NESRI NATIONAL ECONOMIC & SOCIAL RIGHTS INITIATIVE

Human Rights | Human Needs

EQUITY

Use Public Dollars to Meet People's Needs: Toward an Equitable Distribution of Public Resources

Guided by the human rights principles of universality, equity, and the protection of public goods, NESRI along with seven collaborators and 40 endorsers submitted a report to the United Nations on economic and social rights in the United States. Our report calls on the U.S. government to ensure equity by investing in communities based on need, and redistributing resources to disadvantaged and underserved populations. This requires ending tax breaks and subsidies when these primarily serve private, for-profit interests and high earners, and instead implementing a progressive public expenditure and taxation system. We summarize our analysis below.

The Human Right to Education: eliminate funding disparities by ending schools' dependence on local property taxes. Public schools are largely funded through local property taxes, with schools in poorer communities receiving less money. For example, in 2005, school districts serving the highest concentration of poor students received on average $938 less per student than wealthy districts, and districts serving the highest concentration of people of color received around $877 less than predominantly White districts. These gaps have widened significantly over recent years. Moreover, limited federal funds for schools are increasingly disbursed through competitive grant-making, not according to socio-economic needs. Because of systemic funding disparities and related student segregation, the same economic barriers that give rise to complex needs among students from poorer communities prevent schools from addressing those needs. In California, for example, only 35% of core classes in schools with high poverty rates are taught by qualified teachers.

The Human Right to Health Care: finance health care equitably through broad-based taxation, and ensure the equitable distribution of adequate, accessible health infrastructure in all communities. The government provides a range of subsidies to private insurance corporations, including through a tax exemption of employer-sponsored health insurance valued at $132.6 billion in 2006. The 2010 health reform law is projected to channel around $447 billion over ten years to private insurers through tax credits for the purchase of private coverage. While these public subsidies are intended to make health care more affordable, they effectively perpetuate the inequities inherent in a for-profit system, where the market limits access according to payment, coverage amount and source, and location. At the same time, the pressures are growing on the health safety net, which serves especially inner city and rural areas, where the population is too poor or spread-out to make market provision viable. Public hospitals in inner cities are closing or being privatized, and many rural areas suffer from an attrition of doctors, dentists, and reproductive health services.

The Human Right to Housing: reinvest in public housing and equitable, public development, instead of subsidizing private developers. Government policies have created the current housing crisis through deregulating mortgage lending, disinvesting in public housing and other affordable housing programs, and distributing plentiful public resources inequitably. Around 200,000 public housing units have been lost to demolition and privatization since 1995. Public housing budget cuts have prevented the construction of new housing for almost three decades, as funding for the Department of Housing and Urban Development (HUD) – responsible for affordable housing programs – decreased from $83 to $29 billion. At the same time, public subsidies are increasingly channeled to private developers, for example through low-income housing tax credits. Yet only 11% of these privately developed units are targeted at those earning less than 30% of the Area Median Income. Furthermore, the tax code was changed to privilege homeownership over rental housing, thus disadvantaging lower-income people. Between 1983 and 2005, public subsidies to homeowners through the mortgage interest tax deduction increased from around $35 billion a year to over $120 billion a year. The United States now spends over three times as much each year on tax breaks for homeowners than on all affordable housing programs combined, including the Section 8 voucher and public housing programs. As the value of this tax deduction increases with the value of the mortgage, wealthier people benefit more; in fact over 55% of this subsidy is given to 12% of owners with incomes above $100,000. This means public monies go to those who least need it, while the urgent housing needs of lower-income people remain unmet.

The Human Right to Work with Dignity: place human rights conditions on subsidies for private development, and increase direct public job creation. Government policies actively distribute public resources to the corporations they largely fail to regulate and monitor. Numerous tax incentives as well as direct and indirect public subsidies are given to the corporate sector, including the agricultural, retail, and service industries, in which violations of workers' rights are pervasive. Oftentimes, corporations also receive development rights on public lands. Yet no human rights conditions are tied to the receipt of subsidies, nor is corporate compliance with existing laws adequately monitored. Consequently, public resources are used to secure the revenues of corporations rather than the needs and rights of workers, thereby serving private interests rather than the common good. The transfer of public monies to the private sector for diffuse economic development purposes is prioritized over the direct creation of public jobs in a transparent and accountable manner.

The Human Right to Social Security: change taxation and benefits policies to ensure a strong redistributional effect. Public expenditures for social protection fail to redistribute resources to the poor. The sizable tax subsidies for employer pension plans, employer-sponsored health insurance, and homeowner mortgage interest are all weighted to benefit higher-income people. With regard to pensions, for example, lower-paid workers and even those excluded from their employers' pension plans effectively help pay for a tax subsidy of more than $100 billion per year that primarily benefits higher-paid employees and business owners. By comparison, resources for those with more serious needs are small. Maximum welfare benefits (TANF) in 30 states amount to less than 30% of the federal poverty line. Unemployment insurance benefits only replace 35% of an average weekly wage, and although low-wage workers are twice as likely as higher earners to become unemployed, they are only one third as likely to collect benefits. The U.S. tax code replicates this regressive approach. For example, while the average income of the richest 400 individuals grew from $263.3 million in 2006 to $344.8 million in 2007, their effective tax rate fell from 17.17% in 2006 to 16.62% in 2007. This is primarily due to the preferential treatment of capital gains and stock dividends, which are taxed at a top rate of 15% instead of the (already low) top tax rate of 35% that applies to other income of the very rich.

Economic and Social Rights in the United States: Joint Report to the UN Human Rights Council, Universal Period Review, 2010

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Access the full report online: www.nesri.org/UPRReportOnEconomic&Social Rights.pdf

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