

**Our Soaring—and  
Undemocratic—Wealth Gap**

## dear members

This issue of *Connection* looks at the income and wealth gaps in the United States. Since 1980, a tremendous amount of the increased wealth in our country has been held by fewer and fewer people. This is bad for our nation because it undermines the capacity of ordinary families to pay for basic needs. But there is a corollary that we had not fully appreciated here at NETWORK.

The corollary is that with the shift of wealth to the top there are fewer and fewer resources for the middle class to support non-profit organizations like ours. With rising costs and stagnant income, it is more difficult for families and communities to find the extra funds to support good organizations like NETWORK.

So this made us even more grateful for our faithful members and supporters who over the years have found a way to keep us going. It has been tough in this economy, but because of you we are making it. Know that we are deeply grateful for your advocacy and funds. You keep us going!

*Simone Campbell, SSS*



**Johnnie Malloy, the 65-year-old man on our cover,** is well known by NETWORK staff members. He lives in a nearby shelter and can be found most days just steps from our front door—within sight of the U.S. Capitol—selling *Street Sense*, a newspaper “that elevates voices and encourages debate on poverty and injustice” and is sold by homeless people around Washington. Originally from a small North Carolina town, Mr. Malloy has experienced severe injustice. He was once falsely accused of street racing and sentenced to nine months in jail. He was also fired for seeking medical help when he had a severe reaction to handling benzene on the job. Over the years, he has worked hard at numerous jobs ranging from landscaping to car detailing, loading trucks and fixing cars. A man of great dignity and kindness, he is passed each day by cars with rolled-up windows and congressional license plates—and by unseeing people focused only on their smartphones. What does this say about us as a nation?

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# I Was Blind

By SIMONE CAMPBELL, SSS

When we started the *Mind the Gap!* campaign a couple of months ago, we knew that the wealth and income gaps in our country were huge and growing. But I feel like the blind person in the Gospel! Remember the story in the Gospel of John: Jesus spits on the ground, makes mud, puts it on the person's eyes, and says: "Go and wash in the Pool of Siloam." We are told that the name of the pool means "the one who has been sent." The blind person follows his instruction and then sees.

I feel that I have been blind to the basic reality of the wealth gap, and now I can see. Everywhere I look I see both references to and consequences of wealth disparity in our nation. Much of the mainstream media has mentioned the issue, but they really have not talked about causes and remedies. I believe that having had this insight, we are sent to proclaim the message and work for solutions. But this is very difficult to do in Washington, D.C.

One thing we know is that "trickle-down" economics of the Reagan era and current D.C. Republicans has not benefited the middle class or people at the lower end of the income charts. Rather, this policy has helped shift income to the top. A significant reason for this wealth shift is the way that capital gains are handled. A capital gain is the difference between the purchase price of an item (e.g., investments or real estate) and what it is sold for. Rather than taxing capital gains at the regular income rate (35% for the top bracket), most are taxed at 15%. The theory was that would encourage people to reinvest in the market. But many wealthy people get most of their income through such transactions and are not about to miss out by not investing. Thus the wealthy pay only a 15% interest rate on much of their income. This allows them to accumulate more wealth.

Another factor in the wealth shift is the "mortgage interest deduction" that

allows homeowners to deduct from their taxable income the amount they pay on interest on mortgages up to \$1 million for one or MORE homes. Such a deduction is called a "tax expenditure" and there are MANY types of expenditures that benefit wealthy people more than the middle class or the working poor, who are more likely to be renters or have smaller mortgages.

The scales fell from my eyes when the Obama administration announced some

What I see now is that tax and labor laws, as well as many other laws, have gone into creating the great wealth gap in our country. I also see that the gap undermines our health as a nation, our morale, our education system, our neighborhoods and our infrastructure. There are even greater racial disparities than I had imagined. It is so overwhelming that I began to think that I would rather go back to being blind. But then I read the end of John: Chapter 9, where



DUNCAN WALKER

streamlining of union-organizing rules that requires a union election within a shorter period of time than previously set. Many businesses and Republicans pushed back and said that this would be a "job killer." But the truth is that unions were the primary reason that ordinary workers saw increased wages from 1948 through 1979. If we are to address the wealth gap, we need to make sure that workers can bargain for fair wages for their hard work. After all, it is the workers who have allowed the CEOs and shareholders to accumulate wealth.

Jesus challenges the Pharisees about who can see and their own blindness. I realized again that the faith challenge is to have our eyes opened to "inconvenient truths." These are truths that are not popular, but that mandate change. Having had our eyes washed in the pool we are sent to change policy, trusting in the experience of the one born blind. We will not be left orphan, but we must speak out for a new vision for our nation.

Simone Campbell, SSS, is NETWORK's Executive Director.

# Building a Movement for an Economy that Works for All

BY STEVE SCHNAPP

On June 22, 2011, award-winning *Washington Post* reporter José Antonio Vargas came out as an undocumented immigrant in a column in the *New York Times*, placing himself at risk for deportation. Vargas shared his story of being sent from the Philippines to the U.S. at the age of 12 because his mother wanted him “to have a better life.”

Despite having achieved a successful career as a journalist, Vargas lived in perpetual fear of being discovered as undocumented—a fear that became too overwhelming. “I’m done running. I’m exhausted,” said Vargas. “I’ve decided to come forward, own up to what I’ve done and tell my story.” A week after his exposé appeared in the *Times*, he launched a project called “Define American,” an effort to engage the nation in a conversation about the issues raised in his story.

Fostering an open dialogue on dif-

icult issues such as immigration lies at the heart of United for a Fair Economy’s mission. Our approach involves digging beneath the symptoms of a broken economy in order to address the underlying causes. In doing this work, we help to lay the foundation on which an economy that works for all may be built.

When invited to a church or mosque, union hall or high school, community group or national advocacy network, we often begin by asking folks to share what they see in their daily lives that describes the state of the economy. Most often, people tell stories of budget cuts or wage freezes, home foreclosures in their neighborhoods, the deteriorating roads and bridges they travel daily, the closing of schools or libraries where they used to bring their kids, and the rising costs of their healthcare, college tuition and utilities. Many complain about the mort-

COURTESY OF THE AUTHOR



Above: The author opens a discussion on underlying causes of a broken economy. Below: Demonstrators on May Day in Chicago, 2006.



ALEANDRO RIVERA

gage or credit card debts hanging over their heads. Since the onset of the Great Recession, more and more people tell us how hard it is to find a job or how fearful they are of losing the one they have. We post these “signs of the economic times” prominently on the wall, and refer to that list throughout the workshop as its contents arise.

Next, we tell the parable of the baby in the river. This is a story of a village that lacked modern plumbing and depended on a nearby river for water to drink, cook and bathe. One day, a villager is at the river gathering water and spies a basket floating by. He retrieves the basket from the water and discovers a baby inside. He rushes back to the village, baby in arms, and sounds the alarm for all to gather. “Look what I’ve discovered in the river—a baby! What are we going to do?” A childless couple steps forward and agrees to raise the child, and everyone is pleased.

The next day another baby is discovered floating down the river and, again, the village must decide what to do. Day after day, babies continue to float down the river, and, despite their best efforts, including using their modest resources to build an orphanage, the babies keep coming and the villagers grow overwhelmed.

We ask our participants, “What is this village to do?” The answer is always the same: The villagers must go up river to find from where the babies are coming. “It’s common sense,” many say.

“Going up river” to find the source of a problem may seem obvious to most of us, but it is not the typical response of policymakers and pundits. Kind-hearted caregivers do their best, usually with limited resources, to treat the symptoms of failing economies. However, we often fail to ask the questions that will lead us to the root causes of the problems.

Take immigration, for example. Our country pours hundreds of billions of dollars into border security, incarceration and deportation. But in drafting those policies, we don’t seem to ask why so many millions of people are leaving their homes, their families and their communities to make often dangerous journeys to places where they do not

speak the language or understand the culture, face exploitation on the job, and live in substandard conditions.

In order to pinpoint the forces behind those signs of the economic times, we explain to participants that we must “follow the money.” A review of income and wealth trends over the last 30 years shows an alarming pattern of growing economic inequality. We examine income growth in the U.S. since 1979 by imagining all families in a line, those

lost ground and must take a step and a half back (–7 percent); the middle quintile made a modest gain (+11 percent) and takes two steps forward; and the incomes of the top quintile grew considerably larger (+49 percent) and the volunteer takes 10 steps forward. Then, if we look at the income growth of the top one percent—we ask an additional volunteer to represent this group—we see an astounding income gain of 224 percent, or 45 steps forward!

ROSEMARIE GEARHART



with no income at one end of the spectrum and those with the highest incomes at the opposite end. By dividing this lineup into five equal parts, each part representing 20 percent of all the families, we can compare the income growth of the “quintiles” over time.

In our workshops, we ask five volunteers to represent the quintiles, each holding a placard that identifies their quintile and the corresponding incomes ranges. The volunteers stand should-to-shoulder at the starting line, and, one at a time, are asked to take a step forward for every five percent gain in income their quintile received between 1979 and 2009.

When this human graph is complete we see that the bottom quintile

Participants are asked to share their reflections on this exercise. Some express their anger with this state of affairs. Others say without surprise, “The rich get richer, the poor get poorer,” “Nothing new here,” or even, “It’s in the Bible.”

We then repeat the exercise, but for a different time period: 1947 to 1979, which covers post-World War II up to the Reagan presidency. The final picture is much different. Income growth grew at approximately the same rate across the spectrum: from the bottom quintile (+116 percent) to the top five percent (+86 percent), with the others in-between.

Now, we ask, “Why do these two human graphs look so different?” What emerges from this dialogue is a set of



factors, many of which are the rules that govern how the economy works. These include tax laws, trade agreements, spending decisions, interest rates, and all the regulations that address commerce, investment and labor.

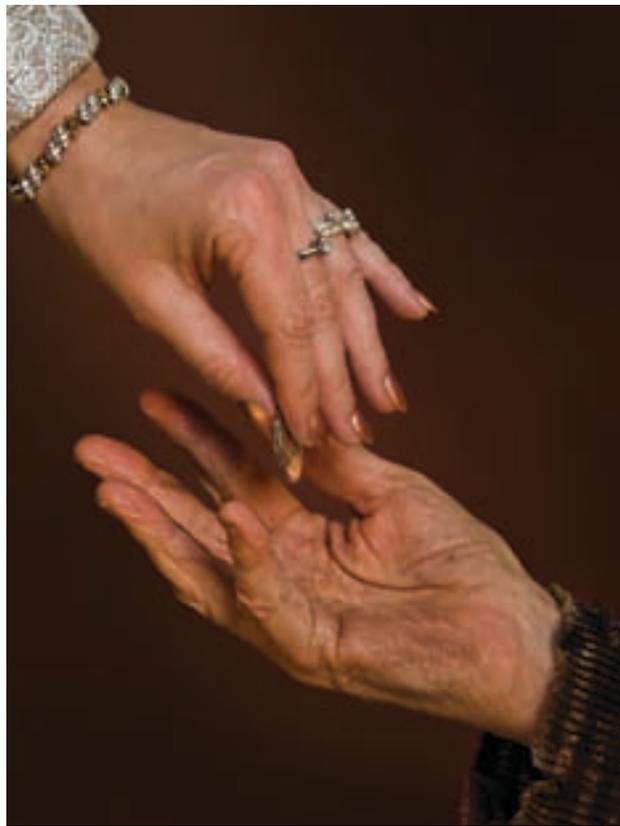
In the 1950s, for example, the top marginal tax rate was 90 percent, the minimum wage was nearly enough to keep a worker above the poverty level, the GI Bill of Rights gave returning veterans the resources to buy a home or go to college, and a massive public investment in infrastructure—the construction of the interstate highway system—created jobs with decent wages and benefits.

The growth of the middle class during the post-war period was not uniform. Persistent inequities along racial and gender lines kept most people of color and many women from benefitting from these policies. It took decades of struggle—the civil rights movement for example—to begin to tear down the systemic barriers of segregation and discrimination. Nonetheless, the lesson we can draw from this period of our history is that the manmade rules of the economy determine the winners and losers.

A pattern of growing inequality is also evident when we look at wealth distribution. In 2007, the top one percent owned more than one-third of all privately held wealth (cash, stocks and bonds, houses and real estate, businesses, furniture, cars, jewelry, clothing, yachts, private jets, collectibles, etc.) in the U.S. Their share of the wealth pie has grown steadily since 1980. In 1982, the wealthiest 400 individuals—those in the Forbes 400—owned \$92 billion. In 2009, the net wealth of those 400 people had increased to more than \$1.5 trillion! To make this list, an individual must have a minimum of \$1.3 billion in assets.

This massive concentration of income and wealth at the very top has a direct bearing on the power of the people and institutions that own it to further influence the rules of the economy. The combined impact of this shift in income and wealth ownership and the changing nature of work will be particularly difficult for a new generation of workers.

Many young people who grew up in middle-class families may never have a standard of living that approaches their parents' standard, and therefore will increasingly be dependent on their parents' savings (equity) to build any economic security. Lower-income youth face the prospect of a lifetime of economic insecurity.



This disheartening cycle of increasingly concentrated income, wealth and thus, political power is tearing our communities apart, corroding our environment, deepening the racial divide, and corrupting our democracy. Alongside the immense accumulation of wealth and income at the top is an increasingly fragile economy that is failing the vast majority.

## What can be done?

In the past, when economic inequality grew to similar proportions in the U.S., popular movements arose to challenge the architects of inequality. In the late nineteenth century—the age of the robber barons (men such as Cornelius Vanderbilt, Jay Gould, and J.P. Morgan)—industrialists and bankers grew wealthy and powerful, creating monopolies and influencing the passage of legislation that allowed them to become even wealthier and more powerful.

This “Gilded Age” gave rise to the Populist movement of farmers and workers who sought to put controls on the power of the robber barons and the trusts. They campaigned for a graduated income tax, government ownership of the railroads, antitrust laws to limit business monopolies, and measures to prevent corruption in the federal government by mandating merit-based hiring and promotion so business leaders couldn't exploit positions of government authority.

In later years, the absence of regulation and rampant speculation in the financial markets during the Roaring Twenties resulted in the stock market crash of 1929 and the subsequent Great Depression of the 1930s. Workers and the unemployed stepped up their organizing, building a labor movement that forced President Franklin Roosevelt to enact the “New Deal” legislation that created jobs in housing construction, conservation projects, national parks, roads and the arts.

Rules that made it easier to organize boosted the percentage of workers in unions from 10 percent of the workforce in 1930 to 35 percent by the end of World War II. Other people-focused legislation enacted under President Roosevelt, included the Social Security insurance program, the formation of regulatory agencies to control financial speculation, and child labor laws.

Today, economic inequality has reached levels as extreme as during the Gilded Age and the Roaring Twenties. We

will need to build a multi-racial, multi-class, democratic social movement to reverse the dangerous course we are on. This movement will require broad and unified support to counter the influence and power of the plutocracy that controls most of our country's wealth and, in turn, makes most of the rules.

## How are we going to get there?

Each year, we meet hundreds of hard-working organizers, educators and community leaders who are dedicated to building an economy that serves all people, rather than a few. We know that there are many thousands—perhaps even hundreds of thousands—of individuals and thousands of organizations, networks and alliances engaged in social and economic justice work. Yet, all of their energy and good intentions have only prevented a bad situation from getting worse.

When we discuss with people about what it will take to build such a movement, we find many common threads. Here are the key elements:

1) At the heart of building an effective movement is an investment in organizing. We need organizing models that amplify the voices and leadership of those who bear the brunt of the consequences of inequality. The organizing model of Ella Baker and

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***"We have come to a clear realization of the fact that true individual freedom cannot exist without economic security and independence."***

***"Necessitous men are not free men. People who are hungry and out of a job are the stuff of which dictators are made."***

**— President Franklin D. Roosevelt, Jan. 11, 1944**

the Student Nonviolent Organizing Committee is a great example of this tradition. (See: *I've Got the Light of Freedom: the Organizing Tradition and the Mississippi Freedom Struggle* by Charles Payne.)

- 2) Education must be integrated with organizing. United for a Fair Economy and other groups such as the Highlander Center prefer a popular education model, which leverages the collective wisdom and experiences of a group. The effectiveness of popular education is in its ability to connect large-scale issues to daily living. Participants are able to relate to the content and thus are empowered to take action based on the information. This type of education and the organizing it supports also require the important research, analysis, reports, books and policy papers churned out by think tanks, such as the Economic Policy Institute, and scholar-activists, such as Naomi Klein.
- 3) As people such as George Lakoff and Amitai Etzioni have pointed out, the progressive movement needs a narrative—a story that explains what is happening, how we got here and what we can do about it. The narrative needs frames—ways of presenting ideas that are rooted in broadly shared progressive values—and messages that can inform, motivate and inspire us to action.
- 4) A movement needs resources. Hundreds of millions of dollars are spent by unions, other progressive groups, and wealthy progressives to mobilize voters. Electoral politics are important but there are other venues for political action that do not place all hope on politicians' promises to do the right thing.

Community-based groups across the country are combining direct action mobilizations with efforts to change the rules in order to place power back in the hands of the people. For example, City Life/Vida Urbana in Boston organizes eviction blockades to keep families in their homes when bank foreclosures loom. They also engage in advocacy efforts to ensure mortgage lenders and government officials are accountable for policies that put debt payments and profits ahead of families.

- 5) Social movements also need a longer-term vision that can inspire people to action and keep them in the struggle for the long haul. At United for a Fair Economy, we envision a global society where prosperity is better shared; where opportunity and access—to basic human needs, to an education, to health care, to a job with dignity—are truly equal, regardless of race, class or gender; and where corporations and individuals with great wealth have no more bearing than the average person on either the economy or on the content of mass culture. Our vision is of a world where values, not just profits, guide decisions about the economy.

John Paulson, founder and president of Paulson & Co., a New York-based hedge fund, earned more than \$5 billion in 2010, according to the Wall Street Journal. Most of those earnings came from investments in his firm's hedge funds and were taxed at the capital gains tax rate of 15 percent, compared to the top marginal income tax rate of 34 percent.

ALEXANDR SILVA



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*based organizer, educator and activist in New York City and the Greater Boston area.*

# Can We Move Past the Impasse in Washington?

BY THE NETWORK ISSUE STAFF

For generations, people sought a better life in the United States, with freedoms from varied oppressions. However, this “land of opportunity” seems a bit more tenuous with the economy stalled, high unemployment, and an expanding gap between the wealthiest few and everyone else. And Congress is currently at an impasse on solutions.

Our ability to continue borrowing—and avoid defaulting on obligations—is in jeopardy due to this impasse. High-level groups under the leadership of Vice President Biden, and now of President Obama, have come together to work through what seem to be diametrically opposing philosophies of the role of the federal government. Republicans hold that the federal government should be much smaller, relinquishing responsibilities to the states and local authorities. Democrats believe that the federal government has responsibility for maintenance of the social safety net, supporting states to carry out many of the functions. Each party fears a loss of power in Congress.

This impasse extends beyond the budget issues, and has prevented progress in other areas. The Obama administration has, therefore, faced increased pressure and scrutiny to act on issues related to the conflicts in Libya and Afghanistan, as well as immigration reform and trade agreements.

In 1933, Franklin Delano Roosevelt came into office facing an even worse economic reality. His response may help us in 2011. “This is preeminently a time to speak the truth, the whole truth, frankly and boldly. Nor need we shrink from honestly facing conditions in our country today. This great nation will endure as it has endured, will revive and will prosper. So first of all let me assert my firm belief that the only thing we have to fear is fear itself.”

## Debt Limit

As this issue of *Connection* went to press, efforts to avoid default on the debt are in the hands of President Obama and congressional leaders. Whatever the final agreement, the cuts are likely to include all the “low-hanging” fruit (least painful) and some very painful cuts to safety-net programs such as nutrition assistance, low-income housing, Medicare, Medicaid and more. At this time, Republicans refuse to include revenues in the deal, and NETWORK strongly opposes this stance.

## Deficit Reduction

NETWORK is very concerned about the extraordinary federal deficit, created and increased over the last 10 years. The imbalance between revenue and expenditures needs to be addressed—although economists agree that deficits are the way of business today.

Balance requires revision of the tax system on one side and careful limits on spending on the other. The administration and congressional committees need to seek savings. But, they also need to make changes in the tax code that are revenue-positive.

Controlling spending through a “balanced budget” amendment to the Constitution would limit the ability of future Congresses to adapt to emergencies or to another recession. Current proposals would take the economy back to the level of spending in the 1950s, prior to programs such as Medicare and Medicaid, before the rate of healthcare costs escalated so far beyond inflation, and prior to unpaid-for wars and the level

of long-term care required by veterans. See [www.networklobby.org/legislation/balanced-budget-amendment](http://www.networklobby.org/legislation/balanced-budget-amendment) for more information about the balanced budget amendment and why we oppose it.

## Peacemaking

In late May, 204 members of the House, from both parties, voted in support of James McGovern (D-MA) and Walter Jones’ (R-NC) amendment to the Defense Authorization Bill. This amendment called for an accelerated withdrawal and responsible exit from Afghanistan. Although the amendment did not pass, this was a victory for NETWORK as House members displayed a strong and unified message of support to end the war.

Similarly, an amendment introduced by Representative John Conyers (D-MI), which prohibited funds for the purpose of deploying U.S. ground troops in Libya, was passed by 416 votes. This was



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BOTH PHOTOS: P. WEI

will be left on the ground after 2012.

The Senate Defense Authorization Bill came out of committee with a \$530 billion budget for the Defense Department (the same amount as in the House bill). The House was debating the defense appropriations bill as this issue went to press.

### Immigration

President Obama addressed our nation's broken immigration system during a speech in El Paso on May 10. He called for reform as an "economic imperative." The White House is urging people all over the country to come together to talk about immigration reform and its importance to local communities. In the midst of this initiative, however, the number of deportations

and worksite raids are still increasing. NETWORK continues to educate on the issue and urges members of Congress to pass comprehensive reform as the right thing to do for immigrants and for our nation.

On May 11, Senator Richard Durbin (D-IL) reintroduced the DREAM Act of 2011 which currently has 34 cosponsors. Senator Durbin led the first-ever Senate hearing on the DREAM Act on June 28. Witnesses Secretary of Homeland Security Janet Napolitano, Secretary of Education Arne Duncan, and Undersecretary of Defense Clifford Stanley relayed the administration's strong support for this "common sense bill" and highlighted how passing the DREAM Act would benefit their departments and our nation as a whole.

Conversely, it is expected that the House will vote on immigration enforcement amendments to an appropriations bill before the August recess. This will

include funding and mandating E-Verify, an electronic program that would require employers to verify the legal status of their employees. NETWORK urges members of Congress to vote against this enforcement-only measure.

### Trade

President Obama continues to indicate that he would like the three trade agreements to be submitted to Congress before the August recess: U.S.-Korea, U.S.-Panama, and U.S.-Colombia. All three of the free-trade agreements (FTAs) were signed by President George W. Bush, but were never submitted to Congress for approval. President Obama retains authority to submit the FTAs for a fast-track vote (within 90 days of the FTAs being submitted to Congress, there must be an up-or-down vote), and he could submit them any day.

While each agreement has its own problems, NETWORK is primarily concerned with the Colombia FTA. NETWORK, along with 430 other U.S. and Colombia-based organizations, recently sent a letter to Congress asking members to oppose ratification of the U.S.-Colombia FTA. The letter states opposition to the agreement as it stands because it would devastate small-scale farmers, accelerate displacement, hurt public health, and increase instability.

Additionally, the Trade Adjustment Assistance (TAA) Program is up for renewal. TAA is a federal program that provides aid in the form of skills, resources and support for workers, who have lost their jobs as a result of foreign trade, with the goal of reemployment. Republicans and some Democrats have requested that the administration submit the three FTAs to Congress, but the administration wishes for TAA to be renewed first. Therefore, talks have been circular: President Obama says he will not submit the trade agreements until TAA is resolved, and Republicans say they will not vote on TAA until the FTAs are submitted.

NETWORK continues to oppose the three agreements.

another victory in opposition to investing in an unnecessary war.

Following the example of House members, Senators Jeff Merkley (D-OR), Mike Lee (R-UT) and Tom Udall (D-NM) coauthored a bipartisan letter to the president calling for an accelerated withdrawal from Afghanistan. In total, twenty-seven senators signed the letter—including 24 Democrats, one Independent and two Republicans.

President Obama announced his plans for a drawdown of American troops in Afghanistan on June 22, announcing the planned withdrawal of 10,000 troops by the end of 2011 and an additional 23,000 by the end of 2012. NETWORK was supportive of his decision for a substantial withdrawal at an accelerated pace but continues to urge Congress, the administration and military leadership to end the war soon. President Obama did not address an end date or a timeline for withdrawal of the 70,000 troops that

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# The German Wealth Gap

By MICHAEL HAGEL

Münster is a prosperous city in north-west Germany. It has clean streets, well-maintained houses and attractive shops. Among the 280,000 inhabitants are many students, lawyers, professors, IT professionals and entrepreneurs. The people in Münster earn more than the national average, and most are well dressed. And yet, for the past few years, many beggars have appeared on the streets. There are more than in the past, many more. Poverty is no longer invisible in rich Münster.

Elsewhere in Germany the situation looks even significantly worse than in Münster. In East Germany, which reunited in 1990 with the much richer West Germany, there are large areas where development has not kept pace with the West. In some East German regions the income of the people is one-third below the national average. The unemployment rate is also huge—20 to 25 percent is not rare.

Many young, well-trained people have left East Germany in the past 20 years for the more prosperous West. Left in the East

are the elderly, the sick and those with less training—a major problem. When you go through most well-restored old East German towns and cities you don't tend to notice this until you take a second glance. The cities are nicely done up but they lack the broad and solid middle class that you find in West Germany. It takes time to build a middle class in a region like East Germany, where it didn't exist in communist days.

The gap between rich and poor is not just growing in the East. In West Germany as well, it has been increasingly evident in the past 10 years—and is becoming a problem for the nation's politicians.

For years—no, for decades—the gap between rich and poor was rarely an issue in political debates in Germany. Those with a lot of money lived in discrete, not obvious luxury—unlike in the United States. The prosperity of the country rose more or less evenly. Many people felt part of the middle class and were satisfied with that.

Ludwig Erhard, the popular econom-

ics minister in post-war Germany, wrote a bestselling book called *Wohlstand für alle* (*Prosperity for All*) during that time. Erhard considered capitalism the best of all government / economic systems, but said it should be fair and equitable. The term “Soziale Marktwirtschaft” (social market economy) was coined, which means that nobody should be excluded from the general prosperity and that all must have access to education, training and careers.

This was considered common sense in the 1950s and 1960s, when the slogan “prosperity for all” was attached to the founding of the Federal Republic of Germany after the Nazi dictatorship. The effort to provide as many people as possible with good living conditions contributed significantly to social peace in Germany. Labor unions made moderate demands during wage negotiations and strikes were relatively rare, unlike in neighboring France and Italy. The people identified themselves with this republic, which offered opportunities for a pleasant life.



MICHAEL LUHRENBURG



PETER KLAGVIVIK

Above: Homeless man in Berlin. Opposite page: Münster.

This is no longer true. The gap between poor and rich has widened, especially since 2000. A 2010 report from the German Institute for Economic Research (DIW) revealed alarming statistics. Between 2000 and 2009, the percentage of people in poverty rose from 18 to 22 percent in Germany. Their average monthly income also decreased from 680 to only 670 euros. The researchers concluded that there were more poor people who also lived in deeper poverty than before.

At the other extreme, the average earnings of wealthy people rose from 2,569 to 2,672 euros. Their share of the total population rose from 15.6 to almost 19 percent. At the top is a narrow layer of the super-rich, whose immense assets also increased continuously. A DIW report published at the end of 2007 revealed that two-thirds of the people have no or very little in the way of assets at their disposal. In contrast, the richest 10 percent of Germans own a good 60 percent of the total assets. The people in West Germany have approximately 2.6 times as much wealth as those in the East.

Social scientists worry about the shrinking middle class, which serves as a cornerstone of a functioning democracy. Their share of the German population decreased from 64 to 60 percent between 2000 and 2009. An economically-threatened middle class affects the nation's wellbeing, as pointed out by the DIW researchers. Risks include a greater chance of social unrest, xenophobia and prejudice because many people seek to identify and blame villains they consider responsible for their problems.

In the midst of these developments, the liberal/conservative coalition government created its austerity plan in 2010, designed to cut about 80 billion euros in expenditures. Many economists shook their heads. They said that the cuts affected almost exclusively lower income groups while people with high incomes were less impacted. There was even talk of social deception.

Professor Michael Hartmann, a sociologist at the University of Darmstadt, is one of the loudest critics of the government. He describes a "favoring of the affluent and the rich by lowering the maximum tax rate and reducing the inheritance tax." At the other end, the "Hartz IV" law, which was introduced by the Social Democrat-Green coalition, restricted unemployment benefits. This law, says Professor Hartmann, "created more poverty and contributed to the fact that Germany has the second biggest low-wage sector, after the USA."

The gap between rich and poor in Germany is growing particularly rapidly, adds Hartmann, because the country was stable for a long time until recently. In the USA or U.K., the growing gap has been visible since the 1970s and 1980s, and it developed more slowly.

In order to stop the widening gap, the German government has to finally establish a minimum wage law and restrict the use of temporary workers because they have contributed significantly to the reduction of income. Hartmann adds, "And we should have increased income taxes for the wealthy, not people with lower incomes. We should have done the exact opposite of what the austerity package did."

Experts also refer to a study put out by the OECD (Organisation for Economic Co-operation and Development, based in Paris) in which the serious consequences of the growing income divide are shown. The health of the population and the general education have deteriorated, and the crime rate rose. Already now, a part of the German population has the feeling that politicians are not interested in them. Voter turnout is decreasing dramatically. Radical parties in Germany are not yet benefitting, but experts warn this could change quickly.

There are now many warning voices in German politics about the dangers of the growing poverty rates. The Social Democrat Andrea Nahles speaks about the "wrong policies of previous years that brought the social balance in Germany out of balance." The head of the Green Party, Cem Özdemir, says the government has exacerbated the crisis and divided the rich and poor. And labor unions are also critical, saying the foundation of German democracy is at risk.

German Chancellor Angela Merkel is under pressure. Her government is losing one local election after another. Because of this, some of the austerity measures are currently being either withdrawn or eased. But the government is struggling to decide about fundamental policy corrections. In Berlin, the seat of the federal government, the consequences of what has happened in recent years are increasingly visible. In so-called problem districts, soup kitchens are springing up quickly while growing numbers of young jobless people make streets and subways unsafe.

And even in Münster, this still prosperous city, the police are dealing with an increasing number of robberies and break-ins. Perhaps Münster, which was voted "the most livable city in the world" a few years ago, is a symbol of an unfortunate trend, the end of which is not yet in sight.

Michael Hagel is a German journalist living in Münster.



# Closing the Wealth Gap in Our Nation: Minority Wealth Disparity

BY SENATOR MARY L. LANDRIEU

Five and a half years after Hurricane Katrina and the devastating flood caused by multiple levee breaks, New Orleans and the region are on the rebound—350,000 strong, we are rebuilding one of the world’s special places. As our current Mayor Mitch Landrieu says often, “We are not rebuilding the city we were; we are creating the city we want to become.” This “creating” in some of our poorer neighborhoods has proved to be a significant challenge. Despite the generosity of the federal government, it has not been able to replace every dollar lost by individuals, families and businesses. And here lies the problem.

According to Dr. Robert W. Fairlie, Professor of Economics at the University of California, Santa Cruz, the wealth gap in this country is a significant barrier to these neighborhoods and to hundreds of struggling communities throughout the nation. Dr. Fairlie, using readily available Census data, reports that the median net worth of white families today is nearly \$114,000, and only a disturbing \$8,700 for African American families and an equally disturbing \$13,400 for Latino families. This net wealth gap is alarming.

In addition, our government’s efforts to close this gap are made even more difficult by recent court decisions.

Most notably, *Rothe Development vs. U.S. Department of Defense* requires a substantial, broad-based statistical foundation to meet Constitutional standards. In simpler terms, Congress must provide a wide range of statistical data to show the need for new legislation for minority groups. Congress is obliged to build a sufficient record required for nationwide race-conscious action to be enacted into law. This has proved to be difficult and elusive.

As the Chair of the Senate Committee on Small Business and Entrepreneurship, I am committed to identifying the strategies and actions that can help eliminate this gap. During the last two Congresses, our committee has held hearings on this specific issue and has taken some of the following actions to date.

In the Small Business Jobs Act of 2010, we increased the microloan limit from \$35,000 to \$50,000 and increased the intermediary loan limit from \$3.5 million to \$5 million, providing minority firms with both technical and financial assistance to help new businesses get started and existing businesses to grow.

We also restored parity among all of the SBA small business contracting programs—8(a), Historically Underutilized Business Zone (HUBZone), Service-Disabled Veteran Owned Small Business (SDVOSB), and Women-Owned Small Business (WOSB)—to allow them to compete equally for federal contracting opportunities.

Additionally, we established a new government-wide policy for limiting contract bundling to no



more than \$2 million unless consolidation is necessary and justified, keeping contracting opportunities for minority firms within reach.

Today, our minority community contributes more than \$1 trillion in total sales, and the four million minority-owned firms employ six million workers. Their potential is enormous.

We must, as a nation, recognize that this wealth gap exists, understand the barriers that prevent us from closing it, and hope that with smarter strategies, it can be done.

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*After serving eight years as a Louisiana state representative and two terms as State Treasurer, in 1996 Senator Landrieu (D-LA) became the first woman from Louisiana elected to a full term in the U.S. Senate. She currently chairs the Senate Small Business Committee and the Appropriations Subcommittee on Homeland Security, and she is a member of the Energy and Natural Resources Committees.*



Damage from Hurricane Katrina in New Orleans.



# MIND THE GAP!

A joint project of NETWORK Education Program and NETWORK, a National Catholic Social Justice Lobby

## Did you know...

- \* The wealthiest 1% of our population owns more than 90% of us combined.
- \* The median African American household has less than ten cents of wealth for every dollar of wealth owned by the median white family. The median Latino family owns about 12 cents.
- \* 20% of Americans have -1.4% of our nation's wealth, meaning they collectively have more debt than income or assets.
- \* More than 25% of American Indian and Alaska Native individuals live below the poverty level.
- \* The wealthiest 1% of U.S. households owns 225 times as much wealth as the median household. This is the highest ratio on record.
- \* For every dollar of wealth owned by the median single man of color or median single white women, the median single woman of color only owns one penny of wealth.

## What is the *Mind the Gap!* campaign?

Using video, social media, fact sheets, workshops, webinars and a blog, the *Mind the Gap!* campaign is alerting both social justice activists and the general public about the causes and consequences of the wealth gap.

## Why this campaign matters...

Catholic Social Teachings state that each of us has a right to live in dignity and that our government must serve the common good. That means that society has a moral obligation to ensure that all people, especially those living at the economic margins, have access to the necessities of life, including food and a safe place in which to raise a family. The extreme wealth inequality plaguing our nation today is inconsistent with these values.

“The dignity of the individual and the demands of justice require, particularly today, that economic choices do not cause disparities in wealth to increase in an excessive and morally unacceptable manner (32) . . . Economic activity . . . needs to be directed towards the pursuit of the common good, for which the political community in particular must also take responsibility. (36) ”

— *Caritas in Veritate* (2009), Pope Benedict XVI

We encourage the reproduction and distribution of this back-to-back fact sheet.

# More Facts on the Wealth Gap

**There is a crack in America's foundation.** The gap between the super-rich and most Americans has grown dramatically, particularly in the past 30 years. Working-class families have been burdened with stagnant wages, a rising cost of living and increasing debt. The last time the U.S. was this unequal, the Great Depression started.

**The wealth gap is an opportunity gap.** The amount of wealth a person owns greatly affects his or her financial stability and access to opportunities—education, healthcare, housing, legal representation, ability to start a small business, savings, retirement, etc. A large gap in wealth means a large gap in opportunities for families and individuals.

**The wealth gap is a power gap.** Wealth doesn't only make the wealthy powerful, it can make the non-wealthy non-powerful. The wealthy are able to fund political campaigns, think tanks, research, lobbyists and propaganda that serve their own interests. The more money behind something, the more noise it makes. And that can block out the people and ideas that best serve the common good.

**The wealth gap fosters cruel stereotypes.** People of color and low-income households are disproportionately oppressed by the wealth gap and have been unjustly stereotyped by those who defend the gap. However, these communities have historically been mislabeled and abused by racism and classism. Thus it is imperative that racial and class-based statistics be presented in a way that avoids perpetuating negative stereotypes. Check out this resource for tips on how to deal with this:

[www.networklobby.org/mindful-gap-resources](http://www.networklobby.org/mindful-gap-resources).

## What can you do?

- ★ Sign on to the *Mind the Gap!* campaign ([www.networklobby.org/join-mind-the-gap](http://www.networklobby.org/join-mind-the-gap))
- ★ Sign the petition for a White House Summit on the wealth gap ([www.networklobby.org/petition-white-house-summit](http://www.networklobby.org/petition-white-house-summit))
- ★ Learn more and leave your comments at our Blog ([www.networklobby.org/nep/blog](http://www.networklobby.org/nep/blog))
- ★ “Like” us on Facebook and invite your friends (MIND THE GAP)
- ★ Follow us on Twitter @MndtheGap
- ★ Copy and distribute this flyer
- ★ Contact us at [mindthegap@networklobby.org](mailto:mindthegap@networklobby.org)

## Do you want to learn more?

Please visit our website at [www.networklobby.org/campaign/mind-the-gap](http://www.networklobby.org/campaign/mind-the-gap)

Written by Page May

We encourage the reproduction and distribution of this back-to-back fact sheet.



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# In Support of Somali-American Women

BY DEEQO JIBRIL

I am a naturalized American citizen and have been living in the U.S. since I was 11 years old.

I was born in Mogadishu, Somalia, into a society where women's abilities to contribute to their communities are limited. I was the youngest of five children, and my father died when I was one year old.

Until the war broke out in 1991, my mother was a vegetable vendor in the streets of Mogadishu. Since my mother had the ability to survive war, starvation and poverty without any formal education, it is hard to imagine how far she could have reached in a stable society with a proper education.

We escaped with our lives and made it to the large primitive refugee camp in Kenya. My mother led us out of Somalia and eventually to the United States. We are among the luckiest of Somali refugees. I have grown up in both systems, political and cultural. Every day that I am free and able to raise my family away from violence and hunger, I am grateful.

## The Somali Refugee Experience

Since the onset of Civil War in 1991, millions of Somalis have fled their homes and sought refuge. Ethiopia and Kenya have accepted many of the refugees, but only until they could be moved elsewhere. The United States government, through its refugee resettlement program, has resettled thousands of Somalis. Statistically, Somalis have struggled

more than nearly any other immigrant group in the United States. The American Community Survey estimated just over 100,000 Somalis lived in the United States in 2009, with almost 30,000 living in Minnesota (other sources suggest 60,000). Nearly 10,000 Somali refugees reside in Massachusetts. According to the U.S. Census Bureau, the median household income for Somalis is among the lowest, with 51% in poverty.

Because of the Civil War and refugee lotteries, many Somalis are plagued by feelings of displacement and that they are not in America by their own choice. All of this is in addition to the violence and loss they personally experienced in the Civil War. Since 9/11, the American people have been very distrustful of anyone who they think is Muslim. Press reports of Somali pirate activity in the Gulf of Aden have also given Americans a specific distrust of Somalis. The general American citizenry is uneducated about Africa. This is a stumbling block for Somalis who have America as their host country.

## My Work to Ease the Transition

Becoming an American citizen while still being Somali in heart and soul, dress and language is a difficult tran-

sition to make. It takes a lot of effort to learn a new language, history and culture while still smarting from the experience of war and the camps. Add to that, resistance on the part of the host country, and this becomes more than difficult.

Many Somalis have been in the United States for up to twenty years, and their children are nearly fully assimilated, causing inter-generational stress. In some cases, small enclaves of

Somalis have banded together, recreating the life that they once had in Somalia, but in poverty here. Many speak only Somali in their homes and have not acquired effective English communication skills. The adult Somali immigrant population faces low levels of education and employment.

Somali women have a lot of potential but do not seek leadership roles. This spurred me to start a Somali social work agency. Today, I am a mother of four, social worker and activist. A member of the Greater Boston Interfaith Organization, I have been encouraged to provide the first financial literacy program to Muslim women in Boston. Two years ago, we received 501(c)3 status for the Somali Community & Cultural Association (SCCA) in Boston, of which I am the founder. We help immigrants by providing support, assistance and education, and are developing a unified voice advocating for their rights and building an environment in which all are recognized and supported as valued members of the community.



*Deeqo Jibril is the Executive Director, Founder and Board Member of the Boston-based Somali Community & Cultural Association (<http://bostonsomali.org>)*



## How can you be part of our work for justice?

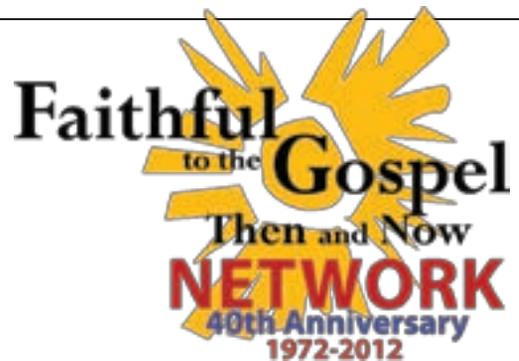
- Go to NETWORK's new secure online donation page ([www.networklobby.org/donate](http://www.networklobby.org/donate)) and set up a one-time, monthly or annual donation.
- You can also use this opportunity to receive NETWORK e-mail action alerts and keep informed on what's happening on Capitol Hill.
- Use the envelope in the middle of this magazine and send us a contribution.
- Become a NETWORK G.E.M. and Give Every Month—call our office (202-347-9797, ext. 200) or visit our website ([www.networklobby.org](http://www.networklobby.org)) for more information.



## Spread the word to people you know that they, too, can invest in our mission of justice!

Among other ways to spread the word, be sure to "like" us on Facebook (NETWORK LOBBY) and follow @NETWORKLobby on Twitter!

Next year, on April 14, we will honor the courage and vision of 47 Catholic Sisters who founded NETWORK 40 years ago. We will also celebrate the justice work of tens of thousands of NETWORK members who have been part of the NETWORK family over the decades. And finally, we plan to explore what it means to be a faith-filled social justice activist today and into the future.



*Mark your calendars (April 14, 2012) and plan to join us for NETWORK's 40th anniversary celebration at Trinity University in Washington, DC!*



# MIND THE GAP!

Has this *Connection* issue convinced you that our nation can no longer afford the enormous wealth gap that enriches the super wealthy at the expense of everyone else, especially people at the economic margins? Please check out our **Mind the Gap! campaign** at [www.networklobby.org](http://www.networklobby.org) and join us!