



## Policies to reduce inequality, check corporate power and promote economic justice

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Wealth and economic inequality are extreme and growing in the United States and around the world. The wealthiest 0.1 percent in the United States take in more than 188 times the income of the bottom 90 percent,<sup>1</sup> while for most workers, inflation-adjusted wage growth has stagnated for decades.<sup>2</sup> Meanwhile, corporations have become more powerful. Mega-mergers in many sectors — from finance to agriculture to technology — have increased corporate power and control, both in economic and political terms. Today, corporations have a stronger electoral voice than ever and greater lobbying power. As a result, over the past decades, corporations have been able to buy deregulatory favors, garner billions in subsidies and pay steadily less federal income tax, creating a manufactured scarcity of public funds.<sup>3</sup> This false scarcity, along with deeply misguided federal budget priorities, stymies the government's ability to address human needs and environmental protections.

The next president of the United States should promote economic policies that promote prosperity for all, social equity and environmental sustainability. This requires a reallocation of resources through progressive tax, economic and budget policies to prioritize the dignity and well-being of all of us — not just corporations and the wealthy — and the protection of the planet on which we depend. In particular, the next president should take actions to:

- Reduce corporate concentration and power.
- Reform the tax code to benefit people and the planet.
- Adopt a “Peoples’ Budget” with human and planetary well-being at its core.
- Build new economies that protect the environment and advance equity.

### 1. Reduce corporate concentration and power

Unchecked corporate concentration and power harms us all. With the Department of Justice's 2018 approval of the Bayer-Monsanto merger, three seed companies now control the majority of seeds' genetic material and markets in the U.S. This not only poses risks to farmers and consumers, but also locks us into a destructive, climate-wrecking model of industrial agriculture. Similarly, decades of steady consolidation in the oil and gas sector have increased the political and marketing power of the fossil fuel industry, which has not only blocked federal climate policy, but pursued a sophisticated and yearslong disinformation campaign of climate denial. The political implications of corporate consolidation have become particularly grim after the Citizens United Supreme Court ruling. For example, 10 years after “too big to fail” banks triggered a global financial meltdown, their political influence has enabled them to undo many of the regulations designed to prevent the next financial crisis.

Friends of the Earth Action supports efforts to:

- Revoke corporate personhood, including repealing the Citizens United Supreme Court decision, which removed limits on corporate political contributions.

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<sup>1</sup> Emmanuel Saez, Striking it Richer: The Evolution of Top Incomes in the United States (Updated with 2017 final estimates), UC Berkeley, March 2, 2019, <https://eml.berkeley.edu/~saez/saez-UStopincomes-2017.pdf>.

<sup>2</sup> <https://www.pewresearch.org/fact-tank/2018/08/07/for-most-us-workers-real-wages-have-barely-budged-for-decades/>

<sup>3</sup> <https://www.taxpolicycenter.org/briefing-book/what-are-sources-revenue-federal-government>

- Restore the public purpose of corporations by rescinding charters for corporate scofflaws and promoting benefit corporations and other stakeholder-based models of corporate governance.
- Reverse agricultural mega-mergers, including the recent Bayer-Monsanto merger, and enforce and enhance antitrust rules.
- Restore the Glass-Steagall Act to reinstate and fortify the firewall between risky investment and commercial banking and break up “too big to fail” banks.
- Remove provisions in trade and investment agreements that give “superpowers” to corporations, including investor-state dispute settlement mechanisms.
- Hold corporations accountable for the human rights violations and environmental harm they cause, including ensuring full liability for climate change and other pollution impacts.
- Increase corporate and financial transparency by requiring disclosure of beneficial ownership, ending the use of shell companies and cracking down on secrecy jurisdictions.

## 2. Reform the tax code to support people and the planet<sup>4</sup>

The tax code is rife with corporate giveaways and unfair provisions which widen income inequality and worsen pollution. For example, Trump’s Tax Cuts and Jobs Act will worsen income inequality over time, hurt the middle class, increase the federal debt and raise health care premiums to the point where many Americans will lose their insurance.<sup>5,6</sup> The Joint Committee on Taxation has calculated that the TCJA will cost the federal government at least \$1.5 trillion in lost revenue by 2027.<sup>7</sup> These and other tax cuts for corporations and the wealthy reduce revenue and, in turn, are used to justify devastating budget cuts to vital services.

But it does not have to be this way. Friends of the Earth Action supports progressive tax reform to make corporations and the wealthy pay their fair share while ending subsidies for environmentally harmful activities, including \$20 billion in tax subsidies for the fossil fuel industry.<sup>8</sup> Friends of the Earth Action supports efforts to:

- Repeal the Trump tax cuts (i.e., the Tax Cuts and Jobs Act).
- Eliminate fossil fuel subsidies, including the percentage depletion allowance that permits oil and gas companies to deduct 15 percent of sales revenue from an oil or gas well (at a cost of \$2.3 billion over five years)<sup>9,10</sup> and the intangible drilling cost deduction that Big Oil uses to reduce their taxable income by the cost of developing an oil well (\$2.9 billion over five years).<sup>11,12</sup>
- Tax Wall Street through a financial transaction tax on the trades of stocks, bonds and derivatives, which could raise upwards of \$2.4 trillion.

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<sup>4</sup> For further recommendations, see Poor People’s Moral Budget, June 2019. <https://ips-dc.org/wp-content/uploads/2019/06/PPC-Moral-Budget-2019-report-FULL-FINAL-1.pdf>

<sup>5</sup> <https://www.taxpolicycenter.org/publications/effects-tax-cuts-and-jobs-act-preliminary-analysis>

<sup>6</sup> <https://www.brookings.edu/blog/up-front/2018/10/16/the-middle-class-needs-a-tax-cut-trump-didnt-give-it-to-them/>

<sup>7</sup> <https://www.jct.gov/publications.html?func=startdown&id=5053>

<sup>8</sup> <http://priceofoil.org/2017/10/03/dirty-energy-dominance-us-subsidies/>

<sup>9</sup> <https://www.jct.gov/publications.html?func=startdown&id=5148>

<sup>10</sup> <https://www.law.cornell.edu/uscode/text/26/613>

<sup>11</sup> <https://www.jct.gov/publications.html?func=startdown&id=5148>

<sup>12</sup> <https://www.crfb.org/blogs/tax-break-down-intangible-drilling-costs>

- Close loopholes for offshore tax havens, which cost \$129 to \$205 billion per year.<sup>13</sup>
- Restore the corporate income tax rate to 35 percent.
- Impose a top individual tax rate of 70 percent on income above \$10 million, restoring the top marginal tax rate to post-war economic boom levels.
- Implement a fair estate tax as well as a tax on capital gains from sales of inherited assets, which would only impact the extremely wealthy.
- Apply the same tax rate to income resulting from investments (currently topping out at 20 percent) and income resulting from work (37 percent top marginal tax rate on ordinary income).
- Impose a millionaires' tax via a 5.5 percent surtax on total annual income, including investment income above \$1 million (\$500,000 for singles).
- Impose a mega-millionaires' tax, with a 2 percent tax on fortunes exceeding \$50 million and a 3 percent tax on fortunes exceeding \$1 billion.

### 3. Adopt a People's Budget<sup>14</sup> and fund a Green New Deal

Along with a fair system of taxation, Friends of the Earth Action supports budget priorities that work for everyday families, the most vulnerable in our society and the environment. A progressive federal budget would help the country close gaps in systemic inequality when it comes to wealth, health and environmental quality. It could also provide the public investment needed to fund a Green New Deal to dramatically reduce greenhouse gas emissions and transform our economy in a just and equitable manner.

The United States does not lack resources; its priorities are misplaced. The budget reform that is necessary requires transforming and redirecting many federal spending programs, as well as slashing some current budget priorities, particularly the U.S. military budget. Military spending is out of control, and the country's state of permanent war is a threat to global peace and an environmentally sustainable economy. Not only does the military command an unfair share of public spending, but its massive fossil fuel consumption has an extremely large carbon footprint<sup>15</sup> and its use of chemical and biological poisons has created a toxic legacy around the world.

Friends of the Earth Action supports:

- Ending the pay-as-you-go budget requirement that any increase in spending be offset either by a cut elsewhere or new revenue.
- Ending the practice of seeking parity in increasing defense and non-defense spending caps and providing domestic programs with at least as much money as the military.
- Cutting Pentagon spending by \$350 billion per year, which would still put U.S. military spending higher than that of China, Russia and Iran combined.<sup>16</sup>

<sup>13</sup> <https://thefactcoalition.org/wp-content/uploads/2017/11/FACT-Sheet-Tax-Haven-Abuse-by-the-Numbers-Nov-2017-FINAL.pdf>

<sup>14</sup> For further recommendations, see Poor People's Moral Budget, June 2019. <https://ips-dc.org/wp-content/uploads/2019/06/PPC-Moral-Budget-2019-report-FULL-FINAL-1.pdf>

<sup>15</sup> The Department of Defense "is the world's largest institutional user of petroleum and correspondingly, the single largest producer of greenhouse gases (GHG) in the world." Neta C. Crawford, "Pentagon Fuel Use, Climate Change, and the Costs of War," Boston University, June 12, 2019. <https://watson.brown.edu/costsofwar/files/cow/imce/papers/2019/Pentagon%20Fuel%20Use,%20Climate%20Change%20and%20the%20Costs%20of%20War%20Final.pdf>

<sup>16</sup> Poor People's Moral Budget, June 2019. <https://ips-dc.org/wp-content/uploads/2019/06/PPC-Moral-Budget-2019-report-FULL-FINAL-1.pdf>

- Making New Deal-level investments to transition our country to an economy that is zero-emissions and climate resilient while closing gaps in racial and economic inequality.
- Dedicating at least 0.7 percent of gross national income to international development assistance, as recommended by the United Nations.
- The U.S. fulfilling its international obligations to support developing countries to adapt to and mitigate climate change and provide funds for loss and damage<sup>17</sup> in quantities and via mechanisms commensurate with what science and justice demand.<sup>18</sup> The U.S. should start by fulfilling the \$2 billion balance of the U.S.'s overdue pledge to the United Nations' Green Climate Fund, and providing an additional \$8.7 billion<sup>19</sup> as part of the fund's first replenishment process.
- Redirecting federal financing programs that subsidize fossil fuels, such as the Department of Energy's loan guarantee program and the U.S. Export-Import Bank, to renewable energy.
- Reforming federal institutions such as the Tennessee Valley Authority by winding down nuclear and fossil fuels while scaling up renewable energy.
- Redirecting agricultural spending programs, such as the Farm Bill (\$1 trillion between 2019 and 2030) and the national school lunch program, to support a transition to organic, regenerative agriculture.

#### **4. Build new economies that protect the environment and advance equity**

It will take a wholesale transformation of our economic and financial systems to address the monumental challenge of climate disruption in a just and equitable manner. Friends of the Earth Action approaches this crisis from a place of human solidarity rather than through militaristic notions of security or international economic competition. Friends of the Earth Action supports policies that strengthen local economies, create collective wealth and make good on the promise of public ownership and cooperative control. To make this transition possible, we need financial institutions and systems to serve people and the planet rather than the other way around. For example, public banks represent one promising alternative to profit-driven Wall Street institutions and can support renewable energy, green enterprises, affordable housing, education and small local businesses.

Friends of the Earth Action supports:

- Mandating a \$15 federal minimum wage, starting immediately.
- Guaranteeing high-quality union jobs with family-sustaining wages and benefits for all who want them, including focusing attention on communities of color and low-income communities.
- Establishing public banks nationwide, including postal banking via the U.S. Postal Service to serve low-income communities who are traditionally excluded from the financial sector.
- Transforming our economy in a just and equitable manner through climate and other policies that promote distributed local ownership, cooperatives and public enterprises.<sup>20</sup>

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<sup>17</sup> Loss & damage refers to the economic and non-economic losses caused by both extreme (e.g. floods, fires, etc.) and slow onset (sea level rise, desertification, etc.) events caused by climate change.

<sup>18</sup> To give a sense of the size of the need, in its 2018 Adaptation Gap Report, the UN Environment Programme conservatively estimated an annual adaptation price tag of \$140 billion-\$300 billion by 2030 and \$280 billion-\$500 billion by 2050. (These figures are only for adaptation, and do not account for the costs of mitigation and loss & damage in developing countries.)

<sup>19</sup> <https://www.germanclimatefinance.de/2019/05/13/will-pledges-green-climate-fund-match-expectations/>

<sup>20</sup> <https://www.labor4sustainability.org/wp-content/uploads/2019/02/18Strategies.pdf>