

Building a “We” Economy

What do you want out of our economy? A good job? A decent living? Affordable housing? Security in your old age? A “we” economy (versus an “I” economy) would provide these basic economic human rights of stability and fairness.

The gap between the rich and the poor is a better measure of the health of our economy than the S&P 500 or the Dow. Today, the concentration of privately held wealth is at its highest peak since 1929, the year the financial markets crashed and gave rise to the Great Depression of the 1930s.¹ At that time, 25 percent of the population was out of work. Despite the fact that our economy is still recovering from the deepest recession since the 1930s, people in the top 1 percent continue to own as much wealth as all of those in the bottom 90 percent.² Fair taxation and good jobs are essential to reversing this trend and constructing a strategy for building a fair and just economy.

Some people say that if we get the economy going again, everyone will do fine. That is, “A rising tide lifts all boats.” We’ve learned, though, that not everyone has a boat. If you don’t have a job, a college degree, housing and healthcare you can afford, your feet may be stuck in the mud when the economic waters start to rise. When millions of people are stuck on the bottom without decent jobs or housing,

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Despite our economy being mired in the deepest recession since the 1930’s, people in the top 1% continue to own as much wealth as all of those in the bottom 90% combined.

we all pay for the extra education and social services they need, the extra police and prisons. It’s not much use being the richest country in the world if we “can’t afford” those basic economic rights.

Making Every Job a Good Job

Devoted to the principle that people who work full-time should not live in poverty, the living wage movement began in Baltimore in 1994 when the city passed an ordinance requiring businesses to pay employees a living wage while working on city contracts. A living wage is usually defined as the minimum hourly wage required to cover the costs of housing, clothing, food and other essential living expenses. Since then, over 120 communities have followed suit, some setting wage floors more than twice the federal minimum wage, and some requiring various benefits.³ In fact, a new policy developed by the Obama administration would give companies that pay a living wage an advantage when bidding on government contracts.⁴

Some US employers have voluntarily increased pay rates to a living wage and believe it’s also good for business. Borealis Breads, a bakery in Maine, pays its 60 employees a living wage plus benefits. Not only has the company noticed an improvement in recruiting and retention of employees, but it has also been a good marketing tool. Owner Jim Amaral believes that customers are willing to pay a “little bit extra to a socially responsible company.” He said, “We’re not just selling bread, we’re selling the company. Paying living wages, and letting people know that you do it, makes a tremendous amount of sense.”⁵

Make Taxes Fair

Over the past third of a century, tax changes have given the very rich more and more of our nation’s pie. Statistics from the past few years tell the story. The top-earning 1 percent of the nation’s families are getting almost 22 cents out of every dollar in national income.⁶ Just 1 percent of the population controls



Workers at Borealis Breads (Wells, Maine) earn a living wage plus benefits.

almost half of the country’s wealth. Between 2001 and 2010, the top percent of households received \$980 billion in tax cuts introduced by the Bush administration.⁷ Tax cuts for the wealthy made little sense when they were passed, and it is unconscionable that they were extended through 2012.⁸

Fair taxation is an excellent way to break up this kind of excessively concentrated wealth and fund programs and services for a “we” economy. Here are a few actions that could have far-reaching consequences:

- **Raise capital gains taxes** (taxes on stock and speculation) and dividends. Right now, most capital gains are taxed at 15 percent, and the Obama administration plans to increase this to 20 percent. That means billionaires are paying the same or lower tax rates than their secretaries. The capital gains rate should be raised at least to the top marginal tax rate—35 percent.

- **Close corporate tax loopholes.** We can start to restore a reasonable level of corporate taxation by closing the overseas tax havens that allow some companies to evade \$30 billion in taxes every year.

- **Raise the top marginal income tax rate.** In 1970, the richest people in the country paid 90 percent of their top income (on everything they made over about \$400,000) in taxes. Now the top rate is 35 percent. The tax burden was shifted onto the rest of us who can least afford it. The new Fairness in Taxation Act proposes new tax brackets ranging from 45 to 49 percent for incomes starting at \$1 million.⁹

- **Set the basic exemption for the federal estate tax at \$2 million.** This reform would exempt about 99.7 percent of the households in the US. The estate tax was created so that dynasties of wealth would not take over the country.

Percentage of Federal Budget Paid by Corporations



This difference allows some companies to evade \$30 billion in taxes every year.

It's not just mid- to low-income earners that support these measures. A group of American millionaires is calling for an end to the tax breaks that have benefited them but left the rest of the country with debt and dwindling budgets for education, health and other vital services. These millionaires are among the 700 business leaders and individuals in the top 5 percent of the wealth bracket. They are using their tax breaks to fight for tax policies that benefit all Americans.

In a *New York Times* op-ed entitled "Please Raise My Taxes," Reed Hastings, chief executive of Netflix wrote,

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Reed Hastings, chief executive of Netflix giving a keynote address in 2009.

Like my peers, I'm very highly paid. The difference between salaries like mine and those of average Americans creates a lot of tension, and I'd like to offer a suggestion. President Obama should celebrate our success, rather than trying to shame us or cap our pay. But he should also take half of our huge earnings in taxes, instead of the current one-third.¹⁰

Most Americans agree; 61 percent of people polled said they would like to see taxes for the wealthy increased as the first step to tackling the deficit.¹¹ Raising the tax rate for the wealthiest Americans could generate more than \$78 billion in new revenue annually that could be invested in education, infrastructure and other programs that benefit the public.¹²

Lifting All Boats

What can we do with the money? We can level the playing field and give everyone a fair chance at a decent life by funding programs that benefit everyone, such as

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universal childcare and free public higher education. Such services are federally funded elsewhere. In Denmark, all state schools from primary through graduate-level are almost completely free,¹³ and nearly 45 percent of Danes graduate from a college or university.¹⁴ With universal programs, nobody gets left out. Middle-income families won't have to go into debt to pay for childcare and a college education. Universal programs lift everyone up to the same basic level and give everyone a fair chance to go farther. Universal programs have another advantage: They are really popular. In France, everyone gets childcare, so everyone supports it. That nationwide support makes it hard for any political party to attack childcare or cut down the coverage people are used to.

What Does a "We Economy" Look Like?

Forty years ago, the labor movement, the civil rights movement, the women's and gender freedom movements pushed our country toward a more equitable and fair society. What will the economic justice movement of our time look like?

- It will include coalitions, for example, community organizations and unions getting together and pressuring big corporations for community improvements and better wages.
- People of color will be likely leaders.
- It will be global because the corporations and banks that have the wealth are global.
- Most importantly, we will build solidarity and trust through working together and mutual support.

We dream of nation where prosperity is shared; where there is genuine equality of opportunity; where income, wages and taxes are fair; and where communities are healthy and safe with opportunities for recreation and personal growth. A great nation is one where individuals of varying degrees of wealth come together to work for economic justice to create a "we economy."

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Mike Prokosch is a popular economics educator and organizer in Massachusetts. He is currently working on a green jobs-green justice campaign at Community Labor United in Boston and, in his spare time, on the Fund Our Communities—Cut Military Spending 25% campaign nationally. He's also on the board of United for a Fair Economy (www.faireconomy.org).

