



**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 fairer economy and a more democratic society.*

## From the ED

*As you'll see in this issue, United for a Fair Economy has been finding ways to link our different constituencies. Through reaching across our class and race divides – sometimes a stretch! – and joining hands, we can create a strong and unified movement for economic justice. The voices and actions of people of all economic levels and of all races are important, and the Responsible Wealth role is a unique and powerful one. As we go forward, UFE will be looking for new opportunities for you to engage with our grassroots partners. In working together face to face, as we say in Popular Education, “Everyone is a teacher, everyone is a learner.” When we learn together, we are all the richer for it.*

– Meizhu Lui  
UFE Executive Director

## A Summer in the Life of the Estate Tax

With Senate Majority Leader Bill Frist promising an estate tax vote in early September, the fight to preserve the estate tax again shifted into high gear over the summer. Responsible Wealth, United for a Fair Economy, and our affiliated c(4), the Fair Economy Action Fund, were busy with a barrage of organizing, advertising and media work aimed at promoting responsible reform rather than complete repeal of the estate tax.

In Maine, Oregon and Washington, UFE organizers Dory Waxman, Michael Davoli and Lois Canright joined the voices of long-time estate tax supporters with those of many new to the issue, using a combination of workshops, press conferences, call-in days and media campaigns designed to shift public consciousness.

*(continued on page 3)*

## Washing Away the Veil

by Chaka A.K. Uzundu, UFE Education Coordinator

Racial wealth inequality continues to deeply shape the United States. Hurricane Katrina should have made this clear for those who previously refused to see it. With destructive clarity, Hurricane Katrina highlighted deep racial fault lines. We have been shaken.

Natural disasters are not race-conscious; they do not discriminate. Yet, to argue that race does not matter is to reject reality. Race does matter. Conscious political choices over many years produced the racially biased suffering in the aftermath of Hurricane Katrina. If you are not white, you are more likely to be poor. Not just income poor, but asset poor, and those with minimal assets are the ones who are least able to weather life's storms, and who suffer most during these particularly disastrous times. They are also the ones who are more likely to have difficulty in recon-

*(continued on page 2)*

## Inside

- 4 Taking a Stand For Fair Lending
- 6 Executive Excess 2005
- 7 Growing Pie or Growing Gap?
- 8 We Hear You!

**Responsible Wealth  
Action News**

**Vol. 9, No. 2  
November 2005**

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

**UFE Executive Director**  
Meizhu Lui

**Responsible Wealth Staff**  
Scott Klinger  
Mike Lapham

**Newsletter Layout**  
Honey Chambers

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 \$164,000 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.

**Responsible Wealth**  
United for a Fair Economy  
29 Winter Street  
Boston, MA 02108

**Phone:** (617) 423-2148  
Scott Klinger x120  
Mike Lapham x112  
**Fax:** (617) 423-0191

**Email:**  
info@responsiblewealth.org  
www.responsiblewealth.org

## Washing Away the Veil (cont'd)

structing their lives.

Long before Katrina, racial income and wealth inequality undermined the quality of life of African-Americans in Louisiana. Like the rest of the country, Louisiana is plagued by a deep racial wealth divide. In Louisiana, the average income for African-Americans is \$21,461, while that of whites is \$40,049. While African-Americans comprise 31.5% of the population in Louisiana, 69% of the children in poverty are African-Americans. Additionally, compared to white women, African-American women are twice as likely to *not* have health care.

It is no surprise, then, that the majority of those left behind to face Hurricane Katrina were African-Americans, Mexicans, Hondurans, and other people of color. The class position of these people is intertwined with race. In Louisiana, the state with the second highest rates of in-

come inequality in the country, it is clear that race and class matter.

Nationwide, the median household net worth of the typical white family in 2001 was \$121,000, while for the typical African-American family it was \$19,000. In other words, there is a \$102,000 net worth penalty for being Black.

Hurricane Katrina made the burden of this penalty immediately accessible; the veil was washed away, magnifying the already visible shortcomings of US democracy – great economic insecurity and an enormous racial wealth divide. The challenge we face is clear. It is time to build a movement for greater wealth equality and a people-centered democracy. And the most pressing issue for such a movement must be racial justice and racial wealth equality.

*This is an excerpt from a longer article available at [www.racialwealthdivide.org](http://www.racialwealthdivide.org)*



## Estate Tax (cont'd)

With support from a major funder, a radio ad aired in 5 states in May, featuring 'Frank and Marge,' who wondered whether the nation could afford further cuts in the estate tax given the rising deficit and other unfunded priorities. In June, we ran newspaper ads throughout Oregon, signed by dozens of community leaders, political leaders and business owners. In July, signature ads ran in Maine featuring a child's hand in her grandfather's, wondering on whom the cost of tax cuts would really fall.

These investments in organizing and media have paid significant dividends (fully taxed, of course!). In May, our Washington state members celebrated a slim victory when the governor signed into law a new state estate tax, reversing the action of the State's Supreme Court. In August, our Oregon members celebrated announcements by Senator Ron Wyden and Representative Darlene Hooley – both previous supporters of complete repeal of the estate tax – that they would now oppose both complete repeal.

In Maine, members presented Senator Susan Collins the results of a UFE-sponsored estate tax poll. The telephone poll found wide bipartisan support among Mainers for reforming the estate tax, and found that a majority of voters would vote against an elected official who voted to repeal the estate tax.

In mid-summer, the National Council of LaRaza, co-sponsors of our February Defending the Dream Conference, issued

their first public statement in support of the estate tax. LaRaza, a leading national organization representing Latinos, noted that the estate tax is an important revenue source that funds services upon which Latino communities depend.

As Hurricane Katrina struck, we quickly put out a press release saying that failed levees and a failed response are the price that is paid when government is starved of its ability to protect. The *Wall Street Journal* responded with a story entitled, "The Era of Small Government is Over." We also highlighted the fact that only 709 families in the three stricken Gulf States paid the estate tax in 2003, while tax cuts for so few

had imperiled so many. Many journalists were stunned by this data, and *Newsweek* included this statistic in its cover story on poverty following the Katrina tragedy.

A number of moderate Republicans, including Senators George Voinovich (OH) and Lincoln Chaffee (RI) have publicly stated their desire to see attention shifted away from tax cuts for the rich and toward the work of rebuilding that lies before us. However, staunch repeal advocates continue to press for a vote before next fall's elections.



## Shareholder Action

# Taking a Stand for Fair Lending

### Take Action

*If you own shares of Wells Fargo or Wal-Mart, and would consider co-filing a resolution or signing your annual meeting proxy over to someone who would attend the meeting, please contact Scott Klinger at [sklinger@responsiblewealth.org](mailto:sklinger@responsiblewealth.org).*

### Wells Fargo Annual Meeting

“Please sit down and stop wasting shareholders’ time with your personal problems,” demanded Wells Fargo Chairman Richard Kovacevich to Terrance Harmon, a laid-off printer from Philadelphia who journeyed to San Francisco to tell his family’s story about being wrongfully targeted for foreclosure by Wells Fargo. The response to Kovacevich’s command came from shareholder **Theo Ferguson** who rose from her seat and insisted, “He’s not wasting our time, let him continue.” Kovacevich yielded and Harmon finished his story, offering to send anyone in the room written proof of his veracity.

The exchange at the Wells Fargo annual meeting involving Harmon, an

African American man who is a member of ACORN, the nation’s largest membership organization of low income people, and Ferguson, a white woman who is a member of Responsible Wealth, demonstrates the fruitfulness of rich and poor standing together for justice.

Days after the annual meeting, Harmon received word from

Wells Fargo that the foreclosure proceedings against him would be stopped.

Harmon and 14 of his ACORN colleagues were able to attend the annual meeting and tell their stories because Responsible Wealth members purchased Wells Fargo shares for the express purpose of appointing ACORN members to represent them at the annual meeting.

The activities at this year’s annual meeting were the latest in a four-year partnership between ACORN and Responsible Wealth to eradicate predatory lending that annually strips billions of dollars from low-income communities throughout the United States.

Earlier this year, Responsible Wealth initiated dialogue with Wells Fargo about their lending practices, which sorely lagged behind the industry in terms of fairness. In February, six Wells Fargo officials met with representatives from Self-Help Credit Union, North Carolina Fair Housing Center, and Community Reinvestment Association of North Carolina, along with RW members **Margaret Covert**, representing NorthStar Asset Management, **Marnie Thompson** and RW Co-Director Scott Klinger. At that meeting, our delegation laid out seven areas where Wells Fargo lagged their industry peers in responding to predatory lending concerns. The group held a second, more contentious meeting in June.

Over the summer, the news media began to take an interest in the controversy and several important stories were run, including a cover story in *Bloomberg Markets*, widely read on Wall Street. The



*ACORN members Chris Jones, Adrienne Harmon, Cecilia Campillo, Terrance Harmon and Jordan Ash with RW’s Scott Klinger at the Wells Fargo annual meeting.*

Bloomberg story revealed that Wells had refunded \$8,000 of excessive fees charged to Cecelia Campillo, another ACORN member who told her story at Wells Fargo's annual meeting in May. Campillo introduced RW's shareholder proposal calling on Wells Fargo to eradicate predatory lending.

In late August, Wells Fargo quietly announced changes to their lending practices that addressed four of the seven concerns we had laid before them. In each of these areas they have caught up to best practices established by others in the lending industry. Three significant concerns remain.

First, Wells Fargo has yet to make broad restitution for the damage done by their previous lending practices, as other large financial institutions have done. Second, Wells Fargo remains one of the largest funders of the \$45 billion payday lending industry. Payday lenders charge annual interest rates of 400 percent or more to customers who live paycheck to paycheck. Third, Wells Fargo continues to use its political clout and lobbying muscle to oppose legislation that would protect consumers against predatory lending.

## RW Warms Up Crowd for Jon Bon Jovi at Wal-Mart Meeting

There is nothing in American business quite like the cultural phenomenon of the Wal-Mart annual meeting. Twenty thousand screaming, energized Wal-Mart employees and shareholders gathered at 7 am in a college basketball stadium. Sandwiched between Jessica Simpson's

"Star Spangled Banner" and a 15-minute set by Jon Bon Jovi, Wal-Mart shareholders considered half a dozen shareholder proposals.

Responsible Wealth partnered with Martha Burk, chairwoman of the National Council of Women's Organizations, to introduce a shareholder proposal calling upon Wal-Mart to report on the distribution of the company's stock options by race and gender. Burk, a second generation Wal-Mart shareholder, gave a rousing speech that invoked the spirit of 'Mr. Sam,' wondering what he would think of a company that no longer shared the wealth in ways that founder Sam Walton always took pride in.

Burk's remarks were met with sustained applause. More than 15% of shareholders supported the proposal, quite an achievement given the Walton family owns nearly 40% of the company's stock.

## RW's 2006 Shareholder Plans

**Wells Fargo** – We will partner with our friends at the Community Reinvestment Association of North Carolina and co-file their proposal on payday lending. Filing deadline: November 17, 2005.

**Wal-Mart** – For the third year, we will file a shareholder proposal calling upon Wal-Mart to report on the distribution of their stock options by race and gender. In fiscal 2004, 13% of total options went to the five highest paid employees, all white men. We will be filing our resolution to coincide with Wal-Mart Week, which starts November 13, 2005.

## Sub-Prime Lending Fuels Racial Wealth Divide

*"Among borrowers who took a conventional loan to finance the purchase of a home, African Americans were 3.7 times more likely to receive a higher-cost [sub-prime] loan than non-Hispanic whites. Hispanic white borrowers are 2.3 times more likely than non-Hispanic white borrowers to receive such a loan. These disparities remain large even after accounting for borrower traits such as income, loan amount, location of the property, presence of a co-applicant and sex."*

– Center for Responsible Lending, "Comment on Federal Reserve Analysis of Home Mortgage Disclosure Act Data," September 14, 2005.

## Executive Excess 2005: More Bucks for the Bang

Each summer, United for a Fair Economy teams up with the Institute for Policy Studies to produce the *Executive Excess* report. Responsible Wealth's Scott Klinger was one of the co-authors of this year's report, along with UFE's Researcher, Liz Stanton.

Here are a few highlights from *Executive Excess 2005: Defense Contractors Get More Bucks for the Bang*:

- The ratio of CEO pay to average worker pay soared to 431-to-1, up from 301-to-1 the previous year.
- If the minimum wage had risen as fast as CEO pay since 1990, the lowest paid workers in the US (who have not had a raise since 1997!) would be earning \$23.03 an hour today, not \$5.15 an hour.
- Since September 11, 2001 the ratio

between median pay for defense CEOs and pay for military generals has nearly doubled to 23-to-1, up from 12-to-1 just three years earlier. The pay ratio between defense CEOs and army privates soared to 160-to-1, up from just 89-to-1 in 2001.



In the report, we also inaugurated our “CEO Pay Hall of Shame.” The envelope, please...

The winner of the “Crude Coverage Hall of Shame Award” was Exxon Mobil’s Lee Raymond. Exxon Mobil’s pension balance sheet more closely resembles a dry hole than a gusher. *Forbes* estimates that at its current rate of funding, it will take Exxon Mobil 24 years to close its pension-funding gap. Despite its \$12 billion pension debt to workers, Mr. Raymond’s 2004 compensation exceeded \$80 million, nearly seven times the pay of the average large company CEO.

Pfizer’s Hank McKinnell won the **Taxpayer Dysfunction Hall of Shame Award**. In 2003, Pfizer reported \$6 billion in profits, yet received a \$168 million refund from the federal government, according to “Corporate Taxes in the Bush Years,” a report prepared by Citizens for Tax Justice (CTJ). Viagra-maker Pfizer’s inability to get excited about paying taxes stands in contrast to some of its industry competitors. Over the three-year period ending 2003, Pfizer had an effective federal income tax rate of 8.2 percent. Over the same period, similar-sized competitor Merck paid 32.5 of its income in taxes, according to CTJ’s analysis. In 2004, Pfizer paid McKinnell \$16.3 million, more than three times as much as Merck paid its CEO Raymond Gilmartin.

*The full report is available online at <http://www.faireconomy.org/press/2005/EE2005.pdf>*

# Growing Pie or Growing Gap?

by Liz Stanton, UFE Research Director

On Labor Day 2003, at the beginning of the economic recovery, President Bush said, “The first quarter of 2001, we were in recession... We acted with tax relief... When you’ve got more money in your pocket, it means you’re going to spend or save or invest... Tax relief was needed to stem the recession.”

Apparently, the recession was “stemmed,” and economic recovery has been in our pockets for over two years.

In a recession, our economic pie – Gross Domestic Product (GDP) – shrinks; in a recovery, GDP grows. The health of our economy gets reduced to this: bigger pie good, smaller pie bad. This kind of simplistic analysis would lead us to believe, as President Bush seems to, that our present economic recovery has been a boon to working families: as if we all got the same share of the pie!

Each person’s slice has never been the same size, and in the current recovery the biggest slices are taking up more and more of the pie. Look at the share of the increase to GDP going to corporate profits, an amazing 40% in the 2002-2003 recovery period. That’s up, compared to similar recoveries, from a previous all time high of 19% in the early 1960s.

In stark contrast, the share of the pie’s growth going to employee compensation has dropped to 39%, from a previous low of 55% in all post-WWII recoveries.

When we talk about the ‘recovery’ – the growing pie – we miss a factor that is much more important to how well we’re able to support our families – the growing divide. The gap between the well-being of the rich and the poor is growing as we recover! Forget the pie – forget even the growing pie – look at the slices:

- 12.7% of people in the US lived on an income below the absurdly-low federal poverty level in 2004. And if we look more closely, that figure is 25% for African-Americans, 22% for Latinos, and 18% for children.
- 15.7% had no health insurance whatsoever in 2004, up from 12.9% in 1987. That’s 20% for African-Americans, 33% for Latinos, and 11% for children.



It’s a sleight of hand. President Bush says that we’re in an economic recovery: Look at the growing pie! The policies to keep us in the land of big pie? More tax cuts, more cuts to essential services, and no change in the long-frozen federal minimum wage.

To say that our economy is in a recovery should mean that we’re all doing a little better, especially those who have the least: the least family wealth and the least access to society’s wealth of schools, healthcare, emergency services and disaster relief. To address economic inequality, we have to ignore the magician’s patter – “the growing pie” – and focus on the growing gap.

## Got Data?

*Looking for good data on income and wealth inequality? Here are a few of our favorite sources:*

*Economic analysis:*

- [cepr.org](http://cepr.org)
- [epi.org](http://epi.org)

*Data on income (from the Current Population Survey):*

- [census.gov](http://census.gov)

*Data on wealth (from the Survey of Consumer Finances):*

- [federalreserve.gov](http://federalreserve.gov)

## We Hear You!

Many thanks to the 120 Responsible Wealth members who responded to our member survey last Spring – it’s great to hear directly from you about our work and how you’d like to be involved.

Here’s what you told us:

- You care most about progressive taxation, the estate tax, CEO pay/corporate accountability, and the racial wealth divide.
- You strongly support us, but some of you wonder if we are making enough progress and are unclear about UFE and RW’s strategy for success.
- You’d like to see UFE and RW have a higher public profile.
- You read the e-news and action alerts most often. Note: if you are not getting the e-news, please send your email address to [hchambers@faireconomy.org](mailto:hchambers@faireconomy.org).
- You like the newsletters but want

more: facts and figures, humor, action options and progress reports.

- You are enthusiastic about being involved in a variety of ways. Many of you offered *pro bono* services.
- You’d like more UFE/RW activities in your area.

Here’s how we’re using your feedback:

- We are exploring a new approach to program planning that will involve a more rigorous approach to evaluating our impact.
- We are developing a clearer media strategy.
- We are incorporating your feedback into our communications. Let us know if you see (or don’t see) a difference.
- We are piloting a UFE workshop series for members in the Boston area, featuring four of our most popular workshops. If successful, we will take it to other locations.

### UFE Receives First Major Bequest

We are excited to announce that Responsible Wealth’s parent organization, United for a Fair Economy, recently received an anonymous bequest of \$385,000.

We encourage donors of all economic means to consider United for a Fair Economy and Responsible Wealth in your estate planning. To explore this option further, please contact Development Director Jane Covey at [jcovey@faireconomy.org](mailto:jcovey@faireconomy.org) or 617-423-2148 x127.



Responsible Wealth  
A Project of United for a Fair Economy  
29 Winter Street (*new address*)  
Boston, MA 02108

Non-Profit  
Organization  
U.S. Postage  
**PAID**  
Permit No. 55116  
Boston, MA