



FAIR PLAY

SPRING 2006

Another Dimension of Inequality: UFE Puts on 3-D Glasses

By Meizhu Lui
Executive Director

UFE is donning 3-D glasses.

For ten years, UFE has been dissipating the fog to reveal the Grand Canyon-sized economic divide that has been cut into our society over the last 30 years. We have demonstrated that it was not water or God's will but government policies that carved out our social landscape. We have also shown that there are marvelous examples within our history when government took action to make the plains level, and to irrigate everyone's field. The GI Bill, for example, used tax dollars to give thousands of working class people college tuitions and affordable home mortgages. Whether we build our economy on barren canyons or fertile plains is a matter of political choice.

John Edwards, the Vice Presidential candidate, famously said that there are "two Americas." At least two! In our effort to spotlight economic inequality, we have also noted a third America:

people of color live in a different economic reality. Even today, in spite of the victories of the Civil Rights movement aimed at leveling the plain, the economic status of people of color lags far behind whites. They still have only 18 cents for a white person's dollar. UFE's success at addressing inequality and building an inclusive movement for economic fairness depends on our ability to increase public awareness about the real causes of the racial divide and to inspire action to close it.

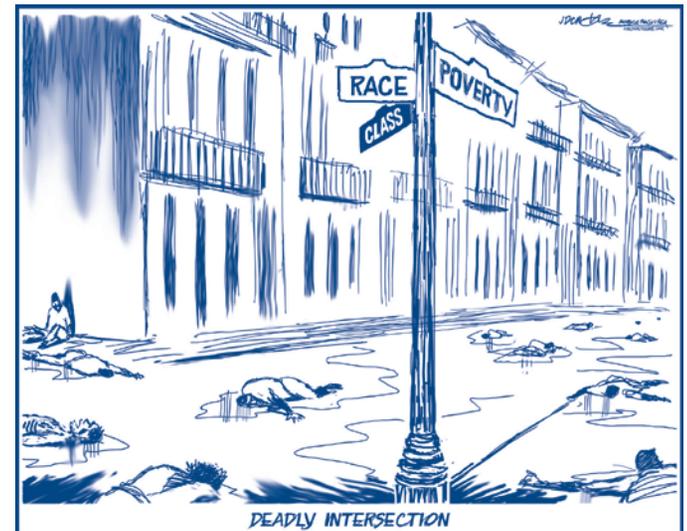
So why is racial economic inequality so intractable? Thomas Shapiro has an answer. We are pleased to feature a guest article by Tom, the co-author with Melvin Oliver of the groundbreaking 1995 book, *Black Wealth/White Wealth*, which showed that the persistence of racial economic inequality cannot be explained by looking at income alone. For example, putting on our 3-D glasses, we can see that the middle class created by the GI bill was white. Black and Latino GIs had trouble using the Bill, since most universities and financial institutions refused to serve people from these groups. With less education and without government-subsidized homes, GIs of color had less to pass on to their children, leaving them behind the starting line for white children.

UFE has several roles in raising public awareness of this third dimension of inequality. The first is research. Our new book, *The Color of Wealth*, goes beyond black and white to include Native

Americans, Latinos, and Asian Americans. It documents how different rationales, different methods and different laws were used to prevent these racialized groups from turning work into wealth. It provides data on the assets owned by people of different races, explains what's behind the numbers and argues forcefully that an economy that allows everyone to bake pie will result in more pie for all.

Second, we are using popular education to bring our information and analysis to community people and to engage them in designing and demanding asset-building policies that will result in a strong, secure, multiracial middle class. In Houma, Louisiana, devastated by hurricanes, tribal members are still dealing with the results of federal policies toward Native people. Our workshop placed the difficulties of today in a historical context, and helped them see that larger policy solutions were needed beyond economic assistance after the storm.

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Economic Rebirth After the Storm: The Houma Nation Post-Katrina

By Meizhu Lui and Amy Graham

After the hurricane sisters, Katrina and Rita, raged through the Houma Nation 40 miles outside New Orleans, many of the tribal citizens like others in the region found their homes, businesses and family mementos lost to the storms' fury.

But they still had communal hope, determination and a history of survival. To help them create a vision for the rebirth of their community, United for a Fair Economy had the privilege to co-host a gathering with First Nations Oweesta Corporation, a Native development organization working at the local level to enhance tribal capacity.

Our goals were to celebrate their past successes against all odds, provide analysis as to how government policies have created unfair economic advantages for whites over Natives throughout North American history, and support them with tools to make their community more successful than it was before the storm. Because the Houma have different definitions of wealth and success, Native principles were used as a foundation for discussing their economic rebirth. We began with the Frog.



Many tribes know the Frog as the protector of the wetlands. The story has it that when things were going well, Frog was honored and respected. How-



Amy Graham, UFE intern, and Tom Varnado, Native American historian and Houma tribal member, with Houma artifacts.

ever, when a severe drought hit, it was found that Frog had swallowed all the water, keeping it from the people. When Coyote got wind of the devastation he came to the rescue and stabbed Frog in the stomach, which then allowed the waters to rush forth, causing a massive flood, and carving out a new landscape. While it devastated some land, it also brought forth new life. After the flood things were not the same and much was lost forever. But new things came about that were good for the community, and many saw the effects of the flood as a rebirth of the land, part of Mother Earth's natural cycle.

The concept of rebirth resonated strongly with the Houma Nation. During UFE's workshop a

lively discussion ensued about the current state of inequality in the U.S. economy, racial disparities between whites and Natives, the oppressive Native history that helped lead to the current economy, and current policies such as regressive taxation that exacerbate the racial divide.

When the Houma defined "wealth," they did not mention money or possessions first. Instead they named family, health and the willow trees. We noted that in today's world you do need some financial assets to ensure the long-term security of your family and tribe. The Native image of the wheel or circle led to different models of economic development. These would be opposed to the straight-line model that is commonly practiced,

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Incomes of typical U.S. families slid backward from 2001-2004 – Blacks and Latinos by 4%; whites by 1%.

The Racial Wealth Gap: At the Forefront of the Civil Rights Agenda

By Thomas M. Shapiro

Two hundred and twenty years into the U.S. experiment in creating a classless society where social and economic status would not be determined by your birth, being born African American still relegates you to an economic status inferior to whites. What's going on?

For my book, *The Cost of Being African American: How Wealth Perpetuates Inequality*, I looked at white and Black families with the same incomes, educational levels, and jobs. At a glance, they seem to have equal financial footings. But digging deeper, we can see that families of comparable achievement have different life prospects because of their race.

For example, whites are about four times more likely to have received money from their parents during the parents' lifetimes to pay for their college educations or for down payments on their homes. Further, studies indicate that nearly 1 in 4 white families received an inheritance after the death of a parent, at a median of \$10,000. In stark contrast, only about 1 in 20 African American families had inherited, and their median inheritance was just \$798. The intergenerational transfer of assets moves in opposite directions for these two groups. Whites often inherit assets from their parents, while most Blacks bear financial responsibility



ity for their elders. Without equality of assets, Blacks cannot catch up.

Closing the racial wealth gap needs to be at the forefront of the Civil Rights agenda in the 21st century. In the second half of the last century our nation passed equal employment opportunity and affirmative action policies to provide access for people of color to degrees, jobs, and higher paychecks. Blacks began progressing toward income parity with whites. However, we did not address disparities in wealth, and this wealth gap threatens to keep racial economic inequality in place for many more generations.

How can we accomplish this urgent task? Tax policy has always been used as a mechanism to foster wealth building. Today, tax policies disproportionately benefit those who already have assets. For example, look at the tax breaks we give to homeowners. Our nation allows income tax deductions for home mortgage interest, a deduction for property taxes, and tax exclusions for capital gains on the sale of principal residences. \$110 billion of our tax dollars were returned to homeowners in 2004. There are no tax benefits for renters.

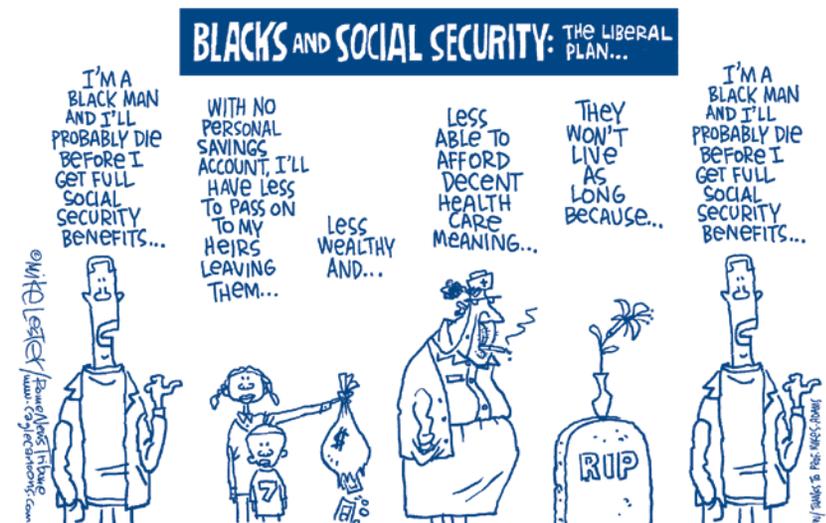
Over the last few years, we have cut taxes on income from stock dividends, incentivizing the wealthy to buy more stocks. At the opposite end of the spectrum, very low-income women on Transitional Assistance cannot own assets of more than \$2,000 in order to qualify for income support: they can either have meager savings, or they can

receive meager help in surviving day to day – but they can't have both. That's not "transitional assistance," that's poverty maintenance.

We have expanding wealth-building subsidies for the rich and dwindling income support subsidies for the poor.

But, here's another idea. We could capture the tax expenditures spent on the wealthy and use those dollars to create asset-building programs for those left out of the "ownership society." We could "blue-line" greater dollars to inner cities and rural areas populated by people of color to achieve greater equity. Simply by maintaining the estate tax on the very wealthy, billions of dollars could be used as transformative assets to assure the future of all of the nation's children.

Thomas M. Shapiro is the Pokross Professor of Law and Social Policy at Brandeis University's Heller School for Social Policy and Management.



White U.S. families saw their median wealth grow about 6% after inflation from 2001 to 2004, to \$136,000, according to the Federal Reserve. But Black families started the Bush era with \$20,000 in median wealth, and after three years of economic growth had exactly – \$20,000!

The Struggle in Tennessee

By Beverly Owens

Tennessee has one of the most regressive tax structures in the country. For example, it has the highest average food sales tax in the country at 8.4%. A food tax! We all have to eat, but you can only eat so much. So the percent of income that a poor family spends on food is a lot greater than a rich family, and the tax burden falls on them. Tennesseans for Fair Taxation's long-term "prize" is to create a more fair tax system. To build toward that goal, we and our allies are focusing on the sales tax in order to educate people and lay the groundwork for future reform.



As a Black woman who grew up in the South and has lived in Western Tennessee for 15 years, I am in a good position to speak with people about tax issues and what they can do to change them. This

"For every African American who 'makes it,' hundreds are being left behind. This is why it is so important for my community to be involved in these discussions.

is especially true in West Tennessee, which is predominantly African American and has an average household income of less than \$40,000. West Tennessee has the most legislative representation in the state. Unfortunately, the Black community is not usually engaged in the discussion about taxes or economics. Generally, when taxes are mentioned, people react as though taxes are some sort of punishment. My job is to get the conversation started based on real information, not just feelings. We can make a huge difference if we understand how the tax system works, or I should say, how it doesn't work for most of us!

As a member of this community, I want to see people more involved in the political and legislative process. Many African Americans have become successful in their own right and are making great contributions to their community and society. But, for many others, the decision of whether to buy food or pay the utility bill is a reality. For every African American who "makes it," hundreds are being left behind. This is why it is so important for my community to be involved in these discussions. If we are not, we have to take whatever is given to us by those who are involved, who may not have our best interests at heart. We have to take more responsibility ourselves.

One challenge is making abstract issues like economic inequality or progressive taxation relevant to the local community. In Memphis and Shelby County, residents do a lot of cross-border shopping into Mississippi and Arkansas because it is "cheaper." Imagine the cost of cross-border shopping in Tennessee being bordered by eight

states – hundreds of thousands of dollars going out of our state. The community realizes that the sales tax isn't working for us. The educational work is showing which taxes are good for us, why we have to be the ones to do something about it, and what we can do about it.

We are beginning the next phase in the struggle for equality. Before it was a question of civil rights – what we could and could not do. Now it's economics – what we can and cannot have. Although race is still a factor, class is a bigger part of the equation of disparity. Still the goal and strategy stay the same: those who are most burdened by the system must resist, organize and rise up to change it – community by community.

Beverly Owens is the West Tennessee Organizer for Tennesseans for Fair Taxation, which is a member of the Tax Fairness Organizing Collaborative and a partner of UFE.

At-risk in a Disaster

Download a free copy of the complete report on a key aspect of the racial wealth divide exposed by Katrina

Stalling the Dream: Cars, Race and Hurricane Evacuation

www.racialwealthdivide.org

In the U.S., over three-quarters of white families owned their homes in 2004, but a slight majority of people of color still rent. At the slow rate this home-ownership gap is narrowing, it will not close for 1,664 years – about 55 generations.

Why the South?

By Anisha Desai
Program Director

Jean Hardisty is a long-time member and supporter of UFE. She is Founder and President Emerita of Political Research Associates, which supports progressive activism to promote equality and justice, and Senior Scholar at the Wellesley Centers for Research on Women at Wellesley College. She recently wrote an essay for the Highlander Center, where she is on the board of directors, entitled, “Why the South?” In it she suggests that the South is vital to the progressive movement. The full article may be found on her website at http://www.jeanhardisty.com/blog_whythesouth.html. We asked to her to share some of her thoughts with us recently.

You've lived in both the South and the North. What do you see as the difference in the economic lives of the people?

The South in some ways resembles the North in an earlier time. Low-wage industrial jobs are common. In industries like poultry, textiles and mineral extraction, jobs often have minimal safety oversight and require physical labor. Also, because anti-union, “right-to-work” laws are prevalent, low-wage laborers in the South have great difficulty improving their conditions, as their unionized northern neighbors were able to do. All of this contributes to the image of the South as downtrodden.

But there is strength in numbers. There is a large, and in some cases thriving, Black community in the South. This makes it possible for African Americans to have more political clout than in the Northeast, where their share of the population is

smaller and where segregation is often as pronounced as in the South.

You've written that the South is of strategic importance in terms of building a progressive movement. Why?

Progressives often do not understand the importance of African Americans, Native Americans, and other people of color to the movement. People of color have been at the forefront of progressive change in our country in recent times. They have lived their lives in a history and culture of resistance to exploitation and racism. The South is the site of remarkable progress against difficult odds. Yet we tend to write the region off.

We need to recognize the astonishing wisdom that resides in the South. I am continually surprised by white progressives who are excited by the growing populism in Latin America, but have difficulty seeing the same seeds of change and resistance in our own South.



Jean Hardisty

PHOTO: KATHERINE KLEENE

What do you want the rest of the country, and specifically UFE, to know about the South?

I believe there is richness of political experience in the South that white progressives tend to overlook when we believe the stereotype of the “solid South” – Republican, reactionary, and racist. We can learn much about how to live in resistance and struggle from progressives who live in the South. Southerners know how community and culture can support resistance.

In addition, the South is a bellwether of conditions increasingly characteristic of the rest of the country: attacks on unions, a “kinder, gentler” racism, right-wing populism that legitimizes institutional power, and the increasing decimation of the middle class as the gap between rich and poor becomes a chasm.

As a prominent economic justice organization, UFE is already helping to build the progressive movement. By taking a strong anti-racist stance, it could help create the context for the overall progressive agenda that could include and build on the strengths of the South. In the end, this strategy will help to direct resources to the South, where the needs are stunning. At the same time, UFE could help us to stop overlooking a goldmine of ideas, wisdom, strategies and tactics of resistance. If we neglect the South, we will hurt our cause and abandon one of our greatest assets.

Even though African Americans constitute 11% of the U.S. workforce, they are 15% of those who have received pink slips from auto makers and other manufacturing companies.

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Third, thinking about the racial divide has led us to the South as the region where our resources could make the most difference. The South has the greatest poverty and the greatest economic inequality. Beverly Owens of Tennesseans for Tax Fairness, UFE's partner, talks about the work to change their state's tax system, one of the most regressive in the nation. The South is also the area that produced the most significant social movement of the 20th century, one led by the African American community. Jean Hardisty, a Southern native and a longtime researcher critical of the right wing, explains why the South is of crucial importance in building a national movement for economic justice.

Before the advent of digital cameras, most of us took photos where you could adjust the "depth of field." You could make the objects in the foreground clear and the background fuzzy, or you could bring clarity to the background and make the foreground fuzzy. Most of the time in our society, people of color are in the fuzzy background. At UFE, as we move into our second decade, we will sharpen our vision. As we have done throughout our history as an organization, we will bring focus to things that often go unnoticed, in order to bring greater clarity to the whole economic picture.

In short, we will produce and distribute 3-D glasses to all concerned with economic inequality!

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where dollars flow *through* Native communities – as when for example, people shop at Wal-Mart. With a role-play of potential Houma businesses, they saw how if they bought from each other dollars could be kept and circulated *within* the community circle, benefiting more tribal members. Wal-Mart took a good beating!

The Houma have a history of surviving incredible challenges. In spite of it all, they have optimism, lively senses of humor, and ideas for renewal. It's clear that their community has the potential to sustain their nation, culture and legacy for many years to come.

With a widening circle of Houma supporters, now including national organizations like Oweesta and UFE, together we can merge and manage our resources, change local and federal policies, address historical inequities, and keep the natural cycle of death and rebirth turning.

Amy Graham, an intern at UFE, is a Cherokee from West Virginia. This article is excerpted from a longer one, which may be found on our website, www.faireconomy.org.

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Who's Against the Estate Tax?

Download a free copy of the new report from UFE and Public Citizen exposing the 18 super-wealthy families who are behind the effort to repeal the estate tax at

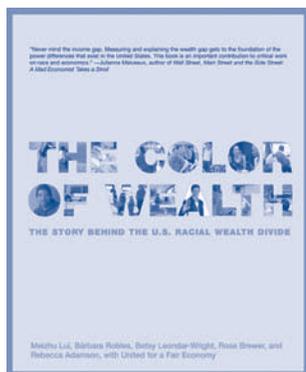
<http://www.FairEconomy.org/estatetax/index.html>

The flooded areas of New Orleans were 76% Black and 18% white. The dry areas were only 43% Black and 49% white.

The Color of Wealth: The Story Behind the U.S. Racial Wealth Divide

Meizhu Lui, Bárbara Robles, Betsy Leondar-Wright, Rose Brewer and Rebecca Adamson

The New Press, June 2006



The typical family of color has only 18 cents for every white dollar. Why?

UFE's newest book shows the astonishingly decisive influence of government on families' net worth. *The Color of Wealth* tells the story of how, for centuries, people of color have been barred from participating in public wealth-building

programs benefiting white Americans.

This uniquely multicultural history of wealth-building brings a hopeful message: the very success of programs to move white men into the middle class shows that it can be done for everyone. *The Color of Wealth* makes the case that until government policy tackles disparities in wealth, not just income, the United States will never have racial or economic justice.

The book recounts the asset-building histories of Native Americans, Latinos, African Americans, Asian Americans, and European Americans, and details the impact that government policies have had on their capacities to accumulate wealth.

The five co-authors, all leading experts on the racial wealth divide, include two from *United for a Fair Economy*, Executive Director Meizhu Lui and Communications Director Betsy Leondar-Wright.

UFE and the New Press are organizing a book tour and media campaign. For information on book events and racial wealth divide workshops near you, or on ordering copies of *The Color of Wealth*, visit www.racialwealthdivide.org.

Shareholder Resolutions Address Racial Wealth Divide

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

This spring, shareholder resolutions co-filed by RW members and presented by UFE partners such as ACORN and the National Council of Women's Organizations 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-a-vis the race and gender of option recipients.

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

Resolutions like these push companies to become more responsible and take a leadership role in closing the widening racial and gender economic inequity.

Virtual Repeal Planned for the Estate Tax

By the time you read this, the Senate could be voting to gut the estate tax.

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." For example, some proposals would raise wealth exemptions to between \$5 million and \$10 million per spouse and 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 Senate for permanent repeal or virtual repeal. Sixty votes are needed for passage.

UFE and its Responsible Wealth project have been at the forefront of this battle since the beginning, and we are not letting up. We teamed with Public Citizen and released a report, *Spending Millions to Save Billions*, showing that a handful of super-wealthy families and their anti-tax front groups have spent *many millions of dollars* in the last decade trying to permanently repeal the estate tax. We are organizing a campaign of op-eds and letters to the editor. And, working with a number of partner organizations, we are providing support for a range of lobbying efforts.

Please visit the Estate Tax Action Center on www.faireconomy.org to get involved.

Katrina stranded mostly low-income people of color. Will the next major disaster do the same? Fewer than one in twelve white families have no vehicle, but one in five Black families and one in seven Latino families were carless in 2004.



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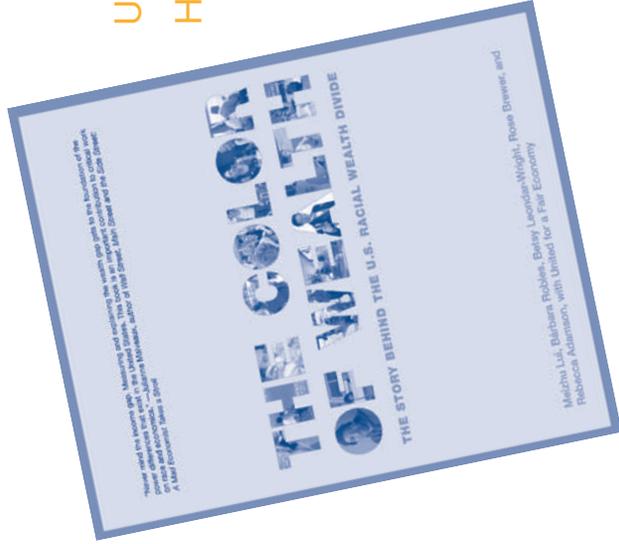
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FAIR PLAY

SPRING 2006

The Newsletter of United for a Fair Economy



UFE's New Book Spotlights the Government's
Historic Role in Wealth Creation.

See page 7 inside.