December 2011

If you find these newsletters informative and would like to support our efforts, please click on the Donate Now button.

2011: The rich get richer

Robert Reich: The American economic bargain is broken

Back in 1914, Henry Ford announced he was paying workers $5 a day -- three times what the typical factory employee earned at the time. Ford knew it was a cunning business move. The higher wage turned Ford's auto workers into customers who could afford to buy Model T's. In two years Ford's profits more than doubled. Now, Ford Motor Company is paying its new hires half what it paid new employees a few years ago.

The basic bargain is over -- not only at Ford but all over the American economy.

New data from the Commerce Department shows employee pay is now down to the smallest share of the economy since the government began collecting wage and salary data in 1929. Meanwhile, corporate profits now constitute the largest share of the economy since 1929.

http://www.huffingtonpost.com/robert-reich/corporate-profit_b_1117741.html

Class warfare -- US banks fight fight reform

The money banks spend on lobbying is on pace to reach a record high again this year as the industry battles to weaken or repeal hundreds of rules being crafted by federal regulators. At this time last year, the commercial banking industry had spent about $42 million on lobbying. So far this year, the figure stands at nearly $47 million.

What's driving banks' increased spending is a growing array of new federal regulations. After the 2008 financial crisis that thrust the country into recession, Congress began to develop legislation to strengthen consumer protections and lessen the systemic risk of bank failure. The result was Dodd-Frank, which President Barack Obama signed in July 2010. Since it passed last year, federal agencies have been scrambling to write more than 300 new rules, from the cap on swipe fees merchants pay on debit transactions to the terms of a ban on proprietary trading known as the Volcker Rule.
Michael Beckel, spokesman for the research group Center for Responsive Politics, which tracks federal lobbying says, “Most ordinary Americans don’t have lobbyists that they’re sending a paycheck to, but all of the major banks and financial institutions do. Banks are trying to slow new regulations down, sometimes nip them in the bud before they are even floated as an idea.”


10,000 HINTS -- High Income No Taxes

There are plenty of high earners who pay no taxes. They are called “HINTs” — High-earners, no taxes. They are the personal-income versions of General Electric, and their numbers are rising rapidly. More than 10,000 Americans who earned over $200,000 in 2007 paid no income taxes to the U.S. government. The number of HINTs paying no state income taxes also is surging. We aren’t talking about illegal tax-evasion here. Having a large income and paying no taxes is legal as long as you have expert tax attorneys and the right deductions. http://blogs.wsj.com/wealth/2011/04/18/the-rise-of-the-hints-high-income-no-taxes/

There is a new and lucrative tax loophole used by the wealthy to defer or avoid taxes. It’s known as unrealized appreciation or “a variable pre-paid forward contract.” This strategy has allowed billionaires like Billy Joe “Red” McCombs and others to earn hundreds of millions of dollars without having the money classified as taxable income. McCombs, co-founder of Clear Channel Communications Inc., for instance, reported a $9.8 million loss on his tax return, but failed to include about $259 million from a lucrative stock transaction. http://blogs.wsj.com/wealth/2011/04/18/the-rise-of-the-hints-high-income-no-taxes/

Corporate profits at all time high, corporate taxes low

Corporate profits after taxes were estimated to be $1.56 trillion, or 10.3% of the size of the economy. Until last year, the record annual share was 8.98 %, set in 1929.

Wage and salary income was only 43.7 % of Gross Domestic Product, the lowest number for any period going back to 1929. Wage and salary income is now just 1.8 % higher than 2007. By contrast, overall corporate after-tax profits are up 49 percent.
In this profitable quarter, corporate taxes amounted to 21% of corporate profits. During the half-century from 1960 through 2010, corporate taxes averaged 34% of net income, so the current figure is about a third lower than average. The corporate tax figures include federal, state and local income taxes.


http://rwer.wordpress.com/2011/09/02/high-profits-low-taxes/

Economy slowing as wages remain low

Income gains in the U.S. are slowing and workers’ slice of the earnings pie is shrinking, raising the risk that consumer spending slackens next year. Employee compensation last quarter accounted for its smallest share of gross domestic income since 1955. In contrast, the portion accruing to corporate profits was the biggest since 1950, showing companies are hoarding cash.

Without more pay and a pickup in hiring, households may ring in 2012 by making their own budget cuts. The slowdown in U.S. consumer spending may already be on track after another Commerce Department report two days ago showed consumer spending, which accounts for about 70% of the world’s largest economy, rose only one tenth of one percent.

Quote of the Month

My plans to cut taxes and eliminate red tape will combine with our world class workforce to make Wisconsin a top state to start or expand a business. I will market Wisconsin aggressively to job creators inside and outside of our state to make sure everyone knows it.”

--Scott Walker

Wisconsin posted the nation’s biggest payroll losses, with employment dropping by 9,700 jobs in October, according to a U.S. Bureau of Labor Statistics report. The bureau said Wisconsin was the only state with a statistically significant decline in employment, dropping from 2,757,200 jobs in September to 2,747,500 jobs in October.