September, 2002 Responsible Wealth • A Project of United for a Fair Economy Vol. 6, No.2

RESPONSIBLE WEALTH Action News

*Responsible Wealth believes that growing economic inequality in America has resulted from rules tilted in our favor as large asset owners. We examine these tilted rules and use our unique voice to propose changes that will lead to a more fair economy and democratic society.*

## Responsible Wealth Conference Set for March 7-8, 2003 in Seattle

***Mark your calendar and plan to join us for a lively 2-day national conference.***

***Topics will include: preserving the federal estate tax, promoting progressive state taxes, and increasing corporate responsibility.***

## Keynote Speaker: Bill Gates, Sr.

## Inside



# Preserving the EstateTax . . . Round 3

### California Members Help Change Sen. Feinstein's Vote

The estate tax came under serious attack again this spring, and Responsible Wealth again played a key role in saving it. In early May, Senator Tom Daschle made a deal with GOP leaders to bring the estate tax up for a vote. At that time, it was generally agreed that the proponents of repeal had 58 of the 60 votes they needed in the Senate to permanently repeal the estate tax. When the dust cleared in late June, proponents had mustered only 54 votes, a clear shift in momentum away from repeal.

One of the key successes of the campaign was when Senator Dianne Feinstein of California, after hearing from many of her constituents, including many calls and letters from Responsible Wealth members, switched her vote from actively supporting to opposing permanent repeal.

As usual, several alternatives to total repeal were offered, each of which would have exempted small estates but kept the tax in place for the largest estates. Each amendment failed. *(continued on next page)*

## United for a Fair Economy Publishes Two New Reports

*"Titans of the Enron Economy: The Ten Habits of Highly Defective Corporations"*

*and*

*"Executive Excess 2002: CEOs Cook the Books, Skewer the Rest of Us."*

*(Co-Authored by the Institute for Policy Studies)*

*Both reports are available at www.FairEconomy.org*

MATT WUERKER

**Responsible Wealth Action News**

**Vol. 6, No. 2**
**September, 2002**

**Responsible Wealth**
A Project of
United for a Fair Economy

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**Responsible Wealth, a project of United for a Fair Economy,** is a group of business people, investors and affluent individuals among the top 5% of income earners and asset holders in the US (over $145,000 annual household income and/or $650,000 net assets) who are concerned about growing economic inequality and are joining together to publicly address the problem.

As beneficiaries of economic policies that are tilted in our favor, we feel a responsibility to speak out and change the system to benefit the common good. We believe it is also in our own best interest to do so.

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# Estate Tax Saved . . . Again

*(cont'd)*

Responsible Wealth and our parent organization, United for a Fair Economy (UFE), again teamed up with a group of non-profits, named Americans for a Fair Estate Tax, to push for reasonable reforms rather than wholesale repeal. Following the 2001 estate tax battle, UFE formed a non-tax exempt 501(c)(4) organization, the Fair Economy Action Fund, to support direct lobbying activities.

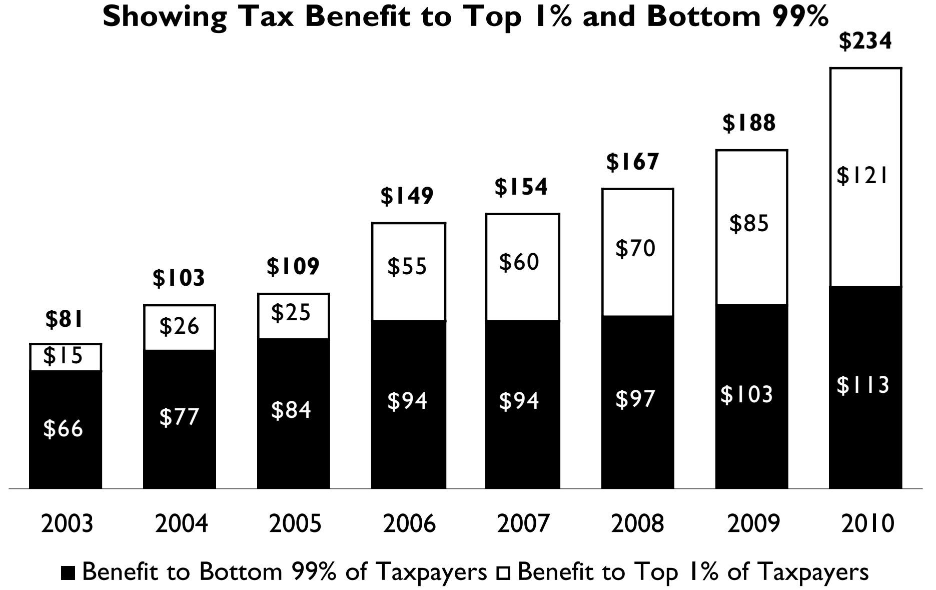
The new Action Fund was able to pay for political advertising (see next page) and field staff in several key states. The Action Fund established field operations in ten "battleground" states around the country (e.g., California, Maine, Washington, Oregon, Ohio) where local organizations and individuals were encouraged to speak up on the issue.

The way the 2001 law was written, the estate tax exemption level will rise gradually until 2009. In 2010, the estate tax disappears entirely, but only for a year. In 2011, it will revert to pre-2001 law ($675,000 exemption and 55% top rate). Advocates on both sides of the issue agree that this is an unacceptable arrangement, and something needs to be done to fix it.

The federal deficit picture is looking worse and worse, but proponents will continue to pursue total repeal, even though it would cost about $100 billion in foregone revenue this decade and $750 billion next decade. There is a small window of possibility in early October that a vote could be held in the Senate – before a budget resolution is passed – that would require only 50 votes for repeal, but that looks unlikely.

By contacting your Senators, RW members and supporters of the estate tax made a huge difference. Thank you! We'll keep you posted by email as the situation develops.

**Cost of Bush Tax Cut, 2003-2010 (in $billions)**
**Showing Tax Benefit to Top 1% and Bottom 99%**




SOURCE: CITIZENS FOR TAX JUSTICE

# Using Our Voices

This advertisement appeared on the op-ed page of the *New York Times* on May 22, 2002. We are grateful to our friends at TomPaine.com and the Florence Fund for generously donating the space to us.

# MUCH ADO ABOUT A VERY FEW

Congress will vote in the coming weeks on estate tax legislation. Under the current estate tax law, out of the 180 million Americans who file income taxes every year, a mere 6,000 of them will pay the estate tax.

| State | Estate Tax Returns | Average Estate |
|---|---|---|
| Connecticut | 116 people | $ 17.1 million |
| Louisiana | 54 people | $ 13.5 million |
| Maine | 24 people | $ 14.8 million |
| Missouri | 129 people | $ 13.7 million |
| New Jersey | 232 people | $ 17.0 million |
| New York | 422 people | $ 23.4 million |

Can we really afford a **$60 billion a year** gift to multi-millionaires at the expense of Social Security Medicare, Education, and Homeland Security?

**Call your Senators today (202-224-3121) and urge them to vote NO on the Gramm-Kyl proposal.**

ESTATE TAX REFORM. NOT REPEAL.

RESPONSIBLE WEALTH

Sign our petition at www.responsiblewealth.org.
37 Temple Place, 2nd floor, Boston, MA 02111 1-617-423-2148

Source: 2000 Estimates Based on 1999 IRS Data

# Corporate Governance Comes of Age

Over the last four years, Responsible Wealth members have filed 40 shareholder proposals asking companies to adopt fair executive compensation policies, ones in which the rewards and sacrifices of enterprise are shared fairly among all stakeholders.

In the early years of our efforts, the prevailing view was that those at the top of large companies were responsible for the creation of tremendous wealth and were thus deserving of limitless and lavish rewards. We were criticized for not sharing that view.

The world looks quite a bit different today. In too many cases, corporate leaders have pursued far too aggressive accounting practices, reaping personal fortunes along the way, while leaving employees to bear the brunt of job losses and depletion of their retirement assets.

Institutional investors responding to the unfolding crisis in corporate governance strongly embraced CEO pay resolutions offered during the recent annual meeting season. Several state pension funds are taking the lead in pressing for corporate governance reforms, including greater shareholder input in director elections, and more reasonable compensation packages for executives.

While last year brought new allies, it also brought new challenges. While the public face of the SEC spoke with great concern about the crisis in investor confidence, the private voice of the SEC was unusually active in blocking shareholders from raising issues ranging from democratic board elections to whether companies should be required to hold in-person annual meetings.

RW had three shareholder resolutions turned away by the SEC in 2002, more than in the previous three years of our efforts combined. In response to EMC Corporation's hundred-page tome of objections to RW's resolution asking the company to commit to in-person annual meetings of shareholders, the SEC set aside its publicly stated concerns about greater executive accountability and ruled that whether to hold an in-person annual meeting or not was a matter of "ordinary business" outside the purview of shareholders.

### 30% Support RW Resolution at Household International

For the last two years, Responsible Wealth has partnered with ACORN (Association of Community Organizations for Reform Now), a national organization of low-income people working together for economic fairness, to pressure Household International to eliminate its predatory lending practices.

Both years, RW member Julie Goodridge, president of North Star Asset Management, has introduced a shareholder proposal asking Household to link its CEO pay to success in reducing predatory lending practices. Domini Social Investments joined in the resolution as a co-filer. In a

*(continued on next page)*

## Enron Report Excerpt

***"The pivotal lessons from the Enron debacle do not stem from any criminal wrongdoing. Most of the maneuvers leading to Enron's meltdown are not only legal, they are widely practiced. Many of the problems dramatically revealed by the Enron scandal are woven tightly into the fabric of American business."***

*– From UFE's "Titans of the Enron Economy: Ten Habits of Highly Defective Corporations" (Available free at www.FairEconomy.org)*

## Governance *(continued from p. 4)*

move many saw as designed to keep the company out of the media spotlight, Household moved its annual meeting to London, Kentucky, a small town 2 hours from the nearest airport. This didn't deter determined ACORN members, three dozen of whom traveled in vans through the night from as far away as Little Rock, Minneapolis and Boston. NorthStar and Domini used the access afforded them as shareholders to invite three ACORN members, including two who had lost their homes to Household's predatory loans, to attend the annual meeting and tell their stories. These three brave women were among the only outsiders in a tent full of 600 Household shareholders.

When the ACORN members finished speaking, Household chairman Bill Aldinger responded by saying "We are not predatory lenders!" In response to Aldinger's defiant remarks, hundreds of employees sprang to their feet in a standing ovation. However, the cheers were short-lived, when minutes later Aldinger announced that 27% of shareholders had supported RW's resolution, one of the highest votes on any corporate social responsibility shareholder resolution for the year and well above the 5% support the same resolution received in 2001. (The final voting tally revised this number upward to 30.5%).

Among those voting for this resolution were the pension funds of California, Minnesota, Connecticut and New York. The vote was high enough that the formerly recalcitrant Household management contacted RW after the meeting and asked to meet to learn more about our concerns.

### What Lies Ahead?

Next year's proxy season is fast approaching, with the bulk of resolutions scheduled to be filed in November and December. Please take a moment to review the enclosed booklet on our plans for the coming season. Fill out and return the attached shareholder survey by October 31st (or as soon as you are able) if you would like to participate.

Highlights for the coming year include:

- Continuing and deepening our work on predatory lending in partnership with ACORN and the Coalition for Responsible Lending.
- Nominating director candidates to the boards of Walt Disney and Household International, with the hope of attracting public attention to this little used right of shareholders.
- Filing shareholder resolutions with several prominent mutual funds asking them to disclose to shareholders their proxy voting policies and voting records.
- Taking advantage of the current atmosphere to call for comprehensive executive compensation reviews which will, at a minimum, consider such questions as whether there should be limits on the concentration of stock options in the hands of executives, whether there should be a maximum ratio between highest and lowest paid employees and whether executive pay should be frozen during periods of large layoffs.

### Take Action

***Contact your Senators and urge them to support the "Ending the Double Standard for Stock Options Act" (S. 1940) which would require companies to show the same set of books to shareholders as they show to government tax collectors.***

***Contact your Representative and urge him or her to co-sponsor the "Income Equity Act" (HR 2691), which would limit the tax deductibility of corporate compensation to 25 times that of the lowest paid worker.***

# Profile: Social Venture Network

Ben and Jerry's, Domini Social Investments, Hanna Anderson, White Dog Café, Tweezerman, Working Assets, Relief Resources, Eileen Fisher. Some names you recognize, some you probably don't.

What do all these enterprises have in common? They were all founded by individuals who were as concerned with doing good as they were with doing well. And they're all among the 400 or so members of Social Venture Network, an organization of businesspeople and social entrepreneurs who are "dedicated to creating a more just, humane and sustainable society by changing the way the world does business."

LIZ ROLL

*SVN member Dal LaMagna (also a member of Responsible Wealth) speaks at a rally during Responsible Wealth's May 10, 2001 Lobby Day in Washington, D.C.*

Twice a year, members of Social Venture Network (SVN) gather to network, hear from visionary speakers, and learn from each other about cutting edge responsible business practices.

Each April, about 300 members gather for the members-only meeting, and the fall conference every October is open to non-members who are interested in joining the network. This fall's conference, October 10-13, 2002, is being held at the El Capitán Campground near Santa Barbara, CA.

Responsible Wealth joined Social Venture Network about 4 years ago in the "social entrepreneur" category, as a non-profit group that uses the voice of business leaders in our efforts to push for fair tax and wage laws and more responsible corporate behavior. The relationship has been a fruitful one.

Responsible Wealth has been an outlet for SVN members to speak publicly about areas of concern to them. Many SVN members are frequent spokespeople for Responsible Wealth's issues: protecting and expanding our progressive tax structure; preserving the estate tax; promoting a living wage; and pushing corporations to act more responsibly in various ways.

You can find out more about SVN and their upcoming conference at their website, www.svn.org.

# Review: *Wealth and Democracy* by Kevin Phillips

***Wealth and Democracy: A Political History of the American Rich*, by Kevin Phillips, ©Broadway Publishing, May 2002.**

*"[A]rousal against abuses of wealth and power has always transcended class lines."*

Those words come from an unlikely source: 1968 Nixon campaign strategist and long-time political commentator Kevin Phillips.

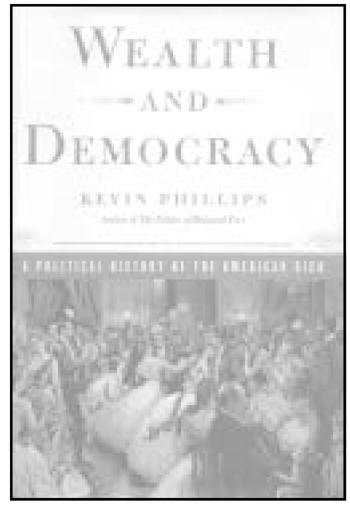
In his latest book, *Wealth and Democracy: A Political History of the American Rich* (Broadway Publishing, May 2002), Phillips argues in great detail (474 pages) that the current extreme concentration of wealth and political power in the United States bears striking similarities to Rome, the Dutch republic, Britain and Spain, before their respective falls. We are now in a second Gilded Age in the US, he says, and wonders whether a political figure like John McCain will step up and play the role of a William Jennings Bryan or Teddy Roosevelt in leading a populist backlash.

Phillips sings many of the same tunes as Responsible Wealth and United for a Fair Economy. He points out, for example, that the 30 largest fortunes in the US grew more than 10 times larger between 1982 and 1999, much as the fortunes of the late nineteenth century industrialists (robber barons?) grew ten to twenty fold between the Civil War and 1900. By 1999, Bill Gates' $86 billion Microsoft fortune stood at 1.4 million times the net assets of the median US household, a disparity already well beyond the 1.25 million to 1 ratio pegged by John D. Rockefeller in the early 1900s.

Phillips' thesis is that, far from standing in the way of enterprise, government has been one of the chief creators of private wealth. "From the nursery years of the Republic, US government economic decisions in matters of taxation, central bank operations, debt management, banking, trade and tariffs, and financial rescues or bailouts have been keys to expanding, shrinking, or realigning the nation's privately held assets."

Phillips argues that too much concentrated wealth has hurt democracy, and too much democracy has at times hurt enterprise. Phillips skewers his own Republican party for abandoning the interests of the average American in favor of complicity with the interests of big money – speculation, deregulation and special tax favors. He quotes Teddy Roosevelt, who warned that too much money in the hands of the few offends our sense of fairness, is corrupting, and is dangerous to the republic. But he adds that today's Democrats, too, are torn between their reliance on support from monied interests and a populist urge to fight the growing concentration of wealth and power.

**Responsible Wealth is teaming up with Business Leaders for Sensible Priorities to host an evening with Kevin Phillips in New York on Tuesday, October 29 at 6:30 pm.** Call Gary Ferdman at 212-243-3416. If you're in the New York area, keep an eye out for an invitation, and join us if you can!



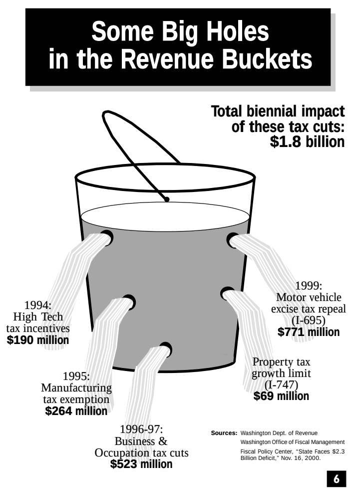

## Report Excerpt

***The average three-year pay for CEOs of companies engaged in accounting scandals were a staggering 70 percent higher than average CEO compensation reported in Business Week's annual executive pay survey. The Book Cookers earned an average $62.2 million during 1999-2001, while the average CEO had to get by on a mere $36.5 million.***

*– From UFE's Report "Executive Excess 2002: Cooking the Books, Skewering the Rest of Us" (Available free at www.FairEconomy.org)*

## United for a Fair Economy

# UFE Helps State Coalitions Address Budget Gaps




*This "leaking bucket" graphic is a part of UFE's workshop on state budget gaps. UFE has been working with coalitions in Washington, Massachusetts and Texas to develop educational materials to help address the states' budget gaps.*

If you think the West Nile virus is spreading fast throughout the nation, just wait until you hear about latest pandemic, the "deficit" virus. Almost every state in the US has contracted this virus and is experiencing a severe symptom – the rapid deterioration of state revenue. California alone is facing a deficit of $23 billion, which is more than the entire budget of all but three states.

The nation's economic recession and sluggish recovery have contributed to these painful budget woes. In many states, two other factors have played a significant causal role: 1) huge tax cuts over the past decade, passed during flush economic times, and 2) basic structural problems of many states' tax systems (such as an unstable mix of revenue sources).

When facing a budget gap, a state has essentially two options: cut spending or raise revenue. In many states, organizations whose programs and services are threatened with severe cuts have begun to come together in coalitions to advocate for the 'raise revenue' option. Unions, anti-poverty organizations, health care advocates, seniors, teachers, human services organizations and others are attempting to use the power of their collective voice to stop further devastating cuts and, as an alternative, raise revenue.

Over the past year, Responsible Wealth's parent organization, United for a Fair Economy, has been working with coalitions in three states – Texas, Washington and Massachusetts – to develop workshops coalition members can use to educate their constituencies and the public about the causes of the budget crisis and what can be done. The workshops are tailored to each state's particular circumstance, with the coalition in each state determining the most appropriate policy solutions (see box at left).

In addition to advocating for specific policy solutions, UFE's workshops help people to understand the unfairness of their state's current tax systems and the value of progressive taxation.

This latest round of FY 2003 budget challenges was unfortunately only the beginning. States are now gearing up to deal with the looming and expanding deficits of their FY 2004 budgets and beyond. Our partner coalitions will continue to educate and organize people throughout their states to advance fair and sustainable fiscal policies.

There is a clear role for the voice of Responsible Wealth in these efforts. Who better to weigh in on why addressing the budget crisis requires all income groups to sacrifice, than those who can afford to pay more doing so? A great example of RW rallying in support of this cause is in California, where two dozen RW members signed California's call for higher taxes on upper income tax payers, a proposal put forth by Health Access Foundation.

**Please contact Karen Kraut (617-423-2148 ext. 22 or kkraut@responsiblewealth.org) to get involved in your state's efforts to promote tax fairness.**