



How John McCain's Economic Plan Fails Black And Hispanic Americans

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African Americans and Hispanics have been hit hard by the Bush administration's economic policies over the past eight years. The historic improvements in employment, wages, and poverty elimination that occurred during the 1990s have been eroded. Sen. John McCain's economic plan, which showers corporations and the wealthy with tax cuts while leaving out most members of the middle class, would lead to even more dramatic cuts in education, health care, and anti-poverty programs, building on President Bush's debilitating record.

The economic state of black and Hispanic America

The past eight years have seen the reversal of the economic gains made by American families, and particularly black and Hispanic families, during the 1990s. Faced with rising prices for gas, groceries, health care, and college, falling home values, and gutted public investment in infrastructure, education, and poverty alleviation programs, black and brown America has found it harder and harder to live out the American dream.

Since 2000, among African Americans and Hispanics:

- **Real incomes fell:** Wage growth for black and Latino families has not kept pace with rising costs, causing real incomes to fall. The median annual income for an African-American family, which rose at an average of 2.2 percent every year from 1990 to 2000, *fell* an average of 0.67 percent every year from 2000 to 2007.¹ The median Latino family income grew 1.5 percent a year from 1990 to 2000 but fell an average of 0.46 percent each year from 2000 to 2007.² White Americans saw their incomes stagnate, dropping 0.003 percentage points every year since 2000.³
- **Unemployment rose:** Since 2000, more black and Latino Americans have slipped into the ranks of the unemployed. Unemployment among blacks fell from 14.2 percent in 1992 to 7.6 percent in 2000, but rose back up to 8.3 percent in 2007. Among Latinos, unemployment fell from 8.2 percent in 1990 to 4.2 percent in 2000, but has risen to 5.6 percent in 2007. African Americans are almost twice as likely to be unemployed as white Americans, with the unemployment rate in 2007 at 8.3 percent for African Americans and 4.1 percent for whites.⁴

- **Poverty spread:** The number of African Americans living in poverty has increased since 2000 at a rate of about 0.82 percentage points every year. From 1990 to 2000 the number in poverty among African Americans plummeted from 32 percent to 22.5 percent. But it has crept back up, with 24 percent of African Americans now living in poverty, compared to only 8 percent of white Americans.⁵ Poverty among Latinos fell from 28 percent in 1990 to 21.5 percent in 2000, but is still 21.5 percent in 2007.
- **Uninsured increased:** Rising health care costs have forced millions of Americans to lose their coverage. The percentage of African Americans without health insurance has crept up at a rate of 0.2 percentage points to 19.5 percent every year from 2000 to 2007 after decreasing from 19.7 percent to 18.3 percent from 1990 to 2000.⁶ Among Latinos, the crisis of the uninsured is even more pronounced, with 32 percent going without health insurance in 2007. This is down only slightly from 2000, when 32.6 percent went without insurance, and 1990, when 32.5 percent were uninsured.
- **Retirement security eroded:** African-American and Latino workers are becoming less secure in their retirement. Only 47 percent of black workers and 31 percent of Hispanic workers participate in an employee-sponsored retirement plan, compared to 58 percent of whites.⁷ These rates are down from 2002 (the earliest comparable data). Furthermore, only 48 percent of African Americans and 41 percent of Hispanics say they have saved money for retirement, down from 62 percent and 60 percent in 2003.⁸
- **The mortgage crisis hit hard:** African Americans and Latinos are over three times more likely to have high-cost or “subprime” loans than whites. Since 2000, United for a Fair Economy estimates “the total loss of wealth for people of color to be between \$164 billion and \$213 billion for sub-prime loans.” They estimate this to be, “the greatest loss of wealth for people of color in modern US history.”⁹

John McCain’s non-solutions

Rather than work to reverse these sliding economic indicators, Sen. McCain plans to double down on the economic policies of the past eight years that have reversed the gains made by African-American and Latino families in the 1990s. Specifically, he offers:

- Budget-busting tax cuts that would leave black and Hispanic families behind
- Draconian cuts in education and anti-poverty programs
- Radical health care proposals that would raise taxes on the middle class without covering the uninsured
- A “jobs” plan that would do little to create jobs
- Disdain for Social Security and a history of supporting privatization
- A “you’re-on-your-own” response to the housing crisis

For African-American and Hispanic families, it’s more of the same.

Bush-style tax cuts that leave African-American and Latino families behind

Sen. McCain has proposed not only extending Bush's tax cuts for the wealthy, but adding an additional \$300 billion in tax cuts for corporations and wealthy individuals. For most African-American and Hispanic families, these tax cuts would do almost nothing at all.

The median African-American household made \$34,100 in 2007, and the median Hispanic family made \$38,700, putting them each in the second income quintile of all American households.¹⁰ Households in this quintile, which include 23 percent of all African Americans and 26 percent of all Latinos, receive just 4.5 percent of the benefits of McCain's proposed tax cuts.¹¹ The bottom quintile, which includes 33 percent of all African Americans and 25 percent of Latinos, would receive just 1 percent of the benefits.¹²

Over 50 percent of the benefit of the McCain tax proposal would go to the top 5 percent of income earners making over \$240,000 a year, who include only 1.7 percent of the African-American population and 1.9 percent of America's Hispanics. Sen. McCain would cut the taxes of those making over \$2.8 million, far fewer than 1 percent of all black or Latino families, by almost \$200,000—over five times the annual income of the average African-American or Latino family.

The centerpiece of McCain's tax cuts is a cut of the corporate tax rate to 25 percent from 35 percent, which would pad the profits of America's largest corporations and its richest investors. But it wouldn't stimulate the economy to create jobs. As a recent Congressional Budget Office report explains, a corporate tax rate cut, "typically does not create an incentive for them to spend more on labor or to produce more."¹³

This \$300 billion in tax cuts would balloon the deficit and increase pressure for across-the-board cuts in programs such as Pell Grants for deserving college students, Head Start for young children, and job training for adults—programs that help black and Hispanic families get ahead.

A radical health insurance plan

Sen. McCain's health care plan would increase middle class taxes, put people getting their insurance through work at risk of losing their coverage, and leave out people suffering from chronic conditions.

Forty-nine percent of African Americans and 40 percent of Hispanics currently get their coverage through work,¹⁴ but Sen. McCain would eliminate the tax exemption for employer-provided health care, unraveling the employer-based system, putting these 18.5 million people at risk of losing their coverage. Besides putting millions of Americans who currently have coverage at risk of losing it, this plan would increase taxes for families by taking away the current tax break for health insurance and replacing it with a credit whose value will erode over time.¹⁵

A couple making around \$34,000, the median income for an African-American household, would see their taxes go up by between \$800 and \$1,000 by 2013 under this health care tax swap. A couple making \$40,000, the median income for a Latino family, would see their taxes go up \$1,100 by 2013.¹⁶

Reckless disregard for Social Security

With relatively few Latinos and African Americans enrolled in retirement programs—only 47 percent of black workers and 31 percent of Hispanic workers participate in an employee-sponsored retirement plan, compared to 58 percent of whites¹⁷—black and Hispanic families disproportionately rely on Social Security payments for their retirement income.

Thirty-three percent of black elderly married couples and 37 percent of Hispanic elderly married couples rely on Social Security for 90 percent or more of their income. Among the unmarried, it's even starker: 54 percent of unmarried elderly African Americans and 62 percent of elderly unmarried Hispanics are 90-percent reliant.¹⁸

Sen. McCain has shown a reckless disregard for the current Social Security system, and has supported George W. Bush's proposals to privatize it, putting the retirement security of millions of elderly Americans—black, white and Latino—at risk.¹⁹ In July of this year, he said Social Security was “an absolute disgrace.”²⁰

A hands-off approach to the housing crisis

As more and more African Americans and Hispanics lose their homes to foreclosure, Sen. McCain initially supported a hands-off approach, promising only to “convene a meeting of the nation's accounting professionals to discuss the current mark to market accounting systems” and “convene a meeting of the nation's top mortgage lenders.”²¹

After facing fierce criticism for his inaction, he then proposed a series of “half-actions,” supporting a plan that would have helped far fewer than more expansive plans offered by majorities in Congress.²² Sen. McCain has consistently voted against consumer protections to protect families, voting against consumer protections and failing to sign on to the bipartisan Truth in Lending Act in 2007, which would have created “new lending standards to ensure that loans are affordable and fair.”²³

Draconian cuts to education and anti-poverty programs

African Americans and Latinos make up a large share of those assisted by Head Start, Pell Grants, the Women Infants and Children nutrition program, job training, and other vital federal programs that help families work their way out of poverty.

Sen. McCain would put these vital programs at risk in two ways. His plan for a discretionary funding freeze would allow inflation to erode the funding for these programs for at least a year.²⁴ And the fiscal hole he would create to pay for his huge tax cuts for corporations and the wealthy would create immense pressure to slash funding for these programs.

Here are some examples of the devastating effects of these cuts:

- **Head Start:** Over 270,000 African-American children and 315,000 Latino children benefit from the child development and nutritional programs through Head Start.²⁵ Sen. McCain's discretionary freeze would effectively cut funding for Head Start by \$968 million.²⁶ The budget cuts that he would promote to pay for his tax cuts could cut an additional \$1.6 billion and drop over 170,000 children from the rolls.²⁷
- **Pell Grants:** Forty-five percent of all African Americans, and 40 percent of all Latinos who attend public four-year colleges rely on Pell Grants to pay for school, compared with only 18 percent of white students.²⁸ Sen. McCain's discretionary freeze would effectively cut Pell Grants by \$350 million, forcing the federal government to offer smaller grants, or give them to fewer students.²⁹ The cuts required to pay for his tax cuts for the wealthy would cut Pell Grants by \$3.8 billion, dropping 810,000 students or cutting the grant size to far more.³⁰
- **Job Training:** Sen. McCain's freeze on government spending would cut \$1.7 billion from community learning centers and \$3.7 billion from career and technical education grants that provide funding to community colleges that are key for African Americans and Latinos working to lift themselves out of poverty or increase their incomes.³¹
- **Women, Infants, and Children:** African Americans make up 19.6 percent of the participants in the Women, Infants, and Children federal program, which provides food and nutritional support for women and their young children, with Hispanics accounting for another 41.2 percent.³² The budget cuts required to pay for McCain's tax breaks would cut \$1.4 billion from the program, dropping approximately 1.7 million participants from the rolls.³³

Conclusion

Sen McCain's budget cuts would decimate programs that help provide ladders to success for millions of African-American and Latinos families. His outrageously expensive tax plan overwhelmingly benefits the very wealthiest Americans. The majority of African-American and Hispanic families would get less than 5 percent of the \$300 billion tax cuts, while the richest 1 percent of Americans would receive almost half. His reckless disregard for Social Security and disappointing inaction during the housing crisis would put retirement security and family homes at risk. Instead of mending Bush's broken ladders, Sen. McCain would kick them away.

Endnotes

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