

## OPINION

## Business as Usual for Oregon Leaders

## Ignoring Income Inequality

BY CHUCK SHEKETTOFF

The latest iteration of the Oregon Business Plan prepared for a gathering of Oregon business and political leaders is remarkable for what it leaves out.

Put together by the Oregon Business Council, this "policy playbook" not once mentions income inequality or poverty, even as it purports to discuss Oregon's "economic progress and challenges."

Prior Leadership Summit roadmaps have also ignored the inequities of our economic system, but this year the environment is different.

The document reads as if the Council failed to notice Occupy Portland's encampments in the heart of Portland's business dis-



trict. Why is it so difficult to acknowledge the extent to which economic gains of the past few decades have gone to a relative few and left Oregon with more poor?

Over the past three decades, those at the top of Oregon's income scale, the wealthiest one percent, collectively have seen their income soar, while those in the middle have seen their income erode.

From 1979 to 2009, the most recent year with data available, the average income for Oregon's wealthiest one percent nearly doubled to about \$635,000. Yet over the same time period, the income of the typical Oregonian declined by about 10 percent to \$30,327 in 2009.

On average, Oregon's wealthiest top one percent were enjoying 21 times the income of a typical Oregonian by 2009. To belong to Oregon's top one percent that

year, you would have had to make at least \$278,150.

But that's peanuts compared to the income gains of Oregon's wealthiest one-tenth of one percent, the wealthiest one out of every 1,000. This privileged group at the top, roughly 1,600 of Oregon's 1.6 million taxpayers, had an average income of \$2.5 million in 2009, more than triple what it was 30 years earlier.

It is this elite group that would reap the rewards of any tax cut on income from capital gains, a key part of the Oregon Business Plan's proposal to reform our tax system.

In 2009, the top one-tenth of one percent amassed nearly half of all capital gains income. The rest of the top one percent collected another 22 percent.

Thus, the top one percent reaped a little over two-thirds of all capital gains income in Oregon. The remaining 99 percent

(more than 1.5 million tax filers) were left to share the remaining third.

Picture the disparity of capital gains income by imagining a pizza with 10 slices and 1,000 people in the room. Just one person (Mr. top one-tenth of one percent) takes five slices and leaves; nine other people (the rest of the top one percent family) share two slices as they exit the room; and the other 990 people (the 99 percent) are left to divvy up the remaining three slices.

Still think most Oregonians would get much benefit from a capital gains tax cut?

Since the recession, life has gotten tougher for many Oregonians. While Oregon's wealthy bask in swollen earnings and capital gains income, an increasing share of Oregonians cannot make ends meet.

Over the course of the recession, Oregon's poverty rate has

risen every year. From 2007 to 2010, nearly 120,000 more Oregonians fell below the poverty line. And many Oregonians who earn enough to rise above the poverty line still struggle to make ends meet.

Income inequality and poverty are central to what ails Oregon's economy. As the chairman of a Boston-based global investment management firm put it recently, "You can't run the economy on BMWs alone. If the average person is in a pickle, how do you have a healthy economy?"

That is the question those who gather each year for the Oregon Business Plan's Leadership Summit ought to be asking. Until they do, however, it will be business as usual -- to the detriment of the great majority of Oregonians.

Chuck Sheketoff is executive director of the Oregon Center for Public Policy.

## Wealth is the Gift that Keeps on Giving

## Supporting financial responsibility

BY MARIKO CHANG AND DEDRICK MUHAMMAD

The holiday season exerts a lot of pressure to spend what you don't have and go deeper into debt in the name of "giving." This year, let us all support each other to be financially responsible and engage in building wealth instead of destroying it.

Wealth, or net worth, is the value of your assets minus your debts. Assets include things such as money in checking or savings accounts, the equity in your home, and stock. Common types of debt include credit card debt, mortgages, and college loans.

Without any wealth, people are just a paycheck away from financial disaster. Wealth makes it possible to pay the bills when unemployment strikes or you get so ill that you can't work. Wealth enables you to pay for large or unexpected expenses such as a new hot water heater or engine.

It's important to remember that during these tough economic times, celebrating the holidays shouldn't inhibit one's ability to save and build wealth. This is particularly important for communities of color.

A report published this year by the Pew Research Center revealed that the wealth divide between whites and people of color hit a record high in 2009, with the median wealth of white households 20 times higher than black households, and 18 times higher than Latino households.

This recession is especially tough on people of color because they face much higher levels of unemployment. Joblessness has depleted their savings. Plus people of color have a greater percentage of their wealth in homes. They were disproportionately hammered when real estate prices plummeted after the housing bubble burst, and because people of color were more often targeted for higher-cost subprime loans, they were left more vulnerable to foreclosure.

One out of four African Americans and Latinos who received a loan between 2004 and 2008 face

foreclosure or are over two months delinquent in mortgage payments.

Even before the economic troubles set in, the financial foundation of many families of color was typically insecure as compared to white Americans.

Data from the Institute on As-

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sets and Social Policy at Brandeis University revealed that the wealth gap between white and black families more than quadrupled between 1984 and 2007, growing from \$20,000 to \$95,000 (in constant dollars). Clearly, while the recession may have exacerbated the racial wealth divide, there was a significant problem even before the recession began.

The racial wealth divide is likely to remain even after the economy recovers, because this divide isn't simply a result of racial differences in employment, income, or investment strategies.

The racial wealth divide originated generations ago when people of color were legally and routinely denied the same opportunities as whites. The inequities of the past continue to haunt current generations because family wealth not only affects the amount of inheritance one receives, but

also the ability of parents to help their children become more financially stable, for example, by helping them make a down payment on a home or pay for college.

The \$95,000 wealth gap between black and white Americans means that children of white parents are more likely to be able to afford to go to college debt-free, while children of black parents will have to assume more debt to attend college. That's why communities of color must be especially prudent in how we decide to "celebrate" the holidays.

We don't want to disappoint our families, friends, and most especially our children, so start changing expectations now. Let them know that this year you want to celebrate the upcoming holidays by spending special time with them rather than spending on an extravagant gift.

Your local library, museums, religious institutions, and other organizations offer a plethora of activities during the holiday season. Many of them are free, and they're ideal for spending special time with your loved ones and friends.

The word "holiday" comes from the pairing of the words holy and day. The word holy stems from the Scottish "hale," meaning health, happiness, and wholeness.

You, your family, and your friends will find much more financial health, overall happiness, and wholeness if you do not make the holidays days of greater indebtedness and wealth insecurity.

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