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

Real Family Income Growth from 2009 - 2012

Growing Apart Even Further since the Great Recession

We All Grew

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

Median Family Income by Race, 1947-2010

Racial Income Inequality Persists

**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

For large U.S. corporations.

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

Countries are ranked by size of per capita GDP, largest left to right.

Productivity and Median Family Income, 1947-2013

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

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

Household Median Net Wealth by Race, 2013

Net Wealth is
ASSETS minus DEBTS
(What You OWN minus What You OWE)

Source: Pew Research Center tabulations of Survey of Consumer Finances public-use data. African Americans and Whites include only non-Latinos. (Dollar figures are in 2013 dollars.)
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/>.
Many families are forced to live on the edge.

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

Student Debt on the Rise

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

(Billions)

“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._

<table>
<thead>
<tr>
<th><strong>Unions:</strong></th>
<th>Anti-union climate weakens the power &amp; voice of workers.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trade:</strong></td>
<td>Global treaties benefit corporations, not workers or communities.</td>
</tr>
<tr>
<td><strong>Taxes:</strong></td>
<td>Taxes shifted from big investors and corporations to workers.</td>
</tr>
<tr>
<td><strong>Budget:</strong></td>
<td>Public services cut. Corporate subsidies expand.</td>
</tr>
<tr>
<td><strong>Minimum Wage:</strong></td>
<td>Not raised to keep up with inflation &amp; increased cost of living.</td>
</tr>
<tr>
<td><strong>Privatization:</strong></td>
<td>Government outsourcing plus no-bid contracts hurts taxpayers, workers, and public safety.</td>
</tr>
<tr>
<td><strong>Big $ in Politics:</strong></td>
<td>PACs &amp; other major campaign contributors have undue influence on legislators and increasingly undermine democracy.</td>
</tr>
</tbody>
</table>
The Wheel of Misfortune

Power shifts to corporations & big investors

Decline in political participation

Rule changes that favor the top 1%

Greater economic inequality

- Scapegoating
- Divided communities
  - Individualism
  - Escapism

- Big $ in politics
- Longer work hours
- Rising personal debt

Decline in political participation
Percentage of the Workforce in a Union, 1930-2015

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

1936: Sit-Down Strike in Flint, MI
1937: Wagner Act
1947: Taft-Hartley Act
1981: Reagan Breaks PATCO
1947: Taft-Hartley Act
2015: 11.1% Unionized

Source: Bureau of Labor Statistics
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

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.
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

Estate Tax
- 50%

Capital Gains Tax
- 46%

Payroll Tax
+ 8.5%

Sources:
Percent of Federal Tax Collections from Individuals & Corporations

*Taxes have shifted from corporations to individuals.*

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.

<table>
<thead>
<tr>
<th>Annual Earned Income (from wages &amp; salaries only)</th>
<th>2015 Effective Rates</th>
<th>1950 Effective Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - 3,000</td>
<td>6.2%</td>
<td>1%</td>
</tr>
<tr>
<td>$7,000</td>
<td>.4%</td>
<td>.4%</td>
</tr>
<tr>
<td>$100,000</td>
<td>.03%</td>
<td>.03%</td>
</tr>
<tr>
<td>$0 - 118,500</td>
<td></td>
<td>2.6%</td>
</tr>
<tr>
<td>$250,000</td>
<td></td>
<td>.01%</td>
</tr>
<tr>
<td>$5 million</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

- **Political participation rises**
  - More time for democracy
  - Meaningful elections
  - Strong unions

- **Cooperation**
  - Social cohesion
  - Interdependence
  - Celebration of diversity

- **Broadly shared prosperity**

- **Power shifts to ordinary people**

- **Rule changes that benefit everyone**

The cycle continues, reinforcing the interconnectedness of these elements for a more equitable society.
★ 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.

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

**Influence the Media**
★ Write articles or letters to the editor.
★ Organize a writers’ group.
★ Stage a flash mob creative action.

**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.

**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.