

⚡ STATE OF THE DREAM: 2019 ⚡

# THE PERFECT STORM



STATE OF THE DREAM 2019

# THE PERFECT STORM

## ACKNOWLEDGMENTS

THIS REPORT IS THE RESULT OF MONTHS OF COLLABORATION.  
TO OUR STAFF, FRIENDS, AND SUPPORTERS WHO HAVE MADE  
THIS REPORT POSSIBLE, WE THANK YOU!

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## A NOTE ON THE TRANSLATION

Language justice is integral to our work. We believe that intentionally fostering a shared analysis across race, class, and language is essential to building a united and representative movement for economic justice. It is our hope that consistently making accessible tools like this State of the Dream report available in multiple languages will lead to collaboration, strategy building, and engagement with a broader audience often excluded from economic policy discussions.

As is the case with many languages, gender-centered (male) articles, nouns, and pronouns are the default for usage when referring to groups of people. We acknowledge that women and non-gender-conforming people are key economic actors who experience disproportionate impacts of economic and gender-based injustice, and as a result have decided to limit gendered terms, or use two gender terms if necessary, throughout this publication. In some cases, you will find an “x” substituted for an “o” or “a,” such as in the word “latinx.”

## A NOTE ON THE ESSAYS

State of the Dream 2019: The Perfect Storm is comprised of two parts, beginning with reflections on recent disasters. Jasmine Gomez takes us to Puerto Rico to analyze the impact of Hurricane Maria. Next, the Living Hope Wheelchair Association of Houston Texas reflects upon the impact natural disasters have upon their disabled immigrant membership. Finally, the report concludes with a look at taxation in the United States with regards to the racial wealth divide. An infographic accompanies the tax section.

## A NOTE ON RACE & DATA

The discussion of race is central to this report. Much of the data used in this report is gathered by government agencies, which impose labels that are vague, imprecise and self-identified. While we recognize the cultural and political differences between many of these terms, we will follow suit in order to properly reflect the data.

We will use the term Black when referring to Black people and African Americans. We will use the term White for the datasets corresponding to White, non-Hispanic people. Asian will be used broadly to refer to self-identified Asian people. We use Latino to refer to what is listed in most governmental data sets as hispanic or “hispanic any race.”

We may also describe communities using the terms mentioned earlier; we will call any community that is mostly non-White (a minority-majority) a “community of color.”

## CONTENTS

# STATE OF THE DREAM 2019: **THE PERFECT STORM**

<b>FOREWORD</b>	<b>4</b>
<b>INTRODUCTION: REGRESSIVE TAXATION + MAJOR DISASTER = PERFECT STORM</b>	<b>6</b>
<b>PART 1: REFLECTIONS ON DISASTER</b>	<b>8</b>
LIVING IN HOPE: DISABILITY AND DISASTER	8
DISASTERS IN PUERTO RICO: FROM COLONIALISM TO PRIVATIZATION	12
<b>INFOGRAPHIC (DOWNLOAD AT <a href="https://faireconomy.org">FAIRECONOMY.ORG</a>)</b>	<b>15</b>
<b>PART 2: AUSTERITY FOR US—A WINDFALL FOR THE WEALTHY</b>	<b>17</b>
REPUBLICAN TAX POLICY WORSENS INEQUALITY	17
TAX CUTS AND THE RACIAL WEALTH DIVIDE	18
RECOMMENDATIONS: A PATH FORWARD	22
<b>APPENDIX: SOURCES AND ENDNOTES</b>	<b>26</b>

## FOREWORD

# STATE OF THE DREAM 2019: **THE PERFECT STORM**

BY  
MILES RAPOPORT

MILES RAPOPORT IS A LONGTIME ORGANIZER AND ADVOCATE FOR ECONOMIC JUSTICE AND AN INCLUSIVE AND FULLY PARTICIPATORY DEMOCRACY. HE IS CURRENTLY THE SENIOR PRACTICE FELLOW IN AMERICAN DEMOCRACY AT THE ASH CENTER OF THE KENNEDY SCHOOL AT HARVARD. IN EARLIER WORK, HE WAS A STATE LEGISLATOR AND ALSO SECRETARY OF THE STATE OF CONNECTICUT, AND THE PRESIDENT OF DEMOS AND COMMON CAUSE. HE IS A FREQUENT CONTRIBUTOR AND MEMBER OF THE BOARD OF THE AMERICAN PROSPECT AND SERVES ON THE BOARDS OF STATE VOICES, DEMOS, EVERYDAY DEMOCRACY, AND THE SCHERMAN FOUNDATION.

I have been a fan and a friend of United for a Fair Economy (UFE) for over twenty years. UFE's groundbreaking work on race, class, and inequality caught my attention long before other progressive policy centers took up the issues and has helped to make the country's debate on inequality so much more robust. In fact, when I was President of Demos, the very first event that it held on inequality was in 2005 in Boston at the Christian Science headquarters library, in conjunction with the publication of the Demos book edited by Jim Lardner, *Inequality Matters*. The event was imagined and co-sponsored with United for a Fair Economy.

Two things have always stood out for me in UFE's work. The first is that their research has always been serious and thoughtful, and it has always been done with a view toward informing progressive policy advocacy. Importantly, UFE's work has maintained a unique view toward broad-based popular education, working hard with a variety of designs and mechanisms to get critical ideas accessibly into the hands of ordinary citizens.

The other thing that stands out has been UFE's remarkable consistency. The inextricably intertwined issues of policy, class, income disparities and (even more importantly) wealth disparities have been at the core of UFE's work for decades. In addition, UFE has always used a strong racial equity lens to

understand and talk about economic research and trends, a commitment to racial equity that is at the core of this new *State of the Dream* report.

Given UFE's consistency, it is not at all surprising that for the 2019 report, it has chosen to revisit two critical issues that were the subjects of previous reports, taxation and disaster, to see what progress, or regress, has occurred since the original reports.

Part one of the report revisits the issue of disaster response policy. The first UFE report on this topic was in 2006 (*State of the Dream 2006: Stalling the Dream; Cars, Race and Hurricane Evacuation*), and this year's look couldn't be more timely. Hurricane Harvey in Texas, and then, devastatingly, hurricane Maria in Puerto Rico, wreaked havoc on families and communities. But these disasters also shine a harsh spotlight on the failures of federal policy to respond appropriately, in two ways. The first is the well-documented and horrendously ineffective response, especially to Maria, which has set back the island of Puerto Rico for decades to come. But the second issue is the consistent failure of the federal government to adequately address preparedness for hurricanes or other natural disasters, in terms of funding and preventative policies that could minimize damage from disasters that will inevitably occur.

The second revisit is on the issue of taxation and its impact on inequality. Of course, the focus is the outrageous and unjustified federal tax cut bill passed in 2017. The bill is erroneously referred to as the Trump Tax Cut; really it was an extension of the long-term fiscal policy objectives of the corporate/libertarian/"starve the beast" wing of the Republican party. In *Democracy in Chains*, Duke Professor Nancy MacLean documents the racist roots of these policies, and the "Tax Cut" bill takes them to new levels. The UFE report calls out the massive impact of the bill, particularly on maintaining and widening the racial wealth gap, and reiterates the desperate need for progressive tax reform and the political realignments that will be necessary to achieve it.

The 2019 State of the Dream report is not easy or comfortable reading. But for that very reason, it is essential, and I applaud UFE for these updated and right-on-target reports. I urge all of us to read them carefully, share them widely, and rededicate ourselves to the fight for policies that will fight poverty and racism. Let's build an America that truly works for everyone.

—**Miles Rapoport**  
January, 2019

## INTRODUCTION

# REGRESSIVE TAXATION + MAJOR DISASTER = **PERFECT STORM**

## THE UNITED STATES WAS BUILT ON COLONIALISM AND WHITE SUPREMACY.

We know that the United States has had many historically unjust systems, from the legalized settler colonialism and theft of native land, to an economy that was built around the chattel slavery of captured African people. This history is celebrated through statues, monuments, and national holidays. The names of colonizers and defenders of slavery are honored through street names and schools. But while some barriers to prosperity are easily observed, other examples of modern-day racial and economic inequality are more hidden.

Gaining more attention are more contemporary forms of oppression: the prison industrial complex, redlining, voting restrictions, and voter suppression. What remains hidden is how these injustices are deeply ingrained into the systems that structure and govern the US, including through federal tax policy. This report will detail how these systems spell disaster for working people and target people of color.

When natural disasters strike, weather “systems” and unjust economic “systems” compound. These disasters dovetail causing devastation for people of color, in particular, while generating opportunity for the wealthy few. The first section of this report demonstrates how and why social and economic injustice are connected to

natural disaster resilience and recovery. It is comprised of reflections from individuals and groups working first-hand on the issue of disaster recovery and to transform systems of oppression that exclude our communities.

The second “disaster” we examine is the Trump administration’s tax plan. This scam is set to worsen economic inequality in the United States and expand the racial wealth divide. Pairing tax giveaways for the wealthy with funding cuts is a greedy political strategy that targets working people. It starves public resources of much needed revenue laying groundwork for privatization when a disaster hits.

There is no more stark an example of this than Hurricane Maria in Puerto Rico, an island the corporate elite in the US have a long history of economically oppressing. By rigging the Puerto Rican political system—including tax policy—in their favor, they underfunded services, starving the island’s capacity to address the pending disaster.

This painful reality is also evident in Hurricane Harvey and its aftermath, which we examine in the next section of this report. We see how those at the intersections of oppression, in this case

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**"THE TRUMP TAX SCAM IS  
SET TO WORSEN ECONOMIC  
INEQUALITY IN THE UNITED  
STATES AND EXPAND THE  
RACIAL WEALTH DIVIDE."**

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undocumented immigrants with disabilities, are targeted by unjust and unequal policy.

In order to change these systems, it is crucial that the voices of those most affected by disasters are put front and center when making decisions about those impacted by disasters. When included in decision-making regarding distribution of funding and resources, the people and groups most impacted by the disaster and its effects can help lead the fight for a better and just recovery. This means a more equitable allocation of resources to communities that have been historically disadvantaged or exploited.

Communities count on their infrastructure being properly maintained and prepared for emergencies. When disasters occur, the most vulnerable groups include the same people who have been traditionally oppressed and barred from social and economic gains. Uplifting these marginalized voices is the best way to move forward and ensure lasting, grassroots-driven change for all oppressed peoples.

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"WHEN NATURAL DISASTERS  
STRIKE, WEATHER 'SYSTEMS'  
AND UNJUST ECONOMIC  
'SYSTEMS' COMPOUND."

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We cannot achieve true equality if we ignore hundreds of years of social injustice. As long as the playing field isn't level, we will not have equal capacity to survive and overcome natural disasters. When disaster strikes, those with access to better boats—built with decades of pre-existing wealth and privilege—will not only be able to shelter the storm, but will even find ways to profit in its aftermath.



## PART 1: REFLECTIONS ON DISASTER

### LIVING IN HOPE:

# DISABILITY AND DISASTER

BY  
LIVING HOPE  
WHEELCHAIR ASSOCIATION

THIS REFLECTION IS WRITTEN BY UNITED FOR A FAIR ECONOMY BASED UPON COLLABORATION AND CONVERSATIONS WITH TOMAS AGUILAR, THE DISASTER RECOVERY COORDINATOR AT LIVING HOPE WHEELCHAIR ASSOCIATION. LHWA IS AN INDEPENDENT, NON-PROFIT ORGANIZATION FOUNDED BY AND SERVING PEOPLE WITH SPINAL CORD INJURIES AND OTHER DISABILITIES. SUFFERING A CATASTROPHIC INJURY HAS A BRUTAL IMPACT ON A PERSON'S LIFE. IF THIS PERSON IS AN IMMIGRANT OR A LOW-WAGE WORKER IN THE UNITED STATES THEN THEY ARE ALREADY IN AN EXTREMELY VULNERABLE SITUATION. DURING OUR EXISTENCE AS AN ORGANIZATION, WE HAVE BEEN ABLE TO HELP EACH OTHER TO SURVIVE. WE SUPPORT EACH OTHER THROUGH THE DEPRESSION AND ISOLATION THAT COMES AFTER THE ACCIDENT, AS WELL AS TO SURVIVE THE PROBLEMS THAT COME WITH NOT HAVING RESOURCES TO BUY MEDICAL SUPPLIES AND EQUIPMENT.

#### ***Introduction: Identity and its Intersections***

The intersection between immigration and disabilities has been too often ignored. Both of these categories are attached to historical and institutional discrimination and exclusion, and immigrants with a disability in particular often face severe social and medical challenges to living a full and happy life. Many people with this combined identity are not entitled to benefits, lack medical insurance, do not have a stable

source of income and are under attack by policies at all levels of government meant to criminalize their existence.

Additionally, in many cases throughout history, having a physical or mental disorder or disability has been reason to be formally excluded by the US government. In a society that proudly claims to stand for freedom and equality, our membership reflects only a few of the individuals who have fallen through the gaps in a racialized and broken economic system.

Current US immigration policy, and in particular the “Public Charge” provision, is one example of the kinds of discriminatory exclusions affecting many undocumented and mixed-status immigrant families currently residing in the US. This outdated and unnecessary provision fails to respect the dignity and contributions of disabled immigrants. Under the “Public Charge” provision, potential immigrants can be barred from entry to the US based on their disabled status, in spite of their active roles in their communities. Despite the current emphasis placed on diversity and inclusion in the United States, exclusionary practices and policies like this one have fueled family separations and resulted in a lower quality of life for US immigrants and their families. People should never be made to feel invisible or be forced to manage a disabling incident on their own because of circumstances beyond their control, such as income, ethnicity, or ability.

The discrimination and inequality that makes life difficult for the most vulnerable and marginalized members of our society can become even more oppressive in the context of disaster. For people

living in poverty or in constant fear of being deported, there is a second economic disaster that follows a natural disaster. This was seen in the recoveries from Hurricane Harvey in Texas and more recently Hurricane Florence in North Carolina. For example, a 2016 survey found that among people ages 18-64, people with disabilities were over 50% more likely to be unemployed than people without disabilities. It is absurd to expect already-disadvantaged individuals to manage their recovery from a disaster on their own, and it is unjust that people are increasingly required to do so because basic social and health protections have been stripped away.

### ***The Second Disaster...***

What has become unmistakably clear in the aftermath of these unpreventable tragedies is that when disaster strikes, it does not affect everyone equally. Already-disadvantaged communities are hardest hit by disasters. Current “recovery” efforts effectively prioritize and reward the wealthy and privileged few while the lacking recovery efforts in impoverished areas further disadvantages these communities. Studies show that recovery efforts tend to increase inequality. One of the major ways it does this is by mostly refocusing relief on home owners. In today’s society, many low-income and middle income people are renters.

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ACCORDING TO A SURVEY  
CONDUCTED BY THE US CENSUS  
BUREAU, 12.8% OF PEOPLE IN  
THE US REPORTED LIVING WITH  
DISABILITIES IN 2016.<sup>1</sup>

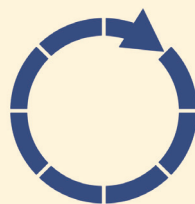
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Too many people—people of color, immigrants, LGBTQ people, those living in poverty—are already not having their daily needs met within the current system. Add in a natural disaster and a disability, and these pre-existing racialized wealth divides and harmful discriminatory policies can mean the difference between life and death for someone caught in the gaps of a broken system.

Since Hurricane Harvey affected many of our members, we’ve been working to help our members and others get the help they need, get wheelchair ramps rebuilt, and provide some direct monetary aid to those impacted. Many of our members had to be evacuated from their homes. While some made it out safely, others spent horrifying days trying to find shelter that could accommodate them with their physical needs such as wheelchair-accessible shelters.

## **DISABILITY AND INEQUALITY EXIST IN A VICIOUS CIRCLE...**

Working class immigrants are more likely to work in jobs that expose them to risky situations that can result in a disability.



People with disabilities increasingly face barriers to health, employment, and other public services necessary to escape poverty.<sup>2</sup>

## A Better and Just Recovery

Living Hope Wheelchair Association has been a part of advocating for a better and just recovery. For us, this means a few things:

1. **A just recovery is inclusive and focuses on meeting all people's needs.** No one is excluded from just recovery efforts on the basis of their identity, economic circumstance, ability, or other status, such as home-ownership.
2. **A just recovery emerges from and considers the lived experiences and needs of immigrants with disabilities and other groups directly affected.** It engages with communities, not for communities. It takes the form of solidarity, not charity. A just recovery supports grassroots groups and efforts on the frontlines of the battles for racial, economic, and social justice.
3. **A just recovery puts people over profit** and seeks greater and more equitable protections for all people. It works to end discriminatory policies and practices that unjustly harm our communities and stall necessary social progress.
4. **A just recovery is long-term.** The effects of a natural disaster aren't taken care of in a few months or when the money runs out. We need to view the recovery in the context of years, not months.

Unfortunately, however, some of our members were hospitalized following the disaster, and we are monitoring the situation of some others that have medical conditions, like the need for regular dialysis, that puts them in a particularly vulnerable situation following a disaster.

The impact of undocumented status upon individuals who might otherwise seek aid or relief should not be downplayed. In Houston, for example, many people in immigrant communities were pushed away or feared seeking relief because of the active threat of detention or deportation. Our Living Hope team has been reaching out by phone and by using technology to make sure our members and their families get any support they need in these difficult times.

However, we also know that difficult times are still to come. For example, the destruction of public and private health care and transportation infrastructure will have a grave impact on access to healthcare for our members. This was already severely limited due to anti-immigrant policies the County, State and Federal government have been implementing in Houston for years (and which seem to be getting worse). Houston also has the largest concentration of oil refineries in the world, so the hurricane has also caused an enormous environmental disaster that will have a long term impact in the entire region.

Our programs have a direct impact in the quality of life of our members and are part of our organizing efforts to document and transform

systems that exclude our communities. Reflecting back over the year at the various physical and social disasters we've worked to overcome together, we've accomplished a lot, and though there's still much to be done, we've found hope and strength in community and solidarity with one another. We are working hard with our team, members, volunteers and allies to resist repressive policies, transform systems that exclude us and build alternatives that are inclusive, efficient and dignified.

However, we are only one group, and like most grassroots organizations we have limited

resources. In order to truly fight for a more just, inclusive disaster recovery plan, both now and in the future, we must continue to promote progressive policy solutions that address the economic plight of immigrants with disabilities and other marginalized groups living in the US. Until then, we will continue working hard with our allies, the nonprofit sector, community organizations, and especially our members and community so we can respond to the needs of immigrants and refugees with disabilities as well as other marginalized communities. Together we can rebuild a city that will be more just and inclusive.

## Calling on Community When Disaster Strikes

**Together we improve our quality of life through hope, solidarity, sharing what we have, and organizing to get what we need. In 2018, we provided services to our members and engaged in community advocacy by:**

1. Disbursing more than \$100,000 to hurricane recovery efforts that helped over 300 people.
2. Improving access to medical supplies and equipment by distributing resources to our members, other immigrants, and to a growing number of US citizens who are poor and do not have access to medical insurance.
3. Advocating for greater health equity and better health services for members of our community.
4. Supporting the mobility and independence of people with disabilities and working with regional transport authorities to provide better services for people with disabilities.
5. Visiting hospitals and homes of injured immigrants to accompany them and share information on how to survive in their new reality.
6. Helping people better manage crises by providing short-term loans to families facing emergencies and referring folks to other agencies that can provide different types of help.
7. Creating welcoming spaces that include our culture and keeps us going. We offer field trips to parks and movies, as well as guitar classes and events where participants can perform their music.

## PART 1: REFLECTIONS ON DISASTER

# DISASTERS IN PUERTO RICO: FROM COLONIALISM TO PRIVATIZATION

By  
JASMINE GOMEZ, Esq.

JASMINE GOMEZ IS A QUEER, PUERTO RICAN ORGANIZER, ATTORNEY AND PROGRAM DIRECTOR AT A FAMILY FOUNDATION, ACCESS STRATEGIES FUND. JASMINE CO-RELEASED ANOTHER REPORT, "BLACKOUT IN PUERTO RICO," WITH UNITED FOR A FAIR ECONOMY WHILE PREVIOUSLY WORKING AT FREE SPEECH FOR PEOPLE. <sup>1</sup> THE REPORT CAN BE FOUND IN ENGLISH AND SPANISH AT [FREESPEECHFORPEOPLE.ORG/PUERTO-RICO](https://freespeechforpeople.org/puerto-rico).

### *Introduction*

Still recovering from the worst natural disaster the region has ever seen, Puerto Rico has been hit with a different kind of "disaster." Today, neoliberal economic policies echo old colonialist practices, stripping control away from Puerto Rican people and concentrating wealth into the hands of a privileged few. Far from neutral, these policies have helped fuel the current political and economic inequality that has led to the suppression and oppression of everyday Puerto Ricans.

This oppression has taken many forms, including the forced sterilization of women, the silencing of independence movements, extreme economic exploitation, facilitation of political inequality, and the bombing of more than 17% of Puerto Rico's land for military practice. These are all

examples of how Puerto Rican people suffered long before Hurricane Maria under the control of the United States government. For there to be a just recovery across the islands, fundamental changes must happen beyond traditional hurricane recovery efforts. The people of Puerto Rico must have political equality and control of their economy.

### *US Control in Puerto Rico*

For decades the United States has exploited Puerto Rico's resources and economy for imperialist gain. Ever since the United States' colonial invasion and seizure of the islands in 1898, the US has enacted violent and destructive policies that have harmed Puerto Rico and the people living there. These policies are not policies enacted by Puerto Ricans themselves: they are policies enacted by a colonizing, imperial US government that controls the Puerto Rican economy and government from afar. The people living in Puerto Rico today still cannot vote for President and they do not have political representatives in Congress who can vote. Also, Congress can pass legislation, on purely local issues in Puerto Rico, that will supersede any Puerto Rican legislation and the Puerto Rican Constitution.

The Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") is an example of one of the superseding, neocolonialist laws passed by Congress in 2016. PROMESA created an "independent" financial oversight board tasked with managing and determining the passage of any policy affecting the Puerto Rican

economy. This board is appointed by Congress, not elected. In effect, the US eliminated Puerto Rico's ability to make economic decisions and restricted the political power of the people living in Puerto Rico. As a result, the members of the oversight board—some of whom have a personal interest in Puerto Rico's debt being paid—have chosen to pay illegal and predatory debt while simultaneously closing schools, slashing pensions, reducing the minimum wage, privatizing needed resources, and more.

Today's PROMESA Act is also reminiscent of the Foraker Act, another Congress-enacted law that was intended to transform the economic, legal, and political foundations of Puerto Rico. The Foraker Act of 1900 established a "temporary civil government" in Puerto Rico to oversee the first budget after the US inception of the islands. Like PROMESA, the Foraker Act also appointed non-elected officials, all of whom were non-Puerto Rican White men. When the US-appointed board rigged the rules of commerce to favor US corporations like Domino Sugar, Puerto Rico's economy, like its local sugar market, was decimated. This was the start to the financial and debt crisis in Puerto Rico.

### ***A Recovery Rooted in Decolonization***

The history of Puerto Rico's debt is rooted in corruption, white supremacy, political inequality, economic oppression, and abuse. By the 1970s, United States legislation (including the Foraker Act, the Merchant Marine Act, and "Operation Bootstrap") had contributed to a massive and growing financial and debt crisis in Puerto Rico. A series of broken tax laws allowed some industries to get as much as \$2.67 in tax benefits for every dollar that employees received in compensation (including benefits). These tax benefits to major companies did not end up creating long-term economic growth for most families in Puerto Rico, leaving unemployment and poverty high even to this day.

By 2006, these tax benefits to corporations were dismantled, instead of reformed, and almost all

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OLD COLONIALIST PRACTICES,  
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THE HANDS OF A PRIVILEGED  
FEW.”**

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of the factories on the islands left. There were no provisions made for rebuilding the local economies that had existed prior to the arrival of the large corporations. By 2007, Puerto Rico had entered the Great Financial Crisis, cutting one third of its public workforce.

This was when Congress presented its "solution"—PROMESA—another way to take power away from the people living on the islands. The fiscal oversight board of PROMESA, popularly known as "La Junta," has been eliminating government benefits and other amenities, harming low-income and middle class people in Puerto Rico. Even during hurricane recovery efforts after Hurricane Maria, La Junta contracted with utilities companies that were not set up to be successful in repairing the failing electric grids. Mismanagement and underfunding of Puerto Rico's public electric utility set the system up for failure. La Junta has used this opportunity to put the power grid up for sale. By blaming blackouts on the public utility they themselves had knowingly underfunded, they have created the impetus for privatization.

While La Junta is working to privatize electricity, the federal government is making Puerto Rico a tax haven. This tax haven status is not oriented toward investing in new businesses. Instead, it is a temporary solution that gives investors an incentive to buy and sit on real estate. This is no different than the previous temporary corporate



tax break that led to the financial crisis in 2007. Once the tax haven status ends, no long-term economic growth will come to the increasingly smaller number of Puerto Ricans living on the islands. And then there's the tax revenue missed out on. Investors will still be able to use public roads, utilities, and services—without paying their share of the corporate taxes that could help fund them. A real solution is needed. One rooted in decolonization.

### **Conclusion**

The United States engaging in colonization of territories is not new. All of the US is a story of colonization. If we want long-term change and growth, we must work toward healing this history and empowering those who have been experiencing oppression for so long in this country. Wealthy people can support through decolonizing their wealth and giving that wealth to organizations working toward building economic and political power for those who our systems have excluded and exploited.

This idea comes from the book “Decolonizing Wealth” by Edgar Villanueva.<sup>2</sup> Mr. Villanueva talks about decolonizing wealth as working toward understanding the history of oppression and your role within it, listening to those most marginalized by systems of oppression, apologizing for your harm, relating to each other, building whole new decision making tables where we trust leadership of those who have been exploited and excluded from the systems, putting all of your money into your values, and using money to heal where people are hurting.

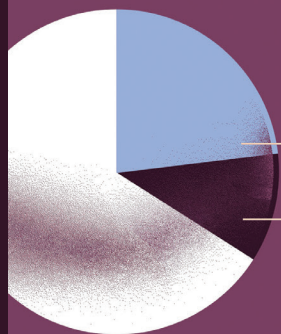




**Government policies play a fundamental role in shaping the distribution of wealth and the racial wealth divide.**

The 2017 Tax Cuts and Jobs Act was a drastic rewrite of the federal tax code that worsens economic inequality, deepens the racial wealth divide, and threatens to put Dr. King's dream further out of reach.

#### **GOP TAX CUTS DISTRIBUTE WEALTH TO THE TOP**



White families in the top 1% receive 23.7% of benefits.

**23.7%**

**13.8%**

The poorest 60% receive only 13.8% of benefits from the Trump tax cuts.

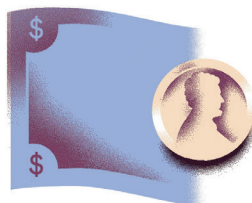
**Despite promises to hire more people, many corporations that lobbied for tax cuts laid off employees.**

A significant portion of the benefits corporations received went into stock buyback programs, not to working people.

**JOB'S**

#### **DISTRIBUTION OF WEALTH IS NOT RACE-NEUTRAL**

Of the wealthiest 400 Americans in 2018, only 2 are black.



Single Latina women own just one cent for every dollar of wealth owned by white women.

Unemployment rates remain substantially higher in communities of color.

**3.9%** Overall  
**3.4%** Whites  
**6.6%** Blacks  
**4.4%** Latinos

Tax cuts are used to justify cuts to social safety nets, reducing opportunities for communities of color.



#### **PUT PEOPLE OVER PROFIT!**

##### **Make organizing easier**

Repeal unjust right-to-work laws, now expanded to 28 states.

SOURCES: faireconomy.org/taxscams

##### **Tax wealth like work**

The super-rich paying their fair share would build a brighter future for everyone!

##### **Repeal the Trump tax cuts**

Return to a more fair and progressive tax system.





## PART 2

# AUSTERITY FOR US—A WINDFALL FOR THE WEALTHY: THE IMPACT OF THE 2017 TAX LAW ON RACIAL AND ECONOMIC INEQUALITY

“THE INSEPARABLE  
TWIN OF RACIAL  
INJUSTICE WAS  
ECONOMIC  
INJUSTICE.”

—MARTIN LUTHER KING, JR.

This chapter focuses on Republican tax reform efforts today and how the Trump administration’s 2017 tax changes are set to worsen inequality along racial and class lines. In our 2011 State of the Dream report, “Austerity For Whom,” we discussed the Tea Party’s efforts to cut taxes and shrink the government, a right-wing agenda that threatened to put Dr. King’s dream further out of reach.<sup>1</sup> Today we ask: what progress have we made as a nation since then?

By examining this history and recent important changes to US tax code, we can draw attention to the fundamental role that government policies have played in shaping the distribution of wealth, especially with regard to the racial wealth divide. Together, we can learn to build a stronger, broad-based, multiracial movement for economic and social justice. It is also imperative that this information and knowledge is made available

to all, so we have created a visual to accompany this part of the report. The infographic on the previous page takes the information here and remakes it in an easily-digestible format.

### ***Republican Tax Policy Worsens Inequality***

Current economic practices do more to increase the racial wealth gap than fix it. Republicans have a long history of advocating for lower taxes for corporations and the wealthy, then using the lower revenue resulting from these tax cuts to justify cuts to social programs that benefit society’s most marginalized. As the Executive Summary of UFE’s 2011 report noted: “Behind the Republican agenda is a sinister logic. First, they use tax cuts to starve the federal government. Then they point to the deficits that their tax cuts helped create and claim that we cannot afford the programs most Americans need.”<sup>2</sup>

But why go through all this trouble of cutting taxes in order to justify cuts to public benefits? Why not just argue for the program cuts you want to make, and then cut taxes if and when the tax revenue is not needed? The answer is simple: tax cuts proposed by themselves are generally popular, but the programs that they fund have even more support. When given the choice, people will favor programs over tax cuts, so the GOP agenda to cut taxes first takes away this choice.

The Republican party under the Trump presidency is following this game plan to a T. For example, after President Trump signed the Republican tax cuts into law in December of

2017, his administration proposed a budget that cut \$3 billion from Community Development Block Grants.<sup>3</sup> This would have led to significant cuts in the Meals on Wheels program, which delivers meals to low-income senior citizens. The budget also proposed an 18 percent cut across-the-board to the US Department of Health and Human Services, which would have had a major effect on senior nutrition programs including the Older Americans Act Nutrition Program. These vital programs make it possible for 2.4 million seniors to enjoy healthier, more independent lives in their own homes.<sup>4</sup> Although this version of the budget did not pass, the fact that the administration had no reservations about cutting such a program says a lot about what it truly values. If the cuts had gone through, they would have proved dangerous and devastating for the millions of seniors across the nation who rely on the programs for nutritious food.

A budget is essentially a statement of values. The “winners” from the tax plan and budget are valued; the “losers” are those who the politicians and party in power do not value. In this case, apparently the administration does not value poor people, people of color, LGBTQ people, seniors, or people with disabilities, among others, as proposed cuts were primarily to programs benefiting minorities and other historically marginalized or oppressed groups. On the other hand, the Trump administration called for an expanded defense budget, millions for tightened border security, and tax cuts that would disproportionately benefit the wealthy. Our nation’s leaders have signaled that they value the military-industrial complex, militarism, the wealthy, and Wall Street more than the lives of the people who live here. In fact, the Republican tax bill fit into the party’s long-standing plan to slash the social safety net, expand corporate profits, and protect the wealthy and powerful.

### **Tax Cuts and the Racial Wealth Divide**

The disastrous levels of economic and racial inequality in the US today have resulted from conscious policy choices made by politicians,

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“THE REPUBLICAN TAX BILL FIT INTO THE PARTY’S LONG-STANDING PLAN TO SLASH THE SOCIAL SAFETY NET, EXPAND CORPORATE PROFITS, AND PROTECT THE WEALTHY AND POWERFUL.”

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corporations, and wealthy elites. The 2018 Tax Cuts and Jobs Act, known by many as simply “the Trump tax cuts,” rewrote the federal tax code in a way that disproportionately benefited these groups, especially White elites.<sup>5</sup> This chapter will not examine all aspects of this complex rewrite of US tax law in detail. Instead, it will focus on how the law has contributed to even more severe economic and racial inequality.

What did the Trump tax cuts actually do? First, they slashed corporate income tax rates from a top rate of 35 percent to a flat rate of 21 percent.<sup>6</sup> Due to loopholes, most corporations pay much lower rates than this.<sup>7</sup> In fact, after accounting for loopholes and deductions, the effective corporate tax rate in the US is only 18.6 percent.<sup>8</sup> The administration also used the tax cuts to justify proposed cuts in social programs that support the most marginalized groups in our society. Furthermore, the Trump tax cuts redistribute wealth to the top while not really creating jobs.<sup>9</sup>

Such redistribution of wealth to top income earners is highly racialized, as the vast majority of ultra-wealthy Americans are White. On Forbes’ list of global billionaires, only 3 individuals—Michael Jordan, Oprah Winfrey, and investor Robert Smith—are Black Americans, whereas the richest and most others near the top of the list are all White Americans.<sup>10</sup> Putting this divide into perspective even further, single Latina women hold just one cent for every dollar of wealth owned by White women.<sup>11</sup>

Trump repeatedly promised that corporations' tax savings would translate to higher paychecks for millions of American workers.<sup>12</sup> It is unclear, however, how many Americans actually experienced benefits at the workplace due to the law. In a poll released on January 28th, 2018, more than a month after the tax bill became law, only two percent of US adults surveyed indicated that they had received "a raise, bonus or other additional benefits" due to the Republican tax law.<sup>13</sup>

In reality, a significant portion of the rewards corporations reaped went straight into stock

buyback programs, not the pockets of average Americans. For example, companies spent over \$21 billion buying back their own stock, but less than half as much on employee costs, including wages, bonuses, and benefits.<sup>14</sup>

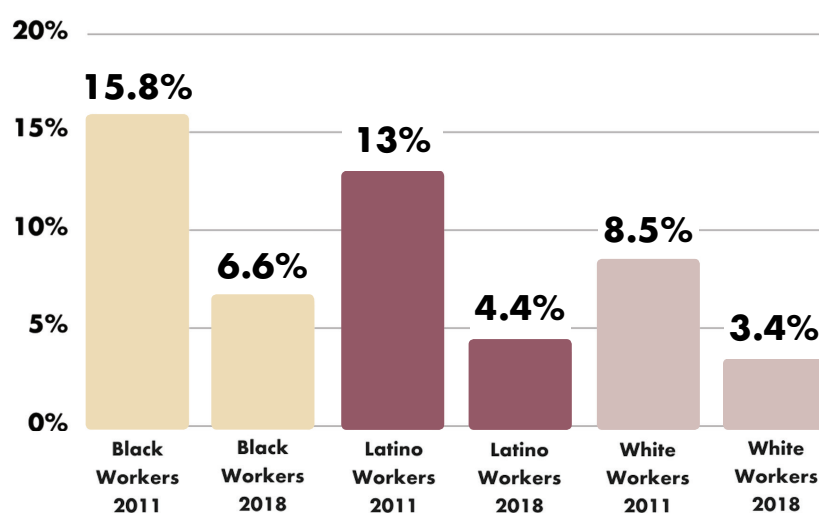
Americans in the top one percent own approximately 40 percent of the direct stock, which means that the wealthy, particularly wealthy Whites, disproportionately benefit from stock buyback programs.<sup>15</sup> Approximately half of Americans do not own any stock, so such stock buybacks, and the performance of the stock market in general, do not affect their

## UNEMPLOYMENT TODAY ECHOES THE PAST...

Although the unemployment rate is currently lower for all groups than it was in 2011, joblessness remains substantially more pervasive in communities of color.<sup>18</sup> As of December 2018, the overall unemployment rate in the nation was 3.9 percent,<sup>19</sup> yet the ratio of Black unemployment to White unemployment has consistently hovered around two-to-one for many decades.

**FIGURE 1:**

### Unemployment Rate by Race, December 2010 vs. 2018



**Sources:**

2010: Ali, Mazher, et al. "State of the Dream 2011." United for a Fair Economy. January 2011.  
 2018: "The Employment Situation - December 2018." Tables A-1, A-2, and A-3. Bureau of Labor Statistics, Department of Labor. January 4, 2019.

In fact, the Black unemployment situation relative to that of White unemployment has not improved since the March on Washington in 1963.<sup>20</sup> Even among people with high levels of education, Black unemployment is substantially higher than White unemployment; individual education alone cannot resolve the long-standing and oppressive effects of structural racism.<sup>21</sup>

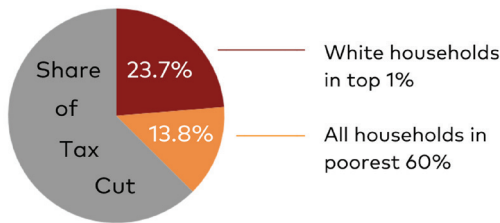


## PUTTING RECENT TAX CUTS INTO PERSPECTIVE...

The tax bill was also deeply flawed at the household level. Here are a few figures to put the radically unequal nature of the Trump tax cuts into perspective:

**FIGURE 2:**

### Putting Tax Cuts into Perspective



**Source:** Meg Wiehe, Emanuel Nieves, Jeremie Greer, David Newville. "Race, Wealth and Taxes: How the Tax Cuts and Jobs Act Supercharges the Racial Wealth Gap." Institute on Taxation and Economic Policy & Prosperity Now. October 11, 2018.

- The top 20% will receive 72% of benefits from the Republican tax cuts, or \$275 billion.<sup>22</sup>
- Meanwhile, the households that make up the poorest 60% receive only 13.8% of the benefits.<sup>23</sup>
- 23.7% of these benefits will go to White families in the top 1%.<sup>24</sup>
- The largest share of cuts will go to taxpayers in the top 95th to 99th income percentiles. These ultra-wealthy Americans make between \$308,000 and \$733,000 per year.<sup>25</sup>
- While tax cuts average 4.1% for elites in the 95th to 99th percentile, families in the bottom 20% only receive average cuts of 0.4% of after-tax income.<sup>26</sup>

**FIGURE 2b:**

### Putting Tax Cuts into Perspective: Figures on Inequality

Population Segment	Average Tax Cut (after tax income)
Families in bottom 20%	0.4%
Families in 95th to 99th income percentile	4.1%

**Source:** James R. Nunns, Leonard E. Burman, Jeffrey Rohaly, Joseph Rosenberg. "Distributional Analysis of the Conference Agreement for the Tax Cuts and Jobs Act." Tax Policy Center. December 18, 2017.

wealth. Only slightly less than 14 percent of Americans own direct stock, and another 35.9 percent indirectly own stock through vehicles such as 401(k) accounts. Many union members hold defined-benefit pensions, and many other Americans own stock indirectly through mutual funds.<sup>16</sup> Overwhelmingly, however, direct stocks are owned by the wealthiest Americans, so the billions in stock buybacks did not benefit the vast majority of Americans. In fact, most Americans have not benefited at all from the elevated stock prices and market index highs reached over the

past few years, and many even have suffered recently, as thousands lost their jobs or saw their wages remain the same, despite growing levels of worker productivity in the US.<sup>17</sup>

Not only did the tax cuts disproportionately benefit wealthy Whites, but the administration's promises that the tax cuts would create jobs were also empty. Firms including Boeing, CVS and Walmart formed a coalition called Reforming America's Taxes Equitably (RATE). These companies spent millions of dollars lobbying for

corporate tax cuts, arguing that lower corporate tax rates would allow them to hire more workers. However, many of the same firms that lobbied for corporate tax cuts *laid off* a significant number of employees and used the windfall from the tax changes to buy back their own stock instead.<sup>27</sup> For example, Verizon reportedly offered a “voluntary severance package” to 44,000 employees and outsourced thousands of information technology jobs to a company in India. The same year as the Trump tax bill was signed into law, Verizon’s board authorized the corporation to buy back as many as 100 million shares of its own stock.<sup>28</sup> Verizon did not respond to a press inquiry about the cuts.<sup>29</sup>

The law reduced individual federal income tax rates for most taxpayers. The number of tax brackets remained seven, but the rates for six brackets were lowered. For example, single filers in the lowest bracket—individuals who earn between \$0 and \$9,525—still pay a base rate of ten percent under the new law. Those in the next bracket, who earn up to \$38,700, now pay a base rate of 12 percent instead of the former rate of 15

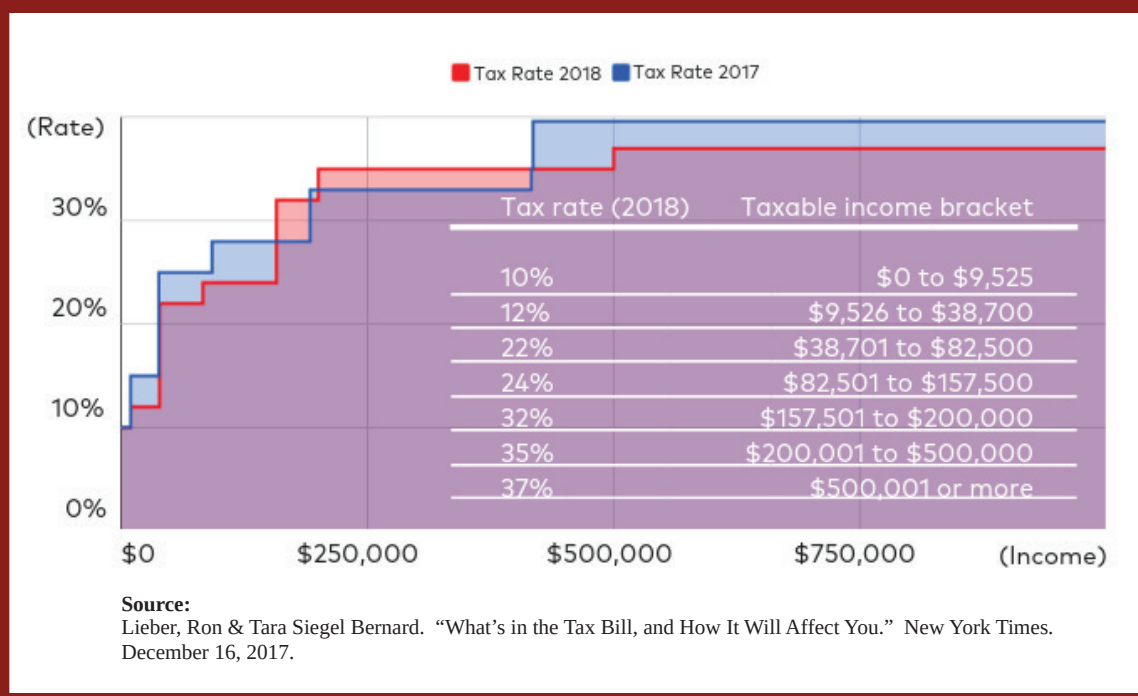
percent. Those in the top tax bracket, however, saw even larger reductions of 2.6 percentage points.<sup>30</sup>

From the viewpoint of the Left, one of the only possible positive outcomes of the new law was that the modest tax cuts for low- and middle-income taxpayers put more money in the hands of working people. These cuts for working people, however, decline over time. Rather deceptively, the Act front-loaded the benefits, in the hopes that voters’ larger paychecks would translate into more Republican votes for the November 2018 elections. The benefits then decline over time, and many of them expire in 2025. But the tax cuts for corporations (which primarily benefit the wealthiest) and some of the tax cuts for upper-income taxpayers do not expire like the tax cuts benefiting lower-income taxpayers do.<sup>31</sup>

The public seems to have seen through Republicans’ efforts to spin the tax cuts as a boon to the middle class. Polls by a number of groups have demonstrated that an average of 52 percent of people surveyed disapproved of the tax plan,

FIGURE 3:

## 2017 vs 2018 Federal Income Tax Brackets





while only 33 percent approved.<sup>32</sup> This is an historically low approval rate for a Republican tax cut.<sup>33</sup> Such a low level of public support, even during the period when many received slight tax cuts, would seem to indicate that the majority of the public sees through the lies of the Trump administration: The job cuts, stock buybacks, and changes in the corporate income tax, combined with changes in the individual tax rate and estate tax, will only exacerbate the racial wealth gap, as well as overall disparities between the wealthy elite and working people.

### **Recommendations: A Path Forward**

Our 2011 report covered data regarding labor and employment, wealth, and assets. It made a number of policy recommendations to combat austerity and reduce racial and economic inequality. This section updates some of the data, reviews past recommendations, and examines whether progress has been made. We also discuss several new policy recommendations that could empower our communities and help narrow the racial wealth divide.

### **Implement a Public Jobs Program**

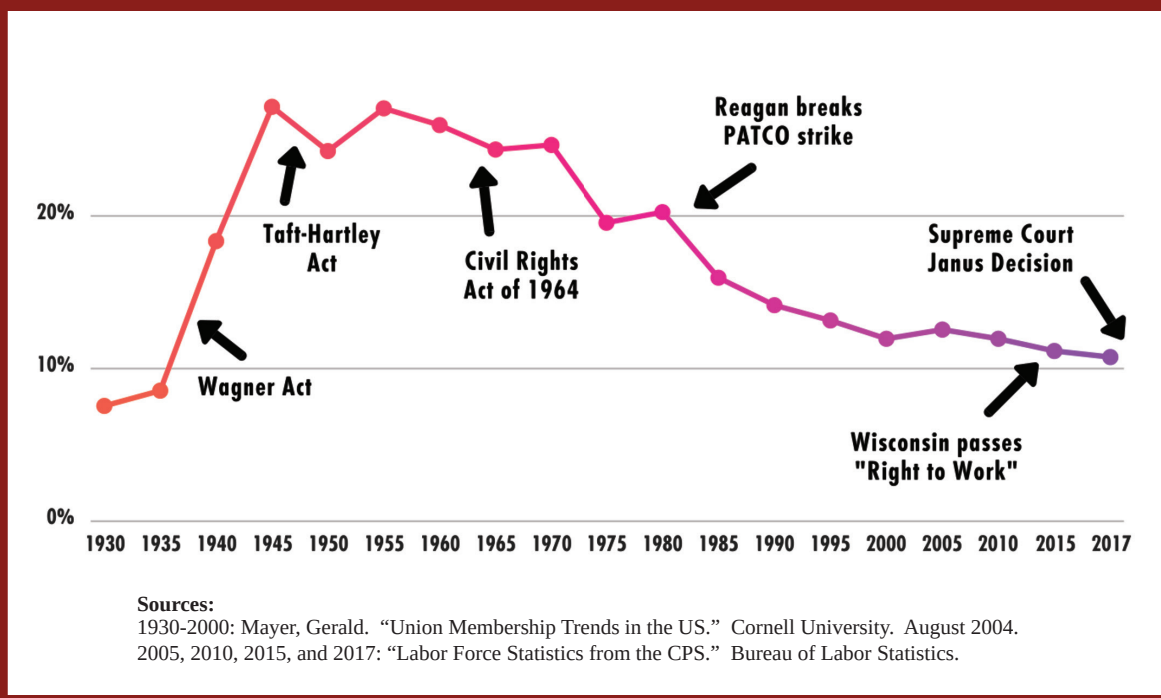
This recommendation has not been followed on a large scale, other than the economic stimulus package the Obama administration passed, which we discussed in our 2011 report. Notably, Democratic Representative John Conyers of Michigan had similar goals when he introduced the Humphrey-Hawkins 21st Century Full Employment and Training Act of 2015. The Act was referred to a House subcommittee and never received a vote, however.<sup>34</sup> During the writing of this report, the government is in the middle of a shutdown over Trump's demands to build a wall. Many public workers are off the job or working without pay, so it is clear work on this is ongoing.

### **Strengthen Union Organizing**

Our 2011 report recommended that Congress strengthened workers' ability to organize unions. Stronger unions not only lead to improved wages, benefits, and health and safety conditions, but also help narrow the racial wealth gap. Black workers are particularly likely to be union members, and to benefit from unionization.<sup>35</sup>

**FIGURE 4:**

### **Work Power in Decline: Union Density, 1930 - 2018**



One of the simplest ways to make union organizing easier would be to pass the Employee Free Choice Act (EFCA) in Congress. This Act would streamline the process of forming a union to deal with the problem of frequent employer intimidation and retaliation against workers who organize. The bill was first introduced in 2003,<sup>36</sup> and it finally appeared likely to pass during the Obama administration, when Democrats held a majority in both the House and Senate. Unfortunately, the bill was narrowly defeated, despite Democratic political strength.<sup>37</sup>

Another way to strengthen union organizing would be to repeal right-to-work laws at the state level. These misleadingly-named laws require unions to represent all workers at a worksite, even if the workers refuse to pay dues for union services. Unfortunately, these unfair right-to-work laws have been expanded to more states since our 2011 report was published.

Currently, 28 states, along with Guam, have right-to-work laws, and Indiana, Kentucky, and West Virginia have all passed similar laws since 2011. The entire state of Michigan, a traditional union stronghold, became right-to-work in 2012.<sup>38</sup> In 2011, Republican Governor Scott

**“MY GOAL IS TO CUT GOVERNMENT IN HALF IN TWENTY-FIVE YEARS... DOWN TO THE SIZE WHERE WE CAN DROWN IT IN THE BATHTUB.”**

—REPUBLICAN ANTI-TAX ACTIVIST  
GROVER NORQUIST<sup>43</sup>

Walker of Wisconsin made nationwide news and encountered huge protests when he reduced the ability of the state’s workers to bargain collectively.<sup>39</sup> Walker subsequently made the entire state right-to-work in 2015.<sup>40</sup> On a more positive note, voters in Ohio and Missouri and both rejected right-to-work laws at the ballot box in 2011 and 2018, respectively.<sup>41, 42</sup>

There may be other policy options for strengthening union organizing that are less obvious, at least at the legislative level. Some executive-branch action could also be taken to aid union organizing efforts. For example, during the Obama administration, rule changes at the National Labor Relations Board (NLRB) made

**FIGURE 5:**

### Right to Work Laws Passed since 2011

State	Year "Right to Work" Passed
Indiana	2012
Michigan	2012
Wisconsin	2015
West Virginia	2016
Kentucky	2017
Missouri	2017

**Source:**

“Right-to-Work Resources: Chart on Right-to-Work States.” National Conference of State Legislatures. January, 2017.

the unionization process easier.<sup>44, 45</sup> If Democrats regain control of the White House, their NLRB appointees could also issue rule changes to facilitate union organizing.

### ***Reverse the Trump Tax Cuts***

A simple way to increase equality would be to repeal Trump's tax law. The tax system has actually become less just under the Trump administration. Rather than raising taxes on more prosperous Americans, the Trump tax plan disproportionately benefited the wealthy, at the expense of the working-class and people of color.<sup>46</sup> Instead of using tax revenue to subsidize wealthy, profitable corporations, Congress should invest in disadvantaged communities by supporting—not slashing—Historically Black Colleges, community colleges, and job programs to create good, living-wage jobs in communities of color and other historically marginalized groups. Simply returning tax rates to their previous levels before the 2018 Tax Cuts and Jobs Act would generate billions in revenue that could be used to revitalize and uplift these communities.

### ***Restore a Progressive Tax System***

An even more progressive policy option would be to raise taxes on the wealthy even further, so that the top tax rate is closer to its former levels before tax cuts passed during many Republican presidencies even before Trump. It is important to note that the highest tax rate in recent years, which has been below 40 percent, is actually quite low, historically. During the Eisenhower administration, for instance, top marginal tax rates reached 90 percent.<sup>47</sup> Taxes have also been higher during numerous other Republican administrations aside from that of Dwight Eisenhower, whom few would label a radical. In the era after World War II, the top individual income tax rate has fluctuated from between 28 percent to 92 percent.<sup>48</sup>

The fact that taxes were so high during previous periods of very low unemployment and economic growth demonstrates that it is quite possible to simultaneously have both high taxes on the rich and a strong economy with a more broadly prosperous society. Today's top tax rate of 37

## **Prospects for Passage**

Although the Republican Congress, with the cooperation of some Democrats, has shifted the nation further away from Dr. King's vision of a more equal, just society, not all hope is lost. Democratic victories in the 2018 midterm elections, especially, give social movements and progressives in general cause for hope. As of January 2018, Democrats hold a majority in the US House of Representatives. Just as significantly, a number of progressive representatives, including several women of color, will take office.

The addition of Democratic Socialist representative Alexandria Ocasio-Cortez, Rep. Ilhan Omar (D-MN), Rashida Tlaib (D-MI) (the first two Muslim women in Congress), Ayanna Pressley (D-MA), and the presence of more women of color, and women in general, means that these groups will have a greater voice in policy-making. This makes it more likely that progressive policies supporting everyday working people and families will pass, in contrast to the corporate-dominated Republican policies of recent years.

percent is not very high in comparison to previous historical rates.<sup>49</sup> Republicans claim that higher taxes for the rich are a radical idea, and would result in high unemployment. However these claims are not only untrue—they are dangerous. The truth is, we can't afford not to have a progressive income tax: families will continue to suffer as long as we fail to invest in public sector goods like infrastructure, education, job training, and other necessary services.

### ***Pass the Stop WALMART Act***

Senator Bernie Sanders proposed the Stop WALMART Act, co-sponsored by Rep. Ro Khanna (D-California).<sup>50</sup> If passed, this bill would penalize companies with more than 500 workers for buying back their own stock if they do not meet specific requirements. These requirements include paying a living wage, providing paid sick leave, and paying their CEOs no more than 150 times what the median employee earns.<sup>51</sup> The Stop WALMART Act has received widespread public support, including from former Secretary of Labor Robert Reich and from labor groups including the 1 million-strong United Food and Commercial Workers, among others.<sup>52, 53</sup>

### ***Pass the Financial Transactions Tax***

In a 2017 policy brief for UFE, we explained the Financial Transactions Tax (FTT), also known as the Robin Hood Tax.<sup>54</sup> The FTT would levy a small tax on certain financial transactions engaged in by Wall Street. It would generate a large amount of revenue that could be used for infrastructure, education, and other social programs that Republicans have repeatedly attacked. Passing the FTT would also have the added benefit of curbing risky speculative trading that destabilizes financial markets.

### ***Pass a Green New Deal***

This proposed economic stimulus program has received a great deal of media coverage, especially due to Rep. Alexandria Ocasio-Cortez mentioning it frequently (and even supporting a sit-in by activists in Nancy Pelosi's office in favor of the policy). A Green New Deal would help combat global climate change and create living-wage jobs, so it has the benefit of addressing both economic inequality and disaster response, the two subjects of this report. Ocasio-Cortez proposes to finance the plan through a 70 percent tax on the wealthiest Americans. Although the policy will not likely have enough votes to pass, its potential to tackle two key policy problems make it worth supporting and continuing to examine.<sup>55</sup>

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### **PART 2**

#### **AUSTERITY FOR US—A WINDFALL FOR THE WEALTHY**

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