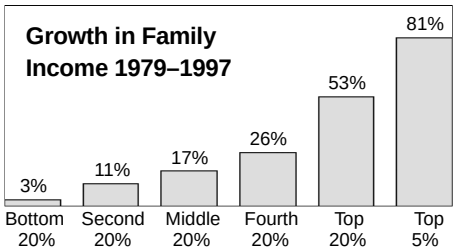
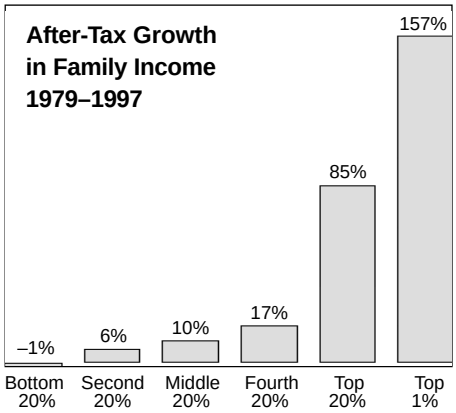
At Home and Abroad

Fairness Works

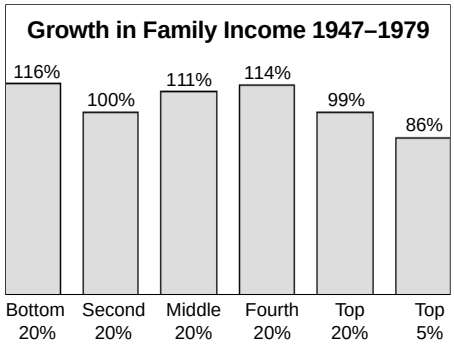


For a generation, America has been trying a ***social experiment*** that ***failed***. The claim was that if we cut taxes, especially the top rate of income tax, the economy would grow and everyone would benefit. The economy *did* grow, though less than before, but the money mostly went to the rich. Most of us didn't get our share (top chart), and after taxes (second chart) it's worse: ***The rich got richer and the poor got less than nothing***.



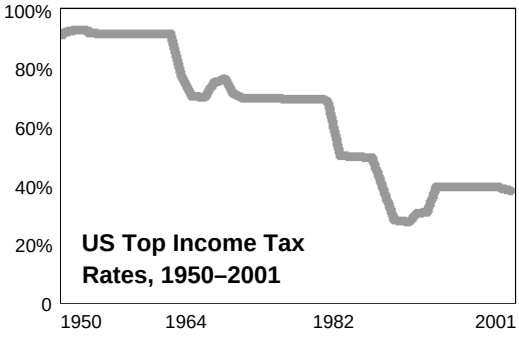
There is *a better way.*

We can have growth that benefits everyone — even growth that benefits the poor *more* than the rich. We know; it happened here, in the previous generation: ***The rich got richer and so did everyone else***, as the third chart shows. Income inequality declined for over 20 years.

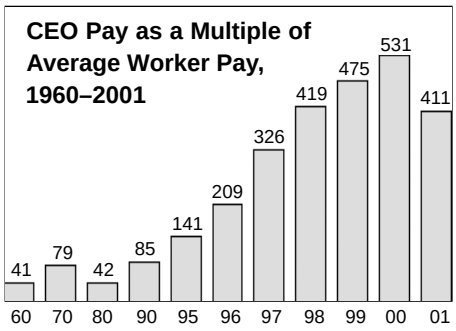


We can *build a fairer America.*

One tool for this is tax rates. In the ***1950s***, when Eisenhower (a Republican) was President, the ***top rate of income tax was 91%***. It only applied to income over $400,000 (about $2.25 million now), but the principle was clear: ***It is* unfair *to make too much money***. The rich objected,naturally, but when the rate went down, they actually paid themselves more.



In 1960, the average CEO made 41 times what the average worker did. When top tax rates were cut, CEOs kept more and also paid themselves more. In the 1970s, workers caught up some, but when rates were cut again, CEOs took more raises. Then in the 1990s they got really greedy.



Charts adapted from inequality.org, data from Census Bureau and *Business Week*; tax rates from irs.org.

We need tax reform, *not tax cuts.*

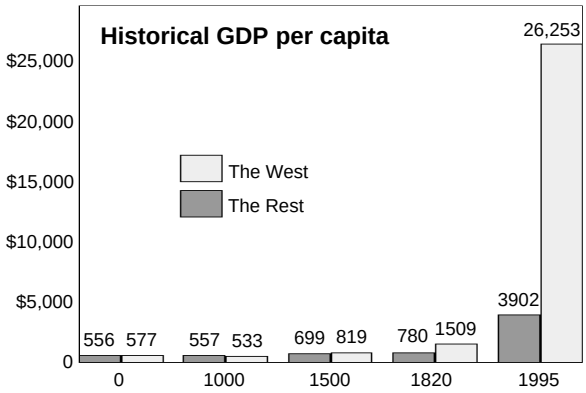
First we need to figure out our priorities, then we can work towards them. The era of the Korea, Vietnam and "Cold" Wars was far from perfect, but … President Johnson's "***War on Poverty***" cut the poverty rate from 22% to 13%. ***Medicare*** and Medicaid began; President Nixon even proposed national healthcare. The Federal government built the interstate system and paid to send veterans to college. By no coincidence, the ***Civil Rights*** movement bloomed, followed by a host of other social movements. America chose to invest in its people, and it paid off in rapidly increasing prosperity, until the long-term consequences of cutting taxes and fighting a war at the same time put a stop to it.

We can choose to do what's right. It works.

Worldwide, the West has for years been

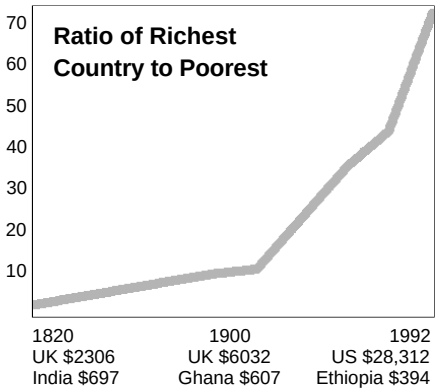
Exploiting the Poor

The gap between rich and poor is greater than ever. Most countries were roughly equal until about 500 years ago; then Britain, Spain, France, Portugal and others began to explore and colonize the world. The West got rich, but



the poorest are worse off than 2,000 years ago.

In 1999, 1.2 billion people lived on less than $1 a day, 2.8 billion on less than $2.



Globally, inequality is even worse than within the US.

Average income worldwide is about $5140 ($7570 if adjusted for purchasing power) so even poor Americans are middle-class and most of us are rich. But our wealth does *not* have to depend on others' poverty. ***Fair trade***, unlike corporate monopolies, helps both sides. Without it, we will end up living in a kind of global police state, where we spend billions we can't afford on wars that only generate more enemies. In that scenario, everyone loses.

Inequality Index

Zero is perfect equality, 100 the opposite

World	**64.5**
Brazil	60.7
Chile	56.6
Mexico	53.1
US	**40.8**
China	40.3
India	37.8
UK	36.8
Canada	31.5
Pakistan	31.2
Germany	30.0
Egypt	28.9
Norway	25.8
Japan	24.8
Denmark	24.7
Hungary	24.4
Belarus	21.7
Slovakia	19.5

This Gini Index is a standard statistical measure; from the UN HDR, 2002

We can change things so everybody wins.

America used to be generous — the ***Marshall Plan*** to help rebuild Europe cost $13.3 bn over four years; given inflation and the bigger economy, that's like spending perhaps $200 bn today (half of one year's Pentagon budget) — but the ***generosity paid off***. Europe boomed, and so did America; we rose together. Globally, Europe and Japan should certainly contribute, and have a strong say in the process, but the US is in a unique position to lead.

What can we do to help?

Join the national conversation! Democracy means that your voice should be heard. ***Vote!*** And encourage everyone else to. Recent elections were decided not just by court decisions or third parties or chicanery, but because ***the rich voted*** more than the rest of us did; 53% of voters in the 2000 CNN exit poll had incomes over $50,000 a year, but half of American households made less than $40,800. At least 100 million people who could have voted in 2000 didn't. ***Tell your representatives***, who are in the phone book, and Nancy Pelosi (202-225-4965, sf.nancy@mail.house.gov) and Tom Daschle (http://daschle.senate.gov/webform.html) the news:

Historical data is based on work by Angus Maddison, the world expert on the subject, found in the UN *Human Development Report*, 2002, and *Wall Street Journal*, 1/11/99. Other sources include the World Bank *World Development Report*, CNN and the Marshall Foundation. This flyer and others are available for download at wordsontheweb.com.

Pete Shanks, 5/25/03

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