

Creating Winners and Losers

by Fr. John S. Rausch

Patriotic Millionaires want to pay more taxes, because they recognize their prosperity resulted from a healthy society. In their open letter to the president and leaders of both Houses of Congress they wrote, “Our country has been good to us. It provided a foundation through which we could succeed. Now, we want to do our part to keep that foundation strong so that others can succeed as we have.”

Writing as loyal citizens who now or previously earned an income of \$1 million per year or more, they ask that taxes be raised on incomes over \$1 million for the fiscal health of the nation. On the group’s website they cite that only 375,000 Americans make over \$1 million a year.

As billionaire Warren Buffett famously pointed out, with capital gains taxed at 15 percent—his greatest source of income—he pays a smaller income tax rate to the federal government than his secretary. He too would favor raising taxes on the superwealthy.

All of this discussion stems from a shaky economy: a \$14 trillion national debt, possibly a \$1.5 trillion deficit for FY 2011, over 9 percent unemployment and nearly a quarter of home mortgages in danger of foreclosure. While politicians approach the economy with monetary and fiscal tools like a mechanic with wrench and screwdriver, people of faith sense a deeper malady. Something spiritual is happening, or not happening.

Robert Reich, former Secretary of Labor, on a YouTube clip of about 2 minutes sketches an analysis of how the economy sank to its anemic state. He summarizes the problem with a few pithy points before offering a new direction.

The economy doubled since 1980, but wages remained flat. So where did the money go? Basically, all gains from the economy went to the super-rich. Then, with super-wealth came the political power to influence legislation and to gain more tax loop holes for reduced taxes on the wealthy, all of which lowered federal revenues. Huge budget deficits appeared, propelled by two wars and everyday people fought for the budget scraps. The middle class lost more economic power, so buying and borrowing slowed, hence, an anemic recovery. For Reich, the only sustainable road to economic recovery dependent on consumer demand rests with reviving the middle class.

Another way of stating Reich’s solution is lowering economic inequality. Benedict XVI in his social encyclical, *Caritas in Veritate*, states that the dignity of the individual and the demands of justice require “that economic choices do not cause disparities in wealth to increase in an excessive and morally unacceptable manner...” (#32).

With nearly a quarter of U.S. national income going to the top 1 percent, the resulting economic inequality is beginning to erode social cohesion and place democracy at risk. As “social capital” diminishes, i.e. the network of relationships of trust and respect for fairness, community becomes fractured. “We’re all in this together” gets replaced with “Every man for himself” (and likewise for women)!

The New York Times reported that executive pay rose 23 percent in 2010, making the median pay for top executives at 200 of the biggest firms \$10.8 million, while the pay raise for the average American worker was just 0.5 percent. Many of these CEOs and top executives increased the value of their company stock by cutting their labor force or outsourcing jobs overseas, thus making dubious the argument about not raising taxes on the superwealthy because they create jobs.

People of faith see the current economic crisis truly as a spiritual crisis about community and solidarity, not about winners and losers.