



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.*

## Take the Responsible Tax Pledge

*Calculate your tax savings from the Bush tax cuts and use them to support the Tax Fairness Organizing Collaborative.*

*Use the "EZ Tax Break Table," our quick online calculator or the "1040RW" form to calculate and donate your tax breaks.*

Go to:

[www.ResponsibleWealth.org](http://www.ResponsibleWealth.org)



"Washington is handing out tax breaks to millionaires with one hand and shredding the safety net with the other. It's obscene."

—Marta Drury

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# Democracy Requires Responsible Participation

*A message from Meizhu Lui, Executive Director of United for a Fair Economy, Responsible Wealth's parent organization.*



To ease the boredom of passengers, TVs on one of my recent flights posed a stream of brain-teasers. One that caught my eye asked, "What's the definition of 'plutocracy:' a) government by scholars, b) government by the rich, or c) government by Disney characters?"

That last one actually looked like a good choice. It does seem as if our policy makers live in a two-dimensional cartoon world, where down is up, where no one really gets hurt, and where one-liners replace analysis.

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## ► NEWS

# Virtual Repeal Looms for the Estate Tax

After a Fall during which the estate tax was off the agenda in Washington, a Senate vote is now planned for early May. And this time the fighting could be intense.

While it appears less and less likely that the Senate will pass "permanent repeal," there is a high risk that the Senate will support a terrible compromise, or what we are calling a "virtual repeal." Advocates of abolishing the estate tax are floating proposals to raise wealth exemptions to anywhere from \$5 million to \$45 million and to drop the rate to 15 or 20 percent. These changes would cost 75 to 90 percent of what full repeal would cost. We estimate there are presently 51-56 votes in the

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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 \$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.

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► FEATURE

# Shareholder Resolutions Address Racial Wealth Divide

For the eighth year, Responsible Wealth members are busy challenging corporate policies that contribute to economic inequality.

This spring, shareholder resolutions co-filed by a dozen RW members will be voted on at the annual meetings of Wal-Mart and Wells Fargo.

At Wal-Mart, shareholders will be asked for a third time to support a resolution asking the world's largest retailer to report on how wealth-creating stock options are distributed vis-à-vis the race and gender of option recipients.

At Wells Fargo, shareholders will be asked to adopt a proposal calling on Wells Fargo to explain the significant disparity in the proportion of high-cost subprime loans going to customers of color versus white customers.

Since 2000, Responsible Wealth has worked in a strong, cross-class partnership with ACORN, the nation's largest membership organization of low-income people. ACORN has been a leading voice in calling for an end to predatory lending practices. In addition to introducing shareholder proposals, more than a dozen Responsible Wealth members are expected to give their proxies to members of ACORN so they can share their powerful personal stories within the annual meeting.

But getting these resolutions on the agenda has been a struggle.

Wells Fargo pressed hard to keep this year's proposal from being seen by shareholders. They appealed to the federal Securities and Exchange Commission (SEC) to exclude the proposal, arguing among



**Martha Burk, Director of the Corporate Accountability Project for the National Council of Women's Organizations, will present our shareholder resolution on fair compensation at Wal-Mart's annual meeting for the second year in a row this June.**

other things that they had already provided an explanation of the significant disparities in lending on their website. The SEC, however, ruled in Responsible Wealth's favor, establishing a new precedent for future fair lending resolutions.

Wells Fargo also pressed the SEC to exclude a proposal co-filed by two Responsible Wealth members, asking the bank to get out of the payday lending business that charges customers annual interest rates of 400% or more. Despite the fact that the proposal was successfully introduced at last year's annual meeting, the SEC this year allowed the proposal to be excluded, arguing that the issue was one of management prerogative, not subject to shareholder review.

At Wal-Mart, Responsible Wealth's proposal has proved popular with shareholders,

drawing more than 15% support last year. This is a very high level considering that the Walton family and Wal-Mart management own about 40% of the company's stock. While Wal-Mart did not challenge the proposal with the SEC, it did strongly encourage shareholders to oppose it. In its statement of opposition, Wal-Mart boldly states that it does not know how many options go to women and employees of color. This is troubling, especially at a company that is deeply embroiled in allegations of discrimination in matters of compensation. In contrast, leaders like Coca-Cola closely examine the race and gender trends in the distribution of options, looking for signs of bias.

Resolutions like these push companies to become more responsible and take a leadership role in addressing economic inequity, which disproportionately affects women and people of color. ■

## Take Action

- Contact us if you own Wells Fargo stock and would be willing to appoint an ACORN member to represent you.
- Write to Wells Fargo CEO Richard Kovacevich and ask him to explain the disparities in lending and to exit the payday lending business. His address is c/o Wells Fargo Bank, 420 Montgomery Street, San Francisco, CA 94104.
- Read the Wells Fargo and Wal-Mart resolutions on our website, [ResponsibleWealth.org](http://ResponsibleWealth.org).

## Au Revoir to a Dear Colleague

### Responsible Wealth Co-Director Scott Klinger Moves On

Scott Klinger came to United for a Fair Economy in 1999 after 14 years of work in the socially responsible investment field. With a gift for eloquent and witty prose and a deep belief in social justice born out of his spiritual and religious orientation, Scott was very involved in researching and writing reports, authoring op-eds, doing frequent radio and TV interviews, organizing shareholder resolutions, and designing economic justice workshops for a variety of religious groups.

Most recently, Scott helped build an alliance between our Responsible Wealth members and ACORN, a national network of community-based organizations, to challenge the predatory lending practices of Wells Fargo Bank through shareholder resolutions and other means. Scott's passion for holding corporations accountable for their practices has led him to an exciting job as Research Director at Corporate Accountability International. We wish him the best and look forward to working with him in his new capacity.



Scott Klinger (right) with ACORN members at the 2005 Wells Fargo annual meeting.

## Democracy Requires Responsible Participation

*(continued from page 1)*

We have government of Pluto, by Goofy, and for Donald Duck's rich uncle. It only hurts when we laugh.

But I am heartened to know that not all people of wealth participate in the dumbing down and the relentless pushing down on the vast majority of the American people. As members of UFE's Responsible Wealth project, you are using your power and access to help challenge the rules in both the public and private sectors. You are making public your disgust at the idea of repeal of federal and state estate taxes, speaking out at shareholder meetings against the immoral profiteering of corporate executives, and using your capital to

help others step up the economic ladder.

You are raising money, you are raising your voices, and you are raising Cain! Your actions encourage and inspire other people of wealth to join you, and give hope to lower income people when they learn that they have allies at the top.

If it walks and quacks like a duck, it is a duck; and our society is walking and quacking like a plutocracy. But Responsible Wealth members don't want Pluto and Goofy's government. You want government of the people, by the people, and for the people, and you know that if you really want that, you can't duck your responsibility to actively participate. That is, after all, the essence of democracy. ■

## Responsible Wealth Voice Gives Hope

*Responsible Wealth received a moving handwritten note recently from a low-income woman in Vermont. If you've ever wondered whether wealthy people speaking for economic justice makes a difference, please read these excerpts.*

### **To All at Responsible Wealth:**

Thank you for you for being the exception to the old adage, "The rich get richer...."

Rich people caring about poor and middle-class people is the miracle of miracles needed in our country and in this world. Holding yourselves accountable and responsible pours hope on all the bad and ugly that has been going on for many years now.

I read Rob McKay's article, "Revenge of the Hyper-Rich" on the *FairEconomy.org* website. I discovered [McKay's piece] as well as your website while reading Emma Dixon's article on *CommonDreams.org*, "New Orleans Racial Divide: An Unnatural Disaster."

My husband and I have struggled with poverty for 32 years. I am not African-American and poor. I am white and poor. I feel angry that all of us poor have been done to. Poverty is not a discriminator of color. How-

ever, I do see that those who are not white get kept down far more than any white people. But whites who are poor often are unable to break out of their poverty.

Over the past 32 years, I have lost all hope of going into my old age not becoming a burden on my children, especially over these past five years. So much has been taken from the poor that helped us to survive. In fact, we were penalized for trying to better ourselves. Our teenaged children *had* to get jobs to be able to have some clothing (and I do not mean fancy luxuries). Even their incomes were added to ours by the welfare, food stamps, health. We were kept impoverished. Today our family watches as what little we had been getting is being cut AGAIN. I do not feel safe, hopeful, or trusting of rich people.

Today, however, I witnessed something I thought I would NEVER see. A poor African-American woman pointing to a rich white American man who, along with other rich Americans, really gives a damn.

For me today the world feels brighter because of the hope you all have put into my life. You are the hope we all need, whether rich, middle-class, or poor.

## Virtual Repeal Planned for the Estate Tax

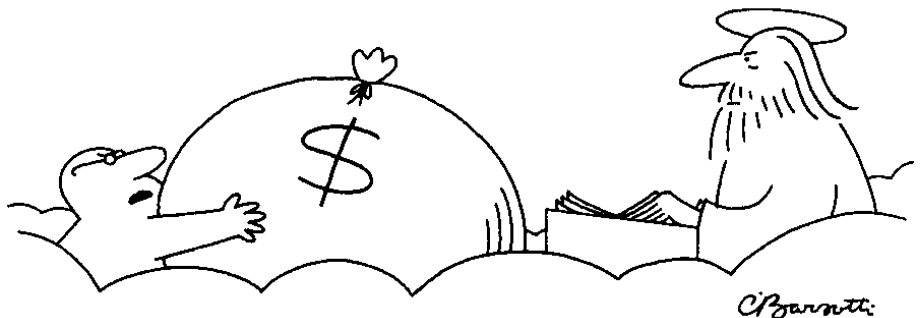
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Senate for permanent repeal or virtual repeal. Sixty votes are needed for passage.

A Senate vote on the estate tax that was scheduled for early September 2005 was postponed in the aftermath of Hurricane Katrina. Senate Finance Committee Chairman Charles Grassley noted that it was “unseemly” to vote on the estate tax in the wake of the disaster.

Our job is to continue to make it unseemly to consider a vote for estate tax repeal during a time of war, deficits, disasters, and urgent social needs. Full repeal would cost \$1 trillion in the decade after 2010. Such inequality of burden is immoral and wrong.

But there are several factors that could make this an intense battle. Although Republican hardliners still seem to hold the cards, even they are aware that they may not win many seats in the congressional elections this year. This increases the pressure to have a compromise in place before those elections. On the other hand, a vote on repeal could be an opportunity to mo-



*“I got it this far—don’t stop me now.”*

bilize the hardliners’ base and target vulnerable Democratic Senators for defeat in the elections.

At the same time, the dynamic has changed for Democrats. While some Democrats still might accept a bad compromise just to get the estate tax off the table before the elections, now more Democrats see the Republicans as vulnerable. Democrats may finally be unwilling to compromise on bad reform...or any reform.

In any event, the clock is ticking toward 2010, when complete repeal goes into effect for one year if no action is taken. ■

### Estate Tax Repeal Funding Exposed

UFE and Public Citizen recently released a report showing that a handful of super-wealthy families and their anti-tax front groups have spent **hundreds of millions of dollars** in the last decade trying to permanently repeal the estate tax. Print a free copy of the report at [FairEconomy.org](http://FairEconomy.org).

“We prove that it’s not a true grassroots movement to repeal the estate tax,” said Lee Farris, Senior Organizer on Estate Tax Policy for UFE. “This whole debate has been pushed by big money selfishly going after more big money—at the expense of everyone else.”

### Take Action

**Call or write your Senators.** Tell them you don’t support complete repeal or any proposal that costs almost as much as repeal. Calls are most effective. U.S. Senate Switchboard: 1-202-224-3121. Fax (do not mail) letters to your Senator’s DC office. For help writing letters, go to [www.faireconomy.org/estatetax](http://www.faireconomy.org/estatetax) and scroll down to **“Contact Lawmakers and the media.”** Note: Email is less effective than letters.

**Attend a meeting with your Senator.** Call Lee Farris, 617-423-2148 x133.

**Write letters to the editors of local papers.** If your letter is published, please fax/mail a copy to your Senators and UFE right away.

**Donate.** To date, the repeal effort has spent many times what the effort to preserve has been able to spend on education. Donate online at [FairEconomy.org](http://FairEconomy.org).

# The Estate Tax Fight Spreads to the States

## Take Action

If you live in one these states and would like to help preserve the estate tax, please contact RW Director Mike Lapham at 617-423-2148 x112.

## New York State Estate Tax Lives On

In March, 47 wealthy New Yorkers signed a full-page ad, issued a press release and contacted legislators, countering Governor Pataki's plan to repeal the NY estate tax. The plan was not approved.

At least five states are currently considering proposals to scale back or eliminate their state estate and inheritance taxes. They include: Connecticut, Kansas, Maryland, Oklahoma and Virginia.

These proposals, if passed, would drain vital revenue from public services, which are just beginning to recover from four years of cuts. Repeal at the state level would also encourage those working for elimination of the federal estate tax.

The wealthy do not need another giant giveaway that will result in public service

cuts for working families—cuts to schools, roads, public safety, and other important services. Affluent Americans have already benefited tremendously from President Bush's tax cuts, and do not need another windfall tax cut, especially at the expense of everybody else.

UFE has been working with the Center on Budget and Policy Priorities to gather information on the specific state proposals. We have created talking points to share with activists and organizations in these states to prepare them to fight this giveaway for millionaires. ■

| State       | Currently Affects Estates Above | Revenue Lost if Proposed Changes Pass  |
|-------------|---------------------------------|--|
| Connecticut | \$2 million                     | \$130-\$150 million would be lost each year when fully phased in (2010)          |
| Kansas      | \$1 million                     | \$43 million/yr. in FY08   |
| Maryland    | \$1 million                     | \$68-\$99 million each year when fully phased in (2011)                          |
| Oklahoma    | \$1 million                     | Two proposals: revise (\$29 million/yr.) or eliminate (\$90 million/yr.)         |
| Virginia    | \$2 million                     | \$101-120 million each year when fully phased in (could be as soon as next year) |



**SPEAKING OUT AT THE STATE LEVEL:** Responsible Wealth member Arnold Hiatt (former Chairman and CEO of Stride Rite shoe company) testified recently in favor of raising the minimum wage in Massachusetts.

# New Data: The Wealth Divide Widens

Every three years, we get a glimpse into how wealth is divided up in the United States, thanks to the Federal Reserve's Survey of Consumer Finances. The 2004 survey results were released on February 23, 2006.

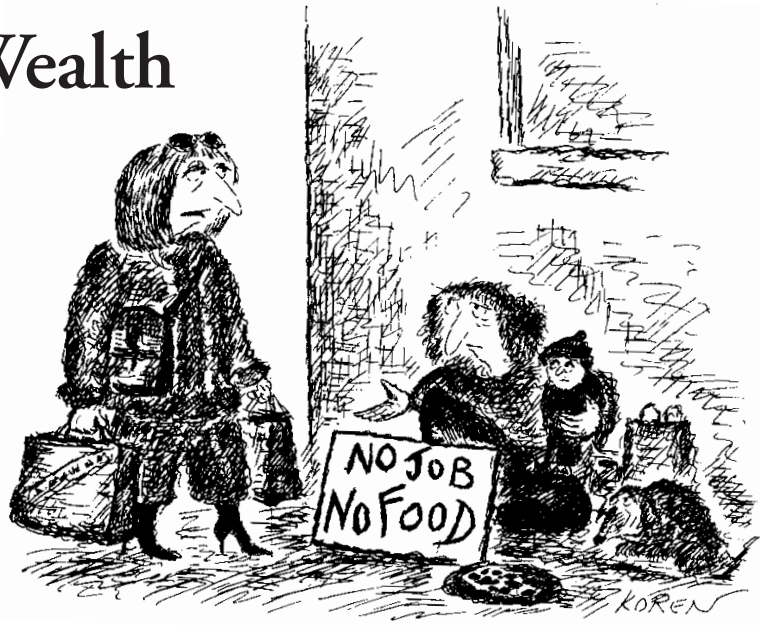
Here are a few highlights of what we found in the online report:

## Assets Inched Up, Thanks Only to the Real Estate Boom

- This three-year period did not see the big increases in net worth that happened from 1998 to 2001. Median net worth grew only 1.5% after inflation, compared with 10.3% in the earlier period. (Net worth is what you own minus what you owe. The median is the family in the middle if you lined everyone up.)
- From 2001 to 2004, the average (mean) net worth of American families (now \$448,200) grew faster than the median (now \$93,100), which means that once again the growth was faster in the top half. (The super-rich are averaged into the mean, but don't affect the median.)
- Rising real estate prices explain most of the increase in assets. The median value of primary residences grew from \$131,000 to \$160,000 in just three years. Every age, race, income level and region of homeowners shared in this appreciation of their homes.

## Families Carry More Debt

- More people reported not saving any money in 2004 than in 2001. Only 41% save regularly.



"Why don't you just use your tax cut?"

- The middle class (the fifth of the population with \$42,500 median income) took on the most additional credit card debt in recent years.

## The Racial Divide Grows

- The *median* African American family saw no growth in net worth at all from 2001 to 2004, remaining just over \$20,000. However, *mean* black net worth grew sharply, up 37% to \$110,600, reflecting growing inequality among black families.
- Since 1995, white families' average income has risen 34% to \$80,700, while people of color's income has risen just 25% to \$44,900.

## The South Is The Poorest Region

- Only in the South did wealth fall between 2001 and 2004. Southerners now have \$63,800 in median net worth, compared with \$161,700 for Northeasterners.
- Median income in the South is just \$37,000, compared with \$50,900 in the Northeast. ■

## The Rich Get Richer; The Poor Not So Much

The wealthiest 10% saw their average net worth grow to three million dollars by 2004, up 6% since 2001, and up 76% since 1995 (in 2004 dollars).

By contrast, the poorest quarter by net worth fell backwards from being \$50 in the black in 2001 to being \$1,400 in the red in 2004.

► MEMBER PROFILE

# Pressuring Companies to be More Responsible

*Julie Goodridge, president and founder of NorthStar Asset Management, and Margaret Covert, NorthStar's shareholder activism coordinator, are long-time members of Responsible Wealth. Their leadership as activists for corporate responsibility is inspiring.*

**W**hat do Staples and Hain Celestial have in common? Both have bowed to pressure from shareholder resolutions by NorthStar Asset Management.

Staples has agreed to adopt an open and transparent communications policy for the company's political donations, and Hain Celestial has agreed to document and disclose the exact pay gap between its top executives and lowest-paid workers, and evaluate whether that gap should be narrowed.

These two recent successes build on years of effort and prior successes with companies like Cardinal Health, Caterpillar, Emerson Electric, FedEx and MBNA. Founded in 1990, NorthStar first started filing shareholder resolutions in 1998, in partnership with Responsible Wealth. Since then, things have really taken off.

"Wealth disparity is one of the issues many of our clients struggle with," says Margaret Covert, NorthStar's shareholder activism coordinator.

As a result, many of the shareholder resolutions focus on executive compensation. For example, a recent target of NorthStar's is ExxonMobil, whose CEO received more than \$80 million in compensation in 2004.

"I don't care how much money ExxonMobil is making. That's just an absurd rate of pay," said Julie Goodridge, NorthStar's president and founder, in an interview with NPR.



**RW members Julie Goodridge (left) and Margaret Covert.**

In addition to executive compensation reviews, NorthStar has pushed companies on predatory lending, competitive board elections, environmental concerns, and adding sexual orientation to their non-discrimination policies.

"There are so many issues we could be tackling. Take another example," says Goodridge, "Caterpillar has manufacturing plants in Africa, and yet is not involved in the communities helping those living with HIV/AIDS.

"We want companies to understand that not only is an unhealthy workforce neither productive nor profitable, it is unethical for a company to stand by while its workforce slowly dwindles. If the people running the companies are unwilling to take responsibility for the health of their workers, the shareholders can persuade them to do so," Goodridge says.

And according to Covert, if nothing else, responsible corporate behavior protects a company from litigation. "Let's face it, people don't tend to want to sue the good guys. People don't tend to fight against companies that are improving the world." ■



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