



**MIND  
THE  
GAP!**

Mind the Gap!  
Resources

## Talking to the Wealthy About Inequality

Whether you're scraping by on minimum wage or running a Fortune 500 company, the extreme disparity that exists in the United States is working against you. Quality-of-life indicators like physical health, mental health, education, rates of imprisonment, and trust and community life reflect that everyone does better in more equal societies<sup>1</sup>. Policies that have benefitted individuals at the top of the wealth spectrum – rather than the common good – have weakened our democracy and the infrastructure of the United States. You may be shocked to know that:

- More than half of the roads are in substandard condition (59%)
- Tens of thousands of people become ill each year from contaminated drinking water
- The American Association of Airport Executives and the Airports Council International, North America have assessed the investment need at \$60,000,000,000 for airport development and reconstruction over the next five years
- Many of the nation's 88,000 public elementary and secondary schools are in substandard condition and need major repairs due to leaking roofs, plumbing problems, inadequate heating, or other system failures
- More than 14,000,000 children are being taught in school buildings needing significant repairs to restore them to good overall condition

**The United States doesn't need perfectly equal distribution of resources, but we do need to examine the system that has allowed for this failing of public resources while a few individuals grow to levels of astronomical wealth.** By re-investing in these areas, we are working to ensure that the American Dream can still exist in reality. It will take over a trillion dollars to fix our infrastructure over the next century – to upgrade roads, bridges, mass transit, airports, schools, dams, water purity, and waste disposal facilities,<sup>2</sup> but this isn't impossible. We can reign in what some have called a "plutocracy" in part by implementing fair tax rates.



NETWORK believes in a progressive tax system where everyone pays their fair share. In other words, the most vulnerable in our society should not pay a higher tax rate than millionaires and billionaires are paying. It is necessary to utilize excessive wealth to develop our country's infrastructure and preserve social safety net programs that allow everyone the chance to achieve success in America.

Our current tax system is flawed. Some of the wealthiest people in the United States are paying lower tax rates in comparison to what middle class and below individuals are paying. One out of ten

<sup>1</sup> <http://www.commondreams.org/view/2011/11/08-2>

<sup>2</sup> [http://findarticles.com/p/articles/mi\\_m1272/is\\_2648\\_127/ai\\_54680883/](http://findarticles.com/p/articles/mi_m1272/is_2648_127/ai_54680883/)



millionaires pays less than 15%, which is the average rate paid by middle class individuals. Some do not pay any income taxes at all! In fact 7,000 pay none!<sup>3</sup>

### But how can you explain how the need for change to those that think you should keep what you've "earned"?

**Talk about politicians who have made valid statements in favor of tax reform and a healthier distribution of wealth. Taxes pay for important things we need such as roads, public transportation, education, public health and safety.**

Elizabeth Warren is campaigning to be elected the senator of Massachusetts. She is a financial reformer who is passionate about living within a social contract in which everybody contributes to society to allow it to function adequately.

Warren has been critical of the wealthiest Americans who, according to their acceptance of tax cuts, do not accept the responsibility of paying the country back for their successes. It is important to know that their business successes did not come out of thin air, but from the freedom to use the country's infrastructure to utilize their talents. Warren has received a lot of attention for her comments on economic policy that can be seen in [videos like this one](#).

***"I do not understand how it is that financial institutions could think that they could take taxpayer money and then turn around and act like it's business as usual. I don't understand how they can't see that the world has changed in a fundamental way, that it is not business as usual when you take taxpayer dollars."***

*Elizabeth Warren*

According to Warren:

- Owners would not be able to hire educated workers if tax money was not used for education and they would not be safe in a factory if police and firemen were not paid with tax money.<sup>4</sup>
- It is perfectly acceptable for wealthy business owners to hold on to a fair percentage of their earnings. However, they must pay enough taxes on it to keep our country's infrastructure stable for future generations that will depend on this tax money because no one becomes rich alone.

**Talk about some of the richest people in America who are in favor of tax reform.**

More people from the one percent are troubled by the situation than you might imagine. For example, Wealth for the Common

Good, which began in 2008, is a network of business leaders advocating for a more fair distribution of wealth in America and sympathizes with the 99%. This network inspires hope for change.

<sup>3</sup> <http://theweek.com/article/index/220754/taxing-the-rich-a-guide-to-the-controversy>

<sup>4</sup> [http://www.cbsnews.com/8301-503544\\_162-20110042-503544.html](http://www.cbsnews.com/8301-503544_162-20110042-503544.html)



# MIND THE GAP!

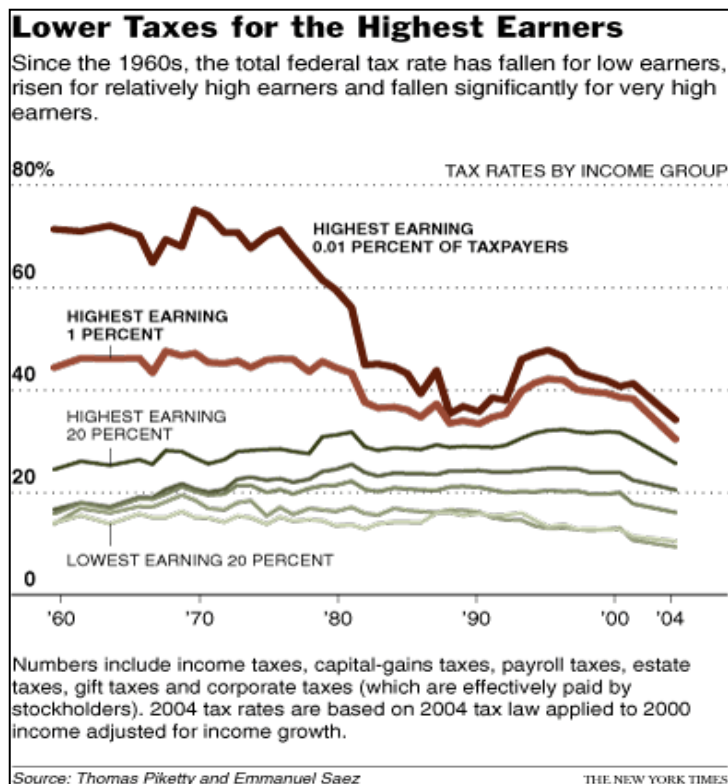
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Some of their main goals for the creation of a more progressive tax system are to tax capital gains (profits made outside of a work salary) and to increase tax rates for individuals earning over \$250,000.

This network's patriotic perspective draws attention to the fact that the tax cuts are harmful to the well-being of the entire country. Members (some of the wealthiest people in our country) recognize the danger of our country having less money for assets like research, transportation, health care and education. They also recognize that they would not have been as successful if they were not able to utilize the services provided by tax dollars. Check out their website, <http://wealthforcommongood.org/>.



### But hasn't it always been this way?



**Explain these basic economics, and the way our tax system currently favors the rich to an extreme degree.**

The wealthiest make most of their money as capital gains on investments and assets instead of work salaries. Capital gains are taxed at 15% while an income tax, which would be based on salary income, could be as high as 35%.<sup>5</sup> The rich are much richer than they used to be, with the richest 10% pulling in almost half of the country's income.

In addition, there are a number of tax loopholes and breaks that the wealthy should instead be taxed for. Warren Buffet, one of the wealthiest investors in the world, has been known to be outspoken about the amount of taxes investors like him do not have to pay.

**“My secretary pays more in taxes than I do!”  
- Warren Buffet**

<sup>5</sup> <http://theweek.com/article/index/220754/taxing-the-rich-a-guide-to-the-controversy>



The tax breaks for the wealthy come in different forms. One example of one is the home mortgage deduction. This allows taxpayers to deduct interest paid through a home mortgage, and is one of the most popular and expensive tax deductions. According to the Joint Committee on Taxation, federal tax benefits for homeowners cost an estimated \$140.1 billion each year between 2010 and 2014. Of this amount the mortgage interest deduction costs the federal government \$96.8 billion

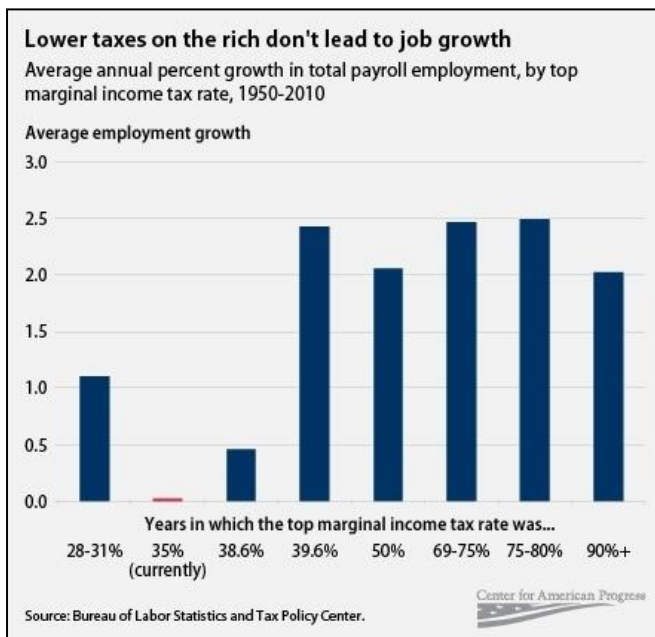
(Subsidies for the Rich and Famous by Senator Tom Coburn)

- Warren Buffett does pay a far lower rate than his secretary. And Buffett is certainly not alone. As the IRS reported in its latest data on the 400 highest-income taxpayers, their average effective rate (after deductions and credits) in 2008 was only 18.1%.
- A single person with \$60,000 of income from capital gains and dividends will owe only \$2,400 in federal income taxes and zero payroll taxes, for an effective rate of only 4%.
- A person with \$20 million in income from capital gains and dividends will pay \$2,695,200 in income tax and zero payroll taxes, for an effective federal tax rate of 13.5%.

Read the entire Citizen's for Tax Justice report ["The Need for the Buffet Rule."](#)

The richer you are in America, the easier it is to get richer through investments. The wealthiest people can live off their wealth and not work, paying less in taxes than someone who is working.

## What about the claim that lower taxes on the rich create more jobs?



**It is not accurate.**

According to evidence from theweek.com, raising high-earner tax rates is not linked to slow economic growth and job creation. For example, President Clinton raised the top U.S. marginal tax rate from 31% to 39.6% in 1993 and the economy boomed.

In addition, the organization Citizens for Tax Justice claimed, "The record of capital gains tax cuts when it comes to jobs is equally dismal."<sup>6</sup>



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## Does the Catholic Church have anything to say about this?

### **Explain that there is a moral question at stake here.**

The Catholic Church has a long history of promoting justice for those who are poor and vulnerable. Those who are most able to invest in the common good of society should. It is not just a political decision, but a moral obligation. These quotes from Catholic Social teachings might inform our policy decisions today:

- 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 . . . Economic activity . . . needs to be directed towards the pursuit of the common good, for which the political community in particular must also take responsibility (32-6). -Caritas in Veritate, 2009
- Excessive economic and social inequalities within the one human family, between individuals or between peoples, give rise to scandal, and are contrary to social justice, to equity, and to the dignity of the human person, as well as to peace within society and at the international level (29) -Gaudium et Spes, 1965
- Society has a moral obligation, including governmental action where necessary, to assure opportunity, meet basic human needs, and pursue justice in economic life.  
-Catholic Framework for Economic Life, 1996

See our handout on [Catholic Social teachings and a just economy](#) for more information.

Everyone – rich and poor – are affected negatively by the current wealth gap. Our priorities should be to protect everyone. It is vital, especially in this harsh economic period, to advocate for policies that promote the common good. This requires everyone to pay their fair share so we can recover from the recession, foster more employment and have enough funds to administer safety net programs and to rebuild our infrastructure.