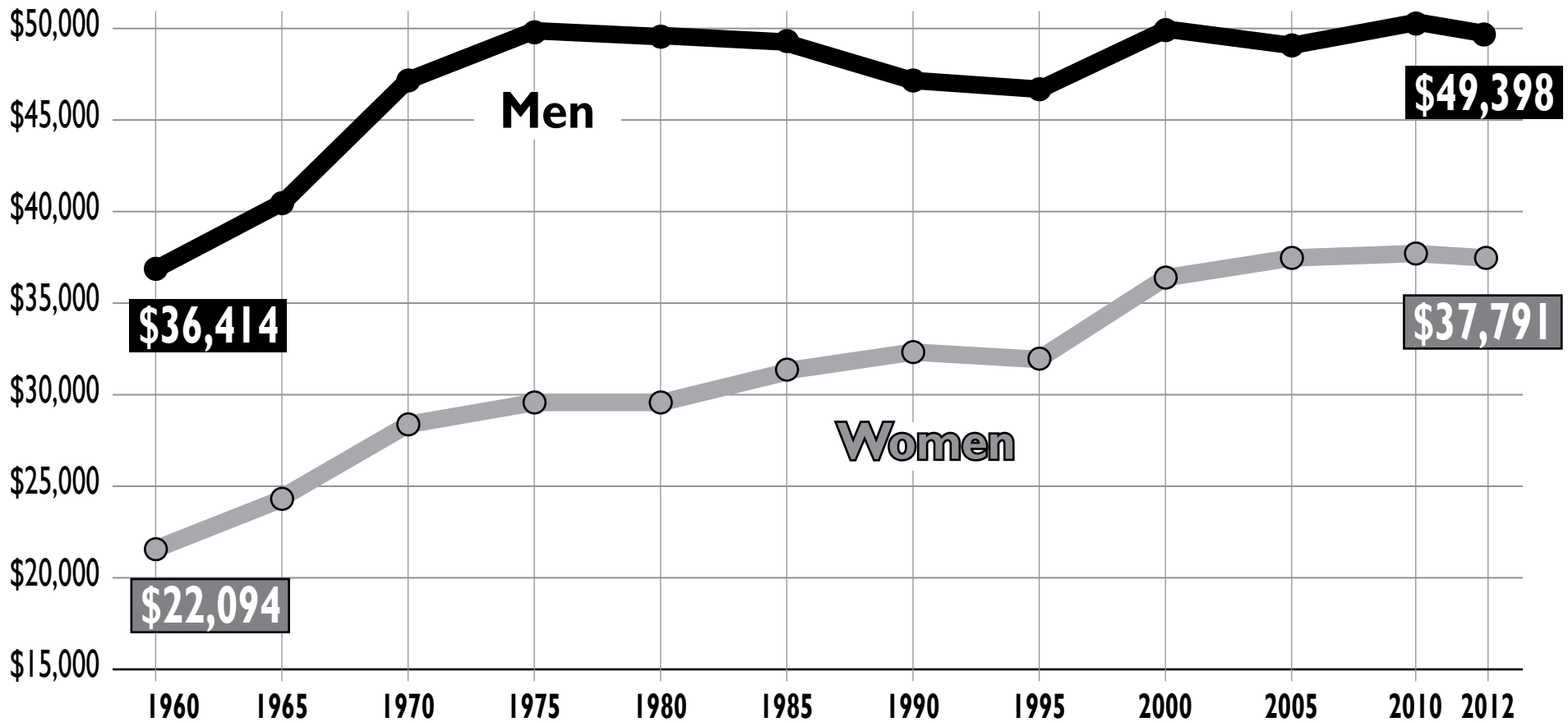


Source: Analysis of Current Population Survey Annual Social and Economic Supplement *Historical Income Tables* (Table F-5) in *The State of Working America* <<http://stateofworkingamerica.org/chart/swa-income-table-2-5-median-family-income/>> Economic Policy Institute. **All income in 2011 dollars.**
 * Prior to 1967, data for African Americans included all “non-whites.” **The Census Bureau uses the term “Hispanic.” We prefer “Latino.” Persons of “Latino” origin may be of any race.



Median Annual Earnings for Women & Men, 1960-2012

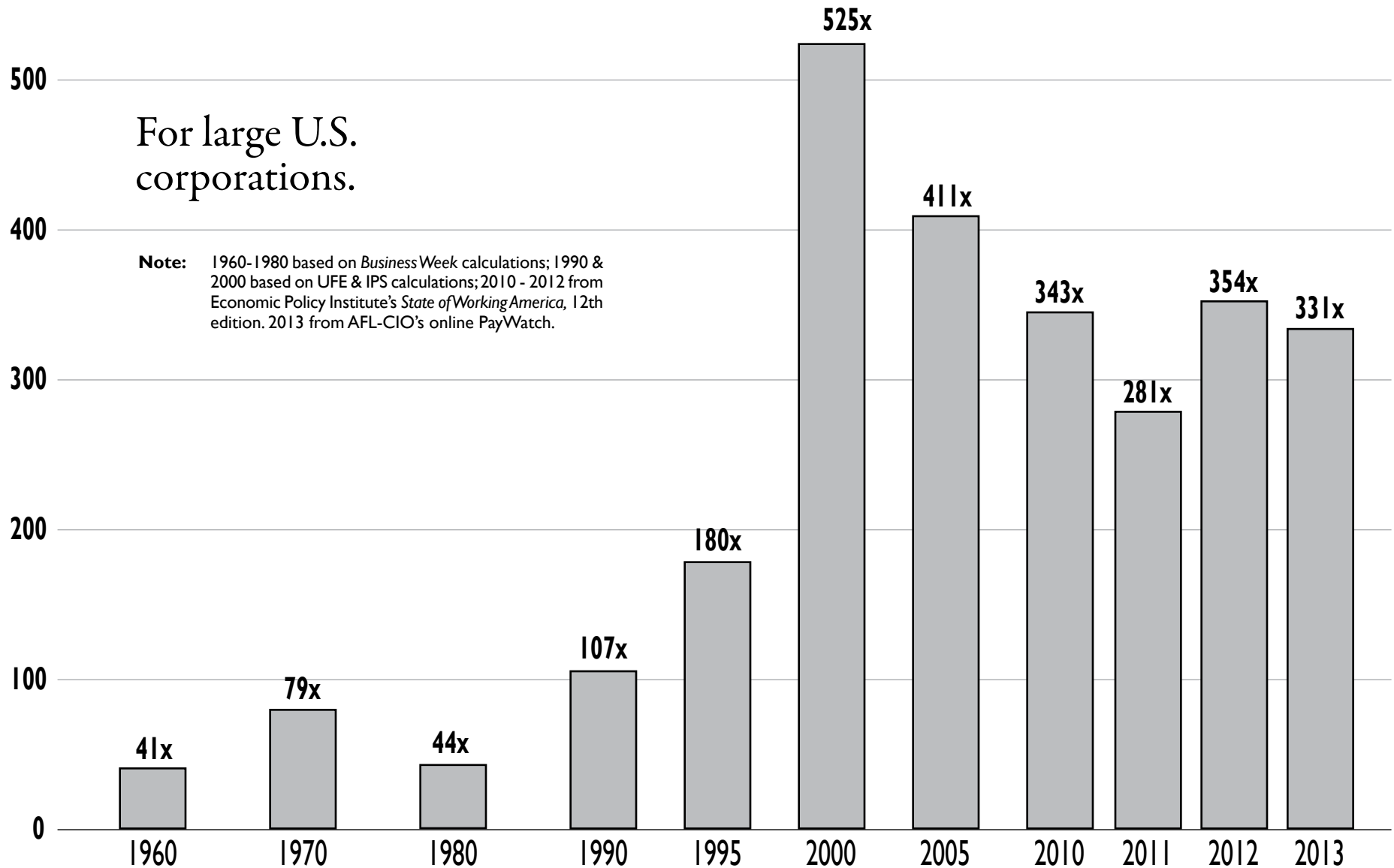
Gender-based Income Inequality Persists



Notes: Annual earnings data include self-employed workers; weekly data are for wage and salary workers only. Annual earnings are for people 15 years old and older beginning in 1980 and people 14 years old and older as of the following year for previous years. Before 1989 annual earnings are for civilian workers only. Weekly earnings are for full-time workers aged 16 and older and are not restricted to full-year workers. Data series are derived from the Current Population Survey. Adjustments for data from earlier years to 2012 dollars are computed on the basis of the Consumer Price Index for all urban consumers (CPI-U) for median weekly earnings and the Consumer Price Index Research Series (CPI-U-RS) for median annual earnings published by the U.S. Bureau of Labor Statistics.

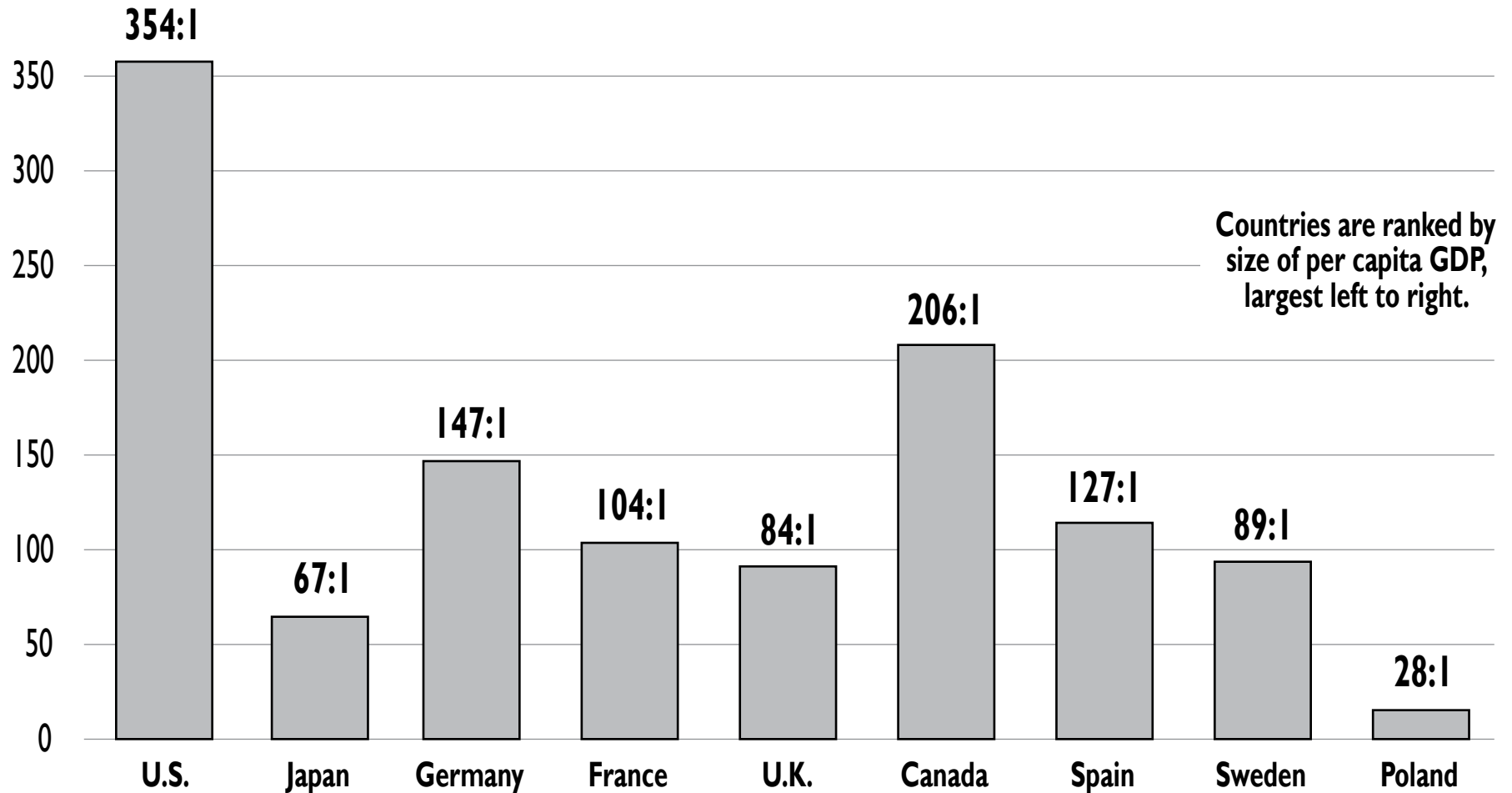
Source: Institute for Women's Policy Research, IWPR Fact Sheet #C350, updated September 2013.

CEO Pay as a Multiple of Average Worker Pay, 1960-2013



Multiplier of CEO Pay to Average Worker Pay, 2012

The wage gap in the U.S is out of step with the rest of the world.

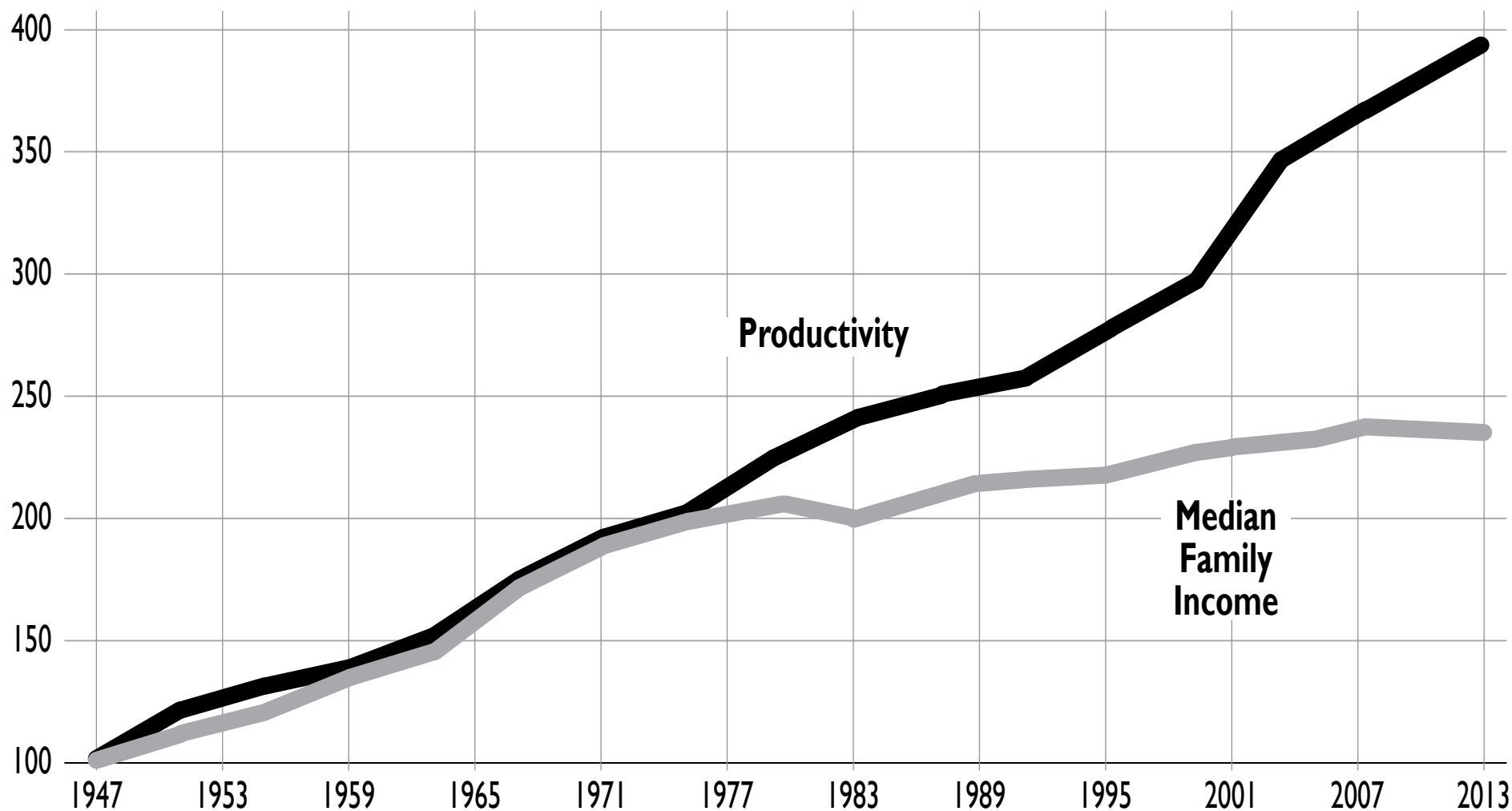


Sources: AFL-CIO Executive Pay Watch. 2012 U.S. CEO-to-worker pay ratio calculated based on AFL-CIO analysis of average CEO pay at 327 companies in the S&P 500 Index, which disclosed 2012 CEO pay data as of April 1, 2013, as provided by Salary.com. 2012 U.S. rank-and-file worker pay calculated from the U.S. Bureau of Labor Statistics' Current Employment Statistics Survey—Table B-2: Average hours and earnings of production and non-supervisory employees on private non-farm payrolls. GDP rankings from the IMF.



Productivity and Median Family Income, 1947-2013

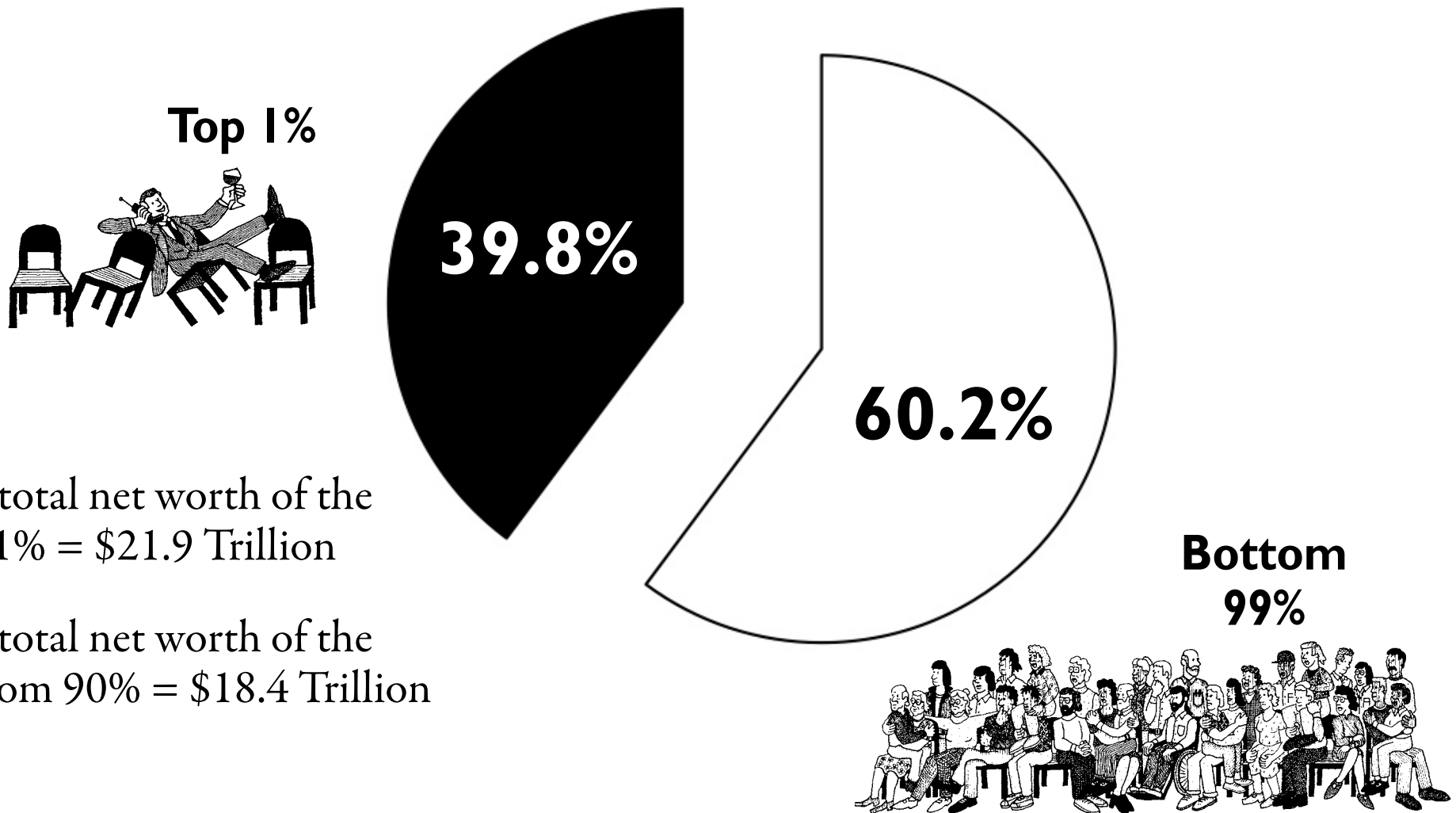
Since the mid-1970s, income for most families hardly grew while productivity soared!



Source: For 1947-2007: analysis of US Census Bureau and US Bureau of Labor Statistics (BLS) in *The State of Working America 2008/2009*, Figure 1G, by Lawrence Mishel, Jared Bernstein, and Heidi Shierholz, Economic Policy Institute (EPI). For 2007-2011: UFE extrapolation of EPI's analysis of data from Bureau of Labor Statistics & Bureau of Economic Analysis <www.epi.org/publication/the-top-10-charts-of-2014/?utm_source=Economic+Policy+Institute&utm_campaign=49769a8560-Top_Charts_201412_18_2014&utm_medium=email&utm_term=0_e7c5826c50-49769a8560-55878457>.



Ownership of Household Wealth in the U.S., 2012

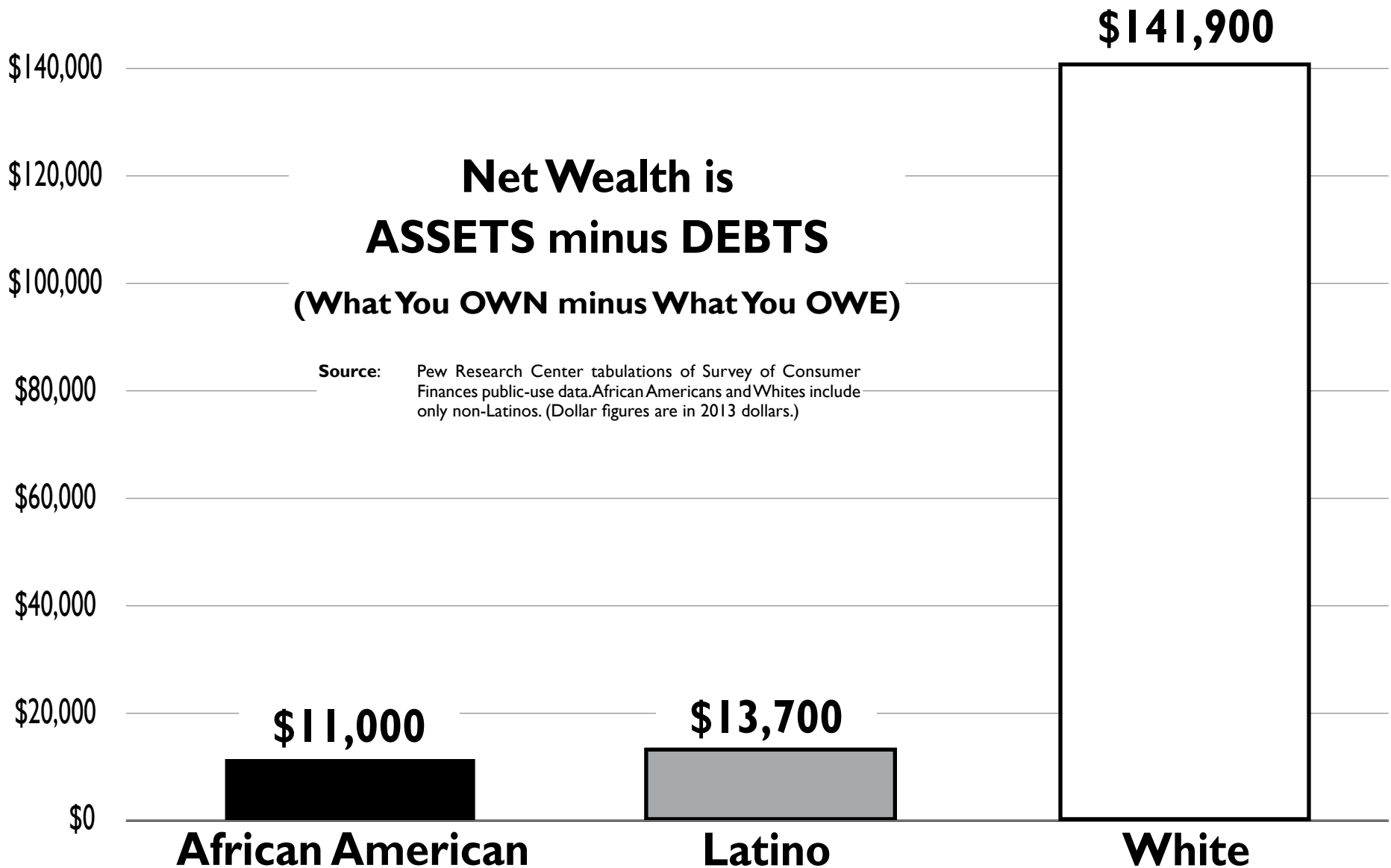


The total net worth of the top 1% = \$21.9 Trillion

The total net worth of the bottom 90% = \$18.4 Trillion

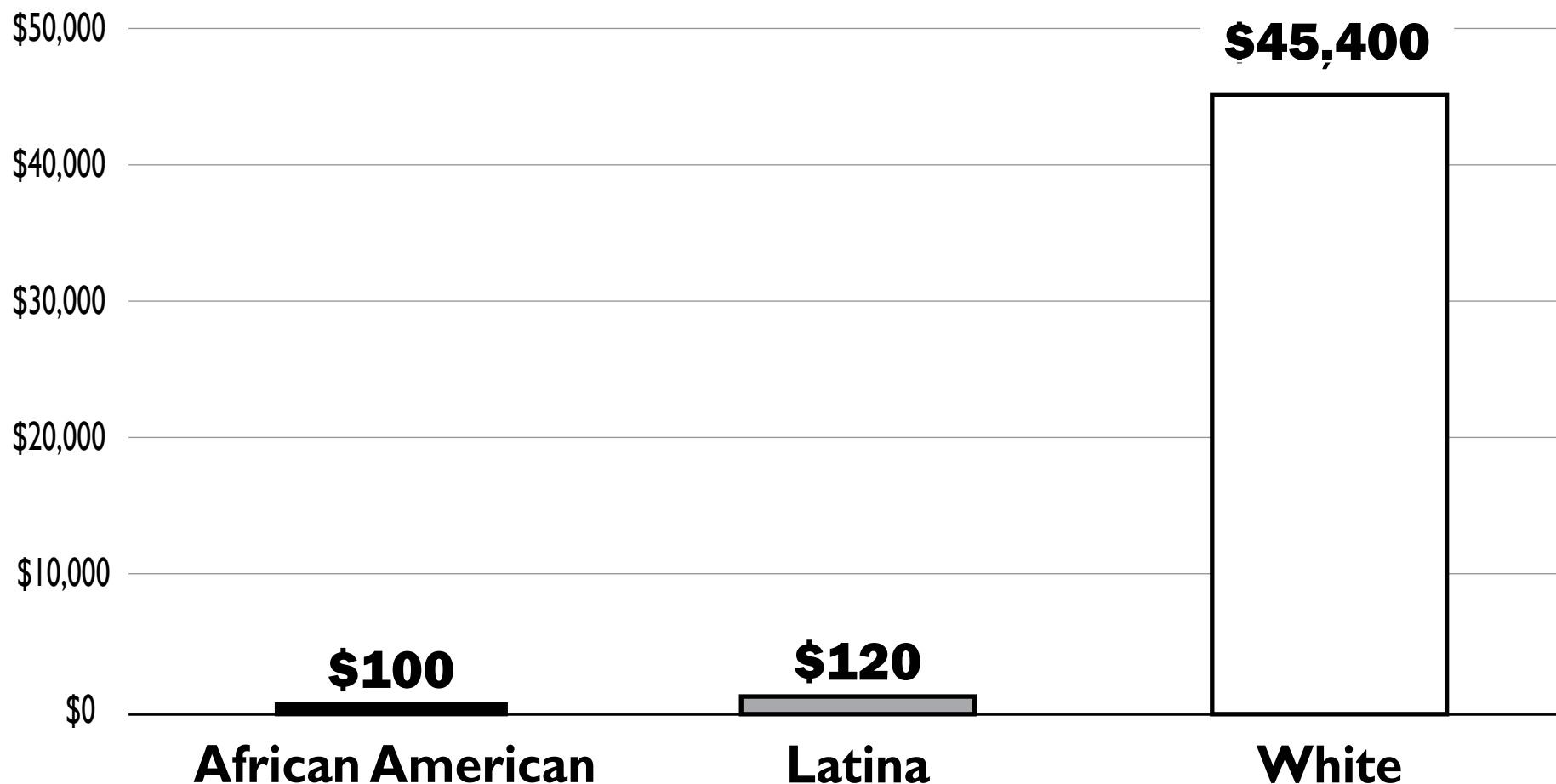
Source: Wealth distribution: Emmanuel Saez and Gabriel Zucman, March 2014. Total net worth: Edward N. Wolff, New York University, 2012.

Household Median Net Wealth by Race, 2013



Median Net Wealth for Women by Race, 2007

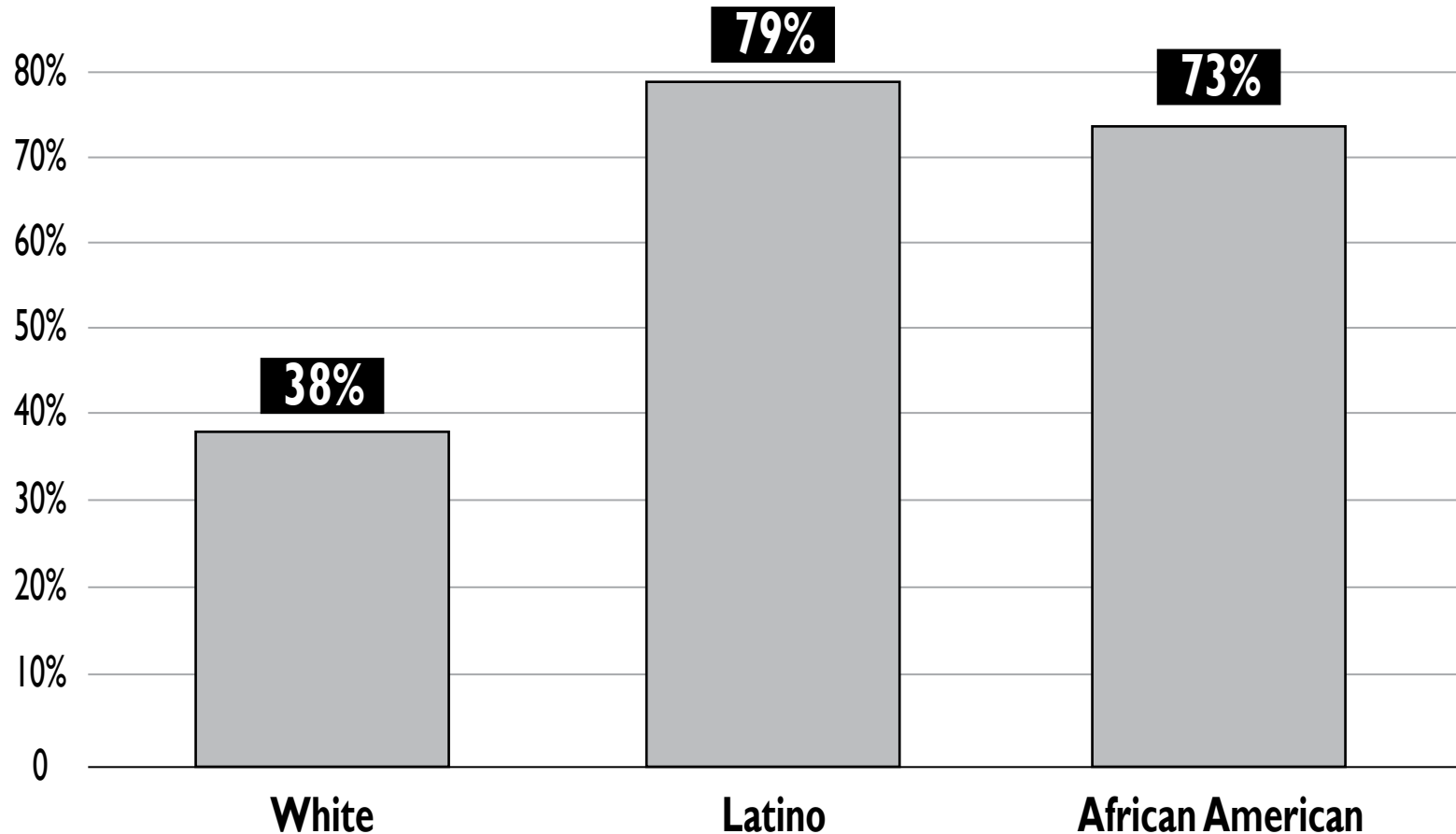
Gender- and race-based disparities limit women's ability to build wealth.



Source: Center for Global Policy Solutions <<http://globalpolicysolutions.org/resources/wealth-gap-women-color/>>.

Percentage of Families Whose Savings Would Run Out in 3 Months or Less

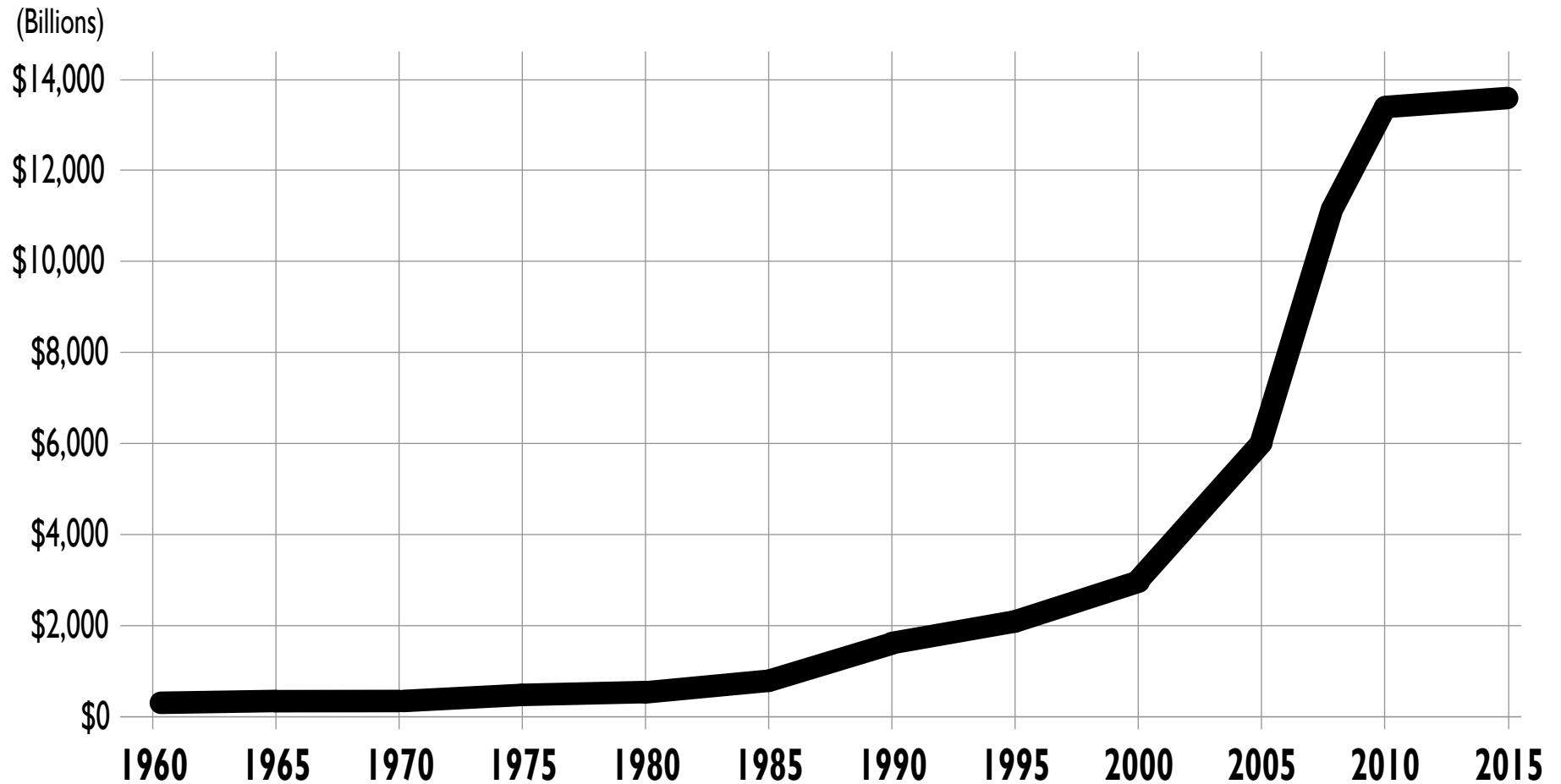
Many families are forced to live on the edge.



Source: Oliver, Melvin and Shapiro, Thomas M., *Black Wealth, White Wealth* (2006 edition), p. 89.

Total Mortgage Debt, 1960-2015

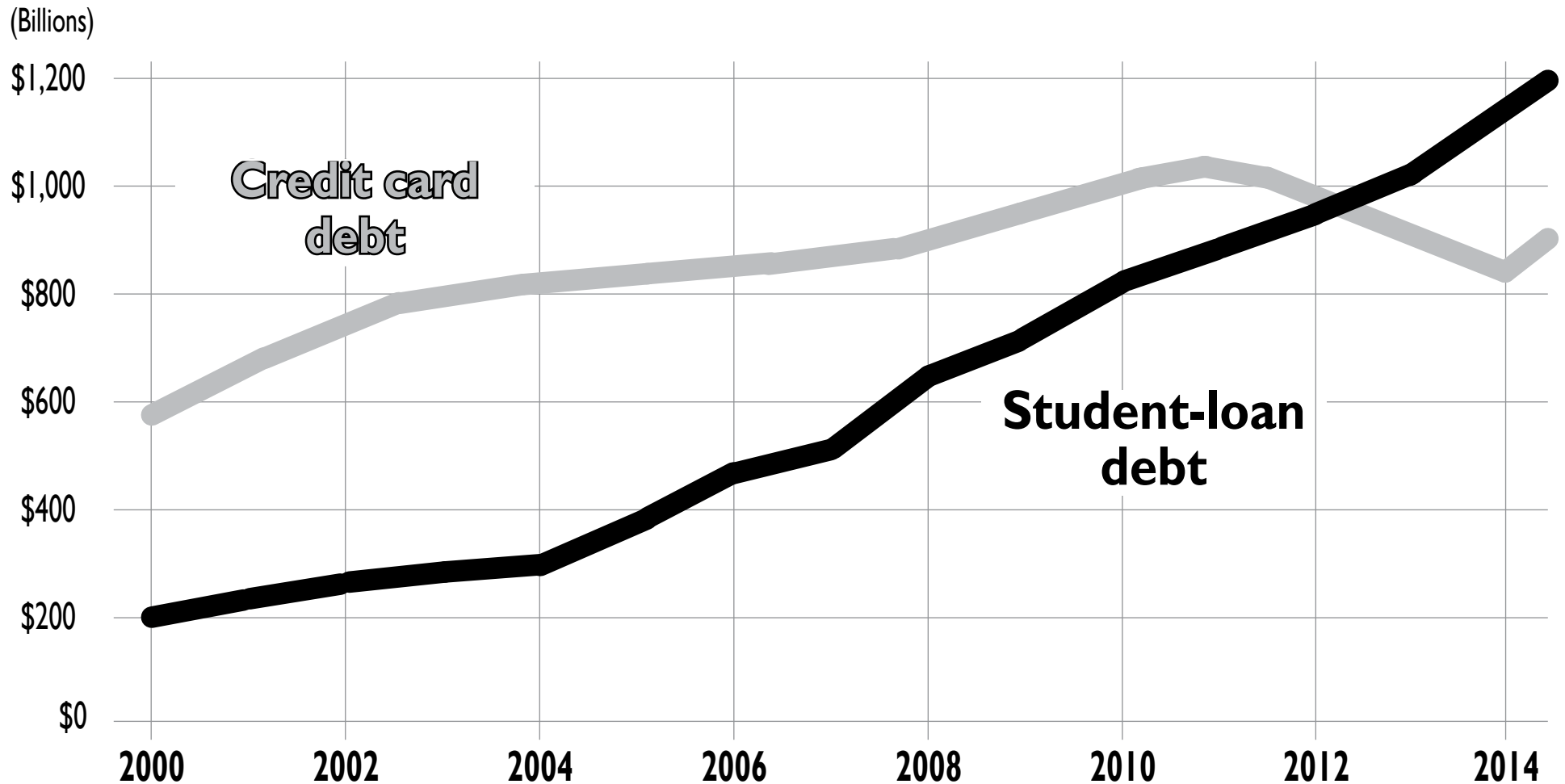
Deregulation of mortgage lending drove the amount of mortgage debt sky high!



Source: For 1960 - 2008: *Capitalism Hits the Fan - Richard Wolff on the Economic Meltdown*, Media Education Foundation (DVD, 2009) <www.mediaed.org>. Original source data: <http://www.census.gov/compendia/statab/past_years.html>. For 2010 - 2015: Mortgage Debt Outstanding, Board of Governors of the Federal Reserve <<http://www.federalreserve.gov/econresdata/releases/mortoutstand/current.htm>>.

Student Debt on the Rise

Student debt has outstripped credit card debt for the first time.



Source: *Mother Jones*: College Tuition and student debt charts and graphics <<http://motherjones.com/contributor/2011/09/student-debt-charts>>. "Why Student Loans are Creating a Permanent U.S. Underclass" by Derek Royden, March 1, 2016 <nationofchange.org>.

The Power Shift Since the 1970s

On the Rise

**Big Campaign
Contributors**

Corporate Lobbyists

Corporations

Banks & Big Investors

CEOs

Wall Street

In Decline

**Popular Political
Movements**

Voters

Labor Unions

Wage Earners

Employees

Main Street

Rule Changes Since the 1970s

Policy changes reflect and reinforce the power shift.

Unions: Anti-union climate weakens the power & voice of workers.

Trade: Global treaties benefit corporations, not workers or communities.

Taxes: Taxes shifted from big investors and corporations to workers.

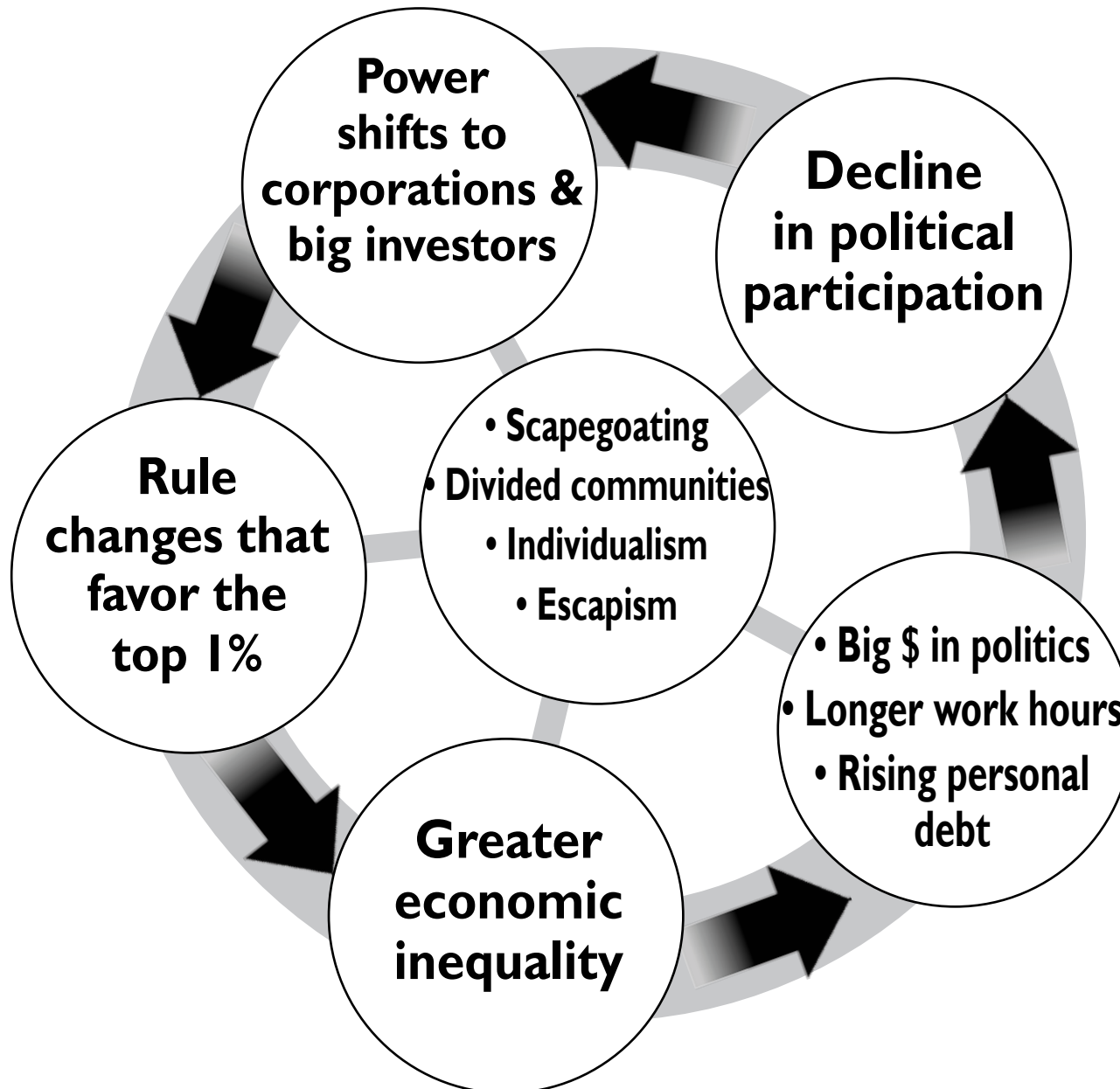
Budget: Public services cut. Corporate subsidies expand.

Minimum Wage: Not raised to keep up with inflation & increased cost of living.

Privatization: Government outsourcing plus no-bid contracts hurts taxpayers, workers, and public safety.

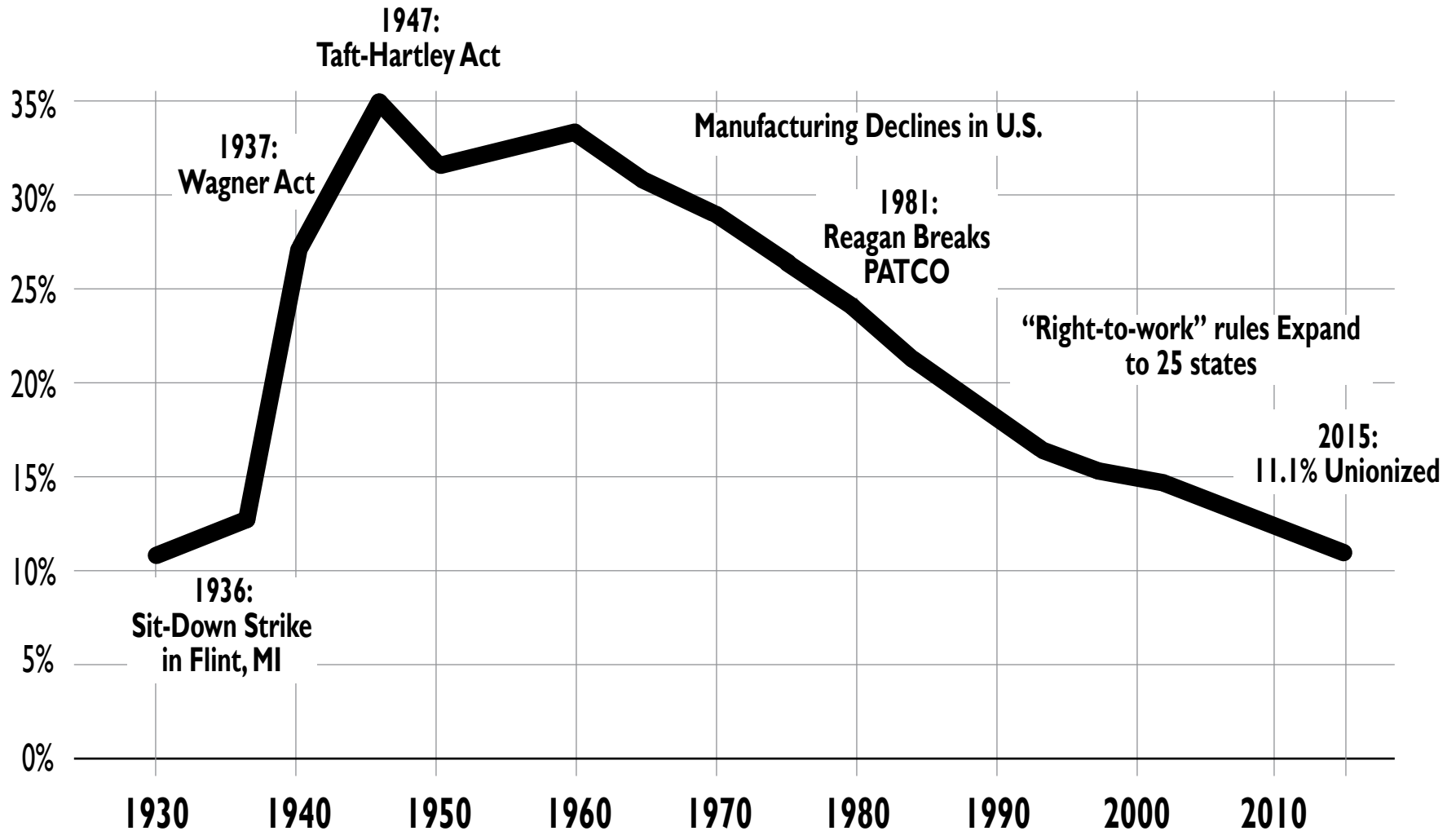
Big \$ in Politics: PACs & other major campaign contributors have undue influence on legislators and increasingly undermine democracy.

The Wheel of Misfortune



Percentage of the Workforce in a Union, 1930-2015

Anti-union policies weaken the power & voice of workers.



Source: Bureau of Labor Statistics



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“Free” Trade Treaties Help Corporations, Not Workers or Communities

The aim of treaties such as **NAFTA** is to reduce “barriers” to trade.
The worldwide result:

- Jobs shifted to low-wage countries
- Lower wages and living standards
- Weakened worker rights
- Environmental damage
- Weakened economies in developing nations
- Cuts in social safety nets
- Rise in poverty

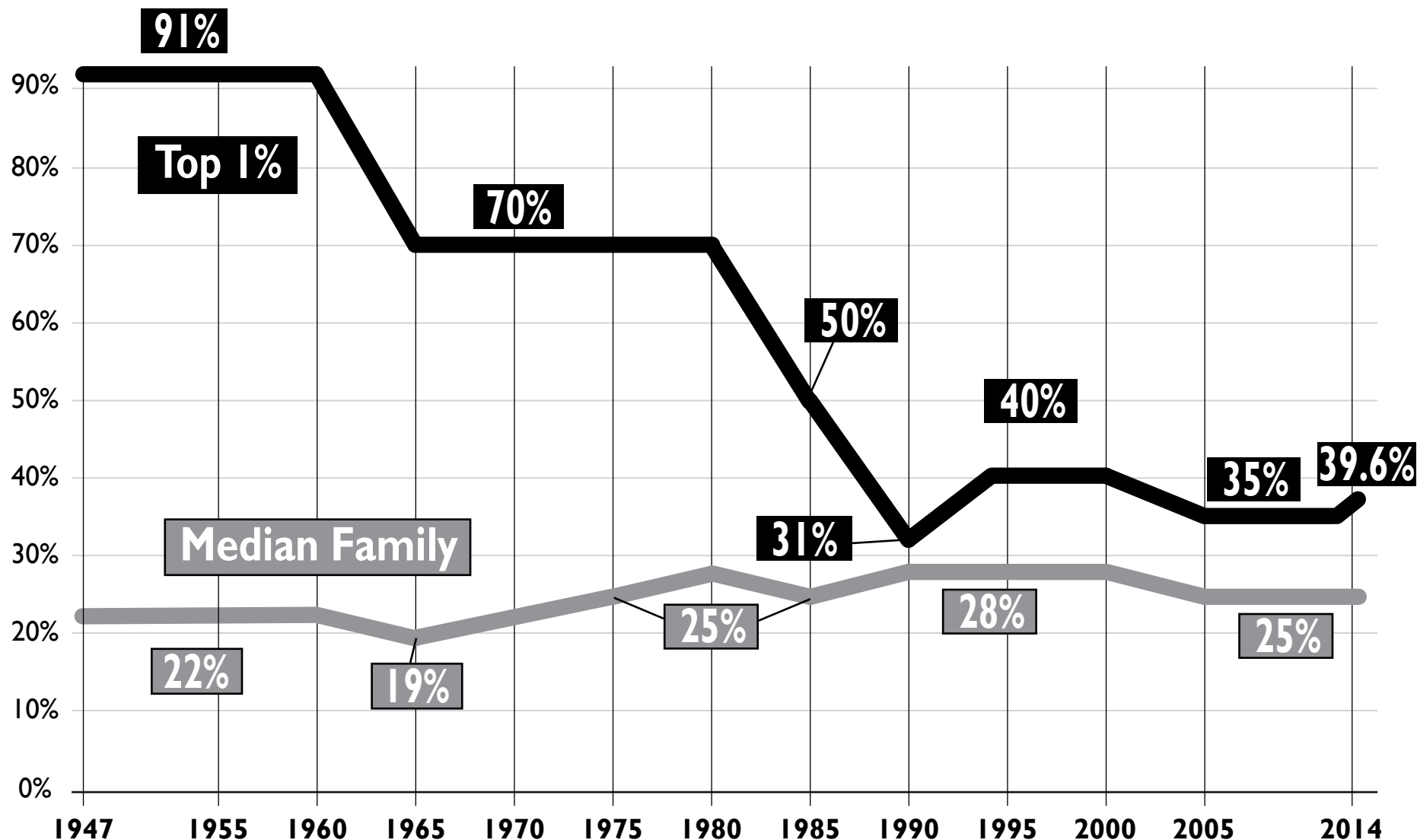
New trade & investment agreements, such as the
Trans-Pacific Partnership (TPP) ...

- permit foreign corporations operating in the U.S. to ignore U.S. laws that protect the environment and workers’ rights;
- threaten laws that protect community lending, health and safety, pay equity, pro-human rights government purchasing rules, public control of water & education, etc.



Federal Tax Rates for the Top 1% and the Median Family 1947-2014

Big tax breaks for the wealthy - No tax relief for working families



Source: Tax Foundation <<http://www.taxfoundation.org/files/federalindividualratehistory-200901021.pdf>>.

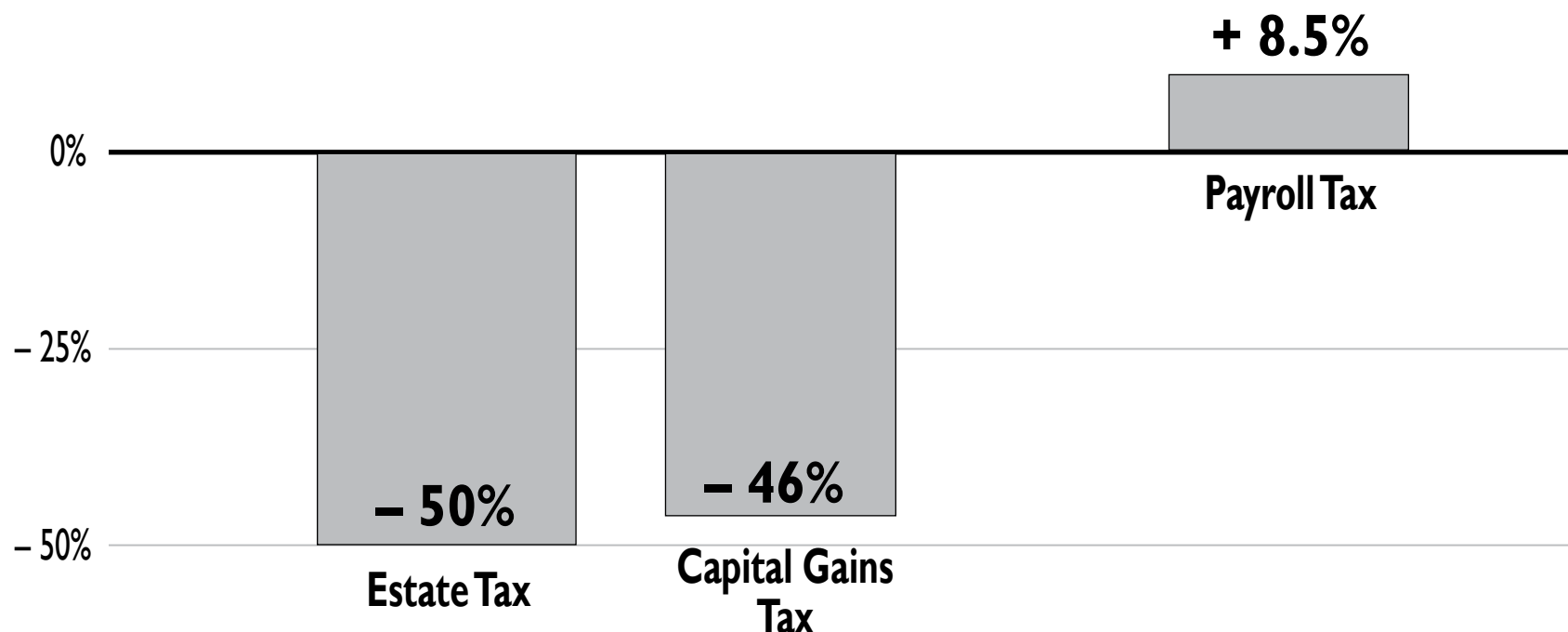
Note: In 2013, the Bush tax cuts were made permanent for all taxpayers except individuals earning \$400,000 or more and families earning \$450,000 or more.



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Change in Top Federal Tax Rates on Wealth & Work since 1980

Taxes have been shifted from wealth to work



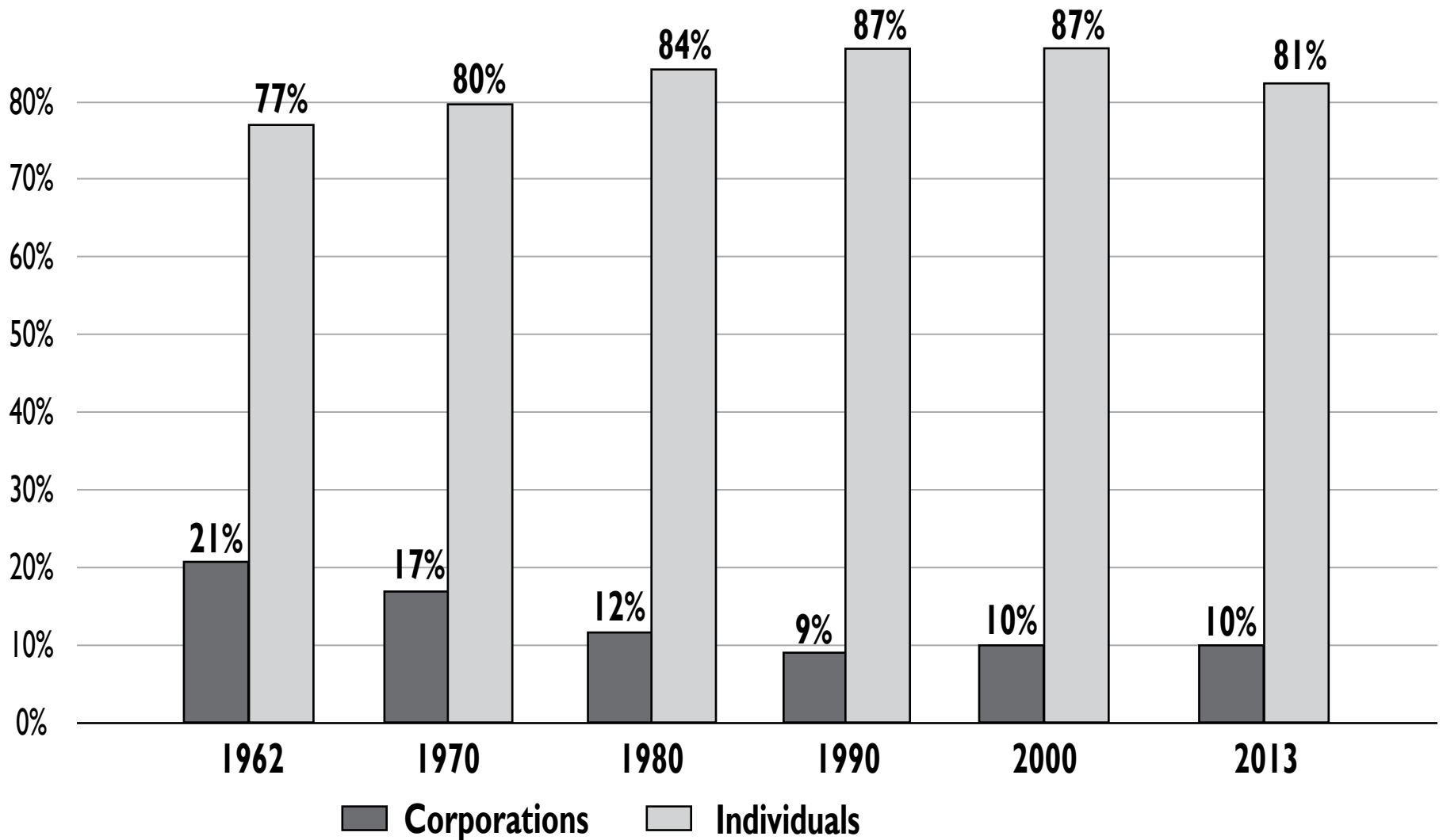
**Top Tax Rates on
Wealth & Investment
Income**

**Top Tax Rate
on Work**

Sources: For Payroll Tax: UFE calculations from Tax Policy Center data <www.taxpolicycenter.org> "Historical SS Tax Rates" for 1980, and IRS Publication 15 (Circular E) <www.irs.gov> for 2011. For Capital Gains Tax: UFE calculations from Tax Policy Center data, "Individual & Corporate Capital Gains 1955-1999" for 1980, and *Wall Street Journal*, "Tax Changes for 2011: A Checklist" for 2011. For the Estate Tax: UFE calculations from the IRS, "The Estate Tax: Ninety years and counting" for 1980, and HR. 4853 - Title III of the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010" for 2011.

Percent of Federal Tax Collections from Individuals & Corporations

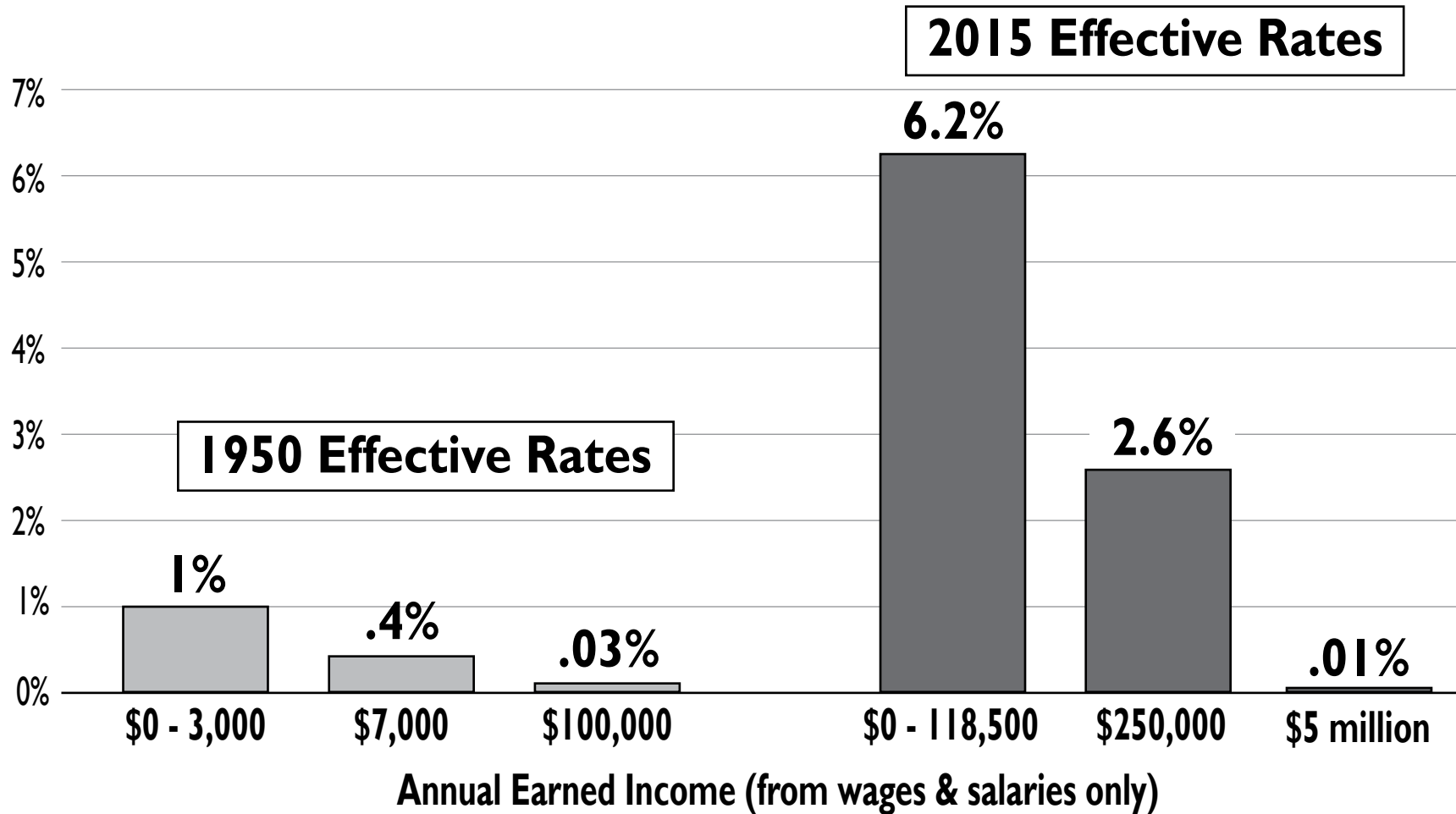
Taxes have shifted from corporations to individuals.



Source: Congressional Budget Office, "Revenues by Major Source, 1962 to 2004." For 2013: Center for Budget & Policy Priorities <<http://www.cbpp.org/cms/?fa=view&id=3822>>.

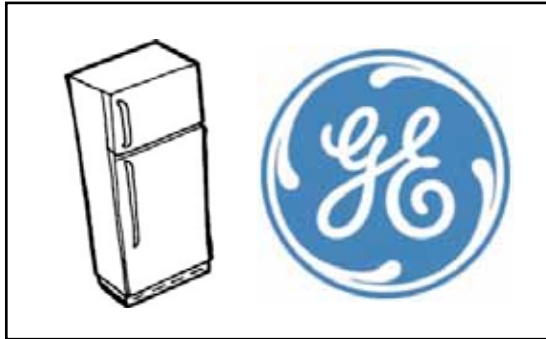
Payroll Tax Rates, 1950 & 2015

In 2015, *only the first \$118,500 in earned income will be taxed for Social Security at 6.2%*. The *effective* Social Security tax rate drops as income rises.



Source: Social Security Administration <www.ssa.gov>.

Corporate Welfare Expands While Necessary Programs are Cut



Despite profits of over \$5 billion in 2010, GE paid no income taxes!



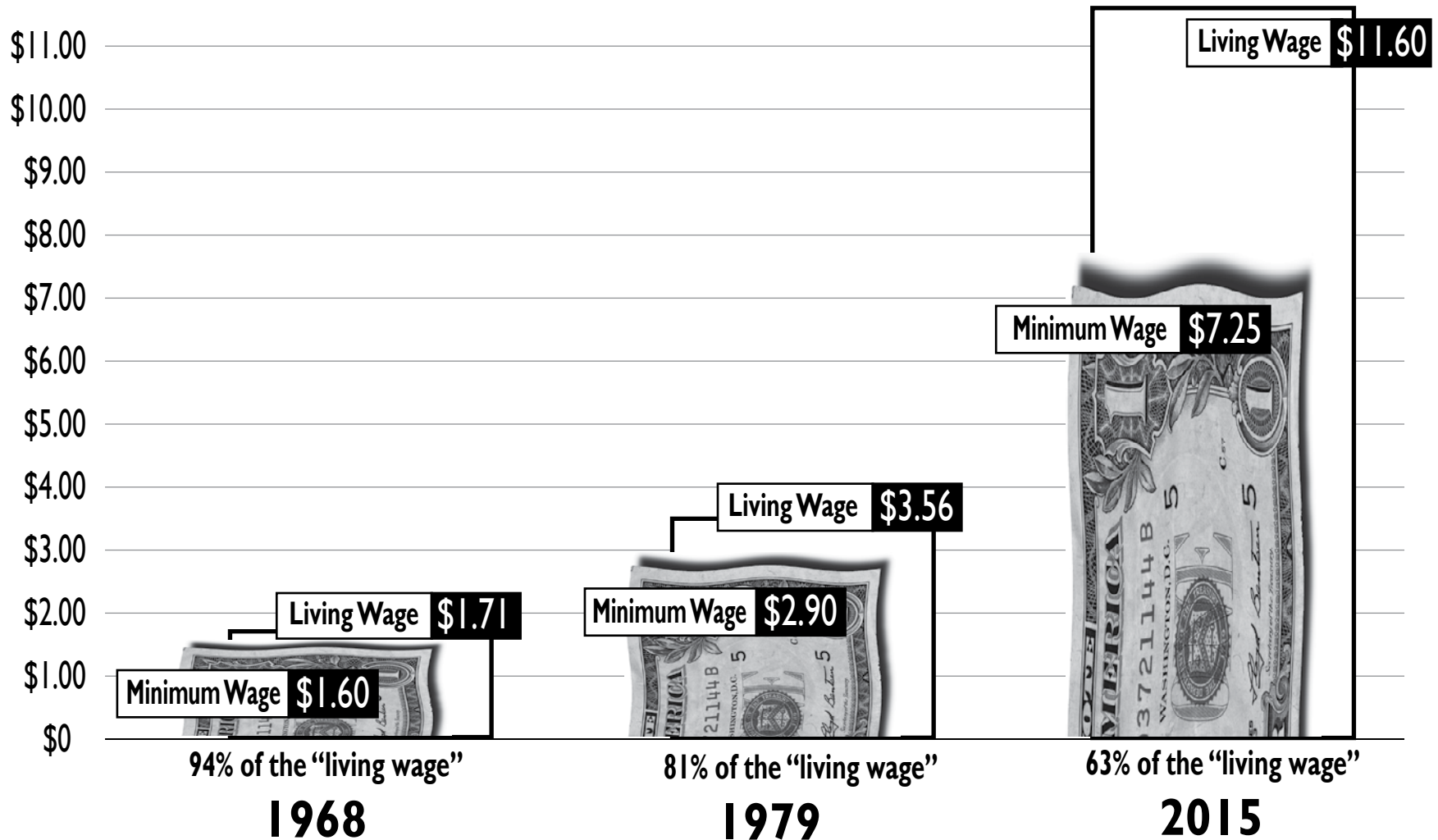
In 2008, Goldman Sachs, had 29 subsidiaries located in offshore tax havens and reported profits of over \$2 billion. It paid federal taxes of just \$14 million on those profits.



Boeing received a total of \$8.7 billion in subsidies from the Washington State legislature in 2013.

The Minimum Wage and the “Living Wage,” 1968-2015

The federal minimum wage does not keep pace with the rising cost of living.

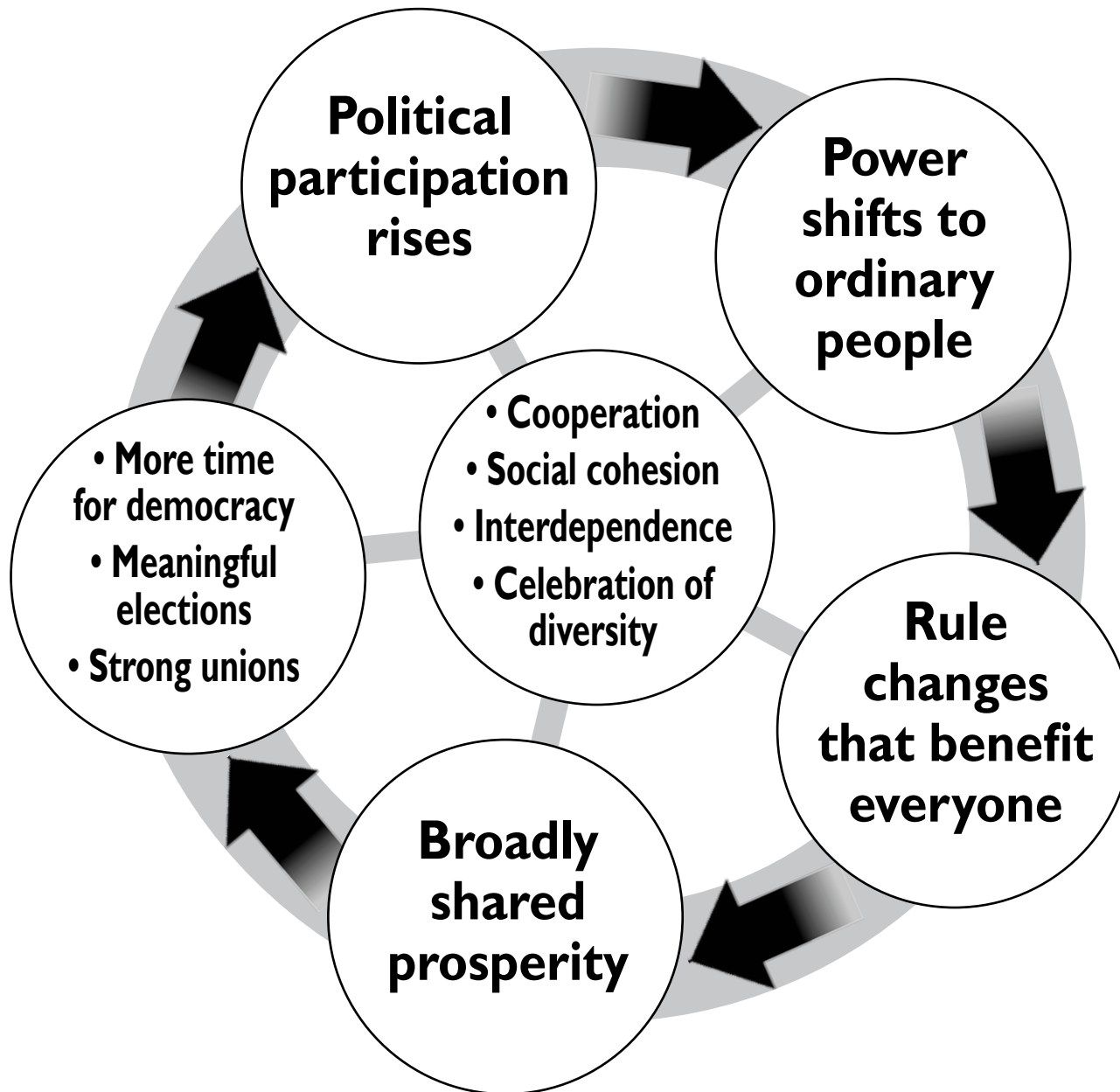


Sources: Living wage is calculated by dividing that year’s poverty threshold for a family of four by 2080 hours (52 weeks x 40 hours). Poverty thresholds for 1968 and 1979 from U.S. Census Bureau, Historical Poverty Tables, Table 1. Poverty thresholds for 2015 from the U.S. Census Bureau, Poverty thresholds by Size of Family and Number of Children.

Privatizing Public Services Helps Investors, Hurts Consumers and Workers



The Wheel of Shared Prosperity



Principles of a Fair Economy

- ★ **Equity in all dimensions (race, class, ethnicity, gender, etc.)**
- ★ **Solidarity and Cooperation**
- ★ **Political & Economic Democracy**
- ★ **Sustainability**
- ★ **Pluralism and Diversity**
- ★ **Accountability**
- ★ **Respect & Dignity for People and Planet**



Program for a Fair Economy

- ★ Educate & Change the Conversation



- ★ Campaign to Build Power & Change the Rules



- ★ Connect the Dots & Build a Movement



We Need New Rules to Reduce Wealth & Income Inequality

Lift the Floor for Lower Income People

- ★ Establish Living Wage standards
- ★ Raise the Federal minimum wage
- ★ Invest in job creation & training
- ★ Increase the supply of affordable housing

Level the Playing Field for Everyone

- ★ Fair taxes that treat income from investments and work the same
- ★ Postal banking services
- ★ Medicare for All
- ★ Trade policies that benefit wage-earners, consumers, & the environment
- ★ Quality education as a Constitutional right

Address the Concentration of Wealth and Power

- ★ Progressive taxation of wealth and income
- ★ Reduced subsidies for excessive CEO pay
- ★ Campaign finance reform to get big money out of politics
- ★ Accountability for corporations receiving public subsidies

What You Can Do Today

Educate Yourself and Others

- ★ Host a UFE Popular Economics Education workshop.
- ★ Learn to lead UFE workshops.
- ★ Educate yourself — look at the resources on our list.

Influence the Media

- ★ Write articles or letters to the editor.
- ★ Organize a writers' group.
- ★ Stage a flash mob creative action.

Join Campaigns to Change the Rules

- ★ Support progressive tax proposals, such as the Robin Hood Tax.
- ★ Support local Living Wage campaigns and raising the federal minimum wage.
- ★ End deferral of taxes on income of U.S.-controlled corporations abroad.

Build Power

- ★ Use your religious congregation as an organizing base.
- ★ Join or support a labor union.
- ★ Get involved in coalitions or civic groups.

Support United for a Fair Economy

- ★ Make a donation and become a UFE member.
- ★ Encourage friends and colleagues to join.
- ★ Organize a fund raising house party.
- ★ Help us reach out to a specific constituency.