

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. Through our work, we examine these tilted rules and propose changes to lead to a more democratic society and fair economy.

Announcing...

Responsible Wealth National Conference

April 7-8, 2000
Colonnade Hotel
Boston, MA

Featuring keynote address by:

*Robert Reich
Former U.S. Secretary of Labor*

Additional speakers will be posted on our website, www.stw.org, as they are confirmed. Invitations will be mailed in early January.

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“I once debated Milton Friedman. Friedman repeated the article of capitalist faith: the market serves freedom because it responds to human choices. Of course I pointed out the obvious that the market can only reflect human choices – and can therefore only serve human freedom – on one condition: that we all can make our choices felt in the market, and that requires a wide distribution of wealth and income. The concentration of wealth and income destroy the entire justification for the market.”

— Frances Moore Lappé
Speaking at the Responsible Wealth West Coast Conference, June 4, 1999

**Responsible Wealth
Action News****Vol. 3, No. 3
October, 1999****Responsible Wealth**
A Project of
United for a Fair Economy**UFE Co-Directors**
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Responsible Wealth is a group of business people, investors and affluent individuals among the top 5% of income earners and asset holders in the US (over \$135,000 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.

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A Change of Heart

Here's a little pop quiz: Who said, "I believe that this [minimum wage] legislation will help low-income workers and low-income families share in the strong economy here in Massachusetts."

- Was it an AFL-CIO spokesperson?
- A liberal professor from Harvard?
- How about a pro-business Republican governor?

Surprise, surprise. Massachusetts' Republican Governor Paul Cellucci last month signed a bill to make the state's minimum wage \$6.75 by the year 2001, the highest in the nation.

Cellucci admitted that his prior belief — that increasing the minimum wage would hurt the economy — was wrong.

He changed his mind after witnessing continued economic growth in Massachusetts despite a legislated wage hike in the mid-1990s.

What's been true for Massachusetts has also been true for the rest of the nation. Assessment after assessment of the effects of minimum wage increases and living wage policies has shown them to help low-wage workers and their families without harming business or the local economy. It's about time that our political leadership shed the tired, broken-record business lobby arguments of the past and embraced initiatives which ensure that employees across the economic spectrum share in the current economic prosperity.

Take Action!

The following firms pay all entry level workers more than the federal poverty wage (\$8.08 an hour) according to *Working Mother* magazine. If you are a shareholder or employee of one of the following companies, please take a few minutes to write to the CEO and:

- Thank him/her for paying their workers well.
- Ask him/her to extend their internal leadership to the broader society by publicly endorsing increases in the federal minimum wage.
- Ask him/her to consider working toward paying all of their workers a wage that reflects the true cost of living in communities where they operate.

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|------------------------------|---------------------|--------------------------|
| Allstate | Federal Express | Pfizer |
| American Express | First Union | Rockwell International |
| American Home Products | Gannett | St. Paul Companies |
| AT&T | General Mills | Sara Lee Corp |
| Autodesk | Glaxo Wellcome | Sequent Computer Systems |
| Bank of America | GTE | Stride Rite |
| Bankers Trust | Life Technologies | Texas Instruments |
| Bausch & Lomb | Eli Lilly | TRW |
| Bristol-Myers Squibb | Lucent Technologies | Union Pacific Resources |
| Chase Manhattan | Mattel | UNUM |
| Citigroup | MBNA | Warner Lambert |
| Corning | Mentor Graphics | Xerox |
| Donaldson, Lufkin & Jenrette | Merck | |
| DuPont | Merrill Lynch | |
| Eastman Kodak | Millipore | |
| Fannie Mae | Northern Trust | |

Source: *Working Mother*, "100 Best Companies for Working Mothers," October, 1998.

Using the Power of Ownership for Economic Justice

Introducing RW's Year 2000 Shareholder Action Campaign

What's New this Year?

Broadened Issue Focus. Last year, we were highly focused on establishing a maximum pay ratio between the CEO and the lowest-paid employee. This year we will introduce several new resolutions, asking companies to:

- Freeze executive pay during periods of downsizing/layoffs.
- Broaden employee ownership – Create an ESOP and fund it with the same number of shares granted to senior officers.
- Report on political contributions and lobbying costs.
- Report on corporate welfare received by the corporation.
- Hold real elections – Nominate more director candidates than there are seats on the Board; ensure that nominees come from a broader base of experiences; include representatives of communities and workers.

More Action Opportunities. Last year, we only used shareowners' ability to file shareholder resolutions. This year, we offer five action angles for shareholders:

- File shareholder resolutions with companies you own.
- Use your personal connections to influence corporate leaders/board members through dialogue. We can provide a list of Board members of focus companies.
- Buy shares in firms operating in targeted low-wage industries. Participate in dialogues over the coming year and file shareholder resolutions in fall 2000.
- Promote Investors' Right-to-Know – Ask your mutual fund or pension fund managers to publicly disclose how they are voting their proxies on your behalf.
- Sign the Living Wage Covenant – As an investor, contact managers of companies you own and ask them to commit to paying all employees a living wage.

Take Action!

- Check out the details of the Year 2000 Shareholder Action Campaign in the accompanying "Shareholder Activism 1999-2000" booklet.
- Please complete and return the enclosed questionnaire by **October 20, 1999**, if you would like to participate.

Members' Voices

“The transmission from generation to generation of vast fortunes by will, inheritance or gift is not consistent with the ideals and sentiments of the American people. Inherited economic power is as inconsistent with the ideals of this generation as inherited political power was inconsistent with the ideals of the generation which established our Government.”

– Franklin Roosevelt
1935

Roger Rath: Why I'm Challenging Executive Pay

We asked Roger Rath to write about his motivations and his experience in attending two recent shareholder meetings.

My roots are not in activism. Rather, I sprung from a conservative Republican family where my father's rags-to-riches story supported the core American ethic “work and you shall succeed.” He had a concern for the poor, particularly children, which resulted in philanthropy on his part. I now recognize that we never took the next logical step – that of questioning the institutions and systems that created and allowed such need.

Having never questioned my family's value system in these matters, it came as a shock to me to suddenly begin to do so just nine years ago, at age 41, as a result of words I heard in concerned communities of faith. I quickly realized the existence of a terribly uneven socio-economic playing field, and realized that the rules of the game made it impossible for many to even compete.

As an investment advisor, my natural role upon joining Responsible Wealth was in “shareholder activism.” I've since come to understand that it is not my professional skills that qualify me, but rather the simple fact that I am a shareholder in major companies whose directors and executives abuse the privilege of leadership by claiming more than their fair share. This shift resulted from attending this year's Citigroup and

Computer Associates annual meetings where I presented shareholder proposals linking the top executives' pay to that of the lowest paid workers of the company.

At both meetings, I witnessed similar outcomes. The vote in favor was relatively small: 10.6% at Citigroup and 4.5% at Computer Associates. This is to be expected, as most shareholders are not well informed about these issues. And many unvoted proxies are voted by management. At both annual meetings, the response from the floor was enthusiastic, and stimulated debate. The presence of media at both events was gratifying as well.

In contrast, the CEOs' responses reflected their strong sense of entitlement to these hundreds of millions of dollars. They prefer to believe that their successful backgrounds, skills, and hard work bring so much to these companies as to make them this valuable.

In my view, the consequences of exorbitant CEO compensation packages are both damaging and far-reaching, supporting the greed of the few while undermining the health of major companies and the well-being of employees and shareholders alike.

As shareholders, we are responsible in these matters, and we need to use our voices. I'm pleased to be working with Responsible Wealth on promoting economic justice in this time and place of great inequality.

Business Leaders for Sensible Priorities

This is the first in a series of articles about organizations that have been allies to Responsible Wealth or are doing closely related work.

Does it bother you that our country is building bombers and nuclear weapons that experts say we don't even need while our country's schools are falling behind the rest of the world and physically crumbling in front of us?

Well, it bothers a group of over 500 business leaders and military experts enough that they started the Move Our Money Campaign to redirect bloated Pentagon funding toward much-needed funding for education and health care.

Founded in 1997 by ice cream mogul Ben Cohen under the banner "Business Leaders for Sensible Priorities," and directed by organizing wiz Gary Ferdman, the group has been using creative marketing and advertising techniques to spread their message that we don't need to keep building more weapons to protect against an enemy that no longer exists. Rather, we have plenty of challenges right here at home that are not being addressed.

With a squadron of retired Admirals, Generals and Senior Military Advisors at their flank, BLSP is making the statement that the US is the only remaining superpower, and the Pentagon budget could be cut by 15% (\$40 billion/year) and still leave us with the world's strongest military.

BLSP's latest attention-getter is the "U-Slice-the-Pie" Bus Tour, featuring a 15-foot



Uncle Sam introduces BLSP's inflatable Budget Pie.

high inflatable budget pie chart with red, white and blue slices representing federal spending categories. To cite just one of their talking points, if we cut the entire unneeded F-22 and FA-18 E/F fighter jet programs, we could rebuild or repair every school in America (\$112 billion).

Keep up the good work, BLSP!

Take Action!

If you are concerned about bloated Pentagon spending, you can help BLSP "Move Our Money!"

You can reach BLSP at:

1350 Broadway, Suite 2210

New York, NY, 10018

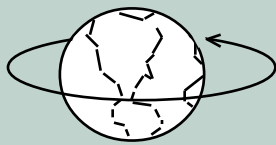
Attn: Gary Ferdman, Director

Phone: 212-563-9245

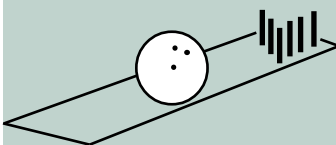
Email: info@businessleaders.org **Web:** www.businessleaders.org

What Was in the Tax Cut Bill for You?

If you're in the top 1%, you would have received an annual tax break of \$46,389, or enough for a trip around the world in a Concorde jet...



If you're in the bottom 20%, your tax break would have been about \$24, or enough for a family trip to the bowling alley.



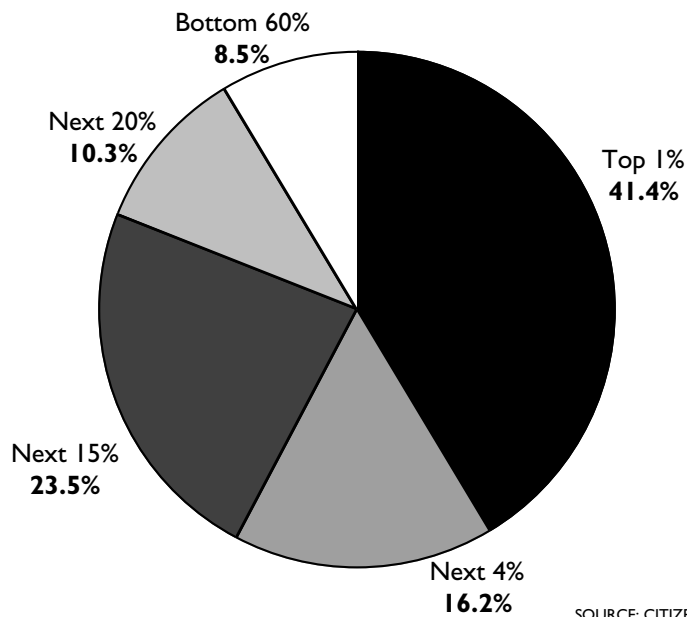
Congressional Plan Defeated RW Planning Tax Policy Actions for the Future

Good news on taxes: As we go to press, the Congressional plan to cut taxes by \$792 Billion has been vetoed by President Clinton. The plan would have cut the capital gains tax rate further, phased out the estate tax entirely, and given \$82 billion in tax breaks to corporations. Republican leaders have said they will not try to over-

ride the veto or re-work their plan. Rather, they will try to use the President's veto as a campaign issue.

Rather than wait for the next round of regressive tax proposals to come along, we would like to start working on a proactive proposal for making positive changes to our tax system (see box below).

Distribution of Benefits of the 1999 Congressional Tax Proposal



SOURCE: CITIZENS FOR TAX JUSTICE

Take Action!

How can you get involved?

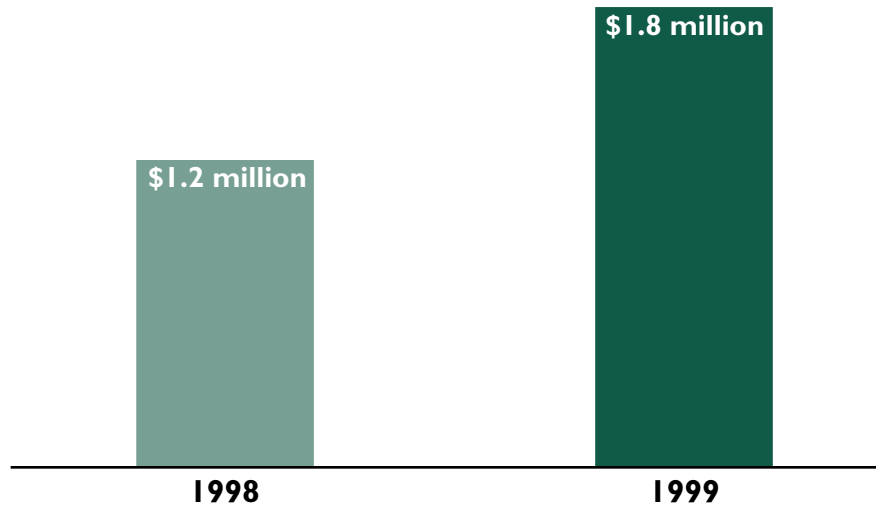
- Tell us what you think should be in a fair tax plan
- Visit Citizens for Tax Justice website for more information (www.ctj.org)
- Write letters to editors and to members of Congress
- Help us plan future tax-related actions

To get involved, contact Mike Lapham at 617-423-2148 x12.

Responsible Wealth Tax Break Pledge Results: 1998-99

Over the past two years, Responsible Wealth members and others pledged to give away their savings from the 1997 capital gains tax cut from 28% to 20%.

The figures below represent the total capital gains savings pledged to organizations working for greater economic fairness over the past two years of the Pledge.



Grants from the 1998 Fund for Tax Fairness

The Fund for Tax Fairness was set up at the Funding Exchange for Tax Break Pledge participants who want to give to organizations working for tax fairness.

California Tax Reform Association
\$3,000

Citizens for Tax Justice / Institute on Taxation and Economic Policy
\$11,000

New Hampshire Citizens Alliance
\$5,000

Tennesseans for Fair Taxation
\$3,000

United for a Fair Economy
\$10,000

Total Grants: \$31,000



“You must make yourselves much more visible. I see you coming up with so many creative ways to do that. Fight any hesitancy about being envied, criticized, misunderstood. Put yourselves more and more in the public eye.”

– Frances Moore Lappé
Speaking at the
RW Conference,
June 1999

Voices

With the concentration of wealth comes the amplification of voice. However, the economically mighty do most of their powerful and persuasive speaking out of the public view. One recent example is the congressional tax cut bill, which promised powerful corporations and already affluent Americans most of the \$2.8 trillion in tax cuts over the next 20 years. The halls outside the tax writing committee rooms were thick with lobbyists, advocating their clients’ position in hushed tones.

Responsible Wealth seeks to utilize the voices of affluent people, but in a different fashion. Our members do not speak in hushed tones in the back of some committee room, but out in the open – in public.

United for a Fair Economy and Responsible Wealth have been featured in more than 550 media stories so far this year, more than double our total from all of last year. Our message, however, is significantly strengthened when it includes the views of our members.

In early July, the Responsible Wealth staff received an inquiry from a reporter at the *Charlotte Observer* who was doing a story on executive compensation. The reporter asked if she might speak to a Responsible Wealth member living in North Carolina. We contacted some of our members in the area and found a couple, Marnie Thompson and Stephen Johnson, who were willing to speak publicly about their work for economic justice. What would have been an ordinary story on executive compensation turned into a feature story

on the front page of the Sunday business section. Among those contacting us after reading the story was a North Carolina church leader convening a day-long workshop for area CEOs and a retired business executive who was thrilled to discover other business people shared his concern about rising inequality. Using our voices invites others to add their own voices to ours. Herein lies our power.

As we head into fall, there are many opportunities to raise your voices for greater equality. We are seeking business owners to stand with Senator Kennedy and Congressman Bonior at a Washington, D.C. press event in support of raising the federal minimum wage. Members can use their voice and power as shareholders to file resolutions on economic fairness. And members can always raise their voices through letters to the editor and op-ed pieces in local newspapers. Three were recently published by RW members Michele McGeoy, Bob Burnett and Judith Barnett.

With economic inequality rising, and powerful interests on the other side of the debate, it is sometimes easy to feel discouraged. When you feel these doubts, try raising your voice. You’ll find you are not alone. There are many others who are like us and who would join us. Adding their voices will amplify ours, creating a new chorus of affluent Americans, one that speaks loudly and publicly – for a change.

— Scott Klinger
RW Co-Director