NEW REPORT, INEQUALITY – Wed 03/20/2013
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New Report Shows True Cost of Inequality in Maryland

Report uses Genuine Progress Indicator, finds that a more equitable level of income could generate $65 billion in benefits for Maryland

Washington DC – A new report for release on Wednesday, March 20, details the economic costs of inequality in the state of Maryland. The report, entitled "Closing the Inequality Divide: A Strategy for Fostering Genuine Progress in Maryland," uses a new measure of progress in place in Maryland called the Genuine Progress Indicator (GPI) to calculate the costs of economic inequality to the state of Maryland.

Despite the fact that it was never designed to do so, countries are still using Gross Domestic Product (GDP) as a measure of economic progress. The Genuine Progress Indicator (GPI) attempts to help countries and states move beyond GDP, by providing more information to better evaluate their economic health. The GPI is a blend of 26 indicators, and corrects for problems with the GDP by, for example, discounting economic growth when most of it is concentrated in the wealthiest income brackets, or taking into account the value of parenting and time spent with our families into account, and the economic benefits of healthy ecosystems. The GPI was implemented by the State of Maryland in 2010 to help guide lawmakers and policymakers to a better future.

"Our report highlights the economic costs of inequality in Maryland and the benefits of a wide range of policies to close the inequality divide," said **Dr. John Talberth, primary author of the report.** "Using Maryland's new Genuine Progress Indicator as an analysis tool, we estimate that the economic benefits of returning to a more equitable distribution of income could top $65 billion per year, making any investments in programs to eradicate poverty, boost the minimum wage, or reinvigorate marginalized neighborhoods well worth their cost."
"A lot of our government officials focus narrowly on economic output and jobs as they consider financial and economic policy," said **Neil Bergsman, Director of the Maryland Budget & Tax Policy Institute**. "But these are not the whole story – they

are not even the biggest part of the story. By looking at indicators of how our choices affect all Marylanders, and how they affect health, the environment, and quality of life, the Genuine Progress Index provides a tool to get a more complete evaluation of the decisions made in Maryland's state and local governments."

"The GDP is a flawed indicator," said **Daphne Wysham with the Genuine Progress Project at the Institute for Policy Studies**. "The GDP functions like a giant calorie counter, telling us only about the quantity but nothing of the quality of the things we consume. But Maryland's new indicator, the Genuine Progress Indicator, is more like a nutritional index, telling us what economic growth is good for our economy and what, if continued indefinitely, could cause us harm."

"As the director of a new group that's working on how health and environment are intertwined, I found this report quite intriguing. It fits with our way of thinking about the cross-sector impact of policies," said **Rebecca Ruggles, Director of the Maryland Environmental Health Network**. "An indicator like the Genuine Progress Indicator says that our state's economic health is not independent of the physical health of our citizens."

The key findings of our report suggest that, all other factors being equal:

• If Maryland were to return to the more equitable level of income achieved in 1968, it would generate over $65 billion in economic benefits (which is equivalent to more than one-fifth of Maryland's gross state product of $300 billion) to the state each year in the form of increases in the value of personal consumption expenditures, decreased social and environmental costs, increased access to higher education, and additional spending by the low-income households.

• Such a return to 1968 income equity would have the effect of increasing the earnings of the bottom three-fifths of income groups by $6 billion each, doubling the average household income of the lowest-income households from $15,000 to nearly $30,000 and generating nearly $49 billion in economic benefits to the state each year in the form of increases in the value of personal consumption expenditures.

• Inequality in Maryland is worsening over time. The costs of inequality have steadily risen since 1968 and are presently at their highest levels.

• The wealthiest 3 percent of Marylanders earn 36 percent of the state's income while the poorest 24 percent of Marylanders earn just 9 percent. There is also a wide income gap between white and black households and between white and Latino households.

• Low-income households in Maryland have less time spent with family and friends, less access to quality education, reliable public services, modern household appliances, and opportunities for civic engagement.

• Low-income households and communities of color in Maryland also bear the brunt of environmental degradation, crime, family stress, unemployment, poor health, and unsafe living conditions.

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