

## Concerns for Our Country

We are concerned about our country. In the 2008 economic recession, 8.4 million jobs were lost; 39.8 million people were in poverty (the worst rate of poverty since 1960); and \$6.1 trillion in housing value disappeared. For more than two years now, our country's unemployment rate has been at or above 8.8%. Too many people are struggling with job insecurity, too much debt, and pay raises that haven't kept up with prices at the grocery store and gas station. Economic justice and tax fairness are needed in our country.

### Concerns:

- **Stagnant income growth for working people:** Since 1980, the American economy has doubled in size, but wages have been stagnant or flat when adjusting for inflation. Highly uneven income growth has substantially worsened income inequality. In 2010, the share of Americans living in poverty reached 15.1% while the share of children in poverty hit 22% - both the highest levels in 17 years - while the number of people living in poverty hit 46.2 million, the highest level on record with data back to 1959. Growing levels of income inequality are associated with increases in crime, profound strains on households, lower savings rates, poorer health outcomes, and diminished levels of trust - all forces that have the potential to drag down economic growth for all.
- **Loss of jobs through globalization:** The big disconnect between corporate profits and jobs is likely to continue because America's big businesses are depending less and less on U.S. sales and U.S. workers. Their big profits are coming from two sources: 1) growing sales in China, India, and other fast-growing countries, and 2) slimmed-down U.S. payrolls. The United States has lost an average of 50,000 manufacturing jobs per month since China joined the World Trade Organization in 2001, and the U.S trade deficit with China is now 27 times larger than it was back in 1990.

General Motors is now making more cars in China than in the U.S., and two-thirds of its total sales are coming from abroad. Late last year, GM boasted that soon almost half its cars will be made around the world where labor is less than \$15 an hour. Wal-Mart isn't doing especially well in America, but Wal-Mart International is booming, and Wal-Mart is hiring like mad outside the U.S. General Electric is keeping its payrolls down in the U.S. but plans to invest half a billion dollars in Brazil and hire 1,000 Brazilians, and invest \$2 billion in China.

According to the U.S. Census Bureau, an average of 5 million Americans were being hired every month during 2006. However, today, only an average of 3.5 million Americans are being hired every month.

- **Loss of homes:** Predatory lending activities are shameful, and have ended up hurting millions of working families with their largest asset, their home. Around the year 2000, when established underwriting standards were largely abandoned by both the private and public lending industry in their rush for commissions, fees and profits, we ended up with far too many families buying homes that shouldn't have and buying them at inflated prices. Known as the housing bubble, people did not have the means to stay in their homes, especially when hard times hit. Housing values dropped, their interest rates adjusted upward, and they lost their jobs. \$7.38 trillion is the amount of wealth that's been lost from the bursting of the housing bubble. This is how much homeowners lost when housing prices plunged 30% nationwide. The loss for these homeowners was much greater than 30% however, because they were heavily leveraged. The American dream of owning a home became a nightmare for millions of families. The Federal Reserve has predicted 2 million more foreclosures per year for the next two years.

- **Loss of retirement accounts:** Many people have invested their retirement earnings on Wall Street. Many of the actions of companies on Wall Street are criminal. When financial managers recommend and sell to consumers investment products that they secretly predict will fail, that is wrong. But when they also invest in bets that those products will fail, and are greatly enriched when the recommended investments do fail, that's fraudulent and unethical. We still do not have sufficient regulation of the financial markets. The credit default swaps, derivatives, and other risky products that got us into trouble by 2008 and almost caused a national depression still exist.
- **Too much wealth in the hands of too few:** The income gap in the United States has ballooned: It's wider than any time since 1928, in the days before the stock market crash triggered the Great Depression. In the United States, wealth is highly concentrated in relatively few hands. As of 2007, the top 1% of households (the upper class) owned 34.6% of all privately held wealth, and the next 19% (the managerial, professional, and small business stratum) had 50.5%. Just 20% of the people owned a remarkable 85%, leaving only 15% of the wealth for the bottom 80% (wage and salary workers). In terms of financial wealth (total net worth minus the value of one's home), the top 1% of households had an even greater share: 42.7%.
- **Lack of fairness between cuts and tax increases:** What we need most right now is more jobs. However, what we are getting from our government are cuts. The goals of the Budget Control Act of 2011 are to prevent loss of federal borrowing authority and a deficit reduction over the next 10 years. Spending is capped from FY 2012-FY 2021, cutting about \$900 billion. The Joint Selection Committee on Deficit Reduction (aka the Super Committee) is charged with recommending by November 23, 2011 at least \$1.2 trillion more in deficit reduction through FY 2021. Congress must vote on the Super Committee's bill by December 23, 2011 and on the constitutional amendment to balance the budget by December 31, 2011. If it isn't enacted, automatic cuts of up to \$1.2 trillion are imposed, starting January 2013. These cuts will greatly impact many programs, such as subsidized housing, heating assistance, and Head Start, which serve as a safety net and protect our country's most vulnerable people.

Now, more than ever, we need tax fairness and economic justice in America. We need an economy that works for all people. We need a smart and fair deficit reduction plan.

#### **Call for Action:**

- **Increase revenues:** Raise the capital gains tax rate, end Bush tax cuts for the wealthiest 2%, reduce extra benefits richest taxpayers get from itemized deductions, reduce subsidies for foreign profits, end subsidies for oil and gas companies, end the loophole for hedge fund and private equity fund managers, and end tax breaks for vacation homes and yachts. In an article in The New York Times, Warren Buffet recently stated, "While the poor and middle class fight for us in Afghanistan, and while most Americans struggle to make ends meet, we mega-rich continue to get our extraordinary tax breaks. My friends and I have been coddled long enough by a billionaire-friendly Congress. It's time for our government to get serious about shared sacrifice." If revenues are not a substantial part of the plan, damaging cuts to Medicaid, Medicare, and other programs are very likely.

Support legislation like the Fairness in Taxation Act, H.R. 1124. This Act is a progressive, responsible tax bill that ensures millionaires and billionaires pay a fair share of taxes. The current tax code doesn't distinguish between households earning \$373,000 and hedge fund managers earning billions of dollars a year. The Fairness in Taxation Act would create new tax brackets for annual income starting above \$1 million and ending with \$1 billion and up. It also would tax capital gains and dividends at the same rate as income from work for taxpayers with income above \$1 million, instead of a much lower tax rate.

- **Maintain social safety net for our most vulnerable citizens:** Protect programs that serve low-income people. The House-passed Budget proposed deep cuts to Medicaid. It would become a block grant to states and would slash Medicaid by \$750 billion over 10 years. The Budget repealed the Affordable Care Act and would cut it by \$610 billion over 10 years. Together, these cuts would reduce the Medicaid caseload by nearly half (or require big reductions in benefits and/or higher costs for low-income people).

Deep cuts were also proposed to SNAP/Food Stamps Program. It would become a block grant and cut the program by \$127 billion over 10 years. This would require either eliminating 8 million people from the caseload or cutting monthly benefits for a family of four by \$147. Maintain affordable housing programs.

- **Stop wasteful contracting:** Seek savings from wasteful contracting in the military and elsewhere, as well as other military savings. Former Reagan Defense official Lawrence Korb, now at the Center for American Progress, proposes \$400 billion through 2015 in military cuts, not counting war reductions.
- **Invest in the workforce:** Incorporate job creation and protections for vulnerable people. Examples: FAST (Fix America's Schools Today) - \$50 billion will create 450,000-500,000 jobs and Emergency Jobs to Restore American Dream Act - \$227 billion will create 2 million jobs. To build workforce skills, invest in training and re-training programs at technical colleges, universities, and other accredited institutions. We also need to prevent the federal UI (unemployment insurance) program from expiring in December 2011. This program provides temporary and partial wage replacement to involuntarily unemployed workers who were recently employed and helps stabilize the economy during recessions.
- **Ensure affordable healthcare for everyone:** Offer universal healthcare coverage through a non-profit governmental insurer. Universal healthcare would stop medical bankruptcies, improve public health, and reduce overall healthcare spending. The United States is the only industrialized nation that does not guarantee access to health care as a right of citizenship. Twenty-eight industrialized nations have single payer universal health care systems, while one (Germany) has a multi-payer universal health care system.

The cost of health care has become increasingly unaffordable for many working families. More than 50 million people in the U.S. were uninsured in 2009. More than 60% of all U.S. bankruptcies in 2007 were related to medical expenses and 78% of these bankruptcies were filed by people who had medical insurance. While the majority of uninsured people were from low-income households, 38.3% of the uninsured had an annual household income of at least \$50,000. Since 2000, health insurance premiums have risen three times faster than wages.

We believe that our country will prosper and grow only if a fair balance between budget cuts and increased revenues is achieved. Cuts should be reasonable, tax increases on the wealthy should be fair, and the safety net for our most vulnerable citizens should be maintained. We can do all three of these things for the good of our country.

Couleecap, Inc. is a private non-profit in western Wisconsin that fights poverty and promotes self-sufficiency.

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