Background Material for Resolution on Economic Justice
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Janet Yellen, the current chair of the Federal Reserve Board, began a recent speech like this: "The past several decades have seen the most sustained rise in inequality since the 19th century after more than 40 years of narrowing inequality following the Great Depression."

It is our view that this increasing economic inequality is incompatible with Christian conceptions of justice and fairness. As Christians we believe that that all are equal in the eyes of God, and therefore, are all equally deserving of a dignity and respect that our current economic relationships do not provide.

Some of the facts that lead us to conclude this are the following:

- In 2012, the richest 10% received more than half of all income — 50.5%, or the largest share since such record keeping began in 1917.
- Between 2009 and 2012, incomes grew about 6% but the top 1% got 95% of this growth. Their incomes grew by 31.4% while the bottom 99% saw growth of less than one half of one percent.
- The top 1% earns 30 times what the bottom 99% earn.
- In 2007 the richest 1% of the American population owned 34.6% of the country's total wealth, and the next 19% owned 50.5%. The top 20% of Americans owned 85% of the country's wealth and the bottom 80% of the population owned 15%.
- The net worth of the six heirs of a corporate fortune equals the net worth of the bottom 42.9 percent of American families.

Christian duty compels us to seek a public policy response to unjust economic inequality. As Justin Welby, the Archbishop of Canterbury, recently said: "We cannot rely solely on the invisible hand of the market to restore justice…A good society in Christian terms does not leave people behind, alone or abandoned, and does not consider them to be mere instruments within an economic system."

Our conscience is engaged not because some people are increasingly more well off than others. The cause for moral concern is that economic inequality has widened because income and wealth grew for those at the top and stagnated or fell for others, especially for those least well off among us.

Real wage income for most workers has been flat for 30 years. Since 1989, the middle 20% of workers has seen a 5 percent decline in their wage income, while the top 1% have experienced an increase of almost 200 percent and the top 20% an increase of about 50 percent.

Median household income grew more or less steadily from $43,558 in 1967 to its peak of $56,895 in 1999. Since then it has fallen nearly 10 percent to $51,939 in 2013.

The share of income going to the top 5 percent of households rose from 31 percent in 1989 to 37 percent in 2013. The average income of the top 5 percent grew 38 percent during this period; the average income of the other 95 percent of households grew less than 10 percent. The bottom half saw their share of income fall from 16 percent in 1989 to 14 percent in 2013.

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The reality is that economic growth is no longer widely shared. From 1947 until 1973, the nation's gross domestic product (GDP) per capita and median family income tracked each other – both were increasing together at a time of widely shared prosperity. Since then the two have diverged. GDP per capita has increased steadily, but median family income increased very slowly and in the last decade actually declining. According to one projection, if the median family income had increased in step with GDP per capita as it had done from 1947 to 1973, it would have been $91,000 in 2007 instead of $61,000 (in 1973 dollars.)

Wealth inequality is even greater and has increased more than income inequality. The wealthiest 5 percent of households held 54 percent of all wealth in 1989. Their share rose to 63 percent in 2013. The bottom half held just 3 percent of wealth in 1989 and this meager share has decline to only 1 percent in 2013. The average net worth of the lower half of the distribution has declined in absolute terms as well. In 2013 it was $11,000 - 50 percent lower than it was in 1989. Between 1983 and 2009, the nation's accumulated wealth has increased, but the top 20 percent received more than 100% of that increase, actually taking wealth from the remaining 80 percent who have seen an absolute, not just a relative decline in their net worth over this period.

This increased concentration of the nation's income and wealth in the hands of a small part of the population has blocked progress in the war on poverty that was – and remains - well within the nation's economic means. The poverty rate was headed down in the 1960s, when prosperity was widely shared. It dropped from 22.4 percent in 1959 to its low point of 11.1 percent in 1973. It has fluctuated above this point ever since, peaking at 15.1 in 2010 and standing at 14.5 percent in 2013. The national initiative to end poverty simply stalled in 1973 and began to reverse itself.

Some studies suggest that if properly measured poverty has actually decreased since the 1960s. But clearly we could have done better. One study dramatically illustrates the path not taken - if the historical connection between economic growth and poverty reduction that had prevailed from 1959 to 1973 had maintained itself, poverty would have been eliminated in the 1980s.

That is not all. The poor are getting poorer. In 2010, the share of the poor below half the poverty line reached a high of 44.3 percent of the poor, up from 30% in 1975. Relative poverty is also increasing. The percentage of households with income less than half the median income has risen from around 15% in 1979 to 19% in 2010.

Absolute and relative poverty create psychological stresses. Studies have shown that those in the lowest income classes have the most severe and frequent feelings of pain, worry, sadness, stress and anger. Relative poverty is cause for concern as well. As the Organization for Economic Cooperation and Development put it, "In order to participate fully in the social life of a community, individuals may need a level of resources that is not too inferior to the norms of a community."

Our moral concern is not based on hostility to inequalities that motivate people to try harder and to increase economic well-being for all of us, including the least well off. Our concern is that the great and increasing disparities of income and wealth that characterize today's economy are far beyond what might be needed for such worthwhile aims.

Greater equality means working people have more spending power, which in turn supports greater overall demand in the economy

As a result, we think that today's economic inequality is unjust. It deprives those left out and left behind of the equal dignity, respect and opportunity demanded by Christian conceptions of justice and fairness. If we do nothing, this injustice will only continue and increase.

This trend toward increasing economic inequality stems from deep causes within our economic and political system including the increase in globalization, the use of high technology that reduces employment, and government regulatory and tax policies. But inequality is not an inevitable result of impersonal forces over which we have no control; it is a product of human activity and can be reduced or reversed by further human endeavor and effort.

Indeed, globalization and the increased use of technology have arguably affected other countries far more than the United States, but they have managed to maintain far more equality in their societies than we have in the United States. Whatever tendency toward inequality comes from globalization and technology can be offset by countermeasures that societies remain free to adopt. Other countries have done this. By and large, the United States has not.

A variety of proposed public policy choices are available, aimed at reducing economic inequality without unreasonable sacrifices of other worthwhile public and private objectives. We think the Diocese should consider endorsing additional public policies for increasing economic equality through such measures as full funding for education and public health services and tax reform that would restore a more equitable tax structure and end discriminatory tax loopholes.

Living Wage

We are primarily focused on a living wage as an achievable step that would make a tangible difference in the lives of working men and women. The Diocese of Washington should endorse a policy of a national living wage to be established through amendment to Federal law and to be no less than $15 per hour.

The Federal minimum wage is $7.25. It is not indexed for inflation or productivity increases, but changes only with Congressional authorization. In 1997, it was $5.15. In 2007, Congress acted to increase it in stages. The last increase was in 2009 when it rose from $6.55 to its current level of $7.25.

Many states have their own minimum wage. Where the national minimum wage differs from the state minimum wage, the higher wage applies. The District of Columbia's minimum wage is $10.50. Maryland's is $8.50. Virginia adopts the federal minimum wage by reference.

The federal wage should be substantially higher. According to one study, if the minimum wage had been raised since 1968 at the same rate as growth in productivity it would be nearly $18.50 per hour. Tying wage increases to productivity increases is a reasonable way to reward labor for changes in technology and work organization that increase the efficiency of their output.

Another methodology developed at MIT assesses what wage would be necessary to sustain a family life. The idea is that a person working full time deserves to make a living wage that can cover basic costs. Using this living wage model approach, it is possible to calculate living wages for families of different sizes. For instance, in the District of Columbia, a living wage for a single adult is $14.84; for a single adult and one child, it is $30.42. Some companies are using this tool to set wages for their workers.

Another standard is to set the minimum wage in relation to the level of relative poverty, conceived of as half the median income. The proposal for a national living wage in the United Kingdom is a version of this, aiming to set the national minimum wage at 60 per cent of median hourly earnings.

These approaches are guides for policymakers to consider in setting an increased Federal minimum wage. As with the current policy, the proposal we recommend would allow states the flexibility to set minimum wages to respond to local conditions at any point above the national minimum. Where should that national minimum be set? None of the five poorest states – Mississippi, West Virginia, Alabama, South Carolina or New Mexico – has an MIT living wage for a single adult and one child less than $19. If we look at just the living wage for a single adult, these poorest states come in at around $11 per hour.

Based on this, a reasonable goal might be to aim for a minimum wage of $15 per hour. We recommend doing this in stages with a move from the current level of 7.25 to $11 in two years and to $15 per hour two years after that. This proposal is consistent with one offered by one of the Presidential candidates, and is line with the recent decision in New York State to raise the minimum wage to $15 per hour for fast food workers. Seattle, San Francisco and Los Angeles have raised their minimum wage to $15 per hour. A proposal to raise the minimum wage in the District of Columbia to $15 per hour is expected to be on the ballot in 2016.

There is an argument that raising the minimum wage will cause unemployment. But this need not be the case if increases are phased in and the minimum wage is in line with productivity. Our proposal is phased in over four years and its target is still below what the minimum wage should be if it had kept pace with productivity since the 1960s.

In the end, the argument that the minimum wage causes unemployment turns out to be an argument that reducing or eliminating the minimum wage will increase employment. We view the argument on the existence of a minimum wage as settled. Since 1938, when the Federal minimum wage was first adopted in the Fair Labor Standards Act, we, as a society, have rejected the idea that pure marketplace forces will provide wages that allow a decent standard of living for all. The only question is whether the level of the minimum wage is set too low. Our view is that it is too low and that an increase in stages to $15 per hour is needed.