LOS ANGELES BUSINESS JOURNAL

Policies Should Be Changed to Help the Poor Get Richer

5/28/2007
Los Angeles Business Journal

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America is experiencing a new Gilded Age – a frenzy of corporate mergers, widening economic disparities, and deteriorating social conditions – and, unfortunately, Los Angeles is leading the way.

Today, the richest 1 percent of Americans – those 1.5 million people with incomes over $348,000 – has 22 percent of all income and about 40 percent of all wealth. This is the biggest concentration of income and wealth since 1928. In 2005, average CEO pay was 369 times that of the average worker, compared with 131 times in 1993 and 36 times in 1976.

At the pinnacle of America's economic pyramid, the 400 billionaires own 1.25 trillion in total net worth – the same amount as the 56 million American families at the bottom half of wealth distribution.

Meanwhile, the basics of the American Dream – the ability to buy a home, pay for college tuition and health insurance, take a yearly vacation, and save for retirement – have become increasingly slippery. And for the 37 million Americans living below the official poverty line – $17,170 a year for a family of three – the dream has become a nightmare.

If there are, as Presidential aspirant John Edwards says, "two Americas," the capitals of both are located in Los Angeles. The combined net worth of L.A.'s 50 richest people (including 41 billionaires) is over $118 billion. This is more than double the total a decade ago.

In the midst of such enormous wealth, more than 1.5 million Angelenos (almost 17 percent of the population) live in poverty. The region is home to world-famous medical centers, while 30 percent of adults and 10 percent of children lack health insurance. While the rich spend over $30,000 for exclusive private schools, California ranks 44th in per student spending (about $6,700) for public schools.

A new United Way report shows that ordinary Angelenos are having a tough time making ends meet. Housing, transportation, food, and health care costs are skyrocketing, but wages have stagnated.

Solutions

Some wealthy Angelenos get involved in the city's civic and political life. The question is whether they use their influence to improve conditions for ordinary people – such as supporting a living wage for hotel workers and an inclusionary housing law for L.A.'s work force. Some, such as supermarket tycoon and investor Ron Burkle, understand that being pro-environment, pro-union and pro-consumer can be good for business. Others have taken the low road to their fortunes, such as Roland Arnall, whose Ameriquest Mortgage Co. engaged in predatory lending practices that abused low-income consumers and communities.

L.A.'s rich rank poorly on philanthropic giving, but there are visible exceptions whose names adorn museums, university buildings, hospitals, theaters and concert halls, and other institutions, most of which primarily serve the area's upper middle-class.

Some of L.A.'s mega-rich donate to social agencies that help the poor through charity. Their philanthropy could be more effective if they donated to the Liberty Hill Foundation, an innovative organization that channels money to grass roots community groups that mobilize people to improve economic, social and environmental conditions in neglected neighborhoods.

Lifting people out of poverty shouldn't depend on the egos and fickle fancies of the wealthy, however well-intentioned. Even the most generous philanthropy can't address our nation's widening economic divide. If we want justice, rather than charity, we must change the rules to foster a more responsible form of capitalism. Here are four federal policy changes that would promote a healthier and fairer economy.

•Limit executive excess. In April, the House of Representatives passed a bill, sponsored by Rep. Barney Frank (D-Mass.), chairman of the House Financial Services Committee, to require corporations to give shareholders an annual nonbinding vote on executive pay packages.

•Reform labor laws. For generations, unions have helped lift the poor into the middle class. But current federal labor rules put workers and their unions at a disadvantage. Penalties for widespread violations are so minimal that employers treat them as a minor cost of doing business. The Employee Free Choice Act, approved by the House of Representatives in March, would level the playing field between workers and management. It would allow employees to form unions by simply signing a card stating that they desire union representation.

•Make work pay. Congress hasn't increased the federal minimum wage – $5.15 an hour, or $10,712 a year – in a decade, while the cost of living has steadily increased. Its value, adjusted for inflation, is the lowest since 1955. In January, the House passed a bill raising it to $7.25 an hour. Instead, Congress should raise it to the poverty line – $8.25 an hour, or $17,170 a year – and index to inflation so that it doesn't lose its purchasing power.

•Restore tax fairness. The very rich are getting richer, but paying less in taxes. The richest one percent of Americans received more than half of President Bush's tax cuts – an average cut of over $51,000 a year – while most Americans received peanuts. (Vice President Dick Cheney got a tax cut last year of $110,932). Some of America's mega-rich, including Warren Buffett, opposed Bush's tax cuts and support more progressive taxation. When Republican Dwight Eisenhower was president in the 1950s, the top marginal tax rate was 91 percent. Today it is 35 percent. If we simply raised it to 39.6 percent and taxed capital gains (now capped at 15 percent) as ordinary income – changes that would fall almost entirely on the wealthy – the federal treasury would add more than $100 billion a year.

As in the Gilded Age of the late 1800s, our current economic disparities are fueling widespread discontent and activism across the country, and in Los Angeles, that are changing the political landscape. Which of L.A.'s 50 wealthiest people will embrace an enlightened vision of responsible capitalism in order to make our city and our country a better place to live and work for everyone?

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