Our Escalating Inequality, Judy Deutsch, 3/15/2015

In 2010 the top 20% of the private wealth holders in our nation owned 89% of the nation's private wealth, while the remaining 80% of the people owned only 11%.

In 2009, the top 20% of income earners in our nation received almost 60% of earned income, while the remaining 80% of income earners received only about 40%.

And the data leading up to today show an even wider gap.

But if you are one of the nation's top 1% holders of income and wealth, you may be satisfied with the status quo, thinking that it is good for you and your progeny. However, you may be among the many in the upper 1%, like Warren Buffet and Bill Gates, Sr., who know that such inequality is not good for the nation as a whole. Even the ancient Romans, in their third century BC republic limited the amount of wealth or land that could be owned by any one family.

Motivations for limiting wealth include the desire for equality of opportunity, fear that great wealth leads to political corruption, and fear that the extreme concentration of wealth results in rebellion.

In our nation, the inequality of wealth, the votes that wealth seems to buy, and especially the influence wealth has on our legislators once they are in office, has led many observers to think that we have lost, or our losing our democracy, and have instead become, or are becoming, a plutocracy or an oligarchy — a plutocracy being defined as a government by the richest people, and an oligarchy being defined as a government in which all power is invested in a few persons or in a dominant class or clique.

During this month when we at First Parish are considering the meaning of stewardship, I hope that we believe and feel that just as we are stewards of First Parish, so too are we stewards of our nation and the democracy which it has aspired to be. And I hope that we believe and feel that the existing inequality of wealth and income does not live up to our UU principles of justice, equity and compassion in human relations, and the use of the democratic process in society at large, or to the spirit of love.

But even if you want more economic equality in our nation , I believe that with all your intelligence, wide reading, interest and concern, you — like me — don't know what can be done to change the situation, particularly with our present Congress and the effect of the Citizens United and McCutcheon Supreme Court rulings.

Our nation's income and wealth inequality didn't come about overnight. The current gap can be understood to have started in the Reagan era, with his notion of trickle down economics, often called Reaganomics, for it was then that there began a marked change from the low amount of inequality that the nation had seen from 1950 to 1980. It was then that reagan said that he wanted to roll back the welfare state — to roll back the period during which Thomas Piketty, the author of the monumental "*Capital in the Twenty-first Century*," notes that the top 10% owned about 30 to 35% of the national wealth. So-called trickle-down economics was practiced during President Reagan's two terms of office, from 1981 to 1989, when the minimum wage was frozen at $3.25 per hour, prices rose and thus the standard of living of low-wage workers fell, and taxes — mostly on the rich — were cut. Reagan drastically cut funds for cities and for programs that protected consumers and the poor, and he worked to break unions. He halved the budget for public housing and section-8 housing, causing a steep increase in the number of homeless people. In 1978, the percentage of people living below the poverty line had been 26.1 million; in 1988; it had risen to 32.7 million. By the end of the decade, the richest 1% owned 39% of the nation's wealth, a sharp change from the top 10% having held 30 to 35% before Reaganomics took hold. Obviously, trickle-down economics hadn't worked. And president reagan's deregulation of the savings and loan industry began the trend that led to our 2008 financial crisis.

It was continued by the two Presidents Bush and by President Clinton who, although he achieved an expansion of the earned income tax credit and enactment of CHIP (the Children's Health Insurance Program) also signed the 1996 welfare reform bill which caused three Assistant Secretaries at the Department of Health and Human Services to resign. One of them, Peter Edelman, whose wife Marion Wright Edelman, president and founder of the Children's Defense Fund, may be more familiar to you, said that it destroyed the safety net, increased poverty, lowered income for single mothers, put people from welfare into homeless shelters, and left states free to eliminate welfare entirely. It moved mothers from welfare to work, but many mothers did not receive enough pay to survive, and Edelman maintained that some were pushed off welfare because they didn't show up for an appointment because of lack of childcare.

Since 1980, the actual taxes paid by the wealthiest in our nation have decreased, helping to lead to our present huge income and wealth gap. So did the rising income packages of our nation's CEOs, resulting in the average ratio of CEOs' incomes to workers' incomes being 200:1 in 2012, whereas it had been 20 to 1 in 1965 and 53 to 1 in 1989.

Wealth and income disparities before the 1928 crisis and before the 2008 one were very similar.

In 1928, the wealthiest one-thousandth of a percent of the United States population owned 892 times more than the entire bottom 90%. In 2007, the wealthiest one-thousandth of a percent of the United States population owned 976 times more than the bottom 90%. The top 10 percent of earners received 49.29 percent of total income in 1928, and, in 2007, the top 10 percent earned close to the same percentage — 49.74% .

In the current issue of "Too Much," Sam Pizzigati points out that from 1948 to 1973, the increase in productivity in our nation was 96.7% and the increase in hourly pay was 91.3%, while from 1973 to 2013, the increase in productivity was 74.4% and the increase in hourly pay only 9.2%. He also points out that the 1973 union-member-share of the private sector workforce was 24.2%, while the 2014 union-member-share was 6.6%, and comments, "the smaller the union footprint, the greater our inequality."

Thomas Piketty shows that great inequality has not been sustainable in the past, and some other economists maintain that our current inequality is not sustainable.

So what's to be done?

The recent raising of the minimum wage above the federal $7.25 minimum in Seattle and the District of Columbia, as well as in some states including Massachusetts is a step forward, but even the touted $15 an hour in Seattle won't fully go into effect until 2021. And besides, a gross income of $31,200 earned working forty hours a week at $15 per hour wouldn't do very much for a family of 4. The raising of the earned income tax credit would be another step forward.

President Obama's proposals in his recent state of the union address that a new tax be imposed on Wall Street companies, and that workers be guaranteed up to seven days of sick leave, would probably be other steps forward. But even so, Obama can accomplish only the guarantee of paid sick leave by Executive Order. The other proposal would be up to our reluctant congress and thus unlikely to materialize.

Obama's requests, "Let's close loopholes so we stop rewarding companies that keep profits abroad, and reward those that invest in America. Let's use those savings to rebuild our infrastructure and make it more attractive for our companies...." might have more of an impact especially since the badly needed rebuilding of our infrastructure would produce thousands more middle class jobs. But I doubt that our current congress will close those loopholes.

At last month's Unitarian Universalist for a Just Economic Community conference on inequality, Chuck Collins[1] emphasized that levying a progressive estate tax on large fortunes, with the resulting revenue going toward tuition-free community colleges, was a feasible way to go. He believes that tying increased education to a progressive estate tax will be palatable to many who

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[1] Chuck Collins is a senior scholar at the Institute for Policy Studies. He directs its program on Inequality and the Common Good, is a co-founder of the *Wealth for the Common Good*, a founder and previous director of *United for A Fair Economy*, the author of many books, and the recipient of a sizable inheritance from his Oscar Meyer grandfather — an inheritance that he gave away. Here is an excerpt from his book, "*99:1: How Wealth Inequality Is Wrecking the World and What We Can Do About It*":

> *"Since the late 1970's, we've entered into a period of extreme inequality, a dizzying reordering of society. This radical redistribution of wealth was created by humans. Segments of the organized 1 percent lobbied politicians, and pressed for changes in the rules in the political area, rules governing such areas as trade, taxes, workers, and corporations.*
> *In a nutshell:*
> *1 - The rules of the economy have been changed to benefit asset owners at the expense of wage earners; and*
> *2 - These rule changes have benefitted global corporations at the expense of local businesses. There has been a triumph of capital, and a betrayal of work.*
> *The story of the last three decades is that working hard and earning wages didn't move you ahead. "real income" — excluding inflation — has remained stagnant or ,fallen since ,the late 1970's. Meanwhile, income from wealth (such as investments, property and stocks) have taken off on a rocket launcher."*

will be affected by the tax. And so, he suggested a progressive estate tax starting on estates over $5 million and getting more steeply progressive on larger estates. He mentioned another proposal that includes a 10% surtax on individual estates over $500 million, or $1 billion for a married couple. Such taxation would have been favored by Theodore Roosevelt and Andrew Carnegie, both of whom supported large estate taxes as a way to preserve democracy. But you may have noticed that a bill eliminating the estate tax has been introduced in Congress.

Collins[1] also recommended that we work to eliminate the largest loophole in the federal estate tax — the Grantor Retained Annuity Trust (GRAT) by which billionaires use trusts to pay little if any estate taxes on estates worth billions of dollars, costing the U.S. Treasury $100 billion since 2000. And he recommended restoring what he called income tax progressivity, instituting a Wall Street financial transaction tax, reforming the capital gains tax, closing offshore tax haven loopholes for transnational corporations and wealthy individuals, and taxing carbon and pollution.

However, I believe that few if any of these changes will come about while the Citizens United and McCutcheon Supreme Court rulings are in effect.

And so, I believe we should work to eliminate them. State Senator James Eldridge and State Representative Cori Atkins have introduced the "We The People Act" to do just that. The UUMASSACTION amend certified working group is supporting this bill, and Move to Amend is a national movement asking for the same thing.

I believe that if we want to be stewards of our nation and the democracy which it has aspired to be, and if we want to implement our UU principles of justice, equity and compassion in human relations, and the use of the democratic process in society at large, and act in the spirit of love, we should support these efforts.

I hope you do, too.

As Pope Francis said in his 2013 apostolic exhortation:

> "The problems of the poor have to be radically resolved by rejecting the absolute autonomy of markets and financial speculation, and by attacking the structural causes of inequality."