Book Two

The Cost of Greed

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The Price We Pay for Inequality

If those who fawn over fortunes were right, if letting wealth accumulate were indeed the prime prescription for a healthy, vigorous society, we ought today to be enjoying a new American golden age. Never before, after all, have grand fortunes accumulated as prodigiously as they have over recent decades, at least not in modern times. Our economy, given this awesome accumulation, ought to be vibrant, full of opportunity at every turn. Our enterprises should be generating wealth at extraordinary rates. We ourselves ought to be feeling stoked and energetic, confident that our hard work will be duly rewarded. Compassion ought to be flowing for the unfortunate, the arts ought to be blooming. We should be feeling absolutely terrific about ourselves and our country.

But we aren't. So what went wrong? What really happens when societies stand back and let great wealth accumulate in the pockets of a few? What has inequality cost us?

The pages ahead will search for answers to these questions, in places both self-evident and somewhat surprising. We'll explore the worksites where we labor and the neighborhoods where we live. We'll look at our families and our friendships. We'll examine what makes us happy and what makes us sick. We'll probe why our professions no longer leave us proud, why our pastimes no longer bring us pleasure. And we'll end our exploration by peering into two important worlds that now stand dangerously at risk, the natural world we have inherited and the democratic political world we have struggled to create.

Inequality impacts all these worlds, all these places. Now we see how.

The Ineffective Enterprise

Most Americans today work, either directly or indirectly, for enterprises, for large organizations that employ specialized workforces and multiple layers of management.

Enterprises have been driving the American economy for well over a century, and Americans have been debating, for almost as long, just what needs to be done to make enterprises effective. The debates have revolved, for the most part, around a single simple question: How do you turn dozens, hundreds, or thousands of people who don't know each other — and may not even know much about the work they have been hired to perform — into an operation that efficiently produces goods or provides services?

At the end of the nineteenth century, one American felt sure he knew the answer. To make enterprises effective, industrial engineer Frederick Winslow Taylor asserted, managements needed to manage — down to the most minute details of the work to be done. Taylor called his approach to enterprise effectiveness "scientific management."

In a scientifically managed enterprise, Taylor taught, management does the thinking. All of it. Managers, he advised, should always "fully" plan out every single task every single worker "is to accomplish, as well as the means to be used in doing the work."[1]

Taylorism — the notion that workers need to be carefully scripted, motion by motion — would go on to flourish in the new twentieth century. Businesses hustled to organize themselves, as best they could, along "scientific management" lines. Total management control over the work process, executives believed, would make for enterprises that functioned efficiently, with no effort ever wasted, no minutes ever lost.

Today, a century later, the nostrums of "scientific management" seem a quaint, even barbaric, relic of a distant past. No contemporary business leader would dare suggest, at least not in polite company, that employees only do good work when management tells them exactly what to do and how to do it. Instead, modern executives orate, at every opportunity, about *empowering* workers, about the importance of creating workplaces that encourage employees to exercise their creativity.

Almost every high-level corporate manager now knows, by heart, this empowerment mantra: In generations past, they have learned at innumerable management seminars, command-and-control might have made some business sense. In the old days of mass production, with workers standing at assembly lines, performing the same mindless tasks over and over, corporations didn't really need to know what workers thought. They just needed workers to do what they were told. But that mass-production world, the story continues, no longer exists. The Industrial Age has given way to an Age of Information.

In the old days, enterprises could prosper churning out the same product by the millions. Customers were expected to buy what manufacturers produced — and they usually did. "You can have any color you want," as automaker Henry Ford once quipped, "so long as it's black." In the new Information Age, by contrast, enterprises only do well when they *customize* products to what customers want. And who knows what customers want? The workers at the front lines, the employees who interact directly with consumers. These workers, through their contacts with customers, gain incredibly significant information. An effective enterprise values this information — and the employees who have it.

The effective enterprise, adds the empowerment mantra, also values workers on the production line, because modern production operations must be constantly changing to keep up with evolving consumer preferences. Who better to help figure out how to change, how to produce products ever faster, smarter, and more efficiently, than the workers actually involved in the producing?

For Information Age business success, in short, workers simply must be engaged and involved. In our modern world, command-and-control no longer makes any sense.[2]

Think of modern enterprise life, suggests British economist John Kay, as a basketball game. If a basketball game were entirely predictable, coaches could succeed merely by defining what they want each player to do at each exact moment. But no coach ever tries to script an entire game. No script, coaches understand, could ever anticipate "the almost infinite variety of situations that might arise."[3] Smart coaches prepare players — and expect players — to make their own decisions.

Expectations like these, notes Edward Lawler, the director of the Center for Effective Organizations at the University of Southern California, go against the "old logic" grain of corporate America. In the old logic enterprise, management makes all the decisions. Management, the old logic assumes, creates most value. What Lawler calls the "new logic" enterprise subscribes to a quite different set of assumptions. Corporate success, the new logic enterprise understands, requires that all employees, not just managers, "must add significant value."[4]

And just how can corporations maximize this added value? In the late twentieth century, experts rushed forward with guidance. Their strategies would go by a host of different labels. Participative management. Quality circles. Total quality management. Experts would talk endlessly about "reengineering" cor-

porations to effect "high-performance organizations." Employee involvement, the experts stressed over and over, gives corporations smart enough to try it the "ultimate competitive advantage."[5]

This empowering ethos swept through corporate America in the 1980s and 1990s. Managers and their staffs sat together, in meeting after meeting, drafting, discussing, and debating "mission" and "values" statements. And journals, magazines, and newspapers noticed. They celebrated, year after year, the triumphs of enterprises that were said to have successfully empowered their employees.

One typical triumph came at Ironite, an Arizona fertilizer company. An Ironite customer had asked for the company's fertilizer in boxes instead of bags, a reasonable enough request. But Ironite didn't have a boxing machine, and buying one would have cost the company far more than the firm could have comfortably afforded. No problem. Ironite's employees simply built a boxmaker themselves, at a tenth of the cost of buying one.

That sort of employee creativity, Ironite's chief executive pointed out proudly, does not just happen out of the blue.

"You get this only if you involve and respect employees," explained Ironite CEO Heinz Brungs. "You can't order them to build a machine."[6]

Every company, "effective enterprise" gurus insisted throughout the 1980s and 1990s, could become an Ironite. But few companies, researchers agreed by century's end, had actually reached anything close to Ironite status. Study after study reached the same dispiriting conclusion. Enterprises, by and large, were not empowering workers.[7]

Just 10 percent of *Fortune* 1000 corporations, Edward Lawler would report in 1996, were managing "according to the new logic."[8] And only a small fraction of the companies that claimed to be empowering workers, a *Journal of Business* study would reveal two years later, were actually engaging in any serious empowerment work.[9] Another study, published in 2000 by *Administrative Science Quarterly*, found executives across the United States quick to proclaim their allegiance to the new logic, but slow to practice it. On empowerment, concluded Barry Staw and Lisa Epstein, the study's authors, top executives are essentially going through the motions.[10]

But why? Why aren't top executives giving empowerment strategies a real go?[11] Empowering employees, the experts all agree, can enhance enterprise efficiency. Why aren't executives making any real effort to see whether the experts are right? What CEOs, after all, wouldn't want their enterprises to be more efficient?

Strange. Something is stopping American business from creating the employee-empowering, customer-focused "new logic" enterprises that the Information Age so clearly demands. What is it?

ALMOST ANYONE WHO HAS EVER WORKED in a large company would probably agree, in a heartbeat, that the obstacles to enterprise effectiveness can almost always be summed up in just one eleven-letter word. Bureaucracy. Average

employees experience frustrating doses of "bureaucracy" each and every day, in everything from turf wars between managers to the endless delays while ideas go up and down the decision-making ladder.

Bureaucracies, sociologists tell us, grow naturally — and inevitably — in enterprises organized along hierarchical lines. In the classic corporate hierarchy, workers sit at the base of a steep pyramid. Above them rest layers upon layers of management. The more layers, the steeper the pyramid, the greater the distance between actual workers and ultimate corporate decision-making authority. To succeed in the Information Age, analysts contended in the 1980s and 1990s, enterprises needed, above all else, to "flatten" these towering pyramids.[12] Many top executives readily agreed, some intensely.

"Rigid hierarchies," exclaimed one such executive, J. Burgess Winter, the CEO of an empowerment-minded Tucson copper company, "are the corporate cholesterol of organizations."[13]

Reformers like Winter urged executives to do battle against hierarchy. Deflate that management bloat, they beseeched, and free your employees to become the creative contributors to enterprise success they most certainly can be. For a time, in the early 1990s, corporate America claimed to be following the reformers' advice. America's corporations, observers pronounced, were shearing off management fat layer by layer. But these claims, once subjected to review, would not hold up. American companies weren't becoming leaner, as economist David Gordon documented, just meaner. Corporate America remained, he concluded, as "middle-management-heavy as ever."[14]

Other research reinforced Gordon's findings.[15] The total number of middle managers, one investigation found, actually increased between 1989 and 1995.[16] Corporate America's demand for managers, the *Wall Street Journal* reported in 1996, "is booming."[17]

The "new logic" war against hierarchy had clearly fizzled. Years of seminars and books and speeches had made virtually no impact. Organizational pyramids had not been flattened. Employees remained shut out from decision-making. And none of this, careful analysts pointed out, should have surprised anyone. Reformers tend to see corporate hierarchies as anachronistic, easily disposable hangovers from bygone days of command-and-control. But hierarchies are no feeble anachronisms. In contemporary business, they still serve a real purpose. They help ensure that excessive executive pay remains excessive. They amount, in essence, to income-maintenance programs for top executives.

Peter Drucker, the father of modern management theory, had detected and described this income-maintenance dynamic years before, back in the early 1980s. In any hierarchy, Drucker noted, every level of bureaucracy must be compensated at a higher rate than the level below. The more levels, the higher the pay at the top.[18] Hierarchies would remain appealing to executives, he argued, as long as they prop up and push up executive pay. His solution? To make hierarchies less appealing to executives, Drucker suggested, limit execu-

tive pay. No executives, Drucker wrote in 1982, should be allowed to make more than twenty times the compensation of their workers.[19]

Few other prominent scholars in the boom years would dare to suggest, following Drucker, a specific ratio between executive and worker compensation. But many did make clear their concern that wide pay gaps fouled the "atmosphere of trust and confidence between workers and management" so essential to successful employee empowering. "Large differences in status," concluded a Brookings Institution analysis, "can inhibit participation."[20] "Extreme wage differentials between workers and management," agreed four other researchers in a major study published in 2000, "discourage trust and prevent employees from seeing themselves as stakeholders."[21]

Those who care deeply about building effective enterprises have drawn one clear conclusion from these realities. To be serious about reducing bureaucratic bloat, about ending command-and-control, about creating effective organizations for a modern economy, enterprises simply must narrow wide reward differentials. Enterprises that crave the best their employees have to offer, but ignore gaping differentials in compensation between top and bottom, do so at their peril.

IN THE EARLY DAYS OF THE COMPUTER REVOLUTION, in the heady air of America's unofficial capital of high tech, Silicon Valley, some companies did do more than just crave the best their employees had to offer. These companies openly declared war on corporate business as usual. The founders of these firms, executives like Bob Noyce, forty when he helped launch Intel in 1968, had experienced command-and-control hierarchies earlier in their careers. They were determined not to let command-and-control habits define their new enterprises. They would empower employees. They would flatten hierarchies.

An early hire of Intel, a company history notes, once stopped co-founder Noyce in an office hallway.

"I'm not really clear on the reporting structure of this outfit," the new hire asked. "Can you just draw me a quick organization chart?"[22]

Noyce gladly obliged. He walked to a nearby blackboard, drew an X and then a circle of Xs around that first X. The X in the middle, he explained, was the employee. The Xs that circled the employee were Intel's executives. The employee, Noyce told the new hire, could interact with any one of them he chose.

In Intel's earliest years, circles, not pyramids, would define the workplace. Intel would nurture a culture that encouraged "anyone who had a good idea to speak up, anyone with a question to ask it."[23] In a "fast-moving industry where speed of response to change was all-important, and where information had to flow as swiftly as possible if the company was to make the right decisions," no other approach seemed appropriate, or even rational.

New companies throughout Silicon Valley shared Noyce's perspective. One of them, Hewlett-Packard, actually predated Intel. That company's co-

founders, Bill Hewlett and Dave Packard, preached what would become known as the "HP Way." Their company, they pledged in 1966, would "maintain an organizational environment that fosters individual motivation, initiative and creativity, and a wide latitude of freedom in working toward established objectives and goals."[24]

Silicon Valley's start-ups of the 1970s would share this same contempt for corporate command-and-control. Curiosity and creativity, not profits and empire building, seemed to drive them. Steve Wozniak, the designer of the first Apple computer in 1976, wasn't out "to get rich or launch a *Fortune* 500 company," as one journalist fascinated by Silicon Valley's early history has noted. Wozniak "just wanted to have fun and impress the guys down at the local computer club."[25] Wozniak and his soulmates felt they were forging new ways of doing business, not just new products. Their companies would operate on a free and open basis. Worklife in the companies they founded would be exciting and fun.

And lucrative, too. Extremely so. People liked the products that shipped out of Silicon Valley. Computing's founding executives may not have set out to make themselves wealthy, but they soon amassed millions anyway. Would these millions spoil the creative, open-minded enterprises that dotted Silicon Valley? The founders didn't think so. They had a strategy for keeping their employees engaged and creative. They would share the wealth their companies were creating. They would give their employees stock options.[26] These options, they felt sure, would motivate everyone in their enterprises to strive for enterprise success. Inspired by options, executives and employees would bust down bureaucratic barriers. They would work, innovate, and prosper — together.

Options would go on to propagate wildly throughout Silicon Valley's corporate culture. Everybody in Silicon Valley, from receptionists to engineers, soon seemed to be cashing in on the option cascade. At one digital giant, Cisco, employees in 1998 held "an average of $200,000 in unvested options." Not everyone in computing, to be sure, would be sitting on such comfortable option stashes. Options were clearly enriching some far more than others. One late 1990s survey of twenty Silicon Valley companies, conducted by the National Center for Employee Stock Ownership, found that 49 percent of all options granted had gone to management. Senior executives at these companies had accumulated option grants that averaged $2 million. Administrative workers, in the same companies, held options that averaged just $18,000.[27]

These sorts of gaps, as startling as they might be, would raise few eyebrows in Silicon Valley. Options, high-tech's cheerleaders opined, made gaps irrelevant. Everyone was benefiting. Any inequality in the distribution of rewards simply didn't matter.

But that inequality, in the end, would matter — to the ideal of the open, empowering, creative workplace that Silicon Valley's original pioneers held so dear. By distributing options to all or most all employees, these pioneers had believed, young high-tech companies could cancel out any resentment that

windfalls for executives might otherwise engender. But they were wrong. Options would not cancel out inequality. Inequality would cancel out the open, creative, empowering workplace.

Silicon Valley's *disempowering* dynamic would unfold initially at Intel, the first of the high-tech giants where huge pay gaps emerged between executives and everyone else. By 1971, Intel co-founders Bob Noyce and Gordon Moore had amassed shares of company stock worth nearly a combined $20 million. But they weren't selling, not a share.

"Both men," notes Tim Jackson, a *Financial Times* correspondent who authored a 1997 history of Intel, "clearly believed that Intel still had far to go."[28]

To get there, Noyce and Moore entrusted Intel's daily operations to the company's most hard-driving, least empowering-minded executive, Andy Grove. From 1971 on, Grove ran Intel — and arrogantly ran roughshod over the creative freedom that had typified Intel's earliest days. The command-and-control ethos that Intel had so famously rejected would now become Intel's standard operating procedure.[29]

One Grove contribution to Intel's workplace culture, the "Late List," came to symbolize the company's increasing regimentation. Security officers, operating under Grove's direct orders, were required to collect, and circulate to top Intel executives, the names of all employees who arrived at work after eight in the morning. This Late List infuriated Intel's engineers. They deeply resented any implication they were shirking. In the mornings, after long nights spent working, the engineers would scribble angry notes on the Late List sign-in sheets — "I was here until midnight last night, damnit!" — and subversively identify themselves as Mickey Mouse or even Andy Grove himself.[30]

Year after year, deep into the 1980s, Intel employees would chafe under Grove's heavy-handed management. Thousands of them, notes Tim Jackson, regularly put up "with more regimentation, more inconvenience, more indignity than people in other companies."[31] But they stayed on. They had to stay. They were trapped, locked in place by their options. Stock options have to vest before they can be cashed out, and vesting takes time. In the interim, employees disgruntled by Grove's petty tyrannies had no choice but to swallow their pride. Grove and his fellow executives could essentially manage however they saw fit, secure in the knowledge that their subordinates couldn't afford to walk away from unvested options. The options meant to encourage professionals to perform at the highest levels had created instead, at Intel, legions of bitter, resentful, humiliated employees who gave the company not their all, but their least.

Intel would evolve eventually into just another command-and-control workplace, a "second-rate manufacturer by world-class standards" that would sooner tie up rivals in court battles over patents than risk engaging them in fair and open competition. Intel's notorious litigation offensives would pay off handsomely for the company. By the end of the 1980s, notes company historian Tim Jackson, "Intel was making so much money that it didn't *need* to be an efficient producer."[32]

By the end of the 1990s, the empowering spirit that had once animated high-tech's pioneers had almost totally disappeared, and not just from Intel. Wealth now ruled.

"Silicon Valley used to care more about innovation than getting rich," shouted out the January 2000 cover of *Red Herring*, a Bay Area-based business magazine. "No longer."[33]

The last Silicon Valley bulwark against corporate business as usual, Hewlett-Packard, threw in the towel near century's end. Hewlett-Packard had done more to keep Silicon Valley's original egalitarian vision alive than any other big-time high-tech player. The company, in the hard times of the late 1970s, had avoided layoffs by cutting pay 10 percent across the entire board, executives included.[34] The company's CEO, into the 1980s, worked out of "a cubicle in the midst of a vast room instead of a corner office."[35] HP top executives did make good money, but nowhere near the magisterial sums pulled in by executives elsewhere. This "egalitarian" HP, by the mid 1990s, had started to fade. Some signs of the fade, most notably a private office for the HP CEO, would be obvious to all.[36] Other signs would be considerably less visible. In the 1970s, HP workers who boxed the company's calculators made decent money and benefits. In the 1990s, temps from Manpower were doing HP assembly work, with no benefits and making the same $1,000 a month HP workers had made back in the 1970s, despite decades of inflation.[37]

The final insult to the "HP Way" would come at decade's end. Midway through 1999, Hewlett-Packard would award its new chief executive, Carly Fiorina, the biggest no-strings stock grant in U.S. corporate history. The $66 million worth of shares handed to Fiorina, added to her base salary and assorted bonuses, brought the total value of her new, four-year pay package up to $90 million.[38] A small price to pay, the HP board figured, for a CEO who could rev up Hewlett-Packard's declining fortunes.

Fiorina would rev up nothing. Within two years, HP's stock shares had dropped more than 50 percent.[39] But Fiorina had a plan. To jump start the company, she would ask HP's ninety-three thousand worldwide employees to accept voluntary cutbacks. Employees would be able to pick their poison, either a 10 percent pay cut, a 5 percent pay cut and the loss of four vacation days, or the loss of eight vacation days. Workers could also choose none of the above. Remarkably, 86 percent of HP's workforce picked one of the three cutback options. One company spokesperson "chalked up the high participation rate" to the legacy of the HP Way.[40] The voluntary cutbacks would save HP $130 million.

Less than a month after HP employees made this noble collective sacrifice, the company rewarded them for it. Management, in a surprise announcement that would kill any vestigial remains of the HP Way, revealed plans to lay off six thousand workers. Inside HP's workplaces, observers found an immediate "bitterness" backlash. Employees, noted Rice University's Steven Currall,

would have taken CEO Fiorina's fourth option — no voluntary cuts — if they thought they were "in jeopardy of getting laid off anyway."[41]

The voluntary pay cuts and the six thousand layoffs would produce no turnaround in HP's fortunes. Fiorina, in still another desperate gambit, proceeded to broker a merger with rival Compaq Computer, then spent millions of corporate dollars to sell the controversial merger to shareholders. She eventually won a shareholder green light for her merger and, as CEO of the newly merged company, moved quickly to make her new enterprise profitable — by eliminating 15,000 of the merged company's 150,000 jobs.[42]

Fiorina and her Compaq counterpart, Michael Capellas, had made sure during merger negotiations, of course, that their new company would have plenty of room for them, Fiorina as chief executive, Capellas as president. They would work under two-year contracts worth a combined $117.4 million in salary, bonuses, and stock options.[43]

Years before, back in Silicon Valley's earliest days, Carly Fiorina's predecessors thought they could make their fortunes and still, at the same time, maintain enterprises that fostered "individual motivation, initiative, and creativity." They could not. Silicon Valley had promised to empower employees. Silicon Valley, instead, betrayed them.

AMERICA'S BUSINESS LEADERS, IN PRACTICE, have never really accepted the notion that empowering employees makes enterprises effective. Empowering workers, after all, requires that power be shared, and the powerful, in business as elsewhere, seldom enjoy sharing their power.

The powerful enjoy sharing rewards even less. Corporate leaders have never accepted, either in theory or practice, the notion that enterprise effectiveness demands some sort of meaningful reward sharing. Rewards, business leaders have always believed, don't need to be shared. They only need to be targeted — to those employees who do good work. If high-achievers are rewarded, the traditional corporate calculus holds, more workers will strive to become high-achievers. Want to grow a high-performance organization? Simply offer individual workers rewards for high performance.

Researchers, down through the years, have repeatedly challenged this corporate devotion to "pay-for-performance." Rewards, they have shown, simply cannot guarantee that employees will perform at higher levels. People are simply too different, and motivations too complex, for any reward to make an automatic impact.[44] Indeed, as *Business Week* pointed out in 1999, researchers have not as yet unearthed a single case where singling out high-achieving individuals for extra pay has made an enterprise more effective.[45]

Why doesn't simply paying people for "good" performance work very well? The difficulties start with defining just exactly how performance will be measured. Employees usually, and understandably, balk at any performance measures they see as subjective. Managers, employees know from experience, can let

everything from favoritism to outright racism cloud their judgments about performance. As a result, most employees would usually rather see "objective measures, such as sales volume or units produced," used to evaluate them.[46] But "objective" measures carry their own baggage. Employees, once they know they will be rewarded based on how well they meet a specific objective, tend to work toward meeting that objective — and only that objective.

"Pay customer-service reps to answer the phone on the first ring," quips *Fortune* management analyst Geoffrey Colvin, "and they'll answer it — and then put it down."[47]

At best, adds Colvin, performance rewards like these "will get people to do more of what they're doing. Not better, just more."

But just *more* no longer cuts it, not in the Information Age. The modern enterprise needs workers thinking — and caring about — their work. Such thinking and caring cannot be "bought" by dangling rewards for individual performance. In fact, many analysts believe, individual workplace rewards push enterprises in exactly the wrong direction. They discourage the collaboration and cooperation *between* employees so essential to Information Age enterprise success. Where companies target rewards to individual employees, explains economist Matt Bloom, individual employees quite logically "concentrate only on their own performance — to the exclusion of organizational goals."[48] Individual awards, in the end, undermine the cooperative spirit. They are, as analyst Edward Lawler notes, "counterproductive to individuals working together."[49]

So counterproductive, experts on motivation have concluded, that they deserve no place in the modern enterprise. Abraham Maslow, the influential twentieth century psychologist, held that individual rewards inevitably generate dysfunctional behavior.[50] W. Edwards Deming, the twentieth century's top workplace quality guru, agreed.[51] Effective enterprises, thinkers inspired by Deming continue to contend today, unite employees around a common goal. Individual rewards for performance divide them.[52]

But must rewards for performance always have this effect? Couldn't rewards be structured to encourage, not frustrate, cooperation and collaboration? A small but hardy band of labor and business analysts have made just this case. Rewards for performance, these analysts believe, can lead to greater enterprise effectiveness — so long as these rewards are shared on an enterprise-wide basis. This "gain-sharing" perspective, the brainchild of a union leader named Joseph Scanlon, first took significant root in the 1940s. Businesses, Scanlon argued, only thrive when labor and management join together and cooperate "to solve production problems and improve productivity."[53] And workers *will* cooperate, Scanlon argued, if the gains realized from cooperation are shared among all workers, not parceled out to a few.

Scanlon's influence would peak in the early 1950s, with "Scanlon plans" scattered widely throughout American industry.[54] The plans followed a similar outline. Performance goals would be identified.[55] Employee committees would

generate, receive, and approve ideas for reaching these goals. Any profits generated by these ideas would then be split, typically fifty-fifty, between the company and the workers as a group.[56]

Joseph Scanlon would pass away in 1956, but his ideas would linger. In the 1990s, corporate reformers would still see in group bonus plans a healthy, team-building antidote to command-and-control.[57] Some CEOs even totally reconfigured their enterprises around the group-bonus spirit. In 1992, for instance, CEO Rob Rodin completely eliminated individual pay-for-performance rewards at his California company, Marshall Industries. All eighteen hundred employees would receive instead a share of Marshall's overall profit, and that share, as a percentage of salary, would be the same for everyone. Six years later, chief executive Rodin proudly reported that the productivity of his industrial electronics company had tripled.[58]

But successes like Rodin's would not change many minds in America's executive suites. In the 1990s, in corporate America as a whole, individual performance rewards would remain more than twice as common as group gain-sharing.[59] And of the 15 percent of companies that did claim to be engaged in some form of gain-sharing, few had actually been at it very long. Indeed, researchers seem to agree, few gain-sharing plans have ever lasted very long. Most gain-sharing efforts, the research suggests, typically go through the same depressing cycle. They launch with smiles all around. Workers enthusiastically pinpoint the obvious inefficiencies they see everyday in their workplaces, these inefficiencies are fixed, earnings jump, and everyone shares in some robust rewards. But workers can only fix obvious inefficiencies once. After this once, new productivity gains become steadily harder to realize. The "low-hanging fruit" has already been picked. The rewards from gain-sharing start to shrivel.[60]

That shriveling, in the 1990s, would put a particularly tight squeeze on workers involved in gain-sharing plans, mainly because many of the companies that did give gain-sharing a try over the course of the decade used gain-sharing bonuses to replace, not supplement, other forms of compensation. At Dupont Chemical's fibers division, for instance, workers agreed to trade all raises in exchange for three years of gain-sharing. At other companies, gain-sharing substituted for regularly scheduled cost-of-living inflation adjustments.[61]

In all these situations, essentially only workers stood at risk. If gain-sharing failed to generate appreciable cost reductions, workers could easily end up receiving less total compensation than they had earned before the gain-sharing went into effect. Top executives, meanwhile, faced no such risk. Their personal compensation, as we have seen in earlier pages, would continue to grow no matter how well their companies performed.

Gain-sharing plans that left only workers at risk, of course, totally subverted the trust between bosses and workers that Joe Scanlon had considered so basic to gain-sharing success. Plans that "shared" gains but not risks did not nurture more participative, empowering enterprises. They reinforced hierarchical distinctions.

Still, not every gain-sharing effort in the boom years would fizzle. Some enterprises did register meaningful, ongoing benefits from gain-sharing in the 1980s and 1990s. These enterprises all shared one distinction: They were small.[62] Most of them resembled Kay Manufacturing, an Illinois auto parts manufacturer with just 125 employees. Kay Manufacturing launched gain-sharing in 1993. By 1996, the company had halved factory rejects and reduced its accident rate from fifty a year to one.[63]

What makes small companies more hospitable to gain-sharing than large companies? Smaller companies, analysts note, carry fewer levels of management than larger companies and smaller pay gaps between executives at the top and workers at the base. These smaller gaps make cooperation easier to come by.[64] And individual workers at smaller firms can see clearly that their efforts really do make an impact on the enterprise bottom line. In larger companies, notes Edward Lawler, "profits are so far beyond the direct influence of most employees that profit-based bonuses are simply not likely to be an effective motivator."[65]

The evidence from America's workplaces, many analysts have concluded, all points in one direction. To keep hierarchies flat, to enhance cooperation and performance, keep enterprises small. In enterprises, as corporate reformer and later Supreme Court justice Louis Brandeis observed a century ago, human scale is small scale. Businesses, Brandeis noted, "may keep growing bigger but human beings come in the same size."[66] And that same size is overpowered, not empowered, when businesses bulge.

But businesses in the 1980s and 1990s kept bulging anyway. No one could credibly argue that this bulging, this swallowing up of former competitors into bigger and bigger single enterprises, was giving workers a more "direct stake in corporate performance." So why did businesses keep bulging ever larger? Businesses kept bulging simply because rewards kept concentrating — at the top.

RESEARCHERS FIRST DOCUMENTED the link between bigness and big pay in the 1950s. The corporate executives who made the most money, analysts discovered, didn't always have the most profitable companies. They had the biggest. Executive compensation, concluded one 1959 study, appears "to be far more closely related to the scale of operation of the firm than to its profitability."[67]

In the years to come, researchers would repeatedly reconfirm this size-compensation connection. Corporate performance, pay analyst Graef Crystal found at century's end, usually explains "only 2 to 4 percent" of the difference between what top executives make. "The rest," he reported, "largely depends on the size of the company."[68]

The larger a company, the more that company's top executives take home. Corporate moguls have understood this direct relationship ever since the dawn of corporate time — and done their best to act upon it. A century ago, they would get carried away. They would go on a bigness binge, between 1898 and 1902, that forged industrial behemoths many times greater in size than any the

world had ever seen. These giant "trusts" generated astounding fortunes for the corporate titans at their summits — and bullied millions of average Americans, workers and consumers alike.

Average Americans did not take kindly to this fearsome corporate concentration. They struggled mightily to bust the trusts, and out of those struggles would emerge a body of "antitrust law" that essentially placed limits on just how big and powerful individual corporations could become. These limits would remain in place for over half a century, but, in the 1970s. they would start to unravel. By decade's end, several key industries — the airlines, trucking, natural gas, and banking — would all be significantly "freed" from government rules and regulations.

Wheelers and dealers would move quickly to profit off this "deregulation." Piece by piece, they began assembling little companies into big empires. Reagan administration officials, in the early 1980s, would help move this process along, by essentially refusing to enforce the nation's remaining antitrust statutes. The United States would soon see, in the wake of this law enforcement failure, a merger wave "that would have been inconceivable under prior administrations."[69]

Bigger corporate enterprises would bring bigger corporate executive paychecks. By the 1990s, America's corporate elite had achieved levels of compensation that dwarfed the pay of executives at any other time or in any other place. This lavish compensation, in turn, would only *increase* the pressure on enterprises to bulge even bigger, since executives awarded incredibly immense pay packages now found themselves prodded to justify their exalted status. Wall Street investors wanted results. And right away.[70]

How could executives deliver the fast and dramatic results investors expected? Certainly not by paying attention to the lofty ideals of the effective-enterprise crowd. A truly effective enterprise, a collaborative enterprise, could not be fashioned quickly and dramatically. So why should a richly rewarded top executive even try to fashion one? Why wrestle with the aggravations and uncertainties of trying to make an enterprise work more effectively and efficiently? Wall Street, after all, wasn't demanding that executives make their enterprises bigger *and* better. Just bigger would do.[71]

Bigger it would be. In the 1990s, top executives would go out and consummate mergers with a passion — and in a quantity — unseen since the heyday of the original trusts. U.S. corporate executives became, as Yale's Jeffrey Sonnenfeld would later quip, "serial acquirers" of other businesses.[72] They cut, from 1994 through 1998, merger and acquisition deals that involved, in all, more than thirty-six thousand companies.[73] They didn't stop there. In 1999, corporate America cut another $1.75 trillion worth of merger deals, nearly ten times the total merger action of 1990.[74]

"The industrial world," concluded the *Washington Post* just before the new millennium, "has approached the turn of the century in a frenzy of merger madness."[75]

Corporate leaders, naturally, did not consider their merging "madness." By assembling ever larger enterprises, executives argued, they were consolidating "overlapping networks," helping companies realize economies of scale, and, above all, creating "synergy." [76] Formerly separate companies, CEOs crowed, were now "synergistically" cross-promoting — and growing — each other's products.

These claims, inside America's newly merged companies, soon became little more than sick jokes. In actual workplaces, mergers were spreading havoc, not synergy. And how could they not? Many of the mergers had been assembled in haste, sometimes in just a matter of days.[77] Once assembled, the newly merged mega-corporations required top executives to "manage" far more than any executive could comfortably handle.[78] These executives were in no position to manage anything. They had spent so many years doing their best "to swallow their peers and grow through buying rather than building," business journalist Ken Kurson explained, that none of them "knew how to manage."[79]

America's corporate giants would enter the twenty-first century as bloated, top-heavy caricatures of the effective, quality-conscious enterprises that the Information Age demanded. Intel, again, would lead the way.

IN 1998, LONG-TIME INTEL CEO ANDY GROVE handed his famous company's reins to his veteran deputy, Craig Barrett. Barrett, eager to make his own mark on Intel, would promptly go on a merger-and-acquisition tear. He would spend, over the next two years, some $7 billion to buy out more than twenty other companies.[80]

This fearsomely rapid expansion would take, inside Intel, a heavy toll. The company would soon start stumbling with one core product after another. In May 2000, Intel recalled a million faulty computer motherboards. Three months later, the company recalled a new chip. In October, executives postponed the launch of one long-awaited new processor and canceled plans for another. That same month, Intel outraged computer makers by shoving back, on the eve of the Christmas shopping season, the release of still another new processor.[81]

Industry observers blamed Intel's manic merging for the company's problems. Intel executives were spending much too much of their time, one Intel-watcher told *eWeek*, "reviewing takeover targets, negotiating deals, reviewing contractual agreements."[82]

"I think it's an interesting coincidence that Intel's having these problems at the same time they're venturing into all these other areas," agreed an analyst from *Microprocessor Report*. "I don't think you can underestimate the importance of staying focused."[83]

CEO Barrett's frantic wheeling-and-dealing had left Intel a bigger enterprise, not a better one. His mergers had not delivered. Computer industry mergers, one distinguished high-tech guru would add in 2001, *never* deliver.

"I know of no computer merger anywhere," observed David Caminer, the brain behind the world's first business computer, "where there has been added value from the merger of competing forces of engineers, marketers and programmers."[84]

Outside the computer world, other business insiders offered similar judgments about the negative impact of mergers on enterprise effectiveness. The maverick chief executive behind Southwest Airlines, for instance, credited his company's success to its refusal to play merger games. Southwest, CEO Herb Kelleher pointed out in 2002, had explicitly rejected taking the merger-and-acquisition road to king-sized status.

"We've never been focused on gigantism," Kelleher explained. "We've focused on being the best."[85]

Mergers, some analysts noted, may actually destroy more shareholder value than they create. In 2001, researchers from Stern Stewart & Co., a global consulting firm based in New York, ranked how well over five thousand major companies worldwide were doing at creating shareholder value.[86] The most striking finding: European enterprises were creating significantly more value than American enterprises. Why the difference?

"One possible reason is Europeans' smaller appetite for big mergers," suggested the British *Economist* magazine. "One lesson from the rankings is that costly acquisitions are a good way to destroy value."[87]

Another lesson would be that outsized compensation rewards for top executives are a good way to stimulate costly acquisitions. Executive pay in Europe, throughout the 1980s and 1990s, had lagged substantially behind executive pay in the United States. European executives, consequently, faced far less pressure to justify their exalted status — by making grand merger maneuvers — because their status was nowhere near as exalted.[88]

And a variety of stakeholders in Europe were eager to keep things that way. European unions, shareholders, and politicians all frowned on American-style CEO pay — and the merger games U.S. executives played to keep that pay soaring. These stakeholders acted as a constant constraint on executive behavior in Europe. Euro CEOs could fantasize about the lovely personal windfalls a megamerger might bring. Relatively few had enough power to pull them off.

CEOs in the United States faced no such constraints. American executives, from their command-and-control corporate perches, were free to play whatever corporate shell games caught their fancy. And why not play these merger games? These were games American executives could not possibly lose.

Some U.S. executives would "win" simply by gobbling up other companies as rapidly as possible. The fastest gobbler may have been L. Dennis Kozlowski, the CEO of Tyco International. Over one three-year span, "Deal-a-Day Dennis" engineered the acquisitions of *seven hundred* companies.[89] For his efforts, Kozlowski took home $140 million in 1999 and $205 million more in 2000.[90] His house-of-cards would start collapsing just over a year later. In 2002, Tyco would lose over $80 billion in value in just six months.[91]

Other American executives won their merger windfalls not by gobbling, but by being gobbled. They wheeled and dealed themselves out of jobs and into fortunes. Sometimes quite sizable fortunes. Richard Adams saw his Virginia-based company, UUNet Technologies, bought out by MFS Communications in 1996. MFS, a year later, was bought out by WorldCom. Adams ended 1997 with a personal fortune estimated at $500 million.[92] He went on to devote his spare time to a new company, Cello Technologies, which filed for bankruptcy in 2000. Despite this unfortunate setback, *Forbes* that same year valued the Adams fortune at $1 billion.[93]

Still other executives tried to get gobbled, failed, yet still walked away a good bit richer. In 2001, the chairman and CEO of Honeywell, Michael Bonsignore, was ousted after a deal to merge Honeywell into General Electric fell through. Bonsignore left with $9 million in severance on top of a $2 million annual pension slated to start in 2004. He did have to pay a price for all this Honeywell honey. The company demanded that Bonsignore stipulate that he would not work for a competitor — "or badmouth Honeywell" — after his exit.[94] With his severance and retirement, some wondered, why would Bonsignore ever want to?

And why would any American CEO of sound mind and body not want to follow in Bonsignore's footsteps and try to plot the biggest mergers they could possibly imagine? And if those mergers backfired and cost their companies a fortune — Quaker Oats CEO William Smithburg lost his company $1 billion in the mid 1990s after buying up and then having to sell off the sinking Snapple soft drink company — who cared?[95] The merger-and-acquisition action, after all, wasn't about building better enterprises. The action was all about, and only about, building fortunes. The grandest merger deal of the 1980s, the RJR Nabisco buyout, "gathered steam," journalist Michael Lewis would later write, "for no better reason than that a rich man — Henry Kravis, in this case — wanted to call attention to his capacity to get richer."[96]

And the richer, of course, could never get rich enough.

"If we're going to be big, we might as well be big," billionaire Ted Turner, a gobbler-turned-gobbled, exclaimed late in 1999. "I want one of everything."[97]

AT SOME POINT, FOR EVERY WHEELER-DEALER CEO, the dust eventually settles. At some point, these executives run out of companies to snap up and swallow. Their grand enterprises, at some point, need to operate profitably enough to keep their creditors and investors happy.

But how? The "economies of scale" the executives had so cavalierly promised quickly turn out to be mirages. And those "synergies"? Just phony illusions. The executives find themselves trapped. They sit at the summit of bureaucratic monstrosities, huge unworkable, inefficient, top-down, direction-less enterprises that bear absolutely no resemblance to the participatory, empowering, high-performance enterprises they give speeches lauding. From this summit, the executives cannot move their enterprises forward — toward "new logic" sta-

tus — because that would mean unplugging the personal wealth-creation machines their corporations had become. From this summit, America's executives can only move their enterprises in one direction. Backwards.

The retreat — from the basic precepts of "Information Age" enterprise success — would begin before the twentieth century ended. America's top executives would not focus their enterprises on serving consumers. They would, instead, seek to bamboozle consumers at every turn. They would not empower workers. They would, instead, squeeze workers at every opportunity. Their new enterprises would be effective — but only at exploiting.

American consumers would be subject to this exploitation, by century's end, almost every time they dropped a dollar, or a credit card, on a counter. These dollars and credit cards came from banks and other financial institutions, and that's where the exploitation of America's consumers began.

In the late twentieth century, no sector of the economy experienced more frantic wheeling-and-dealing than what has come to be known as the "financial services" industry. Industry observers, by 1996, counted seventy different banking mergers valued at more than $1 billion. By the end of 1998, they counted three hundred. Each merger, along the way, seemed to feed a merge-at-any-cost fever. In 1996, NationsBank paid 2.6 times "book value" to buy Boatmen's Bancshares in St. Louis. In 1997, NationsBank paid four times book value for Florida's Barnett Banks. Later that year, First Union paid a record $17 billion — 5.3 times book value — to buy CoreStates, a lackluster bank that hadn't upped earnings in over a year. "By that time," *Fortune* magazine would later note, "the bidding had become so frenzied" that lackluster numbers "just didn't matter."[98]

Banking executives raised the billions they needed to keep the bidding going by promising Wall Street that "the new deals would generate spectacular earnings growth."[99] They could only deliver those "spectacular earnings" in one way: by spectacularly fleecing consumers.

Automated teller machines did a good bit of the fleecing, through an assortment of new surcharges and higher fees. By 1997, banks were routinely charging extra fees to customers who used another bank's ATM. In 1996, before these new surcharges, consumers typically paid $1.01 per transaction. By 2001, the average cost had jumped to $2.86.[100] In some big cities, transaction costs hit $4.50, for withdrawals as low as $20.[101]

America's banking giants were squeezing even more dollars out of customer pockets, the *Wall Street Journal* would report in 2002, by "racheting up late fees." In 2001, credit card issuers pulled in $7.3 billion in late fees, a five-fold leap from the $1.7 billion in late fees they collected in 1996.[102] By 2003, banks were charging late fees that averaged $30.04. Late fees, five years earlier, had averaged only half that.[103]

Banking mergers, Americans had been assured, would bring "economies of scale" that would help consumers save. In real life, mergers simply made gouging consumers easier.

And not just in banking. Media executives played the same merger-and-acquisition games as bankers, and consumers could feel the media M&A impact every time they opened up their monthly bills for cable and Internet or turned on their TVs and radios. The most blatant gouging would come from the most blatantly bone-headed media merger, the turn-of-the-century marriage of America Online and Time Warner.

The supergiant that would become known as AOL Time Warner had actually started to take shape back years before, when Time took over Warner in the most celebrated media merger of the 1980s. Warner CEO Steve Ross made $200 million off the deal. Time Warner then swallowed Ted Turner's media empire, a deal that gave Turner a new title, vice chairman, and $111 million for five years of vice chairing.[104] Time Warner next moved to tie the knot, in 2000, with the biggest on-ramp to the Internet, America Online. That deal brought under one roof media properties that ranged from HBO, CNN, and Looney Tunes to CompuServe and Netscape — and also triggered $1.8 billion worth of option cash-out clauses in the contracts of the top five executives who did the dealing.[105]

Those executives didn't have much time to savor their windfalls. They needed, quickly, to figure out how to post enough earnings to justify their mega-merging. Their solution? Squeeze consumers. Midway through 2001, they hiked America Online's basic monthly subscription rate, already the highest in the industry, from $21.95 to $23.90, a move that figured to boost company revenues by $150 million. About $100 million of that new revenue, company officials told Wall Street, would be "pure profit."[106]

America Online's rivals blasted the price boost, in public — and cheered lustily in private. AOL's price hike meant they could jump their own Internet rates as much as 20 percent and, as one industry analyst noted, "still be in the same relative pricing position vis-à-vis AOL as they were before!" Added the analyst: "It's almost like free money!"[107]

Free money from the pockets of America's consumers. But consumers, by century's end, were used to having their pockets picked by media giants. In 1996, these giants had convinced Congress to sweep away most of the remaining government regulations that covered the communications industry. This deregulation, members of Congress cheerfully predicted, would stimulate competition and save consumers millions. The legislation, instead, gave a green light to greater industry concentration — and consumer gouging. In the five years after the passage of the Telecommunications Act of 1996, basic rates for cable TV jumped 36 percent, well over twice the inflation rate.[108]

That same Telecommunications Act had an even greater impact on radio. Before the act's passage, no company could legally own more than forty radio stations nationally. The act erased this national limit. Five years — and $100 billion worth of radio station mergers later — just two companies totally dominated the nation's airwaves. One of the two, Clear Channel Communications, had amassed nearly twelve hundred local radio stations.[109] These five years of

gobbling added $72.5 million to the personal fortune of Clear Channel's chief executive, L. Lowry Mays.[110]

Clear Channel felt the same pressure to deliver big-time earnings as banks and AOL Time Warner. And Clear Channel responded in exactly the same fashion — by thumbing its nose at consumers. Radio's new giant gave listeners just what they didn't want to hear: automated, homogenized programming stuffed with incredible numbers of commercials. By the end of the 1990s, some Clear Channel stations were running uninterrupted blocks of commercials that lasted *eight minutes* long.[111]

The same dynamics played out in network television, where prime-time programming, as the 1990s wore on, gave viewers less and less program and more and more commercials. The more ads that media giants like Disney, owner of ABC, could squeeze into each prime-time hour, the higher the earnings they could waltz before Wall Street.

In 1999, Disney CEO Michael Eisner needed to do a good bit of that waltzing. Disney earnings had dropped 27 percent. Wall Street was grumbling. Eisner responded. To make way for more commercials — and more commercial revenue — he had the producers of ABC's prime-time programming ordered to "trim their shows by at least 30 seconds per episode." At the time, ABC already sported more "non-program time" than any other major network, almost sixteen and a half minutes of commercials per hour, over ten minutes more of commercials than prime-time programs sported in the 1970s.[112]

In industry after industry, the same storyline kept repeating. Companies merge. Company executives hit the jackpot. The huge new merged company scrambles to make enough money to pay off creditors and keep investors happy. Consumers take it on the chin.

Or sometimes, if the consumers were flying, their butts.

By the late 1990s, America's deregulated airlines had been merging and purging for twenty years. Those mergers fattened executive wallets — and ended up squeezing passengers into seats much too small for the standard American tush. Continental, to maximize passenger revenue, bolted its airplane seat rows all of thirty-one inches apart, with the width of the seats just over half that.[113] But airlines like Continental weren't completely heartless. They actually did their best to help passengers fit into those silly little seats. They stopped feeding them. At century's end, passengers could spend twelve hours getting on and off planes and not get anything to eat more substantial than a bag of pretzels.[114] Plane travel had clearly become, for many Americans, the ultimate expression of corporate indifference to the consuming public.

For other Americans, the ultimate indifference tag belonged, hands down, to America's telephone giants. And no phone giant seemed to deserve that tag more than US West, the Denver-based Baby Bell the *Arizona Republic* labeled "the company everyone loves to hate."[115] Plenty of people had good reason to hate US West, among them Maggie Wilson, an elderly rural Arizonan. Wilson had ordered a $99 phone installation in June 1997. She promptly received a

bill for $13,000 but no phone. She complained and was curtly informed she would personally have to sign up twenty-five customers for US West before the company would do her installation. Two and a half years after Wilson first asked for phone service, she still had none. Stories like Maggie Wilson's would be so common that three states would eventually levy substantial fines against US West. Two others debated yanking the company's license to do business.[116]

US West CEO Solomon Trujillo, amid the blistering criticism, solemnly promised service improvements. But the promised improvements never seemed to come. Trujillo, lawsuits against US West would later charge, never intended them to come. He was purposefully shortchanging customers to jack up US West's bottom line and make the company a more appealing merger partner.[117] In 2000, US West did merge, into Qwest Communications. Trujillo, from the merger deal, would clear $30 million.[118]

Making phone calls, watching TV, flying home for the holidays — America's middle class basics would all seem less attractive and more aggravating as the twentieth century ended. No simple pleasure seemed able to escape the relentless corporate pressure to maximize earnings at consumer expense. Not even duckpin bowling.

Duckpins have survived, over the years, as an acquired taste peculiar to the mid-Atlantic and parts of New England. Bowlers in duckpins put their hands around their bowling balls, not their fingers in. The balls weigh less than four pounds, and even little kids can roll them. Baltimore gave birth to duckpins in the early 1900s, and the game spread, "like canasta," into blue-collar communities up and down the East Coast.[119] The number of duckpin alleys would peak, at about twelve hundred, in the early 1960s.[120] Duckpins and the more standard "tenpin" game would both start fading after that. Locally owned lanes would plod along, sustained by devoted if not growing cohorts of practitioners.

Then suddenly, midway through the 1990s, everything changed. Bowling caught the fancy of the power suits at Goldman Sachs, a Wall Street investment bank. Here was a business, Goldman Sachs figured, ripe for consolidation. In 1996, Goldman Sachs spent $1.1 billion buying control over bowling's biggest business, the Richmond-based AMF, and then proceeded to grow that business considerably bigger. AMF, moving fast, bought up some two hundred bowling alleys across the country.[121] But even bigger bowling markets beckoned, most notably in China. AMF rushed onto the Chinese bowling scene, investing millions in lane construction. Bowling seemed to be going big-time!

The big-time didn't last. The Chinese bowling bubble would pop in 1998, amid the Asian financial crisis, and the popping sent AMF's overall profits "into the gutter." Company executives now needed to shore up investor confidence back in the United States. They demanded big earnings numbers from their American lanes. The duckpin alleys couldn't comply. They were profitable, but not profitable enough. AMF, in short order, "all but abandoned duckpins." By early 1999, only eighty duckpin lanes remained open.[122]

"Eventually," noted a discouraged John Shanahan, the president of the Baltimore Duckpin Bowlers Association, "there won't be any ducks."[123]

Effective enterprises, preached the organizational development prophets of the latter twentieth century, care about people like John Shanahan. They care about all their customers. Effective enterprises, the prophets agreed, talk to customers, study customers, do everything they can to discern what they can do to make their customers' lives easier and more pleasurable. This knowledge in hand, effective enterprises then endeavor to deliver on what consumers want — by providing products and services at a quality and cost that customers will find impossible to pass up.

An effective enterprise, in other words, concentrates on customers, first, last, and always.

In the closing years of the twentieth century, America's enterprises could not keep that concentration. The executives of these enterprises had something more important on their minds, their own personal fortunes. They sold out their customers. No one should have ever expected otherwise. Where we allow executive wealth to concentrate, without limit, executives will forever concentrate on maximizing that wealth. First, last, and always.

HOW CAN ENTERPRISES, IN THE INFORMATION AGE, really know what consumers want and address those wants efficiently? Effective enterprise theorists almost all advance variations on the same answer: To end up with loyal customers who value their products and services, enterprises first need to value their employees.

Employee commitment and creativity, effective enterprises understand, determine how well customer needs can be met.[124] Effective enterprises, consequently, do everything they can to keep employees committed and creative. They invest in employee training. They ask employee advice. They treat employees as their most important competitive advantage.

In the 1980s and 1990s, corporate executives spent significant sums to send their managers to a never-ending series of training sessions where earnest organizational consultants patiently explained these ABCs of effective enterprise success. And then these same corporate executives turned around, without a moment's pause, and took steps that rendered totally null and void all the lessons the consultants taught. The consultants urged that managers respect employees. The executives ordered, instead, that managers systematically discard them — as part of a calculated corporate strategy that had never before been employed on a massive scale. Observers eventually came up with a word to describe this new discarding phenomenon. They called it *downsizing*.

American workers had, of course, been discarded before. But downsizing, as begun in the 1990s, represented something quite different, a new departure for American business. Companies had traditionally discarded workers — "laid them off" — when sales went sour. Executives generally tried to avoid layoffs.

Every layoff, after all, signaled a management failure. A company that found itself forced to lay off workers had clearly misread market demand.[125] Companies that did lay off workers hoped, and expected, to be able to hire them back. Managements considered layoffs *temporary* measures.

By the early 1990s, in America's biggest corporations, these classic attitudes about layoffs had started to wither away. Employers were no longer laying off workers, on a temporary basis, because they faced shrinking demand for their products. Perfectly healthy, profitable companies were now consciously dismissing workers — permanently discarding them — solely to boost their short-term bottom lines.

In 1991, a recession-scarred year, American companies laid off an estimated 550,000 workers. By 1992, the recession had ended. The economy was growing again. Goods were flying off shelves. But layoffs continued: 500,000 in 1992, over 600,000 in 1993, over 500,000 in 1994.[126] These layoffs had virtually nothing to do with sluggish consumer demand. They had everything to do with the games executives play. Corporate executives were downsizing to make their mergers and acquisitions pay off — for themselves.

In August 1995, for instance, executives at Chemical Bank announced plans to merge with the Chase Manhattan Bank. Both banks had been profitable before the merger announcement. The new merged bank, the executives promised, would be even more profitable. Downsizing would see to that. The workforce of the merged bank would be sliced by twelve thousand employees, a move that would reduce the new bank's annual expenses by $1.5 billion. The personal bank accounts of Chemical Bank's former top officers and directors, in the meantime, would be increased, by just under $10 million.[127]

Not all the companies that downsized in the 1990s, to be sure, were merging. Nonmerging companies downsized, too — to keep pace with their merging competitors. By downsizing, they could create their own labor "efficiencies."

"Downsizing is not an event any more," as one business observer, Mitchell Marks of New York's Delta Consulting Group, put it. "It's become a way of business life."[128]

In 1998, near the height of the decade's boom, American firms sacked over two-thirds of a million workers, over one hundred thousand more workers than they cut loose in the recession year of 1991.[129] Simply by announcing a downsizing, executives found, they could build "earnings momentum." A single job eliminated, went the Wall Street rule of thumb, adds $60,000 to future annual earnings. A company with 500 million shares selling at ten times earnings could, investors figured, hike its stock price $1.20 a share just by downsizing a thousand workers.[130]

What executive sitting on top a pile of stock options could resist the lure of numbers like these? Certainly not Bernard Ebbers, the Mississippi entrepreneur who built an unknown telecommunications company, WorldCom, into the nation's second largest long distance phone company. Ebbers danced his way to

the top with a corporate two-step. Step one: Cut a merger deal with another company. Step two: Slash costs at the new merged company by downsizing workers. Ebbers started two-stepping in 1983. Over the next sixteen years, he engineered sixty-five acquisitions.[131] After nearly every one, he dropped a downsizing ax on the newly merged workforce.[132]

Unfortunately for Ebbers, his two-step eventually danced straight into an unforgiving wall. In 2000, the U.S. Justice Department and European antitrust officials nixed his biggest merger of all, a $129 billion hook-up with Sprint.[133] With no more grand merger partners in sight, Ebbers suddenly found himself forced, one industry reporter noted, "to generate growth in a fashion he has never had to master: simply running the company."[134]

Ebbers didn't have a clue. He tried spinning off some of the companies he had so energetically acquired. He tried more downsizing, by trumpeting, in 2001, plans to eliminate up to 15 percent of his seventy-seven thousand employees. Layoffs, he reportedly explained to insiders, were his "most straightforward option."[135] His management team, meanwhile, explored options that fell in the less straightforward column. Their accounting subterfuges would go on to make front-page headlines in 2002 — and drive WorldCom into bankruptcy. On June 27, 2002, the newly bankrupt WorldCom began laying off another seventeen thousand workers.[136]

Chronic downsizers like WorldCom could be found all across America's corporate landscape. Their downsizings were supposed to leave their companies lean and efficient. They did no such thing. Instead, thoughtful insiders agreed, the downsizings unleashed dynamics that left America's workplaces less effective, not more.

One such insider, Alan Downs, "personally fired hundreds of employees and planned for the batch firings of thousands more" during his corporate career.

"Slowly," Downs would later note, "I began to see what *really* happens after a layoff. Morale hits rock bottom. Lines of communications within the company shatter. Productivity ebbs, while high-priced consultants try to patch the business back together." Downsizing leaves behind, summed up Downs, "a sluggish, bumbling organization that must relearn even the most basic functions."[137]

The workers left behind, meanwhile, are seldom in the mood to do any relearning. What downsizing companies might gain through lower labor costs, researchers have found, they lose "through diminution in the loyalty and enthusiasm of remaining employees." Workplace survivors tend to "exhibit less entrepreneurship, stay out sick more often, and show little enthusiasm about meeting the company's production goals."[138]

Other employees react to the insecurity that downsizing evokes by rushing in the opposite direction. These employees start working every hour they possibly can, desperately hoping to earn enough to cushion themselves from the inevitable downsize ax.[139] One worker who felt this excruciating pressure, Brent Churchill, a thirty-year-old lineman with Central Maine Power, would be acci-

dentally electrocuted to death in 2000 after "clambering up and down poles" for nearly twenty-four hours straight.

"In his last two and a half days of life, Brent Churchill slept a total of five hours," one news report noted. "The rest of the time he was working."[140]

Churchill, before his death, had seen thirty-seven of his fellow linemen downsized.

Brent Churchill may or may not haunt his former employers at Central Maine Power. Many other employers, in the 1990s, *would* be haunted. Lawsuits did the haunting. Downsized older workers, minorities, and women all brought unprecedented numbers of discrimination suits against their former employers in the decade before the century ended. The settlement and attorney costs of this massive legal action, two scholars noted in 1998, were making a significant impact on corporate bottom lines. Corporate America's "job massacres," they concluded, were helping to "undercut the very cost and productivity advantages they are supposed to create."[141]

The American Management Association would reinforce that conclusion with data that actually came from downsized companies themselves. Only about a third of companies that had downsized, the AMA reported, dared to claim any increases in productivity. An amazing 86 percent of these same companies admitted a fall-off in worker morale.[142]

Downsizings, in short, left enterprises *defective*. No CEOs, by the end of the 1990s, could credibly justify downsizings as a matter of efficiency or business necessity. Downsizings served only one purpose. They helped top executives keep their sweet deals sweet.

At the crest of the 1990s downsizing, the man who had invented modern management theory, Peter Drucker, was nearing ninety years old. Drucker was no ivory-tower academic. He knew, from personal experience, just how cruel life could be. In Germany, as a young man, he had watched the Nazis rise to power. But even Drucker, as world-wise as he was, would be taken aback by downsizing. The "financial benefit top management people get for laying off people," he told an interviewer in 1996, is "morally and socially unforgivable."

"There is no excuse for it," Drucker admonished. "No justification."[143]

The downsizers would not even blink. Downsizing would continue, as rewardingly as ever, into the twenty-first century. Top executives at the fifty U.S. companies that did the most downsizing in 2001 averaged 44 percent pay increases the next year, researchers from United for a Fair Economy and the Institute for Policy Studies would report in 2003.

Compensation for these energetic downsizers, the researchers noted, increased more than seven times faster than compensation for CEOs overall.[144]

SMART EXECUTIVES HAVE ALWAYS UNDERSTOOD that managerial success ultimately depends on having workers willing to contribute their best.

"Executives succeed," as business commentator Dale Dauten puts it, "when employees decide to bestow the gift of excellence upon them."[145]

But employees do not — and will not — bestow this gift when they feel others are capitalizing unfairly on their labors.[146] Employees, be they white-collar, blue-collar, or pink-collar, do not expect to make as much as their bosses. But they do expect to share fairly in the wealth they create. Employers who do not share wealth fairly violate the most basic of unspoken workplace understandings.

"The rational worker's response to the shredding of that understanding," as AFL-CIO President John Sweeney has noted, "is what we in the unions call work to rule — do the minimum and use your brain to help yourself, not your firm."[147]

The vast majority of us would, most definitely, rather *not* work to rule. We typically start out every job wanting to do our best, not our least. We want to feel part of a team, a good team. We humans are, after all, social creatures. We live and work in social situations. In good situations, we feed off each other's strengths. We help others and others help us. We learn. We grow. The group success becomes our success.

Most of us, at one point or another in our lives, have been part of a team that really worked — a team on a ballfield perhaps, or a team of volunteers building a playground, or a team of friends planning a surprise party. We know how satisfying, even thrilling, a good team experience can be. We want, not surprisingly, to experience this satisfaction, this thrill, at our workplaces. Few of us ever do.

Mike Daisey, for one short, shining moment, thought he had become one of the lucky ones. Mike had found a job — at Amazon.com, the Internet retailer — that did give him thrills. A twenty-something with a degree in aesthetics and several years of comedy troupe experience, Mike didn't figure to be someone who could get much satisfaction out of working for a big company. But Mike enjoyed his work at Amazon talking to customers and writing business plans. He felt part of something big, something important. He devoted himself to his job. He worked seventy hours a week, handled as many as twelve hundred e-mail messages in a single day.

"I had fallen in love with an idea, a dream of a company," he remembers. "I really thought I would change the world."[148]

Then the dream ended. Mike came across a spreadsheet listing the salaries and stock options people were making in the corner of Amazon where he worked. Mike found himself at the bottom of that list, a long way from the top. Amazon, he saw, was not sharing wealth with any real fairness. Mike suddenly felt betrayed. He no longer took any satisfaction from his job. The joy had evaporated. He left Amazon not long afterwards.[149]

Why did the inequities of that spreadsheet bother Mike Daisey so? What made the inequality he discovered so demotivating for him — and what makes inequality, in the business world at large, so poisonous to the values that make for healthy enterprises? Why are people less likely to give their best when rewards are unequally distributed?

Scholars and psychologists can help us here. We do our best work, they tell us, when we enjoy what we are doing, when our motivation comes from within. Most of us know this from our own experiences. Some of us cultivate magnificent flower beds. Some of us cook indescribably delicious dinners. Some of us restore rusted old clunkers into marvelous motoring machines. We invariably seem to do marvelous work like this for the pleasure we take from it, not for any monetary reward. Indeed, monetary rewards can sometimes get in the way, make what we enjoy doing seem *less* pleasurable.

One classic experiment, conducted in 1971, demonstrated rather dramatically just how quickly rewards can sap the joy out of activities that bring us pleasure.[150] The experiment placed inside a puzzle-filled room a group of people who had all previously indicated that they enjoy solving puzzles. In the first segment of the experiment, the investigator asked the puzzle people to do their puzzle thing. They all did. Then the investigator ended the first segment and announced a break before the second segment would begin.

"I shall be gone only a few minutes," the investigator announced. "You may do whatever you like while I'm gone."

The investigator, as promised, left the room. The puzzle people were now alone with their puzzles. Some merrily continued puzzle solving. But others pushed their puzzles aside. This contrast between players and abstainers would turn out to be anything but random. The investigator had, before the experiment began, divided the participants into two groups. One half would be paid, the other not. Neither half knew the other was getting different treatment. The subsequent behaviors during the break neatly tracked this division between paid and unpaid. Those who were getting paid for participating in the experiment spent much less of their break time playing with the puzzles than those who weren't getting paid. All the participants, remember, had initially described themselves as people who enjoy doing puzzles. So why didn't the people in the paid category continue, during the break, doing an activity they enjoyed? Pay, psychologists tell us, had essentially turned what had been *play* — and pleasurable — into *work*, something that we do for a reward, not for the simple pleasure of just doing it.

Pay almost always has this impact. Pay signals, at a most basic level, *compulsion*, that we are performing an activity not because we want to perform it, but because we must perform it, to earn enough to live.[151]

Workers who worry the most about making enough to live, who fear what will happen if their kids get sick, who scramble every month to meet the mortgage or pay the rent, never forget for an instant that they *must* work to live. They never stop feeling compelled to work. And the more that these workers, that any of us, feel pressured to work, the less pleasure we will take from the work we do. The less pleasure we take from our work, in turn, the less likely we are to do our work with any creativity or imagination.

No enterprise, of course, can turn work into play. But enterprises can, by helping employees feel more secure in their lives, take employee minds off the

pressures that compel them to work. Enterprises that pay well and offer benefits that bring peace of mind can free employees to concentrate on the job at hand — and maybe even take some pleasure from it. But good pay and good benefits do not guarantee a workplace where employees take pleasure from their work. Inequality can poison any workplace. Where workers see rewards distributed unequally, and grossly so, pleasure will seldom proliferate.[152] Why should that be the case? Unequal rewards remind us that we are working under compulsion. Why, after all, would any sane person labor to make someone else rich? We enrich someone else with our labor — we let ourselves be exploited — only because we have no choice. We must do that labor because we must get that paycheck. So we labor on. We take a paycheck from our work, but no pleasure.

The starker the inequity in any workplace, the less pleasurable the work becomes. The less pleasurable the work, the less workers will likely contribute to enterprise success. The less workers contribute, the less effective the enterprise will be. In the workplace, in other words, justice matters. The "sense of injustice," as the British political scientist Harold Laski noted in 1930, "acts as an inhibition fatal to the doing of one's best."[153]

Not all employees, of course, *must* continue laboring in situations where they see and feel inequity. Many employees can afford to leave. They have nest-eggs large enough to tide them over — or good prospects for quickly finding another job. These employees, if they find themselves in situations where executives monopolize rewards, have the freedom to simply walk away. And they do. In workplaces where justice disappears, so does loyalty.

"What you see are people leaving who know a lot about the firm and the industry," the Stanford Business School's Charles O'Reilly would observe in 1998. "If they feel they are inequitably treated, then they are gone."[154]

And they are missed. Enterprises pay a heavy price for high turnover, and auditors can actually calculate the cost. They start with the unused vacation time that must be converted into dollars, add in the severance that must be shelled out, the recruitment ads that must be placed, the staff time that must be spent interviewing applicants, the training that must be conducted when the new hire finally comes on board. How much does all this total? Some human resources experts "place the cost of a single turnover at between 100 and 300 percent of the employee's annual wages or salary." Other estimates run higher. Modern enterprises, one analyst concludes, almost always experience serious damage "every time an experienced, competent, talented worker leaves the firm voluntarily."[155]

That damage can be particularly devastating when the exiting employee happens to have been an important part of a company's management team. In the 1990s, as pay gaps between CEOs and their subordinates within management widened, these sorts of exits became more and more frequent. Pay disparities within management ranks, the Harvard Business School's Jay Lorsch argued in 1999, were fostering "unspoken jealousy" at the top management

level and creating a situation that "undoubtedly prompts the most talented executives to seek high paying positions elsewhere."[156]

Two Notre Dame researchers, the next year, would detail that exodus. The two scholars had analyzed turnover rates, over a five-year period, among executives at nearly five hundred companies. They found that senior executives at firms with wide management pay gaps were twice as likely to exit as senior executives at companies where pay was more equally distributed.[157] A company that spends "big dollars attracting and retaining a top CEO," Notre Dame's Matt Bloom noted, winds up "reducing the cohesion, knowledge and experience of the managerial team it relies on to make key decisions."

"Unless a board can provide compelling evidence for why one person is overwhelmingly more important than all the other employees," concluded Bloom, "shareholders and employees probably have good reasons to be very concerned about large pay gaps."[158]

These sorts of warnings from business school professors have made little impact on corporate America's top decision makers. The typical adult American today, runs the conventional corporate boardroom wisdom, will work for six or more companies by the time retirement comes. So why worry obsessively about loyalty? Why bother bending over backwards to keep employees contented and staying put? If employees aren't happy, they can leave. They'll leave anyway. That's life in the Information Age.

Corporate America, once again, has enterprise reality absolutely backwards. In the Information Age, organizational loyalty actually matters more, not less, than ever.

Generations ago, in the heyday of command-and-control, enterprises could survive high turnover. New employees just came in and did what they were told. But today, in the Information Age, enterprises need employees able and willing to do far more than what they are told to do. Modern enterprises need employees who can collaborate with colleagues and co-workers in problem-solving, high-performance teams. But teams only perform well when the people on them trust in each other. Trust building takes time. Employees in high-turnover workplaces never get to take that time. Nor do they want to take that time. Who in their right mind would pour their heart and soul into a company that doesn't expect them to be — doesn't want them to be — around for the long haul?

Enterprises that devalue loyalty, that welcome high turnover, will always be defective. Inequality will always make that devaluing inevitable.

OVER THE COURSE OF THE BOOM YEARS, loyalty would not get much respect in America's corporate boardrooms. Inspiration would be a different matter. Corporate boards lionized the ability to inspire. Truly great chief executives, they believed, captured imaginations. They united employees behind clear, vibrant, energizing visions of enterprise success.

This conventional boardroom wisdom appealed mightily to America's corporate elite. Top executives enjoyed thinking of themselves as visionary leaders. But the visions they would typically express, as top executives, would seldom stir any employee souls. In the boom years, America's top executives would display precious little visionary leadership. What they displayed, instead, would be tunnel vision.

By century's end, top executives had come to focus almost exclusively on what brings them individual wealth, not what makes their enterprises effective. And what brought them wealth were rising share prices. These share prices had become, for America's executive class, the only significant enterprise reality that demanded their attention. Offer leadership to their employees? Who could make the time?

"Top managers," astutely noted one mutual fund official, T. Rowe Price's Richard Howard, in 1999, "are almost more managers of their stock than they are managers of their own companies."[159]

"And why not," *Business Week* would ask three years later, "when every upward tick of the stock means massive gains for option-rich executives?" The personal net worths of corporate executives, *Business Week* would add, are "so closely tied" to the company share price that maintaining that price had become "the highest corporate value."[160]

Those responsible for America's corporate enterprises, in this environment, no longer saw organizations that needed to be led. They saw fortunes to be made. By any means necessary. By century's end, everybody who was anybody inside corporate America knew exactly what was going on. For anyone not in the know, *Fortune* magazine in 1999, more than two years *before* the Enron scandal surfaced, offered a guided tour.

"Someplace right now, in the layers of a *Fortune* 500 company, an employee — probably high up and probably helped by people who work for him — is perpetrating an accounting fraud," noted *Fortune*. "Down the road that crime will come to light and cost the company's shareholders hundreds of millions of dollars."[161]

In 2002, after Enron's spectacular collapse, these frauds would fill America's front pages. They came in a bewildering assortment. Some involved fudging revenues, in schemes that ranged from the simply sneaky — keeping "the books open at the end of quarters" to record enough sales to meet earnings targets — to the crudely criminal.[162]

Gregory Earls, the chief executive of U.S. Technologies, fell on the crude side. He would be indicted in 2003 for diverting, in two separate scams, nearly $15 million raised from investors to his ex-wife and other similarly noble causes. Few executives would be more brazen than Earls. A former director of the FBI, William Webster, chaired his company's audit committee![163]

Xerox fell between crude and sneaky. The copier giant, between 1997 and 2000, "prematurely" counted some $2 billion in revenue from its leasing oper-

ations, a sleight-of-hand that concealed company problems — and gave CEO Paul Allaire the time he needed, in 1998 and 1999, to sell off a stack of his own Xerox shares and pocket $16 million from the proceeds.[164]

Other companies, like Priceline, the Internet travel ticket company, claimed as revenue money they had no right claiming. Travel agencies had traditionally booked, as their own revenue, only the commissions they received from selling airline tickets. Priceline claimed, in its revenue totals, the entire ticket sales price.[165] America Online played the same sort of games, in its brokering of online advertising space.[166] Starting in 2000, these slick maneuvers padded America Online revenues by over a quarter of a billion dollars.

"Without the unconventional deals," noted a later *Washington Post* investigation, "AOL would have fallen short of analysts' estimates of the company's growth in ad revenue."[167]

With the unconventional deals, AOL chief executive Steve Case was able to take home $73.4 million in 2000.[168]

Still other companies, like Lucent, the technology spin-off from AT&T, "channel stuffed" their way to greater earnings. These companies reported, as sold, products that "had merely been placed in a warehouse or on a retailer's shelf."[169] A few companies, in an interesting twist on the channel-stuffing notion, essentially bribed "wholesalers to buy more of their products than retailers are selling" by stuffing wholesaler pockets with special "incentives." Bristol-Myers Squibb, the health care products kingpin, found this approach particularly promising.[170]

In telecom, the world of voice and data transmission, executives "swapped" their way to fortunes. "Swapping," the exchange of cable capacity between telecom companies, began as a legitimate business transaction. Swaps let telecoms with more customers than cable capacity transmit the messages their customers wanted to send. But none of the telecom giants, by 2000, were worrying about having too many customers. In their rush for riches, executives at all the big telecoms had vastly overbuilt their cable networks.[171] The resulting glut of cable capacity had shoved the telecoms into a bind. They needed to show Wall Street enough revenue growth to prove their businesses were viable. But revenues could only rise if customer traffic filled their networks, and the telecoms faced a distinct customer shortage. How could they possibly increase revenues without customers? Not to worry. They would become each other's customers! One telecom would wire money to fellow telecoms. The fellow telecoms would wire the same amounts back. Each telecom in on the phony transactions would record the wired dollars as revenue.[172] In 2001 alone, the telecoms swapped their way to revenues worth an estimated $2.5 billion.[173]

The swaps wouldn't be enough, in the end, to keep the telecom bubble from bursting. But they did enrich executives, their intended purpose all along. Before the bubble burst, Global Crossing chairman Gary Winnick walked off with $750.8 million, $735 million of that from selling off company shares propped up in price by swaps and other schemes.[174]

Top executives, in the boom years and beyond, would manufacture revenues from whatever source they could find. Pension funds became one favorite revenue candy jar, as soon as executives realized how they could get the jar open. Pension funds, over time, accumulate huge caches of cash. These are invested, with the returns from the investments used to pay retirees their pensions. Corporations cannot legally count, as corporate income, any pension fund investment earnings needed to pay retirees their promised benefits. But corporations can count as corporate revenue any pension fund investment income that might "exceed" those promised benefits.[175] This loophole, in the 1990s, gave corporate executives a sweet incentive to cut benefits. They couldn't resist.

In 1995, IBM shifted the bulk of its workforce into a new retirement plan that reduced pension benefits — and gave IBM the ability to claim hundreds of millions in pension fund revenue as company income. Five years later, this new plan was contributing $1.2 billion to IBM's bottom line, over 10 percent of the company's pretax income total.[176] Similar pension-driven revenue windfalls multiplied all over corporate America.[177]

By puffing up revenues, tunnel-visioned executives could enhance almost any bottom line. And where revenues couldn't be easily enhanced, expenses could always be hidden. The champ here would be WorldCom, the phone giant. In 2001, WorldCom concealed nearly $4 billion by recording ordinary operating expenses as capital expenditures, a blatantly dishonest maneuver that let the company "report higher profit and more favorable cash flow than honest accounting would have allowed."[178]

In the boom years, executives from all across corporate America played games like these, making sure, wherever necessary, that everyone around them played along. This executive rush to riches would corrupt entire corporate cultures, not just accounting departments, and nowhere more so than in the software industry, the home to most of the world's biggest fortunes.

By the 1990s, software giants like database king Oracle had become notorious for aggressively shoveling out into the marketplace software nowhere near ready for prime-time. Oracle salespeople would routinely tout new software features that didn't work well — or didn't even exist. Businesses that bought Oracle software would regularly find themselves spending "far more to fix the product than the original cost of buying it."[179] Some victims filed lawsuits, but, overall, few bothered. What good would complaining do? The entire software industry operated Oracle-style.

Behind these aggressive, customer-unfriendly tactics, industry observers noted, stood "Wall Street's relentless demands to meet earnings targets."[180] Oracle CEO Larry Ellison made sure his salespeople felt those pressures — and shared his tunnel vision.

"The management theory was simple," one former Oracle sales rep, Marc Benioff, would later note. "Go out and don't come back before you have a signed contract."[181]

Sales managers who didn't meet their quotas, by any means, fair or foul, could expect furious phone calls from Ellison, at any time, on any day. Ellison, one ex-Oracle employee told reporters, "treated people like chattel."[182] These chattel would help Ellison to over $700 million in personal stock option profits in 2001.

In their single-minded zeal, America's top corporate executives didn't just cheat customers and browbeat employees. They shortchanged the government, too, out of billions in taxes due. In 1991, corporations reported to the government, as taxable income, 91 cents for every $1 of profit they reported to stockholders. By 2000, for every dollar of profit reported to shareholders, corporations were reporting less than 70 cents to the IRS. In 1997 alone, the *New York Times* reported, this profit underreporting saved corporations $60 billion.[183]

Stock options accounted for some of this underreporting. Companies could legally deduct from their taxable income the huge options awards cashed out by their executives. These same awards didn't have to be subtracted from profits reported to Wall Street, a shady double-standard that helped keep share prices artificially high. But this "legal" loophole wouldn't be enough for America's corporate leaders. They cheated the IRS out of billions more through fraudulent tax shelters. The top tax avoiders, in the 1990s, would include some of corporate America's most respected names. UPS, for instance, "engaged in a long-running sham to evade more than $1 billion in taxes."[184]

Up until the 1990s, one high-ranking IRS official noted to the *New York Times* at the turn of the century, executives had feared getting caught cheating on their corporate taxes. They worried that cheating charges would blemish their company image. By the 1990s, image concerns no longer mattered. Top executives now saw their corporate tax offices as profit centers pure and simple. They entrusted these offices with just one obligation, to "aggressively reduce the tax burden."[185]

No company would pursue that goal more "aggressively" than the Houston-based Enron, as federal investigators would show in a three-volume report released in 2003.[186] Enron's various tax avoidance scams, the federal research revealed, enormously padded the profits the company reported to investors — and enabled Enron to pose, on Wall Street, as a going and growing concern. That posing, in turn, enabled Enron's top two hundred executives, in 2000 alone, to personally clear a combined $1.4 billion in earnings, most of that from stock options. And these option windfalls, in turn, enabled Enron to save still more in taxes. Overall, from 1996 through 1999, Enron would claim $2.1 billion in profits in its financial reports and pay no federal taxes on a dime of these profits. In 2000, Enron would claim another $979 million in profits and pay only $64 million in taxes.

Enron, to pull off this incredible heist, needed plenty of advice. America's top banking, law, and accounting firms were more than willing to provide it.

"Wall Street banks, acting on the advice of leading lawyers and accounting firms, helped Enron devise shelters that let the company operate tax-free for

years," reporter David Cay Johnson would later note, "while exaggerating its reported profits by billions."[187]

Between 1995 and 2001, in all, Enron shelled out over $88 million in fees for tax-avoidance advice and hand-holding.[188]

Within corporate America, everyone seemed to be doing their part — to keep executive fortunes growing. Bankers. Accountants. Lawyers. Salespeople. Even a former FBI director. Everyone would be either looking the other way or greasing the skids.

Slowly and steadily, under the unrelenting pressure to keep share prices rising, an ethic of double-dealing and dishonesty was oozing out from America's executive suites and poisoning America's business culture. The executives who ruled from those suites were supposed to serve, according to their job descriptions, as the ultimate good "stewards" of their enterprises. To employees, they came across, instead, as looters. Employees saw, at every turn, behavior from their "betters" that violated every cliché about integrity, hard work, and honesty that ever appeared in a corporate "values" statement. Many employees responded in kind. They stole, too. Greed, after all, is "infectious," as Federal Reserve chairman Alan Greenspan reminded the nation in America's first post-Enron summer.[189] Workplace frauds, the Association of Certified Fraud Examiners estimated in 2002, were costing the American economy $600 billion a year, "or about $4,500 per employee."[190]

Not every disgruntled employee stole. Some just stewed — and then exploded. Management worried a good bit about these potential blow-ups, so much so that one former CIA staffer felt he could make a lucrative living selling corporations software that they could use to "detect anger and mood changes in employee e-mail."[191]

"Language becomes more simplified when we are angry or stressed," the ex-CIA hand, a psychologist named Eric Shaw, explained in 2001. "Angry people use words that denote judgment, good or bad, and they refer to individuals more frequently and are more emotional, more evaluative and more personal."

But Shaw was smart enough to put his software's eggs in more than one basket. Besides looking for complex, emotionally charged word patterns, his software would also search out simple single words, like *kill*, *fire*, and *bomb*.

American executives, in the new century, might not have much vision. At least they would have advance notice.

WE HUMAN BEINGS, UNLESS SOME CATASTROPHE sends us back to the Stone Age, will spend the rest of our existence as a species working in enterprises. How well we do as humankind will depend, in no small part, on how effectively these enterprises are able to function. If our enterprises learn how to truly tap the talents of everyone involved in them, if our enterprises efficiently and responsibly develop and deliver quality products and services that speak to deeply felt individual needs, then all our lives, as consumers and producers, will no doubt dramatically improve.

What sort of enterprises will help us reach these noble goals? No serious students of organizational effectiveness disagree on the basics. We need enterprises, they tell us, that hunger to know what their eventual customers or clients have to say. We need enterprises that unite employees behind a common vision, that empower employees with the tools, training, and decision-making authority they need to make creative contributions, that help employees cooperate and collaborate with each other. We need enterprises guided by leaders who respect their workers and are respected by them.

Inequality within the enterprise, the evidence from late twentieth-century America suggests, subverts all these elements of enterprise success. The more rewards are allowed to concentrate at enterprise summits, the less likely that consumers will be valued, workers will be empowered, and executives themselves will be respected.

Some do challenge this evidence. The rewards pumped to the top, these skeptics argue, couldn't possibly make as much of a difference as critics of executive pay charge. The rewards showered upon executives, their argument goes, are simply too tiny, relatively speaking. Executive pay, one *Barron's* business writer smugly explained in 1998, "is always an insignificant sum compared with workers' total compensation or to any other cost of doing business."[192] For a mega-billion company, mega-million executive windfalls amount to mere peanuts, not dangers.

But the danger comes not from the "peanuts," but from what executives will do to grab as many peanuts as they can. To keep their pockets stuffed, executives will nurture the hierarchies that frustrate enterprise empowerment. They will devote themselves to making their companies bigger, not better. They will dishonor customers and discard employees. They will create enterprises where workers take little satisfaction from the work they do — and, when nobody's looking, any valuable they can walk away with.

Corporations that lavish multiple millions on their executive superstars, even if those millions be mere "peanuts" in the grand corporate scheme of things, create great fortunes for their executives. They do not create great enterprises.

Ask Jim Collins, a former scholar at the Stanford Graduate School of Business who launched his own management laboratory in 1995. In the 1990s, Collins led a research team that spent five years trying to determine "what it takes" to turn an average company into a "great" one. Collins and his colleagues "systematically scoured a list of 1,435 established companies to find every extraordinary case that made a leap from no-better-than-average results to great results." No fly-by-night stock market bubble baby could qualify as a "great" enterprise on the Collins list. A company, to be defined as great, "had to generate cumulative stock returns" that, over fifteen years, had "exceeded the general stock market by at least three times" — and had to have made this remarkable showing "independent of its industry."[193]

The Collins research team eventually identified eleven firms that had successfully made the leap to "great." The researchers then went about discovering

"what it took to make the change." They paired each "great" company with another company with similar attributes that could have made the leap to great "but didn't."[194] They combed through years of data, interviewed senior managers and board members, and examined compensation and employment patterns.[195] And what did they find?

"I want you to forget everything you've ever learned about what it takes to create great results," Collins would report in 2001. "I want you to realize that nearly all operating prescriptions for creating large-scale corporate change are nothing but myths."[196]

His research results, Collins explained, totally demolished "The Myth of Acquisitions," the idea that corporations could buy their way to greatness. None of the companies on the Collins list had made the leap to greatness by gobbling up other companies. His research results also refuted, just as convincingly, "The Myth of Stock Options," the idea that options, high salaries, and bonuses are valuable incentives that can "grease the wheels of change."[197] None of the companies that had made their way onto the great list, Collins pointed out, boasted a high-paid, celebrity CEO.

A celebrity CEO, Collins would explain, turns a company into "one genius with 1,000 helpers." The presence of a celebrity in the chief executive suite "creates a sense that the whole thing is really about the CEO."[198] And that sense, the Collins research concluded, will always make for enterprise mediocrity.

Corporate leaders, after the Collins research appeared, would make no rush to abandon the myths his research so deftly punctured. Nor would they make any serious effort to refute what the Collins study had to say. They had no choice, their apologists explained, but to continue along with corporate business as usual. After all, if CEO rewards aren't pegged at lavish levels, how else would corporations be able to motivate aspiring junior executives to work the brutishly long hours necessary to make their way to the top? CEOs, as Stanford economist Edward Lazar acknowledges, might not really contribute anything to their enterprises that justifies their outlandish pay. Still, Lazar argues, the outlandish pay they take in does serve an important purpose.

"The CEO gets to enjoy the money," he notes. "But it's making everybody else work harder."[199]

True enough, but at what cost to the "everybody else"? The dash for the jackpot at the end of the corporate rainbow, journalists noted at century's end, was brutalizing white-collar America. Up-and-comers who saw themselves as top executive material saw in that jackpot all the justification they needed to work and never stop working. The outrageous numbers of hours they labored would create, in corporate cubicles all across the United States, new norms and expectations. These expectations encouraged, even applauded, workaholism.[200] The inevitable results, as tallied by the *Economist* magazine: "burnt-out" employees, "low morale," "dulled creativity."[201] And more *defective* enterprises.

Effective enterprises simply cannot be bought or bribed or bullied into being. We expect money for our work. But we do not do our best work for money.

So what's the best way to pay people? *Fortune* asked that question late in the 1990s, then offered an answer from Alfie Kohn, a writer once labeled "America's most biting critic of money as motivator." Kohn's essential guidance: "Pay well, pay fairly, and then do everything you can to get money off people's minds."[202]

Inequality, within the enterprise, keeps money *on* people's minds. Deeply unequal enterprises have never been effective. They never will be.

Gruesome Growth

No enterprise is an island.

Every enterprise sits within a larger social reality, what we call society. From society, enterprises draw sustenance, everything they need to survive. Take this sustenance away, enterprises founder, then die, just like fish out of water.

What do enterprises need from society? They need, of course, people able to perform enterprise work. The more able employees a society has to offer, the better off enterprises will be. To make the most of these employees, this "human capital," enterprises also need financial capital. They need money for equipment and supplies, for offices and payroll, for production and marketing. Without adequate capital, human and financial, no enterprise can hope to succeed.

Not all enterprises with adequate capital, of course, always succeed. Many fall short. Some fail because they do not organize themselves for effective operation. But even wonderfully effective enterprises can — and do — fail. An enterprise can assemble a wonderfully talented workforce. An enterprise can outfit that workforce with the finest tools and resources. An enterprise can sweep away the hierarchical underbrush that keeps employees from doing their best. An enterprise can get everything right and still flop miserably for one reason and one reason alone. If not enough customers who want an enterprise's products can afford to buy them, the enterprise will fail. Always.

In desperately poor societies, nations where people have precious little wealth to spend, enterprises will always struggle to gain a foothold. The same struggling will take place in societies where the wealth available to spend suddenly starts shrinking, during, for instance, a recession or depression. A society where wealth contracts severely may see even its grandest enterprises fumble and fail.

Modern societies, naturally, do their best to prevent their stocks of wealth from contracting. But no modern society aims merely to maintain existing wealth. Modern societies, even those that have already amassed considerable wealth, all aim to generate new wealth. And this drive for greater wealth makes sense. No society, after all, has yet achieved perfection. We all live in societies that can be improved, and wealth helps the improvement process along. Opportunities for progress, as economist Robert Frank points out, "are greater in a rich society than in a poor one."

"A richer society," Frank explains, "has more resources for medical research, more resources for rapid transit, more time for family and friends, more time for study and exercise — and more resources for better insulated houses and cleaner, more fuel-efficient automobiles."[1]

If we want our lives to be improving, we need our economies to be generating new wealth. Almost all economists, whatever their political inclinations, start from this assumption. But economists, after starting from this assumption, soon part company — over questions about how wealth, new and old, ought to be distributed. No society can generate significant stocks of new wealth, many economists argue, without allowing existing wealth to concentrate. Other economists vigorously disagree.

How exactly *should* wealth be distributed? Does existing wealth need to be concentrated — or shared — to create new wealth? Or does distribution matter at all? These are important questions. They've been vexing economists — and societies — for centuries.

THE CLASSICAL ECONOMISTS, THE THINKERS who laid the foundations of modern economic thought, cared deeply about distribution. Two hundred years ago, these early economists saw the distribution of income between social classes "as a central determinant" of how rapidly new wealth would accumulate.[2]

David Ricardo, the English businessman who would author, in 1817, one of the most important early texts of economics, placed considerable emphasis on the distribution of wealth between landlords and capitalists. Landlords, argued Ricardo, wasted their wealth on personal luxuries. Capitalists, by contrast, invested whatever wealth came their way in productive enterprises, where more new wealth could be created. Economies, Ricardo concluded, grow more efficiently when dollars accumulate, as profits, in capitalist pockets. The more rent money fills landlord pockets, the less vital an economy will be.[3]

Karl Marx, writing a generation later, would share Ricardo's assumption that distribution matters. But Marx, writing early in the Industrial Age, saw the relationship between capitalist and worker, not the link between landlord and capitalist, as modernity's driving force. That relationship — "the distribution of income flows going to labor and capital" — determined, for Marx, how rapidly wealth accumulates.[4]

Marx and like-minded critics of the world's new industrial order would raise unsettling questions about these income flows, questions about justice and injustice that more status quo-oriented economists, later in the nineteenth century, would do their best to slide off the table. These new "neoclassical" economists broke with the classical tradition. They dismissed distribution as essentially irrelevant.[5] A thousand dollars in one pocket, they believed, would always buy the same amount of goods and services as a thousand dollars in ten pockets. So why bother with distribution? Their new orthodoxy — that distribution need not trouble serious students of how economies grow — soon dominated the emerging academic discipline of economics. Discussions about income and

wealth distribution, notes historian James Huston, largely "disappeared from economics texts."[6]

Outside the ivory tower, meanwhile, concerns about distribution would not disappear. In the late nineteenth century, with giant fortunes rising across the industrial world, with enormous power concentrating in the hands of small numbers of exceedingly affluent people, many less than exceedingly affluent people were beginning to consider questions about distribution among the most relevant a society could ever ask.

The exceedingly affluent could hardly ignore this growing public unease. They needed to be able to rebut their critics. They needed an unapologetic justification for the widely unequal distributions of income and wealth that had so many people around them apprehensive and upset. This justification would emerge in the late 1800s. Economies, admirers of grand fortunes began to argue, need capital to grow and prosper. But capital can never accumulate without some people becoming wealthier than others. The resulting inequality, friends of the fortunate contended, ought to be welcomed, not feared. If wealth was concentrating, then capital was accumulating.[7] If capital was accumulating, better tomorrows were sure to follow.

This aggressive, in-your-face defense of inequality thrilled the colossally wealthy. But reasonable and responsible business and political leaders recoiled from it. Intense inequalities, these more sober leaders understood, gave radical critics of the existing social order powerful ammunition. Society's elites could not afford to be seen cheering on inequality. The Russian Revolution, and the later onset of the Cold War, would only reinforce this conviction. The capitalist West, clear-headed business and political leaders realized, could never win Cold War hearts and minds by defiantly defending inequality. The inequalities of Western capitalist society didn't need to be defended. They needed to be placed in context.

The context would come, midway through the twentieth century, from Simon Kuznets, a widely respected, Ukrainian-born Ivy League economist. Kuznets, as part of a body of work that would earn him a Nobel Prize, essentially delinked modern market economies and inequality. Kuznets described inequality as an inevitable, but purely transitional, consequence of industrialization. Agricultural nations moving into the industrial age, he counseled, would always see levels of inequality rise, mainly because people working in the emerging modern sector of the economy would always outearn people still working in the traditional agricultural sector.[8] But this inequality eventually fades away, Kuznets argued, as industrializing nations mature. More and more people, as economies develop, become part of the modern wage economy. Incomes, across society, start equalizing. The more market economies evolve, the more equal they become.[9]

The eminent Kuznets made his case in a landmark 1955 presidential address to the American Economic Association. His thesis proved enormously appealing to America's Cold Warriors. Market economies now had no need to

feel defensive. Inequities might still scar the United States, but America would ultimately outgrow them.

"Equity will follow growth," Kuznets seemed to be saying to the Cold Warriors, "so there is little reason to worry about it."[10]

American economic realities, meanwhile, seemed to be proving Kuznets right. In the 1950s, America was becoming more prosperous *and* more equal. The nation could stand tall, a proud beacon to the world. Just follow us, America's leaders could say proudly to the Cold War world, we know the way to tomorrow.

That way, two decades later, would seem less certain. By the mid 1970s, America's march to shared prosperity had stalled. Poverty, noted one esteemed economist, Arthur Okun, a former chairman of the Council of Economic Advisers under Lyndon Johnson, "remains the plight of a substantial group of Americans." Large disparities in income distribution, Okun wrote in 1975, "continue to mar the social scene."[11]

Inequality, apparently, wasn't just some nasty, transitional phase that market economies, once mature, put behind them. Indeed, the liberal Okun argued, inequalities come naturally to market economies. These inequalities, he added quickly, need not — and should not — be meekly accepted. Smart societies can — and should — take steps to lessen inequality. But any steps that reduce inequality, Okun argued, also reduce economic efficiency. The more a society pushes for an equitable distribution of income and wealth, the less robustly that economy will create wealth, "largely because income redistribution reduces the incentives for work and investment."[12]

Personally, Okun noted, he might prefer otherwise, but, in real life, "the conflict between equality and efficiency is inescapable."[13] A wise society, he contended, accepts the inevitability of this conflict and goes about making do by making tradeoffs, sometimes accepting less growth to help make society more equal, sometimes accepting less equality to keep the economy growing. Decent societies, Okun believed, search for balance between equality and growth. Out of these balancing acts, he hoped, would come more decency. By making smart tradeoffs, Okun contended in his 1975 book, *Equality and Efficiency*, an affluent nation like the United States could even eradicate poverty.[14]

Equality and Efficiency did not, as Okun had hoped, help eradicate poverty. The book instead helped eradicate the campaign against poverty. Conservatives turned Okun's carefully argued case for thoughtful tradeoffs into an admission, by liberals, that any attempts to make America more equal — by, for instance, expanding aid to poor people — would inevitably backfire on everyone, the poor included, by slowing economic growth. Armed with Okun, conservatives confidently blamed the "stagflation" of the 1970s on excessive social spending and "invoked" Okun, in the years ahead, to rationalize America's "growing concentration of wealth."[15]

"By the mid-1980s," economists Randy Albeda and Chris Tilly would later point out, "most economists agreed that the key problem facing the U.S. economy was stagnant growth, not rising inequality."[16]

America needed to get growing again, mainstream economists in the 1980s asserted, and that meant accepting inequality. An America that prudently embraced inequality — that gave the wealthy ample incentives to become wealthier — would, over time, bring joy to all Americans. Everyone would become richer, mainstream economists agreed, if only we let some people become richer than others.

Conservative politicians loved this simple formulation. Liberals would be intimidated by it. Any step toward a kinder, gentler society now seemed suspect. So liberal leaders, for the most part, stopped stepping. They would join with conservatives, in the late 1970s and early 1980s, to make America safe for great fortunes. Conservatives and liberals, together, would vote to reduce taxes on the rich and regulations on corporations. They then sat back and waited for the payoff, the "bigger economic pie" America's mainstream economists promised, a pie big enough to ensure average Americans much larger servings than they had ever before enjoyed.

The payoff did not come, not in the 1980s, not in the early 1990s. By the mid 1990s, a new generation of economists was doubting that inequality would ever pay off. Inequality and growth do not, these skeptical scholars began demonstrating, march hand in hand. Nations that smile on concentrations of wealth and income, they amassed evidence to show, do not automatically become more productive.

One major study, published in 1994, compared growth and income distributions in fifty-six different nations. Those nations that displayed the widest income gaps, the study found, actually grew their gross domestic economic pies the most slowly.[17] Other studies piled up similar findings. By 1997, Princeton economist Roland Benabou could count at least thirteen different "cross-country empirical analyses," all performed in the 1990s, that demonstrated "a negative effect of inequality on growth."[18]

Statistics gathered from within the United States backed up these international findings. Economist Larry Ledebur compared growth rates in eighty-five U.S. urban areas. The wider the income gap between cities and their suburbs, he found, the slower the growth in income and jobs.[19]

By century's end, the evidence appeared overwhelming. Clearly, noted a 1998 paper for the Federal Reserve Bank system's annual summer retreat, "the older view, that greater inequality is associated with faster growth, is not supported by the data."[20]

America's corporate leaders would pay these new findings next to no attention. They would continue to toast the same concentrations of wealth economists were now roasting. The hundreds of millions of dollars pouring into America's executive suites, business commentators exclaimed, were working

miracles. They amounted to a "secret weapon contributing to the unprecedented recent growth of the U.S. economy."[21]

"Rather than demonstrating rampant greed," *Chief Executive* magazine would exult in 1999, "today's CEO pay packages have helped the U.S. achieve glory as the unchallenged leader of the world's economy."[22]

CHIEF EXECUTIVE, WE NOW KNOW from our post-Enron perspective, had everything backwards. The "glory" the American economy achieved in the 1990s — the gloriously high corporate earnings, the gloriously soaring share prices — did indeed demonstrate "rampant greed," a greed that drove executives, accountants, bankers, and lawyers to lying and larceny and whatever else it took to keep their personal gravy trains rolling.

We also know, from the 1980s and 1990s economic record, that growth and inequality run on separate tracks. During these two decades, inequality rose over periods of years when the economy grew and also rose during periods when the economy contracted.

"The lesson is simple," note economists Randy Albeda and Chris Tilly. "The relationship of growth to distribution is neither a tradeoff nor an automatic cause-and-effect."[23]

Economies can grow in societies that are becoming more equal. Economies can shrink in societies where wealth is concentrating. Equality does not automatically frustrate growth. Inequality does not automatically spur it.

Given these realities, does the distribution of wealth and income, within a society, really matter? Does the level of inequality within a nation make a substantial impact on how well, or poorly, a nation creates wealth? Levels of inequality most certainly do make an impact, argue Albeda and Tilly and like-minded economists, but that impact depends, within each society, on the overall institutional and political environment, on who gets to define the ground rules.[24] Different rules produce different rates of economic "growth."

Why should that be? If we pause to consider just what economists mean when they say an economy is "growing," the reasons become fairly clear. Economies that are "growing" are simply producing more goods and services than they previously produced. Economies that are producing fewer goods and services are shrinking, not growing.

How can economies produce more goods and services? In several ways. An economy can grow if more people within a society start working. With more people working, more goods and services will be produced. An economy can also grow if people already working start working longer hours. Finally, and most importantly, an economy can grow if the people in it become more productive, if they can produce more goods and services in the same amount of time.

How can people become more productive? They can receive training that improves their skills. They can reorganize how they work and become more

efficient. They can get their hands on better tools and equipment. They can explore exciting new technologies. They can be pushed to work harder or, conversely, inspired to work more creatively.

In the abstract, any of these steps can increase the volume of products and services a society produces. In actual practice, societies mix and match these approaches to economic growth, and no two societies ever come up with the same mixes. These varying approaches to growth, in turn, have varying impacts on equality. Some game plans for growth will tend to increase economic inequality. Others will leave societies more equal.

In the early days of the Industrial Age, in the United States and in Europe, the powers that be followed what might be called a brute-force game plan. They would grow their economies — that is, produce more goods and services — by working as many people as long and as hard as they could possibly work them. Early industrializing societies threw everyone they could into the workforce, even children. We look back today on these societies and shake our heads in disbelief. Twelve-year-olds working dawn to dark. How could civilized nations countenance such brutality? In fact, at the time, the powerful didn't just countenance such brutality, they lustily defended it.[25] They resisted, with all their might, any attempts at outlawing child labor. If children were not permitted to work, elites argued, who would bring home the bacon for families headed by widows?

No widows, the opponents of child labor shot back, should be forced to sacrifice their children to the industrial mammon. Society had a moral obligation to guarantee a basic level of decency to every family.

Back and forth went debates just like this, in every nation that stepped into the Industrial Age. New rules had to be set for this new age, rules that would determine just how goods and services would be produced — and each rule would have consequences for the distribution of wealth and income. If, for instance, a society resolved to stretch a well-knit safety net, to make sure all widows and children were guaranteed sustenance, resources would have to be found to hold that net in place. New revenues would have to be raised. New taxes would have to be levied. The wealthy might even have to part with a substantial share of their incomes. Any societies that resolved to take these steps, to protect the weak and tax the wealthy, would, over time, move toward greater equality.

On the other hand, in societies that strung only half-hearted safety nets, fewer families at the economic margins would ever see help. More people would feel pressured to seek work, at whatever wage they could get. Desperate new workers would flood the job market, depressing wage rates and, in the process, enriching the owners of industrial empires. These societies, over time, would become more unequal.

Battles over safety nets, over taxes, over every economic rule imaginable, would be fought — and refought — throughout the nineteenth and twentieth

centuries in all the societies we now call the developed nations. By the 1990s, these years of conflict had produced two fundamentally different sets of rules in the market economies of the developed world, two decidedly different perspectives on how best to produce more.

In most of Western Europe, the rules would privilege equality. In the United States, the rules would welcome and encourage the concentration of wealth and income.

On nearly every significant rule-making question, Western Europe seemed to answer one way, the United States another.

Would the safety net be taut or torn? The Europeans stretched safety nets taut and strong enough to cushion most all of life's stumbles and slumps. Unemployed European workers, for instance, could collect jobless benefits that equaled up to 90 percent of their last paychecks.[26] These benefits could run, in nations like Belgium and Denmark, as long as the workers remained jobless.[27] In the United States, by contrast, two-thirds of the workers who lost their jobs in the 1980s and 1990s collected no unemployment benefits whatsoever.[28] Those fortunate enough to find help received no more than 50 percent of the previous pay — and that benefit would be cut off after six months.[29]

What about jobs themselves? How secure would they be? In the United States, government placed almost no restrictions on a company's ability to dismiss workers "at will," without any meaningful advance notice or severance.[30]

In Europe, workers could not be cavalierly fired. Under French and German law, employers had to be able to demonstrate, in a court of law if necessary, the economic necessity or "social acceptability" of any layoff. In most of Europe, no worker could be laid off without advance notice, with the length of the notice usually tied to a worker's job tenure. An experienced white-collar worker in Belgium, for instance, would be entitled to a year's advance notice before any layoff could take place. Many European nations also *mandated* severance pay, more than a half-year's worth in some cases.[31]

And how much would jobs pay? In market economies, of course, governments don't determine wage levels, not directly at least. But governments can have a huge indirect influence on wages, based on the rules they establish for labor relations. In nations where workers can organize themselves into unions, free from employer and government interference, workers will always make more in wages than workers in comparable nations where rights to organize are not respected.

In the United States, by the 1980s, laws no longer adequately protected basic worker rights to create and join unions. Employers, throughout the closing decades of the twentieth century, routinely fired rank-and-filers active in union organizing campaigns. If these illegal firings weren't enough to intimidate workers, employers would threaten to shut down their operations if workers opted for union representation, another illegal maneuver. And if workers were somehow able to win union representation, despite these illegalities, they still had to get their employer to sit down and bargain in good faith. Many

employers in newly organized workplaces, some 40 percent of them, didn't.[32] Workers could file complaints against all these "unfair labor practices," of course, but complaints typically took years to work their way through the legal process.[33]

By 1985, not surprisingly, only 17 percent of America's civilian wage and salary employees belonged to unions. In Germany, that same year, 40 percent of employees belonged to unions.[34] But even these figures understated the incredibly wide difference between union influence in the United States and union influence in Europe. In the United States, unions typically bargain contracts that apply only to the employees of a specific employer. In Europe, unions typically bargain collective wage agreements that apply to entire industries. At century's end, just 14 percent of workers in the United States were covered by union-negotiated wage agreements. The coverage rate in France, Germany, and Belgium: 90 percent.[35]

The ongoing assault on worker rights in the United States, Ohio Congressman Dennis Kucinich would tell a labor gathering in 2001, amounted to "a means of redistributing the wealth upwards."[36] And in the United States, as opposed to Europe, most wealth that worked its way upwards stayed there. The tax rules saw to that. In 1997, wealthy taxpayers in the United States paid, on paper, 39.6 percent of their income over $263,750 in national income taxes. The top marginal tax rate in Germany that year ran 53 percent. The top rate in France: 57 percent.[37]

All these many different rules — on safety nets, on wages, on taxes — would create by century's end one distribution of income and wealth in Western Europe, quite a different distribution in the United States. By the early 1990s, American men in the top 10 percent of income-earners took home 5.6 times more per hour than men in the bottom 10 percent. In France, that gap stood at 3.2 times, in Germany 2.7 times.[38] By the mid 1990s, 27 percent of American households fell within a generally accepted definition of middle-class status. That is, just over a quarter of households in the United States had incomes no more than 25 percent less or 25 percent more than the income of the typical American household.[39] In Germany, by contrast, 44 percent of households could claim this middle-class status. In Sweden, 53 percent of households made within 75 and 125 percent of the nation's median household income. In other words, the middle class share of Swedish society almost doubled the middle class share in the United States.[40]

European nations, clearly and without a statistical doubt, sliced their economic pies into pieces that were considerably more similar in size than the pieces of America's economic pie. But the cheerleaders for corporate America, we need to remember, never promised Americans a pie with equal pieces. They promised a bigger pie. If America cheered on the rich in their efforts to become even richer, the promise went, those rich folks would bake up a pie big enough to give everybody a king-sized piece. The pieces in that pie wouldn't be anywhere near equal in size, but why care about that? Even the smallest piece in

America's pie would be bigger than the pieces people elsewhere would be getting. That was the promise. That promise would not be met. The unequal American economy did, as promised, grow in the 1980s and 1990s. But so did the more equal economies of Western Europe.[41] And those more equal economies delivered, for average people, bigger pieces of pie than the pieces served up to average Americans.

In 1995, the wages and benefits of manufacturing workers in the United States, once the world's highest, ranked thirteenth in the world. German workers pulled in the equivalent of $31.88 in wages and benefits in 1995, American workers only $17.20. Workers from throughout Western Europe — from Switzerland, Belgium, Austria, Finland, Norway, Denmark, the Netherlands, Sweden, Luxembourg, and France — all outpaced American manufacturing workers.[42]

The next five years would see the U.S. economy boom to record levels. But that boom did not send American workers back to the top of the international scale. In 2000, according to U.S. Bureau of Labor Statistics data, hourly compensation costs for manufacturing workers in the United States still averaged 17 percent less than costs in the former West Germany.[43] And that was after adjusting the figures to dollar equivalencies, a statistical move that exaggerated compensation in the United States, because the value of the dollar had risen considerably against other currencies.

The United States, to be sure, remained the richest nation in the world. No nation produced more goods and services than the United States. And therein lay the irony. In the richest nation in the world, as economists Gary Burtless and Timothy Smeeding would note, the "incomes of low- and even middle-income Americans are below those of residents in industrialized countries that are poorer than the United States."[44]

Indeed, if the value of what America's economy produced in the 1990s had been distributed more equally, say as equally as in Germany, the average American worker would have been nearly 20 percent better off than the average German worker.[45]

European workers, amazingly, weren't just earning higher incomes than comparable workers in the United States. They were working fewer hours to make those higher incomes. Americans, the International Labor Organization reported in 1999, were putting in, on average, eight more weeks worth of time on the job every year than their counterparts in France and Germany.[46]

Americans, by century's end, were eating from the developed world's most unequal economic pie. But who had time to measure?

WESTERN EUROPEAN NATIONS, WE SHOULD PAUSE TO NOTE HERE, had not become paradises on earth by the start of the twenty-first century. Europeans did not live equal or problem-free lives in the 1980s and 1990s. They just led lives that were *more* equal and *more* problem-free than lives led in the United States. But inequalities in Europe remained profound, as the continent's critics

were quick to point out. The distribution of wealth, columnist Robert Samuelson correctly noted midway through the 1990s, is "wildly unequal in all advanced societies."[47]

Commentators like Samuelson argued that whatever equality Europe had achieved had come at the expense of jobs for European workers. Europe's high taxes, tough restrictions on business, and strong labor unions, they contended, had "discouraged job creation" in the name of enhancing "economic equality and job security."[48] Americans might have a less equal society, the argument went, but at least they had jobs.

Americans defensive about inequality in the United States found this notion — that Europe had traded off jobs for greater equality — irresistibly attractive. They held to it with an almost religious intensity, in total disregard of the actual official unemployment numbers. One top analyst from Wall Street's Goldman Sachs, interviewed for a *New York Times* article published early in 2002, asserted, for instance, that "there's not one country in Europe that doesn't have a higher unemployment rate" than the United States.[49] In fact, the actual figures told an entirely different story. Official unemployment in the United States, at that moment, was running at 5.7 percent. At the same time, the United Kingdom (5.1 percent), Sweden (4.7 percent), Portugal (4.4 percent), Denmark (4.4 percent), Austria (4 percent), Ireland (3.9 percent), Norway (3.6 percent), and the Netherlands (2.2 percent) were all running lower official rates of unemployment.[50]

European nations, by doing more than the United States to keep incomes equal, had not created perfect places to live and work. But Europe had managed to create, in the late twentieth century, societies that worked substantially better for average Europeans than the United States worked for average Americans. Working people in Europe made more than working people in the United States and labored fewer hours. Most average Europeans could move through their lives, from cradle to grave, seldom if ever feeling financially desperate. Even in rough times, their incomes would be protected, their health care covered. They could be doing better economically, of course, but they were doing, overall, just fine, thank you, particularly compared to their American counterparts.

Their bosses could not make the same claim. By every measure, corporate movers and shakers in Europe lagged behind their counterparts in the United States. American business leaders made more than European business leaders, had considerably more influence over the political process, and just generally enjoyed more leeway to do what they wanted when they wanted to do it.

Europe's elites knew what they were missing. At Davos, the Swiss resort where global corporate and government leaders started gathering annually in 1982, as well as at other forums and venues, elite Europeans imbibed the American way — and chafed at their second-class status. They resolved, throughout the 1980s and 1990s, to roll back the rules that made doing business on their continent so much more difficult than doing business across the

Atlantic. And they made progress in that effort. Rallied on by free marketeers like Britain's Margaret Thatcher and Germany's Helmut Kohl, the member nations of the European Common Market would approve "radical changes" in their economic governance. They would push down European throats as big a dose of Americanism — anything-goes markets stripped of government regulation — as they could get the people of Europe to swallow.[51] They would bring into being a European Central Bank that would follow tight-fisted interest rate policies, even if that meant, as it did, pushing up jobless rates.[52] And they would slash tax rates on the highest European incomes.[53]

European executives, with these new incentives in place, would soon start playing American-style "restructuring" games with their companies and their employees. They would plot and consummate mergers, $800 billion worth in 1999 alone.[54] They would downsize.[55] They would catch up, as best they could, with their U.S. counterparts. Some, like Jean-Marie Messier, would mimic the every move of their American CEO heroes.

Messier, in the late 1990s, wheeled and dealed an obscure French water utility into a global media giant, Vivendi Universal. Along the way, he "parroted American business jargon with the exuberance of a convert," taking on massive corporate-America-style debts as he merged his way to "synergy" and greatness.[56] Messier enjoyed the perks of greatness, too, with a $17.5 million corporate pad on New York's Park Avenue.[57]

Messier's good buddy, Thomas Middelhoff, the top executive at Bertelsmann, a German media company, went even further down the American corporate road. Middelhoff described himself as "an American with a German passport" and made English his company's official language.[58] He would follow the U.S. corporate model step by step, buying up companies to inflate Bertelsmann's revenues, always maneuvering for his ultimate endgame, a massive public offering of his company's stock. His wheeling and dealing would turn Bertelsmann into the world's third-largest media company.[59]

In Switzerland, another ardent admirer of American executivedom, Percy Barnevik, styled himself Europe's answer to Jack Welch, the fabled General Electric CEO. Barnevik chaired the Zurich-based ABB Ltd., one of the world's biggest engineering companies, and preached an American-style gospel of maximizing shareholder value.[60] He also did his best to maximize his own personal value, awarding himself a $120 million pension.

For Europeans, all this American-style executive grasping would be too much to bear.[61] Average Europeans fought back. In France, where polls showed that nine of ten adults considered downsizing by profitable companies "unacceptable," consumers would boycott Danone, a food company that slashed payroll to boost earnings. The boycott so infuriated the powerful chairman of one key French bank, Jean Peyrelevade, that he promptly announced he would double his consumption of Danone's yogurt products.[62]

But Europe's top executives would have to do a lot more than up their yogurt intake to get their continent aboard an American-style corporate

express. In the end, they would not prove equal to the task. By 2003, Europe's top American-style executives had almost all flamed out. In Switzerland, CEO Barnevik resigned after ABB's share prices dropped 60 percent.[63] Shareholders took back more than half his $120 million pension, and Swiss government officials began a criminal investigation against him. Barnevik would claim he was guilty only of giving himself an "American payment system in a European environment."[64] In France, Jean-Marie Messier lost his CEO perch, midway through 2002, after a year that saw the heavily indebted Vivendi lose $41 billion.[65] Messier, an American-style CEO to the bitter end, walked off with $17.8 million in severance.[66]

But the most fascinating flameout would belong to Thomas Middelhoff, the top executive at Bertelsmann. Middelhoff was ousted shortly after Messier, but Bertelsmann, unlike Vivendi, had not yet started to implode before the ax came. The ax fell on Middelhoff, a *Wall Street Journal* analysis would later explain, because the good burghers on the Bertelsmann board feared that their American-style CEO was, by placing profits first, last, and always, destroying their venerable company's "corporate philosophy of using business as a means of paying for good deeds."[67]

That philosophy meant a great deal to the Bertelsmann board. Back in the mid nineteenth century, company founder Carl Bertelsmann had envisioned his new publishing business as an instrument "to better society, not increase profits." The company would become, before 1900, one of the first German firms to provide employees pensions and disability protection. Bertelsmann workers would later become the first in Germany to enjoy paid vacations. Under Reinhard Mohn, the great-grandson of founder Carl Bertelsmann, this tradition would continue. Deep into the twentieth century, just about half the company's annual earnings went into employee profit-sharing plans.[68]

Mohn, eighty-one in 2002, felt that tradition threatened by CEO Middelhoff's American ways. He would engineer, halfway through the year, Middelhoff's ouster by the Bertelsmann board.[69] A worker representative on the board, Erich Ruppik, would later explain where Middelhoff had gone so wrong.

"When he stepped on the gas," Ruppik noted, "he forgot about taking the employees along."[70]

In Europe, as Jean-Marie Messier, Percy Barnevik, and Thomas Middelhoff would learn to their chagrin, an equality-minded culture had simply become too embedded to be swept away by corporate executive superstars. Going forward, Europeans believed, was something that executives and employees ought to do together, not apart.

THE CORPORATE SCANDALS THAT BROKE into the headlines early in the twenty-first century would make a powerful impression on European public opinion. Europeans, already intensely suspicious of American-style approaches to economic growth, saw the Enrons and the WorldComs — and their European

clones — as the inevitable outcomes of a capitalism "that rewarded greed and short-term gain and turned high-flying chief executives into celebrities."[71]

In the United States, the scandals elicited a far different reaction. Few political or corporate leaders felt any obligation, in Enron's wake, to question America's basic approach to wealth creation. They blamed bad apples instead. They also worried. Americans, they feared, might overact and, in their zeal to prevent future Enrons, change the basic rules that America's elites had spent a generation perfecting, rules that locked into place what some economists had come to label "the Wall Street model."[72]

This Wall Street model started taking shape in the 1970s, America's years of economic "stagflation," a time when interest rates, prices, and jobless rates were all, for the first time ever, rising at the exact same time. Most economists, ever since the work of John Maynard Keynes in the 1930s, had become convinced that governments could keep economies on a more or less even keel by increasing government spending whenever the private economy turned sluggish. But stagflation did not seem responsive to what had become the standard solutions.[73] Government couldn't solve stagflation, critics from Wall Street charged, because government had become the problem. Government needed to get out of the way, to free the free market from years of red tape and regulations.

At one level, this Wall Street critique merely recycled themes that elite interests had been expounding ever since the earliest days of the Industrial Era. On another level, this critique offered something new, a more sophisticated case for embracing inequality.

This new case for inequality — the "Wall Street model" — argued that America's future prosperity would depend on the nation's ability to become more productive. We would only grow the economy, the model's champions contended, if we first increased productivity. And how could we increase productivity? Nations become more productive, the Wall Street model postulated, when they invest in technologies that help workers produce more goods and services.[74] Consequently, the Wall Street model posited, smart societies do everything possible to encourage increased investment.[75]

But investments can't increase unless a society boasts a growing pool of savings that investments can be drawn from. Americans, the Wall Street model argued, weren't saving enough. Indeed, the model charged, the government was making the problem worse — by spending too much and taxing incomes at too high a rate. High taxes, Wall Street insisted, keep affluent families from saving as much as they otherwise would. High spending levels, they added, generate budget deficits, and the government, once in deficit, has to borrow to keep operating. The more the government borrows, the more demand for the dollars that banks have available for lending. The greater this demand, the higher the interest rates on loans. The higher these interest rates, the less borrowing by businesses — and the less investing business will be likely to do.[76]

How to break this grisly cycle? Just stop taxing and spending. Be nice to businesses. Encourage them to invest.

In the closing decades of the twentieth century, America's political leaders would swallow and follow the Wall Street model. They would lower taxes and federal spending. They would "free" business from regulations that limited profit potential. They would take steps that kept wages depressed. Rising wages, Wall Street preached, would only encourage inflation. In the name of fighting that same inflation, political leaders would even applaud Federal Reserve Bank moves that kept the economy from "overheating," even if those moves jacked up jobless totals.

All these policies, to the naked average citizen eye, could sometimes appear contradictory. To encourage savings, for instance, lawmakers would enact tax cuts that put more dollars into wealthy people's pockets. But lawmakers, at the same time, would refuse to boost the minimum wage — and place more dollars in poor people's pockets. What sense did that make? And if higher wages needed to be resisted because they might inflame inflation, why give corporations tax breaks for raising executive pay?

The more average Americans tried to find the rhyme to Wall Street's reason, the more curious the Wall Street model began appearing. How could so many clever and celebrated people be following such an internally incoherent set of policies?

In reality, the Wall Street model did have an internal logic to it, a consistency that never flagged. Within the Wall Street model, any course of action that might end up concentrating more wealth into the pockets of rich people would be good. Any course of action that might narrow the gap between rich people and everybody else would not.

Welfare "reform" that would shove poor moms into the job market, good. A job market flooded by former welfare recipients would depress wages, increase corporate earnings, keep share prices — and, naturally, executive stock option windfalls — rising.

Trade agreements that would smooth the way for U.S. corporate investment in foreign lands, good. American companies, after the passage of the North American Free Trade Agreement, wouldn't even have to move their plants to take advantage of lower wages outside the United States. They could depress wages just by threatening to move.

Lower spending on domestic social programs, good. In the name of balancing the budget, safety net programs for working families would be sliced to inadequate shreds, increasing the pressure on bread-winners to work more hours, at rock-bottom wages.

Deregulation, good. In deregulated industries, a handful of corporations would soon come to totally dominate the market. A sure prescription for higher corporate earnings, higher share prices — and more top executive windfalls.

Tax cuts for the wealthy, the best of all. In the short run, such cuts would mean immediate increases in the annual disposable income of wealthy households. In the longer run, cuts in the taxes levied on wealthy people would shrink government revenues and make deep cuts in safety net programs

inevitable. That, of course, would mean more desperation out among working families — and a workforce even more agreeable to whatever wages employers might choose to pay.

By century's end, America's political elites had delivered almost everything Wall Street wanted. And these Wall Street-friendly policies had their intended effect: They helped wealthy Americans amass incredibly large fortunes. Immense new pools of capital were now available for investing in a more productive America. These pools of capital should have, according to Wall Street theorists, fueled a productivity revolution. But the significantly more productive America promised by the Wall Street model never appeared. In 2000, the Economic Report of the President would note that productivity in the United States had increased 2.05 percent a year in the 1990s, an increase over the 1980s rate, but a rate well under the 3.07 percent annual productivity gain of the 1960s.[77]

In the 1960s, Wall Street's critics noted pointedly, the United States had followed economic policies that violated almost every basic precept of the Wall Street model. In that 1960s decade, wages rose and great fortunes didn't, an economic cardinal sin according to 1990s Wall Street economic orthodoxy. To add insult to injury, careful analysts were able to trace much of the productivity growth that did take place in the 1990s to decisions made back in the 1960s and 1970s, *before* boosters of the Wall Street model started calling all the nation's economic shots.[78]

Overall, productivity gains in the last quarter of the twentieth century, years of growing inequality, amounted to less than half of the productivity gains of the century's third quarter, years of growing *equality*.[79] The United States, by following the Wall Street model, by encouraging, wherever possible, the concentration of wealth, had actually ended up placing a brake on productivity growth. Something had gone terribly wrong. But what? The Wall Street model's champions didn't stop to ask. We should.

MANY OF US HOLD, IN OUR MIND'S EYE, a delightful image of how science leaps ahead. There, beside a gorgeously sunlit meadow, sits young Isaac Newton under an apple tree. With a bonk, a red delicious bounces off Newton's noggin. What's this, he wonders. Gravity, he exclaims! One thing leads to another, and three centuries later people are standing on the moon.

We tend to overlook, in our popular culture and political discourse, everything that comes between the bonk and the moon ride. In the real world, scientific progress requires relentless research, not sunlit meadows. And relentless research, in our modern world, has always required government support. Historically, over the past hundred years, government dollars have bankrolled most of the scientific research that has fueled America's productivity progress. In fact, according to one 1997 study, nearly three-quarters of the "main science papers cited in American industrial patent applications" are based on research financed by government or nonprofit agencies.[80]

Private corporations, over the years, have generally made a much more limited contribution to basic research and development, or "R&D." Such research takes both time and money, and few corporations feel inclined to spend either on ideas that may or may not work out profitably.

"Really good research has always been the stepchild of the corporation," notes David Isenberg, himself a veteran of one of the handful of corporations, AT&T, with a well-regarded R&D history.[81]

Good basic research, scientists like Isenberg contend, can only thrive in institutions with enough patience to stick with research over the long haul. Government agencies and universities can fit that bill. So can private companies without any real competition in their industries. AT&T, for instance, built the world-acclaimed Bell Labs — where Isenberg worked — during its years as the government-regulated telephone monopoly. IBM and Xerox, two other companies with long R&D histories, spent decades without serious competition in their respective industries. They "provided stable, comfortable homes for many of the nation's brightest minds."[82]

These corporate homes, by century's end, no longer offered scientists much comfort. In a corporate America almost completely preoccupied with generating king-sized quarterly earnings gains, research that might deliver productivity gains down the road in some distant future held somewhere close to zero appeal.

"We've reached a point where R&D inside a corporation is fundamentally impossible," Peter Cochrane, the former chief technologist at BT Labs, a telecom think tank, noted bluntly in 2001. "The financial people want you to pick the winners. You can't."[83]

America's corporate executives, at the turn of the century, desperately needed winners now, not later. What good was research that might translate into breakthroughs twenty years down the road? In twenty years, someone else would be CEO, someone else would be reaping a stock option windfall if that research actually paid off. In this environment, top corporate officials had no patience whatsoever with researchers who yearned to follow their hunches, to whatever deadends or brilliant inventions those hunches might lead. Corporate America, instead, pointed researchers to the quarterly bottom line and ordered them to produce. These marching orders, within corporate research centers, would produce considerably more frustration than insight. Top researchers, by the early twenty-first century, were mourning an era that appeared forever lost.

"In the old days, there was a spirit about it — a spirit of free innovation," Robert Lucky, a distinguished scientist at Bell Labs, would tell reporters in 2001. "Research was an end in itself. Today, that's not true at all. Profitability is the end."[84]

Research that couldn't deliver profits, on a timely regular schedule, held no allure for corporate executives, who, on a timely regular schedule, expected to be cashing out one ample option payoff after another. These ample payoffs both outraged and enticed corporate scientists. On the one hand, these

researchers couldn't stomach what windfall-driven decision making meant for their freedom to pursue their intellectual curiosity. On the other hand, many researchers were intrigued by the prospect of hitting some option jackpot themselves. Over one eighteen-month period near century's end, 15 percent of the Bell Labs research team jumped ship "after glamorous startups promising quick-hit riches lured them away."[85]

"Research for the sake of research gave way to innovation with a payoff," summed up the high tech trade journal, the *Net Economy*. "Greed won out."[86]

The lure of big payoffs actually devastated intellectual research communities both inside *and* outside corporate America. Greed, after all, could not be quarantined to the private sector. In the late 1990s, at the height of the boom years, academic research centers the nation over watched researchers bail out to grab their piece of the windfall action. Academics "who had the skills," noted Sreenath Sreenivasan, a Columbia University tech guru, "wanted to be out there making money."[87]

And if you wanted to be making money, education was certainly not where you wanted to be. In the boom years, education would not boom. Federal expenditures on education and training, over the century's last quarter, actually dropped, as a share of gross domestic product, by 50 percent.[88] That decline, a stunning marker of education's true "priority" status in the 1980s and 1990s, would frustrate educators enormously.

But many economists would be frustrated, too, especially those who had been studying just what makes one society more productive than another. These "New Growth" economists directly challenged the core assumption of the Wall Street model, the notion that capital investments drive productivity growth, end of story. Investments, the New Growth economists readily agreed, surely do play a significant role in enhancing productivity, but so do several other equally important factors, most notably the presence of a skilled, well-educated workforce. New technologies, the New Growth economists explained, cannot by themselves make a workplace more productive.[89] New tools and techniques need to be massaged in the workplace, adopted to real life situations, refined and tweaked in ways that make them more useful. That massaging only takes place if employees bring a quality set of skills to the workplace.[90] Investments in new technologies, in effect, only pay off if employees have been well educated and trained.

At one level — the rhetorical level — America's top corporate leaders understood this connection between productivity progress and education. The 1980s and 1990s saw an enormous outcry, from corporate suites, for better schools. In 1983, the release of *A Nation At Risk*, a landmark report engineered by the U.S. Department of Education, triggered a barrage of special commissions that aimed to improve the quality of American education, many of them chaired by corporate leaders. These executives would intone, at every opportunity, the absolute centrality of education to America's economic future. For the United States to prosper, they agreed, every child had to be educated.

But education, in the end, costs, and corporate America would not be willing to pay the price. The Wall Street model did not envision a bigger federal commitment to education. Federal spending needed to be slashed, not increased. If spending were increased, after all, how could taxes be cut, how could wealth be accumulated? In the 1980s and 1990s, the nation's leaders would talk the talk about education. They would not walk the walk.

By century's end, fewer young Americans, not more, would be getting a full and complete education. The federal Pell Grant program, an effort designed to help low-income families send their kids to college, covered 98 percent of public college tuition in 1986. In 1999, the program covered only 57 percent.[91] Many low-income families could not afford to pick up the difference, even with loans. The predictable result: In 2002, research by economists Michael McPherson and Morton Owen Schapiro documented "that the percentage of high-achieving students who do not enroll in college is five times higher among those who are poor than those who are rich."[92]

Numbers like these, argue economists not enthralled by the Wall Street model, help explain why unequal nations don't grow economically as well as nations where wealth is more equitably distributed.[93] In nations where wealth concentrates at the top, more people lower down on the economic ladder simply "lack access to the education and training that would enable them to contribute to economic growth."[94]

WISE GOVERNMENTS, THE NEW GROWTH THEORISTS TELL US, invest in education. But wise governments also understand that productivity gains won't blossom without a wide range of investments in other public goods as well. Some of these investments — government support for cutting-edge scientific research, for instance — create the knowledge we need to become more productive. Other expenditures, like dollars for plugging potholes, make more prosaic contributions. These create and maintain the "infrastructure" that helps us work more efficiently. Without an adequate infrastructure, modern economies crumble.

"Consider what would happen to economic growth," economists Barry Bluestone and Bennett Harrison asked at the turn of the century, "if the interstate highway system were suddenly to disappear, or narrow down to one lane in each direction."[95]

In the decades right after World War II, the United States systematically invested in infrastructure, in everything from sewage to cyclotrons, and the nation would become substantially more productive. In the closing decades of the twentieth century, the nation would shortchange these investments. In the 1970s, federal spending on infrastructure averaged over 2.5 percent of the nation's gross domestic product. By the late 1990s, that share had dropped to just 1.5 percent, an investment shortfall that equaled hundreds of billions of dollars — and amounted to a huge drag on technological progress.[96]

A perhaps even more significant drag, some analysts suggested, was coming from *within* enterprises. A healthy economy, these analysts noted, certainly needs a solid, supportive infrastructure. But the infrastructure that supports our workplaces may not, in the end, limit our technological progress as much as the relationships within our workplaces. A solid educational infrastructure, for instance, can keep enterprises supplied with employees who have the knowledge and skills that enterprises need. But enterprises need to be able to tap this knowledge effectively, or else these skills will go to waste.

New technologies, analysts explain, can't just be forced *upon* a workplace. They need to be fine-tuned *in* the workplace, with the active involvement — and cooperation — of workers and managers alike. In modern corporate America, unfortunately, workers and managers have not been in a cooperating mood. Decades of growing economic inequality have, as we have seen, nurtured defective, not effective, enterprises. In these defective enterprises, enterprises where loyalty had been downsized and looted away, workers have little reason to help with fine-tuning new technologies.[97]

But corporate America's productivity problem actually goes far beyond sullen workers. In a corporate America more interested in squeezing workers than involving them, employers have as little incentive to think seriously about improving productivity as employees. The more depressed employers are able to keep wages, the less their incentive to invest significantly in higher productivity. Why invest in new technologies when old technologies, thanks to cheap labor, remain quite profitable?

Employers who share rewards with workers, by contrast, must think seriously about improving productivity. To compete successfully in the marketplace, Barry Bluestone and Bennett Harrison have pointed out, companies that pay higher wages "have to find ways to use their workers more effectively."[98] Rising wages, adds *Business Week*'s Aaron Bernstein, can actually "spur productivity growth."[99]

If Bernstein's observation accurately reflects reality, productivity gains should be meager in those economic sectors where wages are low — and that is, in real life, exactly the case. In the United States, the two economic sectors with the worst wages, the service and retail sectors, have registered the smallest gains in productivity.[100] Could this low productivity in service and retail simply reflect the hard-to-automate, one-on-one nature of service and retail work? Possibly. But if that were the case, then service and retail work the world over, and not just in the United States, would lag in productivity. The service and retail sectors, however, do not lag behind in productivity everywhere across the world. In some societies, service and retail show significant productivity gains. These societies share one common trait: They pay decent wages for service and retail work.

In Germany, service sector productivity, in the 1970s and 1980s, grew seven times faster than service sector productivity in the United States. Over this same period, service sector wages rose in Germany more than twice as fast as they rose in the United States.[101]

LOW WAGES CAN POWERFULLY UNDERMINE whatever incentive an employer may have to make investments in productivity. Low wages also have a broader and, perhaps ultimately, even more damaging impact: They reduce the demand for goods and services an economy produces.

Demand matters, and much more so than the Wall Street model suggests. The model, as we have seen, treats interest rates as the essential element that determines economic growth. If businesses can borrow money at reasonable interest rates, they will. They'll use this borrowed money to make investments. These investments will grow productivity and, eventually, the economy. All will be well — if interest rates are only kept low. But businesses, in actual practice, will only make investments that will help them produce more products if they see a demand for these additional products. If that demand appears unlikely to materialize, businesses simply don't invest, no matter how low interest rates may be. In the Great Depression, interest rates crashed to under 1 percent. But businesses did not rush to borrow, even at these low rates. They saw no demand.[102]

During the 1930s, the years of the Great Depression, British economist John Maynard Keynes helped policy makers understand this demand dynamic. If average people had more income, Keynes argued, they could afford to buy more goods and services, in the process boosting demand and restoring the overall economy to better health. In this demand equation, Keynes and his followers added, the distribution of a society's income mattered mightily. Dollars in average people's pockets would always do more to rev up demand than dollars in rich people's pockets because poorer people tend to spend a larger *share* of their income on goods and services than richer people. The more shared a nation's income, the less concentrated a nation's wealth, the greater the demand for goods and services.[103] Inequality, simply put, saps demand. Equality boosts it.

In an economy where demand is rising, businesses see sales to be registered, if they can only produce more goods. So they invest in their workers. Productivity advances. More goods are produced. And these goods sell, because people can afford to buy them. Businesses prosper. They hire more workers. Workers prosper. The more workers prosper, the more goods and services they buy — and businesses prosper even more, all thanks to a distribution of wealth and income that encourages a healthy flow of dollars into average people's pockets. No rocket science here. Just plain common sense.

"Indeed," as economists Barry Bluestone and Bennett Harrison have quipped, "most business leaders would like to see higher wages — at every company save their own."[104]

This tension stalks every modern market economy. In the abstract, every business wants customers with lots of cash in their wallets. The more cash available to be spent, the more sales likely to be recorded. But businesses don't see all people as customers. Businesses see some people — the people they hire — as workers. The more dollars individual businesses put in the pockets of these people, their workers, the fewer dollars these businesses may see in profits.

Individual businesses, as a consequence, have an ever-present incentive *not* to raise wages. But if every business were to succumb to the low-wage temptation, all businesses would be worse off, since one employer's workers are another employer's customers.

So what do businesses do? Do they act in their overall best interest or in their individual self-interest? Left to their own devices, history has shown, individual businesses almost always follow their individual self-interest. They seek to minimize their wage obligations. They create, in so doing, an enormous downward pressure on demand that, sooner or later, sends the overall economy into a tailspin.

History also shows, fortunately, something else. Societies do not leave individual businesses to their own devices. Countervailing social forces, most notably trade unions, emerge. These unions organize to take wages out of competition. Where they succeed, individual businesses cannot gain a competitive advantage by shortchanging their workers. They must compete on some other basis, by producing, for instance, better quality goods and services or by producing goods and services more efficiently. Societies that set stiff wage standards, in other words, give all businesses an ongoing incentive to pay close attention to what consumers want — and operate as productively as possible.

In the United States, right after World War II, stiff wage standards would be set. Unions would set them. By the mid 1950s, over one out of every three private sector workers in America belonged to a union. The nation's labor movement had never been stronger. Unions, with this strength, would help stretch a tight safety net all across the American economy. The minimum wage climbed steadily in the 1950s and 1960s, reaching, in 1968, its highest inflation-adjusted point ever. Minimum wage workers that year made $1.60 an hour, enough to push a family of three 18 percent *over* the official poverty line.[105] This rising floor under wages, coupled with stiff tax rates on the nation's highest incomes, created by the end of the 1960s the most equal income distribution in modern American history, a distribution that kept demand high and steady. Between 1947 and 1973, points out long-time Labor Department analyst Paul Ryscavage, every family seemed to be "sharing in the income-producing capacity of the economy."[106]

"The nation's economic pie was getting bigger," adds Ryscavage, "and everyone was helping themselves to a larger and larger piece of the pie."[107]

But then, in the 1970s, the tide turned. American businesses, for the first time in years, began facing real competition in global markets, from the newly vibrant European and Japanese economies. Cheap fuel, meanwhile, had disappeared, after the OPEC nations flexed their oil-producing muscles. The decent wages that America's major corporations had been paying suddenly appeared to be unnecessary extravagances. By the mid 1970s, corporate leaders were talking openly about creating a "union-free environment." Together with like-minded politicos, they pressed for a new American economic order.

The Wall Street model gave the campaigners for this new order all the ideological cover they would ever need. Rising wages, the model argued, ought to be seen as a catalyst for inflation, not as an essential source of demand. The new Reagan Administration would take this advice to heart. The minimum wage would rise, nineteen days before Ronald Reagan's 1981 inauguration, to $3.35. That would be the last minimum wage hike for nearly a decade. By 1991, the real value of the minimum wage had fallen 16 percent below 1981 levels.[108] By 2001, minimum wage workers earned, after adjusting for inflation, 35 percent less than minimum wage workers earned in 1968.[109] In the new century, minimum wage workers who worked full-time, year round, ended up with incomes that left them 22 percent *under* the poverty line for a family of three.[110]

The sinking real value of the minimum wage would place downward pressure on all wages.[111] Still more downward pressure would come from two decades of outright assault against organized labor. President Reagan would set the tone, in 1981, by hiring "replacement workers" to permanently displace over eleven thousand striking air traffic controllers.[112] That move signaled a landmark about-face in America labor relations. For over forty years, ever since the 1935 passage of the Wagner Act, the basic legislation that protects workers' right to organize, employers had rarely tried to break strikes by permanently replacing strikers.[113] President Reagan's open defiance of this established labor relations practice gave corporate threats to fire strikers a powerful credibility — and that credibility would blunt the effectiveness of the strike as an antidote to corporate power. In 1995, only thirty-two strikes involving at least a thousand workers took place in the United States. Twenty years earlier, eight times that many strikes involved a thousand workers.[114]

Year by year, in the 1980s and 1990s, the wage standards established in the 1950s and 1960s collapsed a little bit more, and with this collapse came a widening gap in America's income distribution. More income concentrated at the top. Fewer dollars trickled down to the bottom. Between 1980 and 1999, the value of the minimum wage fell 18 percent. CEO pay rose, those same years, by 882 percent.[115] By century's end, in a United States where unions represented less than 10 percent of America's private sector workers, decent wage standards could simply not be maintained.

Some policy makers did worry deeply about this collapse of wage standards. They feared a potentially catastrophic drop in consumer demand. Workers, U.S. Labor Secretary Robert Reich reminded the nation halfway through the 1990s, "are also consumers, and at some point American workers won't have enough money in their pockets to buy all the goods and services they are producing."[116]

Even some business leaders worried about America's enormous income imbalances.

"This is going to blow up in our faces," Lucent Technologies chairman Henry Schacht warned in 1998, "There is no way a society can have this much of its accumulated wealth distributed to these few people."[117]

But the blow-up did not come. Demand did not drop precipitously, or even at all. The economy kept growing right into the new century. Why no collapse? Why no horrible stumble? What happened?

Debt happened. Working families kept demand up for America's products and services by racing deeper and deeper into debt. By 1998, America's average household carried "a debtload that approaches its annual income."[118] The entire American economy balanced perilously on an ever-growing stack of credit cards and home equity loans.

This massive debt should have started alarm bells ringing on Wall Street. By century's end, after all, champions of the Wall Street model had been banging the drums for savings, not spending, for over twenty years. America would prosper, they had asserted over and over, when savings started accumulating, savings that could be translated into productivity-boosting investments. But America's massive indebtedness in the 1980s and the 1990s rang no bells, mainly because the debtors, to Wall Street eyes, didn't matter. The debtors were working families, and Wall Street had never expected working families to do any savings heavy lifting. Wall Street had always expected savings to come from affluent families. The growing indebtedness of working families simply became, for Wall Street, another excuse to target more tax breaks to the affluent. How else would the United States be able to increase the pool of savings available for investment?

So the tax breaks — for the wealthy — continued to flow. America continued to become more unequal. This growing inequality, in turn, stimulated still more indebtedness. Households, as economist Ted Schmidt points out, don't make consumption decisions just on how much money they have. They base their consumption decisions, to a large degree, on how much affluent households are spending.[119] The greater the level of inequality in a society, the more powerful the pressure on lower-income families to spend what they don't have. In the boom years, this pressure helped push indebtedness in average American households to record levels — and helped ensure that the sum total of savings in the United States would not rise. Debt at the bottom, in effect, canceled out surplus at the top. The glory years of the Wall Street model would end without any aggregate gain in American savings.

Wage cuts, giveaways to wealthy taxpayers, and smaller safety nets, Wall Street had promised, would deliver unto America massive new accumulations of capital for productive investment. Wage cuts, tax giveaways, and smaller safety nets would deliver, in the real economy, no such thing.

In fact, the Wall Street model would deliver unto America the exact opposite of productive investment. The Wall Street model would deliver speculation.

DOWN THROUGH HISTORY, WEALTH HAS at times concentrated at enormously rapid rates. Down through history, societies have also at times gone off on spectacular speculative binges. These times almost always turn out to be one and the same.

Inequality seems to inevitably breed speculation. Let great wealth accumulate at a society's summit and great speculative bubbles will soon blot out the economic horizon. In the 1630s, the huge fortunes that had found their way into the purses of Holland's finest families fed a tulip bubble so outrageous — a handful of flowers could cost $40,000 — that the bursting of that bubble sent the Dutch into deep depression.[120] Eighty years later, the fantastically flush French and English deep-pocket set chased after New World land with a manic intensity that sent deeds soaring to tulip-like levels. In the 1840s, another speculative frenzy exploded, this time around railroads, as the great fortunes of the early Industrial Revolution stoked the fires of the Great British Railway Mania. In the United States, after the Civil War, the first American men of fortune in the modern Industrial Age would catch the same railroad mania. Their speculative fever would rage on and off for thirty years. America's railroad bubble would finally burst, for good, in 1893 — and help trigger a depression that lasted a good part of a decade.[121]

The 1920s would see another epoch of rapidly concentrating wealth in the United States, an epoch that would end with America's most fabled bursting bubble of them all, the 1929 stock market crash. In that bubble's wake would come the longest and deepest depression in American history.

What explains this link between speculation and concentrating wealth? Why does an overabundance of dollars in a limited number of pockets almost always produce wild flights of economic fancy?

To understand speculative fevers, we actually need to look first at households where pockets *aren't* overflowing. In societies where wealth is concentrating at the top, households further down the economic ladder will have less wealth to spend on goods and services. Those with wealth, in turn, will have little reason to plow that wealth into productive investment, simply because little demand will exist for the goods and services that productive investment might produce. But large wealth-holders have to do something with all their dollars. They can, after all, only personally consume so much. So what happens with these dollars that wealthy people cannot consume and cannot invest productively? The wealthy plow these dollars into speculation. The speculative schemes they "invest" in may pay off, and if they do, how wonderful for the wealthy. The schemes, of course, may also flop. But if they do flop, no big deal. The money lost doesn't really matter — not to wealth-holders who have money to burn.

Most of us never experience this sensation of having "money to burn." We work hard for our paychecks. We depend on every dollar. We can't afford to risk any significant chunk of our savings. The wealthy can. They can afford to chase speculative investments that offer big returns — and so they do. Chases can be thrilling.

People of modest means do sometimes find themselves in a similar situation — the same situation that wealthy people experience every day — and these people of modest means typically behave, in these rare situations, the same way

rich people behave. Consider the $2 racetrack bettor who cashes out a totally unexpected $100 daily double winner. What normally happens next? Our lucky winner, who seldom ever bets more than $2 in any one race, suddenly turns around and starts laying down $10 and $20 bets. And why not? Our bettor did no work to earn that $100 of daily double winnings. Our bettor has no sweat equity invested in that $100. Those dollars amount to "play money," so our bettor plays. All lucky bettors act the same way. They routinely risk their surprise winnings in ways they would never risk a paycheck.

Wealthy people are life's lucky bettors. They may indeed work hard, but no one makes megamillions punching a time clock or billing hours. Grand fortunes only emerge when someone somehow is able to leverage someone else's labor. A factory owner pockets a dollar on every item workers fabricate. A department store magnate pockets a dollar on every purchase sales clerks register. An heir inherits a great many dollars all at once. These are dollars that can be risked freely, even wildly. They are less than real. They are, in every unequal society, the kindling wood for speculative fires.

The more unequal a society, the more kindling wood, the more fires. In the 1980s and 1990s, kindling wood abounded — and so did speculation.

The wealthy of these years speculated on commodities. In 1994, for instance, trading in crude-oil futures and options on the New York Mercantile Exchange quadrupled the total amount of crude oil the entire world that year actually produced.[122]

They speculated on currencies. The World Bank, by the latter years of the century, was estimating that 95 percent of the thousand-plus billions of dollars in daily global currency flows amounted to pure speculative trading.[123]

They speculated on real estate. In Manhattan, wealth's world capital, clothing mogul Tommy Hilfiger picked up a Fifth Avenue apartment for $10 million in 1999. The next year, he put that same apartment up for sale at $20 million.[124]

But, most of all, the wealthy speculated on stocks. The closing years of the twentieth century will forever be remembered for the wildest, zaniest, most bizarre speculative binge in American financial history.

The binge began, innocently enough, in 1982. On Friday morning, August 13, the Dow Jones Industrial Average, the marquee measure of Wall Street's daily ups and downs, stood at 776.92, after a modest drop the day before. The Dow would never sit that low again. Friday's trading brought gains, so did the next week's. More gains came in the months ahead. By year's end, the Dow would top 1,000. The "greatest bull market ever" had begun.[125] Nothing would stop this raging bull. The market would drop suddenly in 1987. But that drop would prove only a pause. By August 1989 the market had regained all the ground lost in 1987. Half a dozen years later, in 1995, the steady climb would take an even steeper turn up — into territory not seen since the 1920s.

That turn would come when Netscape Communications, the company behind the first commercial software for browsing the World Wide Web, stunned Wall Street with the first dot.com initial public offering. On August 9,

1995, Netscape offered 5 million shares to investors at $28 each. By day's end, those shares would be selling for more than twice that. Netscape, a company that had never made a profit, would suddenly be worth $2.2 billion.[126] No major company, in stock exchange history, had ever debuted so stunningly.

The wild bull ride would now be on, with steady helpings of fresh IPOs keeping the bull suitably energized. The Nasdaq composite index, the best measure of the high-tech sector, jumped 23 percent in 1996.[127] The next year saw still more gains. Veteran Wall Streeters were starting to get alarmed. Such increases, they feared, could not be sustained.

"Today," Peter Bernstein, a mutual funds director, told the press midway through 1997, "the market has begun to penetrate into zones of irrationality."[128]

Bernstein hadn't seen anything yet. In 1997, Nasdaq would finish up 22 percent for the year, then follow that with an even more incredible 40 percent advance in 1998. The next year couldn't possibly top that. It did. The Nasdaq rose 86 percent in 1999.[129]

High-tech telecommunications and software companies led the way. Qualcomm ended 1999 up 1,882 percent, Sprint PCS up 357 percent, Oracle up 263 percent.[130] Even more amazing were the run-ups of companies that were fledgling, at best, by every normal economic measure. Yahoo, the Web search engine, boasted all of 803 employees in February 1999, a smaller workforce than a run-of-the-mill manufacturing plant. Wall Street valued Yahoo at $34 billion. E-Bay, the online auction house, employed only 130 people. Wall Street investors valued E-Bay at $11 billion, a total that made each employee worth $86 million.[131]

Share prices couldn't possibly climb any higher. Of course, they did. Priceline, a dot.com that hawked cut-rate air travel tickets, would be "worth more at its peak than every U.S. airline put together."[132]

Over the second half of the 1990s, *Business Week* would later note, all stocks together "racked up five consecutive calendar years" of annual returns that topped 20 percent, "three years more than ever before."[133] By March 2000, the ratio of stock prices to corporate earnings had "reached more than twice its historic average." The bubble, measured by that historic average, had inflated the value of stocks "on the order of $10 trillion, more than $30,000 for every person in the country."[134]

Some Wall Street watchers, amazingly, were convinced that nothing but even brighter stock market days lay ahead. In August 2000, one of the most celebrated of these optimists, James Glassman, the co-author of *Dow 36,000*, would debate one of Wall Street's few wet blankets, Barton Biggs, a Morgan Stanley strategist, before an audience of well-heeled listeners at a resort in Idaho's Sun Valley. Biggs preached caution and gloom — and lost the debate, in an audience vote, by an 85 to 3 margin. Afterwards, one of the eighty-five came up to Biggs's wife Judith.

"I'm worried about your husband," the listener noted caringly. "I think he's lost touch with things. He's out of date."[135]

Investors had little patience for skeptics like Biggs, little patience for anyone who stood — or fell — in the way of hitting still another big stock market score. In the middle of the market mania, on March 25, 1997, one market veteran, a forty-eight-year-old trading assistant named Paddy Grieve, fell suddenly to the New York Stock Exchange trading floor, right next to the spot where he had been working the past twenty-five years. Grieve's co-workers gave him CPR. The rest of his fellow traders nearby paused for a moment, then went on shouting out their trades. Doctors at a downtown hospital would later pronounce Grieve dead from a heart attack.[136] Who could blame the traders for ignoring Grieve? They couldn't help him. But they could certainly help themselves. There was work to be done, there were fortunes to be made.

Fortunes for Wall Street players of every sort.

"Everybody here is overpaid, knows they are overpaid, and is determined to continue to be overpaid," as one Wall Street player, Julian Robertson, told the *Washington Post*.

Robertson, the top gun at Tiger Management, a high-risk investment house, expected to personally score, the *Post* reported in 1998, "well above $500 million this year."[137]

Few of Robertson's colleagues and competitors would be *that* overpaid. But they did quite nicely nonetheless. In 1999, one securities company alone, Merrill Lynch, handed five top executives at least $14 million each.[138]

The market would peak one year later, in March 2000. By April 2001, stocks had lost $4 trillion of their peak, an amount that topped the combined gross domestic products of Britain, France, and Italy.[139] By June 2002, the market was off $6 trillion, a third of its total value.[140] Smiley-faced commentators did their best to minimize this loss. Nobody actually lost $6 trillion, they argued. The lost value had only existed "on paper." True enough, but the modern world revolves around paper. Wall Street's collapse meant that millions of workers would have to delay their retirements — or start them with a fraction of the nest-eggs they thought they had accumulated. Thousands of other Americans lost their jobs, as companies rushed to cut costs and get their share prices inching up again.

Other Americans lost their dream — of becoming rich.

Throughout the boom, fast-talking operators had peddled that dream all across America. One of these operators, Wade Cook, America's top promoter of "investment self-help instruction," conducted thirty-two hundred investing seminars in 1997 alone. Investors, to attend one of these seminars, paid $5,695 per person. Students could also, of course, invest in handy investment vehicles Cook was happy to make available to his budding investing talents. In all, observed *New York Observer* columnist Christopher Byron, Cook "talked nearly 400,000 would-be investors out of $100 million in 1997."

"What we're seeing here, folks," an amazed and amused Byron noted, "is the birth of America's first vertically integrated moron-milking machine."[141]

Scam artists have been milking "morons," of course, ever since time began. Here in the United States, scam artists even occupy an honored place in our folklore. We all enjoy Hollywood movies about dashing fast-talkers who can, just by flashing a smile, separate the unwary from their wallets. But fast-talkers like Wade Cook aren't, in the final analysis, what made the great 1990s stock market boom the greatest scam of all time. The Cooks were just small fry. The real schemers weren't two-bit grifters. The real schemers were the deep-pockets behind America's most revered financial institutions.

BY THE FINAL QUARTER OF THE TWENTIETH CENTURY, the United States had evolved the most sophisticated system for generating investment capital the world had ever seen, or so proclaimed America's business elites. America was creating wealth, they marveled, because America appreciated the wealthy — and had created a financial superstructure that enabled the wealthy to translate their fortunes into investments that enrich the lives of all Americans. Thanks to this marvelously efficient superstructure, they continued, any American with a business idea worth exploring could get a shot at success. America had created, in a sense, an entrepreneurial heaven on Earth.

Throughout the boom years, appropriately enough, any would-be entrepreneurs entering this heaven would usually be met first by a class of wealthy individuals known collectively as "angels." These angels sported no halos, only thick money belts. By the mid 1990s, federal officials had accredited some 250,000 of them. These angels had the green light to invest in "unregistered securities," to buy, in other words, a piece of the action in fledgling new companies. And invest they did. By 1996, wealthy angels were plowing about $20 billion a year into start-ups.[142]

Additional dollars for fledgling companies would come from "venture capitalists," professional investors who rounded up chunks of investment cash from various deep-pocket sources and, like individual angels, bought stakes in new businesses. Venture capitalists would emerge, in the 1990s, as the princes of America's financial landscape. The most celebrated of them, John Doerr of Silicon Valley's Kleiner Perkins Caufield & Beyers, began venturing in 1980. By 1990, his venture capital firm was claiming credit for birthing new companies that had created over $30 billion in stock value.[143]

Angels and venture capitalists prepped up-and-coming entrepreneurs for the big time. But to break into that big time — to actually issue stock to the investing public — entrepreneurs needed to tap into still another key financial player, the Wall Street investment bank. These "banks" did no normal banking. They took new companies "public," by selling shares in them to outside investors. From these sales, the theory went, new companies would gain the wherewithal to revolutionize the marketplace with bright new ideas. The economy, infused with these ideas, would throb with new energy. Businesses would grow more productive. Everyone would benefit.

But everyone would benefit, business leaders lectured lawmakers, only if government also did its part — by helping wealth accumulate. By following the Wall Street model, lawmakers were informed, they could keep America's financial system suitably greased and running smoothly. Tax cuts would ensure that angels and venture capitalists had enough spare cash to invest. Low wages would help keep corporate earnings rising. Rising earnings, in turn, would keep corporate stocks attractive to investors and expand the market for the new companies Wall Street investment houses brought "public."

Lawmakers, suitably impressed by this Wall Street logic, did their best to cooperate. They did their greasing, then sat back and watched capital surge through America's private investment channels. In 1990, venture capitalists invested $3.7 billion in fledgling companies. In 1999, venture investments totaled $45 billion, a twelve-fold increase.[144] In 2000, some seven hundred venture capital firms were sitting on $105 billion.[145]

"Venture cash is transforming half-formed ideas into world-beating products and services," *Business Week* exulted.[146] Venture capital, exclaimed *Worth*, is playing "a vital role in the U.S. economy, funding start-up companies and nurturing them with money, experience, and connections."[147] And investment banks, cheerleaders added, were taking those companies the final mile, getting them to market where they could raise the cash they needed "to finance growth or crucial research and development."[148] Over the course of the boom years, investment banks would bring the shares of more than five thousand companies to market, in stock offerings that raised over $300 billion.[149]

"We're the only country in the world," joked Clinton Treasury Secretary Lawrence Summers, "where you can raise your first $100 million before you buy your first suit."[150]

The picture the cheerleaders painted could hardly have been more appealing. Bright, talented, energetic entrepreneurs overflowing with revolutionary, paradigm-smashing great ideas. Angels and venture capitalists, wise in the ways of business, sharing their dollars and wisdom with tireless but inexperienced entrepreneurs. Investment bankers taking young entrepreneurs by the hand onto Wall Street, showcasing their fresh and exciting new ideas to investors all across the nation and even the world.

A pretty picture indeed, but one that in no way reflected reality. The American capital-generating process that evolved in the 1980s and 1990s had next to nothing to do with nurturing up-and-coming entrepreneurs or bringing world-beating products to market. America's capital-generating process did not generate a more productive economy. The process generated, instead, big paydays for the financial movers and shakers involved. Nothing else mattered.

Venture capitalists, flush with the cash the Wall Street model kept pumping into their pockets, behaved like any $2 bettor after a big daily double win. They laid bets — big bets — on as many fledgling companies as they could find. They then pushed these new companies to "go public" and start selling shares of stock as soon as possible. Why delay? Why waste time trying to figure out if

the new company had a product or a service people really wanted to buy? Windfalls awaited, just an IPO away.[151]

Mentoring? Who had time for mentoring wet-behind-the-ears entrepreneurs? Venture capitalists, the Harvard Business School's D. Quinn Mills would later point out, were more into "bullying" their eager young entrepreneurs than mentoring them.[152] They demanded that entrepreneurs make ridiculously premature investments in mass marketing. Million-dollar Super Bowl commercials always made sense to the venture capitalists. How else was a company that hadn't yet proved any ability to survive in the marketplace going to be able to create a buzz loud enough to attract investors' attention?

Investment bankers played equally unhelpful games. Out the windows went the standards — the "due diligence" — meant to assure that only legitimate companies were brought before the investing public. Investment bankers were supposed to set a fair initial share price for any new issue they brought to market. In the boom years, notes D. Quinn Mills, they "grossly underpriced" their IPOs instead, then used that bargain-basement price in an "elaborate system of favor-trading" that "diverted money away from the entrepreneurs" into the pockets of the bankers' "high-roller clients." These high-rollers, typically the top executives of major corporations, would be allotted IPO shares at below-market rates. They would promptly unload these shares, scoring huge personal profits, when the IPO actually went public and started soaring. And investment bankers, naturally, did their best to make sure the IPO shares would soar. They promoted the new stocks "with hype dressed up as research" and aggressively marketed the shares to mutual funds that "were all too happy to goose their own near-term results by providing buy-side support."[153] These games could be incredibly lucrative, for almost everyone involved. One investment bank client, WorldCom chief executive Bernie Ebbers, made a crisp $10.6 million between 1996 and 2000 just by flipping IPO shares allocated to him by Citigroup. Officials at Citigroup would later deny they had done anything in the least bit improper. Rewarding wealthy clients with IPO shares, they told reporters, was simply standard Wall Street operating procedure.[154]

Venture capitalists did quite nicely as well, as the rise and fall of eToys, a typical overhyped dot.com retailer, would illustrate. In 1997, a venture capital firm named Idealab shelled out a half-cent a share to buy a $100,000 stake in the fledgling eToys. The dot.com would go public almost two years later, opening at $20 a share and closing its first day at $76. Later in 1999, Idealab would unload over 3.8 million of its eToys shares, at prices as high as $69. Total profit for the venture capitalists from Idealab: $193 million.[155] eToys would later go bankrupt.

America's financial movers and shakers did not, of course, only bankroll fresh-faced entrepreneurs and fledgling start-ups. Wealthy individuals and investment bankers stood equally ready to supply the capital that established companies needed to expand their operations. These investments in established concerns, the claim went, enhanced productivity and created jobs. But wealthy

individuals and investment bankers had no more interest in nurturing productivity than they had in nurturing start-ups. In their investing, they targeted precious little capital into long-term investments that could result in significant, long-term productivity gains. They rushed instead to make the investments that promised the quickest and fastest payoffs. In the process, they would generate some of the most colossal — and wasteful — marketplace gluts the world had ever seen.

ONCE UPON A TIME, the residents of the United States had to make do with just one major long-distance telephone company, AT&T. The 1980s added MCI and Sprint to the mix. By the mid 1990s, that mix had multiplied many-fold. Phone lines, corporate America had discovered, weren't just for talking anymore. In the emerging Information Age, they could carry data, too, huge globs of bits and bytes. And the amount of data flowing through Wired America, anyone in an executive suite with a mouse and half a brain could clearly see, was only going to expand exponentially. Yesterday's wires brought voices into America's homes. Tomorrow's wires would bring, via broadband connections, the grandest fortune-making opportunity since Microsoft!

Into America's neighborhoods, to seize this opportunity, would rush over a dozen telecommunications companies, each with grandiose visions for national fiber optic cable networks. Miles and miles of fiber would go down, in, and under America's byways and highways, in a furious race to string together the fastest, widest national networks money could buy.

Money would prove to be no object. By the 1990s, after all, America's wealthy had plenty to burn. They poured these plentiful dollars into "telecom," the shorthand for America's hottest investment ticket. No one with cash seemed to want to sit on the sidelines. Microsoft co-founder Paul Allen invested $1.65 billion in a broadband company called RCN. Cable TV magnate John Malone poured $1.5 billion into a pair of telecoms known as ICG and Teligent.[156] Telecoms would borrow billions more from wealthy investors via the bond market. The industry's outstanding debt, $75 billion in 1995, would shoot up to $309 billion in 2000.[157]

The more cash Wall Street raised, the more cable telecoms kept laying. They would lay, in all, about 80.2 million miles of optical fiber from 1996 through 2001, enough to loop the globe over three thousand times.[158] Traffic to fill all these lines, the telecoms believed, at least initially, would surely materialize. But the traffic would never come, not in amounts near heavy enough to fill all the new cables dug into America. By early 2002, only 2 to 5 percent of all the fiber laid down by the telecom building boom would actually be carrying any voice or data.[159] The entire telecom boom, a J. P. Morgan analyst would tell the *New York Times*, had been "a phenomenal miscalculation."[160]

Telecom executives would do everything they could to stave off the inevitable popping of their bubble. They would try slashing prices to boost traffic and revenue. But the price cuts only led to price wars that, the *Washington*

Post later reported, "eventually left many companies with barely enough revenue to pay operating expenses, let alone interest on their huge mounds of debt."[161] With revenues shrinking, the wire-happy telecoms would become even more desperate. They would, as we have seen, cook their books. But that move backfired, too, in a string of headline-grabbing scandals that would eventually deflate the telecom balloon by an incredible $2 trillion.[162]

Telecom's wire woes would soon spill over into the wireless world. Cellular companies, facing competition from desperate, rate-cutting land-line telecoms, would find themselves forced to slash rates, too. Their revenues soon plummeted, as did revenues at Cisco Systems and other big telecom equipment suppliers. Cisco had invested hundreds of millions in ambitious telecom national networks and, on top of that, had loaned telecoms hundreds of millions more to buy Cisco equipment. The tanking telecoms would eventually leave companies like Cisco holding the bag.[163] In the first quarter of 2001, Cisco revenues fell 30 percent. The company laid off eighty-five hundred workers. Nortel, the top supplier of fiber optic networking gear, would see even more striking revenue reverses — and lay off twenty thousand workers.[164]

Overall, analysts reported in March 2002, close to six hundred thousand workers saw their jobs disappear when the telecom bubble burst.[165] American business had never seen an industry collapse so dramatically. On the list of the twenty-five biggest bankruptcies in U.S. history, telecoms, by August 2002, held ten slots.[166]

Amid the carnage, a host of telecom notables would walk away bruised but content. Qwest chairman Joseph Nacchio and co-chairman Philip Anschutz pocketed nearly $2.3 billion dumping big chunks of their Qwest shares before their company, one of the industry's giants, started collapsing. Top executives scored phenomenal paydays even at second-tier telecoms. James Crowe, the CEO at Level 3 Communications, walked into the sunset with $115 million.[167] Jack Grubman, the Wall Street research analyst who kept urging investors to buy up telecom shares even as the industry was collapsing, averaged $20 million a year during telecom's biggest bubble days. He left his Wall Street employer, Salomon, in 2002. As a parting present, Salomon forgave a $19 million personal loan Grubman had received from the company. Citigroup, Salomon's owner, also handed Grubman a reported $12 million worth of Citi stock.[168]

Reporters started detailing these sorts of giveaways midway through 2002 in a series of thoughtful analyses that tried to trace just how the telecom debacle had unfolded. But one aspect of the story puzzled perceptive journalists like Gretchen Morgenson of the *New York Times*. They could understand why analysts like Jack Grubman would keep pushing telecom shares as a "buy" long after he knew the telecom game plan no longer made any business sense. They could understand why the investment banks like Salomon, Grubman's employer, did their part to keep up pretenses. Grubman helped Salomon collect nearly $1 billion in investment banking fees. And reporters could even understand why deep pockets like Paul Allen and John Malone so unquestioningly poured

billions into hare-brained telecom business plans. In any mad rush for fortune, reporters reasoned, sound judgments will always be suspended. But what about the telecom executives, the CEOs who kept announcing plans to lay more wires even after they knew, beyond any possible doubt, that the industry had already laid far more capacity in the ground than consumer demand could possibly fill. Why did these CEOs behave so irresponsibly?

In August 2002, this final puzzling piece fell into place. Gretchen Morgenson discovered that top executives of established telecom giants like Qwest, under the table and out of sight, had been cutting purely personal "sweetheart deals" with start-ups that supplied telecom equipment. The start-ups, Morgenson revealed, would sometimes give big-time telecom executives stock options "in exchange for an established executive's participation on an upstart company's advisory board."[169] Other times, start-ups would let executives in on IPO shares at bargain-basement prices. The telecom executives, however they received their start-up stakes, now had a personal incentive to help their favorite start-up's shares shoot up in price — and they had, at the same time, the power to provide the start-ups exactly the contracts they needed to build share price momentum. Nearly every contract to lay unneeded and unjustifiable cable capacity sent some start-up's share price soaring — and enriched the telecom CEO who had the contract let.

The industry analysts who helped Morgenson piece together this incredible story of telecom conniving and corruption could, in retrospect, only shake their heads.

"Looking back," noted one, Susan Kalla, "it looks more and more like a pyramid scheme."[170]

THE STOCK MARKET ISN'T, OF COURSE, supposed to be a con game. The stock market is supposed to be America's investment crown jewel, the source of the capital American businesses need to become ever more productive. In the 1980s and 1990s, this widely accepted notion — that the stock market actually serves a vitally important productive function — turned out to be the biggest con of them all.

In modern American business life, as opposed to modern American business folklore, corporations seldom look to the stock market for the capital they need to enhance their operations. Companies raise most of the capital they need internally, out of their own revenues. To raise any additional investment dollars, firms typically go first to commercial banks, or sell bonds. But companies do also float occasional new issues of their stock. And these new issues, in the twentieth century's closing years, did serve a definite business function. They served, in case after case, to bail executives out of the messes they had made with their mergers.

Big-time merger-and-acquisition sprees, in the closing years of the twentieth century, almost always left America's big-time executives saddled with staggering loads of corporate debt. Early on in the boom years, executives realized

they could neatly offset, or at least reduce, those staggering debts by playing games with Wall Street. The process couldn't be simpler. An executive multimillions in debt would have his company issue new shares of stock that, once gobbled up by investors, would return multimillions to company coffers. The executive would then use these multimillions to pay down the company debt, in effect trading creditors for shareholders. The multimillions these shareholders paid for their shares, analyst Christopher Byron noted in 1997, essentially provided indebted companies with "a free loan that never has to be paid back."[171]

Those who celebrate Wall Street as a marketplace miracle that keeps companies well stocked with capital never seem to pay much attention to this sort of wheeling and dealing. They simply assume that dollars investors spend to buy shares of stock end up helping companies produce more goods and services. But the overwhelming bulk of stock market trades do not even involve transactions between a company and investors who want to buy shares of the company's stock. The overwhelming bulk of trades are simply transactions between one temporary owner of shares and another. Ninety percent of all stock market trades, notes St. Johns University economist Gary Mongiovi, "involve nothing more than the speculative reshuffling of the ownership of corporations."[172]

In effect, notes Columbia University's Louis Lowenstein, stock trading has become a game of "musical shares." The same shares are traded again and again. In the process, Lowenstein points out, "nothing is created."[173] Nothing useful. Nothing but fortunes.

The more trading, naturally, the more opportunities for making fortunes. The more bets you make, the more likely one bet will pay off big. In the boom years, bets on stocks bounced back and forth between investors at dizzying rates. In the early 1960s, shares on the New York Stock Exchange turned over at a 14 percent annual rate. By the late 1980s, stocks were turning over, going from one owner to another, at a 95 percent annual rate.[174] At century's end, shares of the very hottest stocks, like Amazon.com, would be turning over at a 100 percent rate *every two weeks.*[175]

None of this feverish speculation added an ounce of productive value to America's economy. In fact, this feverish speculation subtracted from America's productive might. Every trade, every churn of shares from one share owner to another, swallowed up time and resources that could have been put to far more productive use. The billions upon billions wasted away on this speculative trading amounted, as Adrian Slywotzky, a partner at Mercer Management Consulting noted in 2002, to "a massive redeployment of capital and people from fundamentally productive activities to fundamentally unproductive activities."[176]

How much capital, how many people hours, have been wasted away over the last quarter century? Economists may one day give us an answer.[177] We need here note only that Wall Street promised us economic growth, not economic

waste. Let wealth concentrate, we were assured, and America's incredibly sophisticated financial markets would render unto us investments that would keep the United States the most productive of nations. Our representatives in Congress and our leaders in the White House believed in the Wall Street model. They took steps — everything from cutting taxes on the wealthy to freezing the minimum wage — that encouraged great wealth to concentrate. And great wealth did concentrate, at levels not seen in the United States since just before the Great Depression.

In return, great wealth gave us speculative waste, not productive investment, more economic waste than any generation of Americans had ever seen.

We should have expected no less. Con games never serve any productive purpose. Con games never create wealth. They concentrate it.

WEALTH THAT CONCENTRATES MUST BE PROTECTED, and protection costs. A great deal.

In early twenty-first century Manhattan, the ultimate in protection for wealthy households, a "safe room," ran $400,000 and up. A typical bulletproof, steel-reinforced safe room sported its own phone line and power generator, a computer that could lock and unlock almost any door in the house, and an "oxygen scrubber" to keep air inside the safe room from getting stale. A wealthy household could, if so inclined, accessorize a safe-roomed house with floor board stress detectors, burglar alarms for dresser drawers, and motion detectors that could tell the difference between pets and people.[178]

Security experts who install safety accessories like these now make up one of the nation's fastest-growing professions. Over one and a half million Americans currently work in private security. Over a half-million other Americans work in public law enforcement.[179] None of these security personnel, private or public, work at jobs that produce any of the goods and services we normally associate with a growing economy. Instead, they work to make sure that other people end up in a place — prison — where they can't make much of a productive contribution to the economy either. And that mission they have completed exceptionally well. America's inmate population jumped from just under two hundred thousand in 1970 to just under 2.2 million in 2002.[180] Law enforcement, overall, cost the nation $6 billion in 1968. The 2003 estimate: $210 billion.[181] The nation's *total* annual protection bill, the outlay for both public *and* private security, has surpassed a quarter trillion dollars.[182]

This oversized sum, analysts note, represents an enormous missed opportunity. The dollars we spend on security — if spent on something other than security — could make an important contribution to helping the economy become more productive. Just imagine "the boost in productivity that might occur," ask economists Randy Albeda and Chris Tilly, "if the money spent both privately and publicly to hire additional security and police were spent to hire child care workers."[183]

So what conclusion should we draw? Are we as a nation just wasting all the hundreds of billions we spend on "additional security and police?" Or do outlays for security, unlike outlays for speculation, serve a useful and absolutely essential social purpose?

That depends — on the level of outlay. Expenditures on security certainly do carry a socially redeeming value that speculative outlays can never match. No decent society can possibly stand by and let people be mugged and robbed. To be productive, people need to be safe. Resources spent keeping people safe do make an economic contribution, and a necessary one at that. But the resources we devote to security also exact a price. Societies that are fixated on protecting wealth are not creating wealth. The more societies have to spend on security to keep people safe, the less their capacity to help people become more productive. Societies that *don't* have to devote massive resources to security clearly have an economic leg up on societies that do.

We live today, the adage goes, in a dangerous world. Yet some nations in this dangerous world have been able to keep their populations safe *without* having to spend massively on security. Indeed, many societies that don't spend massively on security appear distinctly safer than other societies that do. The United States, for instance, spends far more on prisons than all other industrial nations. Six hundred of every hundred thousand U.S. residents lived behind bars in 1995. France only incarcerated ninety-five people per hundred thousand population, Sweden only sixty-five, and Japan only thirty-seven.[184] Did going to the immense expense of keeping all these law-breakers behind bars leave Americans safer? In the mid 1990s, a girl or a woman in the United States was four times more likely to be murdered than a girl or woman in Sweden, five times more likely to be murdered than a girl or a woman in France, and seven times more likely to be murdered than a girl or woman in Japan.[185]

How can some nations spend so little on security and still be safe? Some nations, analysts answer, are more equal than others. Crime rises in unequal societies. Where "the rich have more to protect and the poor have less to lose," note economists Randy Albeda and Chris Tilly, "crime goes up."[186] And crime keeps going up, other analysts add, as the gap between rich and poor widens. That gap, not poverty itself, is what drives crime rates. Indeed, poor societies can be safe societies, if people in them see that life's hardships are shared more or less equally. But where "rewards are inequitably distributed," as psychologists Martin Daly, Margo Wilson, and Shawn Vasdev have observed, "escalated tactics of social competition, including violent tactics, become attractive."[187]

Over the years, several other scholars, including the Nobel Prize-winning economist Amartya Sen, have traced the relationship between murder, the most violent of crimes, and income inequality. High poverty rates, these studies have shown, don't necessarily produce high homicide rates. High rates of inequality do. How equally or unequally resources are distributed, concluded one review of this research published in 2001, more powerfully impacts "levels of lethal violence in modern nation states" than "the average level of material welfare."[188]

For a case in point, look south. Look to Brazil.

By global standards, Brazil can actually claim to be an affluent nation. On a per capita income basis, Brazil rates higher than 77 percent of the rest of the world, and many nations, in proportional terms, have more people living in poverty than Brazil.[189] But no nations display a more striking gap between rich and poor. In Brazil, the richest 10 percent of families make nearly 50 times what the poorest 10 percent make.[190]

Amid this stark inequality, Brazilians spend $2 billion a year on private security arrangements.[191] In Sao Paulo state, a third of local residents "pay security guards to watch over their homes."[192] Sao Paulo's people have reasons to be nervous. The homicide rate in Sao Paulo city tripled in the 1990s. Kidnappings in Sao Paulo have become so common that some plastic surgeons now "specialize in treating wealthy victims who return from their ordeals with sliced ears, severed fingers and other missing body parts that were sent to family members as threats for ransom payment."[193]

Meanwhile, over in Brazil's second largest city, Rio de Janeiro, carjackings were taking place so often, by the late 1990s, that police officials assured affluent drivers that they wouldn't "be fined for running red lights at night." Thousands of those drivers took no chances. They armored their cars, typically at $35,000 per automobile. Motorists interested in "anti-explosive gas tanks," sirens, and other extras had to pay double.[194]

"Soon the haves will circulate throughout the city in personal tanks," Sao Paulo novelist Ignacio de Loyola Brandao predicted right before the century turned.[195]

That prediction would turn out to be somewhat off base. Brazil's wealthy took to the air, in the early years of the twenty-first century, not tanks. By mid 2002, Sao Paolo could claim the world's busiest helicopter traffic, with twenty-four times more helipads than New York. Sao Paulo businessmen rode helicopters every day, a *Washington Post* correspondent reported that year, "from their fortified offices to their fortified homes." In their walled neighborhoods private armies patrolled "behind electrified fences."[196]

"We have become prisoners in our own homes," Ellen Saraiva, the wife of one top Brazilian executive, admitted to a reporter. "One of my daughters is studying abroad right now, and as much as I miss her, it makes me feel at peace to know she is not here living through this nightmare."[197]

Thoughtful Brazilian economists had nightmares, too. In some countries, they knew, people woke up every morning thinking about what they could be doing at work to be more productive. Brazilians woke up thinking about what they could be doing to survive.

IN JAPAN, AT CENTURY'S END, few people woke up worrying about survival. And nobody was making fortunes armoring cars, mainly because the Japanese entered the twenty-first century with one of the world's lowest crime rates.[198] Families in Japan did not live behind electrified fences, shielded by private

security armies. They lived, instead, about as equally as any people in the developed industrial world. In Brazil, the richest tenth of families made almost fifty times more than the poorest. In Japan, people at the top tenth of the income ladder made just over four times more than people at the bottom.[199]

Just 2 percent of Japanese households, in 1997, lived on less than $16,000 a year — and the exact same percentage, only 2 percent, made more than $160,000. Most Japanese families, over half, lived right in the middle, on between $35,000 and $75,000 a year.[200]

None of this equality evolved by accident. The modern Japanese did not inherit a remarkably equal society. They created it, after 1945, in a nation that had been pounded into rubble. World War II, points out journalist Kevin Sullivan, had destroyed nearly "all personal wealth" on the Japanese islands, "leaving Japan's aristocrats and peasant farmers alike struggling for the same food scraps in the bombed-out ruins."

"From that starting point," Sullivan notes, "Japan set out to rebuild itself as a land where everyone was equal."[201]

The American army of occupation would help drive the equalizing process, by breaking up Japan's massive rural estates and sharing the land with average farmers.[202] Japan's new lawmakers would do their part as well. They taxed the wealthy at stiff rates and stretched a well-knit safety net for the poor.[203] Even Japanese business leaders, prodded by labor and public opinion, made important contributions to a more equal Japan. Their companies offered workers lifetime job security. And Japanese banks, notes American economist Dean Baker, "were expected to extend loans to major employers, even those losing large amounts of money, to keep unemployment low."[204] All these steps, taken together, created a society with no "exclusive Beverly Hills or desperate Bronx slums."[205]

This equality would help nurture an incredibly productive society. In the 1970s and 1980s, Japanese enterprises won world-wide reputations for quality and efficiency. Japanese products captured growing shares of one global product market after another, in everything from stereos to motorcycles. Year by year, exports rushed out of Japan at ever faster rates. Japan's trade surpluses mounted, as did the value of the Japanese yen. Interest rates, meanwhile, dropped to the developed world's lowest levels. The nation's bankers could hardly believe their good fortune.

"Japanese banks overflowed with money," writes economist William Stewart, "much more than they could accommodate by relending in Japan itself."[206]

Bankers, in other words, had "money to burn," and, in the late 1980s, this money did what money to burn always does: ignite a wild speculative fire. In Japan, that fire raged from 1986 into 1991 and ended with a substantial collapse in real estate and stock market prices. Banks were suddenly left holding portfolios thick with burnt-out investments.

Japan's economy spent the rest of the 1990s trying to recover. Shares on the Japanese stock exchange never did. They lagged the entire decade — at the

same time share values in the United States were soaring. What was Japan's problem? Smug American corporate leaders felt they knew exactly what was wrong. Japan had become too equal. The Japanese, American business observers asserted, needed to wake up to modern global realities. They couldn't possibly "continue to subsidize the poor through a 50 percent income tax on wealthy citizens" and expect to grow their economy. Japan needed to realize, once and for all, that a 70 percent tax on inherited wealth represents "outdated and excessive government interference" on the incentive to invest.[207]

"Nothing in America or Europe matches the rot in the state of Japan," echoed an editorial in the British *Economist*. Japan "needs to make the difficult choices that will bring efficiency and long-term growth." And that meant privatizing public services and deregulating businesses.[208] Many high-ranking Japanese office-holders would agree with this diagnosis. Japan, they concluded, could no longer afford equality.

"It's difficult for a government official to advocate income inequality," acknowledged Kenji Umetani, a director in Japan's economic planning agency. "But when we are designing the future structure of the Japanese economy, we have to make some adjustments to the existing structure that will necessitate an acceptance among Japanese people of greater income dispersion."[209]

Early in the twenty-first century, Japan's new prime minister, Junichiro Koizumi, would set about to make these adjustments. He would encourage Japanese corporations to downsize, just like American corporations. He would applaud policy moves that promoted "wage restraint" and kept job growth depressed.[210] Business leaders exulted.

"In seven or eight years," predicted Shoji Hiraide, the general manager of one of Tokyo's grandest department stores, "Japanese society will look much more like Western society, with gaps between rich and poor that can be clearly seen."[211]

That prospect left the people of Japan singularly uneasy. Some Japanese business executives might be upset "about the tiny gap" between their pay and the pay of their employees," noted Hiromitsu Ishi, a Japanese university president, "but most Japanese people like the notion of a not-so-uneven income distribution."[212]

The Japanese people had reason to appreciate their nation's unusually equitable income distribution. Equality had been good to average families in Japan, even during the "crisis" years of the 1990s. Joblessness in Japan, the *National Catholic Reporter*'s John Cort would note in 1998, had increased over the decade, but, at 4.3 percent, still stood lower than joblessness in the "booming" United States. And Japanese workers earned more than their American counterparts, 17.7 percent more for factory work.[213]

"Japan's problems," agreed Ezra Vogel, the director of Harvard University's Asia Center, "have been grossly exaggerated." Most Japanese "are happy with

their quality of life, which includes a low crime rate, low unemployment and excellent schools."[214]

But what about Japan's stagnant stock market? What about the economic "crisis" that Prime Minister Koizumi insisted could only be fixed by adopting America's Wall Street model? That "crisis," observers like John Cort charged, impacted "mainly the rich and those who aspire to be rich."[215] Average Japanese faced no crisis. In the 1990s, they held their own.

Japanese elites did not. On the global stage, they lost ground. In the 1990s, top Japanese executives watched their American counterparts take home paychecks that tripled — and then tripled again — executive paychecks in Japan. Prime Minister Koizumi promised relief for these frustrated Japanese corporate leaders. He would force a break with hide-bound Japanese traditions. He would totally overhaul Japan's "crisis"-ridden economy.[216] Or so he pledged. But Koizumi would fall short. By 2003, his efforts to engineer a seachange in Japan's economy had failed. Japan would not swallow the Wall Street model. The Japanese people would taste Wall Street's medicine and spit it out.

In growing inequality, average Japanese people sensed a threat to their economic well-being. But they sensed other dangers as well. And they were right to worry. Unequal societies pay a price that can't always be measured in mere dollars and cents and yen. To these costs we now turn.

Excess Without Happiness

No one, at least no one who claims to be leading a rational life, pursues wealth simply to become more wealthy. As individuals, and as societies, we treat wealth as a means to an end. We strive to become more productive, to create more wealth, only because we believe that wealth, at some level, can improve our lot in life, can make us, in a word, happier. Are we fooling ourselves? Can wealth actually bring happiness? And if wealth can bring happiness, does that mean that still more wealth will bring still more happiness, that those individuals who accumulate the most wealth will be the happiest of all?

Various thinkers, both grand and grinning, have pondered these questions down through the centuries. They seem to agree, more or less, on the basics: No amount of wealth can ever guarantee happiness. In all things, including wealth, moderation.

"Many very rich men are unhappy," as the ancient Greek historian Herodotus intoned, "and many in moderate circumstances are fortunate."[1]

"It's pretty hard to tell what does bring happiness," quipped Frank McKinney Hubbard, the early twentieth century Indiana humorist, over two millennia later, "poverty and wealth have both failed."[2]

Few of us today would quibble with either Herodotus or Hubbard. We generally look askance at people who turn their lives into a single-minded race after riches. In one 1996 Gallup poll, 80 percent of us said flatly we would not sacrifice significant family time to become rich.[3] Four years later, in another national survey, that same share of us, 80 percent, "expressed fears" that wealth might turn us "into greedy people."[4]

Do these attitudes mean that Americans don't want to become wealthy? Not exactly. In fact, not at all. In 2000, in the same poll that found people fearful about wealth, two-thirds of us said we "would like to give wealth a shot."[5] An earlier national survey, conducted in 1994 for *Worth* magazine, uncovered remarkably similar attitudes. Half of all Americans, *Worth* found, agreed wholeheartedly that "money can't buy happiness." Yet at the same time, almost 70 percent of Americans also felt "that doubling their earnings would make them a lot or somewhat happier."[6]

These sorts of conflicted attitudes fascinate social scientists. Some of them have spent years digging at the roots of these attitudes. They've explored,

through surveys and interviews, observations and experiments, the possible ties between wealth and what psychologists call "subjective well-being," what the rest of us call happiness. The results from their research, interestingly, both confirm and reject a link between wealth and what makes and keeps us happy. Increases in income, the research makes clear, definitely do make people significantly happier — when these increases lift people out of deprivation. But once people have escaped deprivation, researchers have concluded, additional increases in income don't appear to make people any happier. The world's richest nations do not necessarily boast the world's happiest people.

"One of the central findings in the large scientific literature on subjective well-being," notes Cornell University economist Robert Frank, "is that once income levels surpass a minimal absolute threshold, average satisfaction levels within a given country tend to be highly stable over time, even in the face of significant economic growth."[7]

So does money not really matter to happiness, except when people need more of it to hurdle out of poverty? Things aren't that simple. People in rich nations may not be happier, on average, than people in nations that aren't as rich, but, within individual societies, money *does* matter. Affluent people, in every society, are happier, as a group, than their not-as-affluent neighbors. Not everyone making $200,000, of course, is happier than everyone making $20,000. Six-figure incomes do not, by themselves, turn sour cynics into smiling romantics. But six-figure incomes do make a difference. Someone with a sour disposition and a $200,000 annual income will almost always be happier than someone with that same sour temperament who takes home just $20,000.

We seem to have a bit of a contradiction here. On the one hand, according to the best statistical evidence, people in richer nations are, on average, no happier than people in nations that cannot claim quite as much wealth. On the other hand, *within* nations, richer people are, on average, happier than everybody else. How can this be? How can income differences *within* nations make a difference in how happy people feel when income differences *between* nations don't? Is there a logical explanation for this distinction? Indeed there is. Our friend context. In the lives we lead, money doesn't make us happy. Context does.

Imagine yourself a traveler. What do you need to be happy? A comfortable seat? Sounds reasonable. How can you be a happy traveler, after all, if you're crowded for hours in a tight, severely cramped space? Actually, you *can* be a happy traveler in a tight, cramped space. In fact, you can be a happy traveler in a tight, cramped space even if you're soaked and shivering. You wouldn't mind one bit that cramp and damp if you had been shipwrecked and just spent an hour treading water. You would be happy beyond belief to find any space at all, no matter how tight, in a lifeboat. You would shiver and smile.

Now imagine yourself flying high above those chilly waters, sitting comfortably in a airline aisle seat. You have plenty of room to stretch out. No one is sitting next to you, or in front of you or behind. Sitting in your infinite com-

fort, you strike up a conversation with the passenger across the aisle. He seems even happier than you are. You ask him why. You learn that he had found a fantastic deal on his ticket. He paid one-third of what you paid. Suddenly, despite your comfort, you don't feel happy at all. Context.

Are we happy? This simple question almost always begs another: Compared to what? We define our happiness by our position. And we define our position by comparing ourselves to others — or to ourselves, at an earlier stage in our lives.

Researchers have repeatedly documented the importance of this comparative dynamic. In one famous study, psychologists asked different groups of people to assess how happy they feel about themselves. One group was surveyed with a disabled person present in the room, the other group without a disabled person present. The people surveyed in the presence of a disabled person always turned out to feel happier about their own lives than the people quizzed in a room without a disabled person present.[8] Context.

This same comparative dynamic drives how we feel about our economic fortunes. If we grew up under a leaky roof, with rats underfoot, any clean apartment, even a tiny clean apartment, will make us happy. But if we grew up in a tiny clean apartment, worked hard all our lives, and still found ourselves unable to afford one of the roomier homes we see all around us, we are not likely to feel particularly content in our tiny clean apartment.

"The happiness that people derive from consumption," as researcher Alan Durning notes, "is based on whether they consume more than their neighbors and more than they did in the past."[9]

And that's why differences in wealth *within* nations make a difference in how happy people feel, why, as economist Robert Frank notes, the "upper classes in any society are more satisfied with their lives than the lower classes are, but they are no more satisfied than the upper classes of much poorer countries."[10] We compare ourselves to the people around us, the people whose lives we see and hear about every day. We don't normally compare ourselves to people from foreign lands, or to people from bygone days, because we don't experience their lives as part of our own daily lives.

All this suggests a possible economic formula for happiness: If most people in a society can sit back, think about their personal situation and conclude that they're doing significantly better than they used to be doing, and if most people can look around their society and conclude that they're doing just fine compared to most everybody else, then you have the makings of a generally happy society.

At the end of the twentieth century, the wealthiest nation in the world, the United States, did not fit this profile. Average Americans, as the new century dawned, were not sitting back and contentedly contemplating how nicely their personal fortunes had improved. They were, instead, struggling to maintain their economic status quo. Nor were average Americans feeling good about themselves compared to other people around them. Everywhere they looked, at

century's end, average Americans could see signs that some Americans — affluent Americans — were doing incredibly better than they were.

America, in short, did not have the makings of a happy society.

Did the absence of these makings actually lead to an unhappier America? Over the final decades of the twentieth century, social scientists carefully tabulated the answers Americans gave, year by year, to the old chestnuts of happiness research, questions like "Taken all together, how would you say things are these days — would you say that you are happy, pretty happy, or not too happy?" and "How do you feel about your life as a whole?" These queries, acknowledges Yale political scientist Robert Lane, make for "imperfect measures," but they do help us determine whether a society's level of subjective well-being is undergoing any significant change.[11]

In the 1980s and 1990s, the level of subjective well-being in the United States did undergo a significant change. That level dropped.

Should this drop concern us? Or should we consider rising unhappiness an inevitable consequence of modern life? The hectic pace of Information Age life, some might argue, may simply dispose people to be less happy. An interesting conjecture, but if modernity were making people less happy, social scientists would be finding significant declines in subjective well-being in both Western Europe and the United States. They are not. Researchers have found, Yale's Robert Lane notes, that "the decline in happiness is largely an American phenomenon."[12]

"Something has gone wrong," Lane concludes. The United States is simply "not as happy as it is rich."[13]

HULA HOOPS GENERATED PLENTY OF SMILES in the 1950s. And so did Milton Berle. But clever toys and antic comics weren't why most Americans were feeling good about their lives in the decades right after World War II. In these postwar years, unlike the end of the twentieth century, Americans were feeling good because the United States fit the happiness profile. Average Americans were doing better, significantly better, than they had ever done before. And average Americans also seemed to be doing just as well as everybody else. Most people seemed to be living remarkably similar lives. A couple kids, a home in the suburbs, a car by the curb.

Every evening, throughout the 1950s and 1960s, these kids, these homes, these cars would flash across America's TV screens. The television families that Americans followed, from the Andersons on *Father Knows Best* to the Cleavers on *Leave It to Beaver*, lived lives that most Americans either led — or could see themselves leading. In America's postwar decades, the "good life" meant a modest, comfortable life, and most Americans could afford all the basic comforts.

That would all change, drastically, in the 1980s and 1990s. With more wealth concentrating at the top of America's economic ladder, luxuries, not basic comforts, would come to define the good life. Fancy watches. Expensive

cars. Vacation homes. Most Americans could see this new good life all around them, but they could only ogle. This good life they could not afford.

But why should that, cheerleaders for the new America wondered throughout the boom years, make any difference to the happiness people feel?

"If you drive a Mercedes and I have to walk, that's a radical difference in lifestyle," argued Dinesh D'Souza. "But is it a big deal if you drive a Mercedes and I drive a Hyundai?"[14]

That difference, in fact, is a "big deal." A monstrously big deal. Luxury impacts everyone, even those who don't want to be impacted.

In the 1990s, reporter Peter Delevett counted himself one of those who didn't give one whit about luxury. In Silicon Valley, at the height of the dot.com wealth-amassing frenzy, he drove a plain car. He had always driven a plain car. But that plain car, and his modest lifestyle, would come to seem painfully inadequate in the boom years.

"As time went on, I began to feel, well, self-conscious pulling up to cover millionaire-packed dinner parties in my practical little Toyota Tercel," remembers Delevett. "We bought a red convertible. Silicon Valley, circa 1999, made you covet."[15]

Middle class Americans, at century's end, didn't need to sit at fancy dinner parties to feel compelled to covet. The explosion of wealth at the top of America's economic ladder had scattered this covetousness — what economist Robert Frank calls "luxury fever" — almost everywhere in American life.[16] In the twentieth century's final years, "super-spending by the super-rich" essentially raised the price of admission to the good life.[17]

Affluent Americans, those households that made up the topmost 20 percent of the income distribution, could meet this price, at least occasionally. The vast majority of American families could not. In a starkly unequal United States, Americans of modest means found themselves comparing the quality of their lives to the lives led by people of considerably more ample means, and, against that standard, their lives simply didn't measure up.

But haven't Americans always measured their lives against the lives led by more affluent people? Haven't Americans always tried to "keep up with the Joneses"? Most certainly. So what was so different, so happiness deflating, about the 1980s and 1990s? The difference would be the extent of inequality that emerged over the course of these years, the significantly larger gap that opened between affluent Americans and everybody else.

In every society, in every age, people compare themselves to others around them. These others make up what researchers call a "reference group." If people feel they're doing well compared to their reference group, they're likely to feel good about their lives, happy in their circumstances. In the years right after World War II, average Americans typically found their reference group in their neighborhoods — and the idealized version of those neighborhoods they watched on TV. With this reference group, average Americans could keep up.

They might not make as much as the Andersons on *Father Knows Best*, but they didn't fall that far short. The affluent lived within hailing distance.

By century's end, after two decades of increasing inequality, America's affluent no longer lived within economic hailing distance of average families. The distance between the average and the affluent had substantially widened.[18] Television still brought us into the comfortable lives of affluent people. But the comforts of these affluent households had become luxuries most American families would never be able to easily afford.

"TV mainly shows people in the top 20 percent of the income distribution," Harvard economist Juliet Schor would note late in the 1990s. "A family that is supposed to be an ordinary middle-class family on TV has a six-figure lifestyle. That has had a profound impact on our sense of what normal spending is."[19]

How profound? In the mid 1990s, research conducted by Schor among employees at a major American corporation found that "each additional hour of television watched in a week" ups a viewer's annual consumer spending by an additional $208.[20] Watching affluent people in affluent settings, Schor concluded, inflates "the viewer's perceptions of what others have, and by extension what is worth acquiring — what one must have in order to avoid being 'out of it.'"[21]

These televised images of affluence would be reinforced by real life — as experienced in America's workplaces. In the late twentieth century, the workplace would come to replace the neighborhood as America's middle class reference standard, mainly because many millions of American women had begun working outside the home. In 1980, less than half America's moms worked for paychecks. By 2000, two out of three moms were stepping outside their neighborhoods for work.[22]

Neighborhoods, Juliet Schor notes, generally bring together households of comparable incomes. If you compare yourself to your neighbors down the street, as Americans typically did back in the 1950s and 1960s, you're comparing yourself to people with incomes not likely to be much different from your own. Workplaces, by contrast, bring together people of significantly different income levels, particularly when workplaces are offices. In the 1980s and 1990s, Americans of modest means spent their days in these mixed-income workplaces. They encountered, week after week, "the spending habits of people across a wider economic spectrum" than they had ever encountered before.[23] They sat in meetings with people who wore "expensive suits or 'real' Swiss watches." They could see, up close, just how much the affluent own and just how well the affluent live. And they couldn't match that affluent lifestyle, not even come close, especially in places where riches were rapidly concentrating. Places like South Florida.

"It's very difficult not to look down at your shoes and sigh," noted one South Florida sociologist, Lynn Appleton, in a 2001 interview. "You see car after car after car that costs more than your yearly income." The Joneses, added

Appleton, who taught at a university in Boca Raton, never "used to be so hard to keep up with."[24]

Wealth in the United States had become, in effect, not just more concentrated, but more visible. The inevitable result: a general ratcheting up of the sense of what it takes to live a decent life. One research project, in the boom years, asked people to estimate how much money they needed to fulfull their dreams. Between 1986 and 1994, that estimate doubled. Desires, as Juliet Schor pointed out, had clearly outrun incomes.[25]

"In order to be middle class as our culture is coming to understand the term," concluded author Barbara Ehrenreich in 1997, "one almost has to be rich."[26]

IN THE QUEST TO BECOME "ALMOST RICH," Americans, as we have seen earlier, are now devoting more of their waking hours to work than people anywhere else in the developed world. We typically accept this national workaholism as simply a natural, inevitable "fact of life." But these long hours are no natural phenomenon. They represent an enormous change in the rhythms of everyday American life. A half-century ago, Americans spent far fewer hours at work, so many fewer that some observers, back in the 1950s, actually worried about a national "leisure crisis." Work-free weekends. Nine-to-five jobs. Pensioned retirements. Would average Americans, commentators asked, become bored with all the time they had on the hands?[27]

By the 1990s, no one was worrying any more about excess leisure. In 1997, married couples with one or two kids were spending over six hundred more hours on the job — the equivalent of over fifteen forty-hour weeks — than they spent on the job in 1979.[28]

The American dream wasn't supposed to work this way. Progress in the United States was supposed to bring more leisure, more time for family, more time for fun. And progress *had* brought more leisure, before the final decades of the twentieth century. Americans in the 1960s spent considerably fewer hours on the job than Americans in the 1910s. But leisure time stopped expanding in the late 1960s and then started shrinking, a turnaround that went largely unnoticed, by press and public, until Juliet Schor's eye-opening 1991 book, *The Overworked American.* By the 1990s, as Schor detailed, almost a third of men with kids under fourteen were working fifty or more hours a week. Employed mothers in one big city, Boston, were *averaging* over eighty hours of work a week on housework, child care, and employment. Between 1973 and the late 1980s, poll data indicated, the typical American's "free time" had dropped 40 percent.[29]

American families, Schor argued, had become trapped in "an insidious cycle of 'work-and-spend.'"[30] To afford America's ever-inflating middle class lifestyle, Americans were spending ever more hours at work.[31]

"Clearly, middle-income families in America have acquired more possessions than their parents and grandparents had," *New York Times* reporter Louis

Uchitelle would note in 1999. "But the middle-class comforts of an earlier day were accessible to families with just one earner; today, middle-income families find that they must combine at least two incomes, and often three, in pursuit of a life style that seems always out of reach."[32]

How out of reach? In one 1998 Marist College survey, 63 percent of Americans told pollsters they had difficulty paying monthly bills. A poll conducted later that same year by Peter Hart Research found that 67 percent of Americans felt their earnings weren't enough to keep up with the cost of living.[33]

Americans kept up anyway, as we have seen, by going into debt. On average, by midway through the 1990s, credit card holders were paying $1,000 a year in interest and fees.[34] In 1996, for the first time ever, over a million Americans filed for personal bankruptcy.[35]

"These are the people I'm seeing in bankruptcy court," one bankruptcy judge noted that year. "The guy loses his job and finds another one. It's a dead-end job, but at least it pays the mortgage. He gets depressed with his life and finds himself lured by the ads touting 'pay no interest for a year,' and so he buys a big screen TV and a satellite dish. He loses his job again and can't pay for the luxuries he's charged. Interest charges cause the balance to skyrocket. He finds another job and the cycle repeats. Eventually he finds himself with one option — to file for personal bankruptcy. I can't fault him."[36]

Most American families, of course, would not go bankrupt in the boom years. But they wouldn't become happier either. The game of life, more and more Americans had come to feel, was rigged against them. No matter how many hours they worked, no matter how much debt they risked, they could not "make it" to the bar that defined the good life. That bar kept rising. The affluent saw to that. These affluent, in an increasingly unequal America, could always afford to ratchet their consumption up to another level. And they did, to keep their distance from the mere middle class. By century's end, reporters were chronicling a product-by-product consumption spiral that seemed destined to never end.

"One year, a wealthy person's kitchen must have a $3,800 Sub-Zero refrigerator hidden discreetly behind wood paneling," journalist Richard Connif noted. "The next year, Sub-Zeros become 'middle-class,' and the better kitchens tend to have $30,000 Traulsens."[37]

Granite countertops, added reporter Margaret Webb Pressler, had for years defined the truly classy kitchen. But then tract-house developers "began offering granite as an upgrade, enabling the merely comfortable to buy in." The rich "moved on," to countertops fabricated from poured concrete. [38]

"And when those become too widely dispersed among the middle class," Pressler predicted, "the rich will rip apart their kitchens and start over again, continuing the lavish cycle."

The comfortably affluent could afford to laugh about this rising consumption pressure.

"I've learned that Abraham Maslow got it wrong," one analyst joked. "The eminent psychologist thought that once we satisfied our basic need for food, clothing and shelter, we would seek a higher happiness through art, human fellowship and the life of the mind. Spiritual transcendence would be the ultimate payoff of prosperity. But it hasn't worked out that way. Instead, everyone would rather go shopping."[39]

But not everyone could afford to chortle. For the millions of Americans "just struggling to get by," Juliet Schor noted, the game wasn't just rigged. The game was brutalizing. People, Schor explained, "are suffering tremendously because this is a system that says to be somebody, you have to wear these shoes and drive this car and live in this house."[40] In an unequal America, those who could not afford to accumulate ever more and better things would not find much happiness.

Neither, sadly, would those who could afford things aplenty.

WHY DO WE PUT SO MUCH FAITH in the power of "stuff' to make us happy? We believe that the things we buy can make us happy for a perfectly understandable reason. Things sometimes *can* make us happy, and almost all of us have experienced, at some point in our lives, the happiness that things can bring.

But not all things are equal. Only *some* things can bring us happiness, things that serve a real function and fill a real void in our lives.

Consider, economist Robert Frank suggests, the situation of a struggling, low-income grad student with a washing machine on its last legs. Laundry is one aggravation after another. The student, unfortunately, can't afford a new washer or even a servicing visit. He searches instead for replacement parts, wasting the better part of two weekends in the process. In the end, the student's do-it-himself repairs break down.

Would this student have been happier if he had been able to afford a new washer? Of course. A new washer would have filled a real need.[41]

Things that serve real needs can significantly enhance our subjective well-being. A working washing machine makes us happier not so much because other people have washers but because, outfitted with a working washer, our lives will be easier. By the same token, in a neighborhood ill-served by public transportation, a car can bring happiness. We need reliable transportation.

People in poverty typically can't afford enough of the things they need to function successfully in the society that surrounds them. That's why increases in income, for people in deprivation, can significantly enhance well-being. Added income enables people in poverty to purchase the things that serve basic unmet needs.

On the other hand, for people who live comfortably above the poverty level, most purchases do not involve the meeting of previously unmet needs. The purchases most of us make, most of the time, either replace or supplement something we already own. We trade in an adequately functioning old car for a brand new one. Our ability to move ourselves from place to place is not

enhanced. We add another topcoat to our closet. We have not enhanced our ability to stay warm in the winter.

The brand-new car, the extra topcoat, to be sure, do bring pleasure. But this pleasure soon fades, as quickly as the aroma from a new car's upholstery. New cars and topcoats have introduced no new functional value to our lives. They fill no lasting need. They give us no lasting pleasure. We quickly adapt to their newness. And the more affluent we are, the more often we can afford to buy a new car or a new coat, the smaller the pleasure we take from each new purchase. Newness, by itself, no longer gives us much of a thrill when we experience newness all the time.

Eventually, to get any thrill at all, the affluent must go beyond the new. To keep themselves satisfied, they need not just another new car, but a BMW, not just a new coat, but an ermine. They cycle endlessly through ever more costly exotics, pushing ever harder for a satisfaction that always seem to elude them. They are trapped, the psychologists tell us, on a treadmill, a "hedonic treadmill" where "the pleasures of a new acquisition are quickly forgotten."[42] Like addicts, they crave new fixes. And each new fix only accelerates the treadmill — for everyone. Formica, granite, poured concrete. The wealthier the wealthy, the faster the treadmill.

The faster the treadmill, the less the satisfaction.

In 1975, at the depths of America's worst economic downturn since the Great Depression, nearly three quarters of the American people, 74 percent, were still able to agree that "our family income is high enough to satisfy all our important desires." By 1999, after nearly two decades of the most robust economic expansion in American history, the share of Americans who felt they could satisfy their most basic desires had actually dropped, to 61 percent.[43]

OUR PURCHASES, WE HAVE NOTED, can sometimes make us happy. But the accumulation of more purchases, once we have met our basic functional needs, doesn't make us happier. What does? Many Americans, after all, still walk around smiling, despite America's ever faster treadmill. What's their secret? Are these smiling people drugged? Have they discovered some secret path to happiness?

Some of these smilers, of course, may be drugged. But the addict's high never lasts. Nor do any of the other highs, financial or sexual, promised by the happiness hucksters who cram spam into our e-mail in-boxes. In the end, suggests political scientist Robert Lane, only one aspect of life always delivers satisfaction over the long haul. And that aspect is companionship, the solidarity and fellowship of family and friends.[44] From webs of companionship, or community, adds sociologist Amitai Etzioni, we take "profound contentment."[45]

Authentic companionship and community cannot be bought. They must be nurtured, by an ongoing stream of interpersonal interactions. A shared meal. A neighborhood struggle to get a new stop sign. An evening spent volunteer-

ing. A good laugh watching a ballgame with friends. Over time, enough such interactions "bind people together and strengthen the places they live." They create what Harvard's Robert Putnam calls "social capital."[46] They foster happiness.

In 2001, Putnam released a massive national study that documented just how powerful a difference community and companionship can make. To complete this study, researchers had surveyed over twenty-six thousand people in forty communities and interviewed three thousand other Americans selected from a random national sample. People who live amid high concentrations of social capital, the researchers found, live happier lives than residents of financially wealthier communities that sport less in the way of social capital. Putnam's conclusion: Social capital, "much more so than financial status," makes for "a very strong predictor of individual happiness."[47]

Yale political scientist Robert Lane, in his research, had reached much the same conclusion the year before. Commodities, Lane noted, "are poor substitutes for friends."[48]

That sounds right, most Americans would no doubt agree. But who has time, they might add, for friends — or family or community? And therein lies the ultimate irony of our times. To be able to afford the good life, and the happiness we feel sure the good life must bring, we devote ever larger chunks of our lives to making as much money as we can. In the process, we end up with less time for the things that really do make us happy.

Less time for friends. On a typical day in 1965, Robert Putnam notes, about two-thirds of Americans, 65 percent, spent at least some time informally socializing. Thirty years later, in 1995, only 39 percent of Americans devoted any time to socializing on a typical day.[49]

Less time for family. At century's end, nearly 7 million children five to fourteen regularly cared for themselves, all alone, while their parents were working.[50]

Less time for community. In the 1960s, about half the American people "invested some time each week in clubs and local associations." In the 1990s, less than one quarter of Americans devoted time to community groups.[51]

Not every American, of course, was racing through life as the millennium ended, shortchanging friends, family, and community, "feeling hurried and rushed every day, getting annoyed at long lines, going to bed wired, waking up tired."[52] But enough were to produce a remarkable social shift. In 1973, a Harris poll asked a random sampling of Americans how much time they needed to earn a living, attend school, and care for home and family. Half the Americans surveyed said they needed more than 40.6 hours a week to meet these responsibilities, half said they needed less. A generation later, in 1999, that halfway point, the median, had climbed to 50.2 hours, nearly a 25 percent increase.[53]

No wonder leisure suits bombed.

ARE AMERICANS OVERWORKED AND OVERSTRESSED? If they are, various commentators routinely declare, they have no one to blame but themselves. These distinctly unsympathetic observers, notes economist Robert Frank, "insist that if middle-income families can't afford to keep up with the consumption standard set by others, they should simply spend less and stop complaining."[54]

W. Michael Cox, the chief economist at the Dallas Federal Reserve Bank, has been among the busiest of these critical commentators. His book, *Myths of Rich and Poor: Why We're Better Off Than We Think*, co-authored with Richard Alm in 2000, helped spell out the spend-less-and-stop-complaining mantra.

"It's not the high cost of living that gets us," Cox argues, "it's the cost of living high."[55]

Want more quality time with your kids? More hours for relaxation? A less stressed existence? Just do it. No one forced you onto the treadmill. No one's keeping you from stepping off. The choice, Cox-like commentators assert, is up to every individual. It's a free country. So suck it up, be an adult, and live with the consequences of your decisions.

Some people, to be sure, have been able to step off America's hedonic treadmill. But their example has touched off no mass exodus. How could it? America's entire economy — entire culture, for that matter — is geared toward defining happiness as the sum total of goods and services consumed. Every day, in malls, on television, and almost everywhere else as well, average Americans are constantly updated on the acquisitions that define the life that any self-respecting American ought to strive to reach. Average Americans have no say in this standard setting. But they strive to meet these standards anyway. In the marketplace that is America, they have no real choice. Average households may be absolutely free, in theory, to ignore society's consumption standards, but, in real life, they ignore these standards only at their peril.

"When upper-middle-class professionals buy 6,000-pound Range Rovers," explains Robert Frank, "others with lower incomes must buy heavier vehicles as well, or else face greater risks of dying."[56]

Parents who fail to spend what society says they should, adds Frank, expose their loved ones to dangers "few families could comfortably tolerate." Unwilling to buy a "nice" house because you don't want to have to assume a back-breaking mortgage load? What real option do you have? "Living in a house priced well below average," Frank notes, "can mean living in a dangerous neighborhood, or having to send one's children to a substandard school."[57]

In an increasingly unequal America, agrees economist Juliet Schor, average Americans work and spend at rising rates not to "live high," but to protect themselves.

"Americans did not suddenly become greedy," she notes. "Upscaling is mainly defensive."[58]

Americans spend defensively, Schor points out, for both practical and psychological reasons. In some occupations, consumption standards simply must be met, no matter how high these standards might shoot. Salespeople, profes-

sionals, and the self-employed, to make anything close to a decent living, "have to dress, drive, even eat the part." Nothing projects "failure," says Schor, more than a salesperson in a twelve-year-old car.[59]

Salespeople, in turn, bring the same attitudes about consumption into interactions with their customers. Researchers have documented, notes Schor, "what most people already know: the way you dress affects how salespeople treat you."[60] What you own, researchers have also shown, can make a powerful impact in even the most fleeting of daily encounters. Studies have demonstrated, for instance, that motorists who delay at a green light "are less likely to be honked" from behind if they're driving a luxury automobile."[61]

Some of us can tolerate occasional intemperate honking. Few of us can tolerate the full psychological cost of jumping off the hedonic treadmill. Honking only costs us a moment's peace of mind. Once off the treadmill, we risk losing something far more important, our status in the groups that matter most to us. And our most valued group identity, in any society split into economic classes, usually involves where we stand, or seek to stand, in the class structure. Consumption defines that standing.

"We display our class membership and solidify our class positioning," notes Juliet Schor, "in large part through money, through what we have."[62]

In a relatively equal nation, a society where relatively minor differences in income and wealth separate the classes, people will typically not obsess over meeting consumption standards. If nearly everyone can afford much the same things, things overall will tend to lose their significance. People are more likely to judge you by who you are, not what you own, in a society where incomes and wealth are distributed somewhat equally.

The reverse, obviously, also holds true. "As inequality worsens," as Schor puts it, "the status game tends to intensify."[63] The wider the gaps in income and wealth, the greater the differences in the things that different classes are able to afford. Things, in markedly unequal societies, take on greater symbolic significance. They signal who has succeeded and who has not. You are judged, in these societies, by what you own, by what you consume, not who you are. In these unequal societies, if you are willing to risk getting labeled a loser, you can decline to play by the consumption rules. You can step off the treadmill. But you don't. After all, what right do you have to expose your child to the loser label? What right do you have to force your friends to choose between you and the stigma of hanging out with a failure? You keep treading. We all keep treading.

We tread with no illusions. We know we will never be able to achieve all the trappings of success, not when the incomes of the most "successful" are increasing at much faster rates than our own. But we can, if we keep treading, afford at least a taste of that success.

"At Starbucks," as journalist Peter Grier put it at the turn of the century, "coffee costs twice as much as at a no-name carry-out, yet it's only $1.45."[64]

That container of coffee at Starbucks, says the University of Florida's James Twitchell, amounts to "luxury on the cheap."[65] We can't have it all, but we can have some.

NOT ALL OF US, OF COURSE, GET THRILLS FROM TRIPLE LATTES. Nor do we all need fancy cars to feel good about ourselves. Many of us buy only at sales. We study *Consumer Reports*. We are proud of our consumption prudence. The high-pressure consequences of living amid gross inequality may mess with other people's heads, we tell ourselves, not ours.

Or so we think. We think wrong. In an unequal society, no consumer escapes inequality. Where wealth concentrates, average people only have one choice. They can live like hermits or spend more than they want — on products they don't really need.

An exaggeration? Consider this exercise. Imagine yourself an automaker in a nation with 100 million households. The vast majority of these households, some 80 percent, earn middle class incomes between $30,000 and $50,000. The rest of your nation's households split evenly between affluence and poverty. Ten percent earn over $50,000, 10 percent below $30,000.

Your nation's middle class households have adequate, not affluent, incomes. They're extremely sticker-price conscious. As an automaker, you can't expect to make much more than $1,000 per car profit selling to this middle class market. Still, you *can* make a lot of money marketing to your middle class. If every middle class household bought a new car once every five years and you cornered just one quarter of the middle class market, you could sell 4 million new cars a year — and make a $4 billion profit.

What about your society's affluent households, that 10 percent of families making more than middle class incomes? These families are not as price sensitive. You can sell them more car. You can earn, in fact, a $2,000 profit on every "luxury" car you sell an affluent household, twice as much as you can earn selling to a middle class household. If you could capture a quarter of this affluent market, you could clear $800 million a year.

So which market would get your prime attention, as an automaker, the middle class market or the affluent market? Both would surely be profitable, but, in a middle class-dominated society, you would likely choose to focus on the middle class market, because that's where the biggest returns would be. You would work hard to build the best modest-priced cars you could. Your prize — a meaningful share of the immense middle-class new car market — would be well worth your effort.

Now imagine yourself an automaker in a considerably *less* equal nation of 100 million households. In this more unequal nation, the middle class makes up only half the total 100 million households. About 20 percent of households make over $50,000, with 30 percent making less than $30,000.

In this nation, middle class families are struggling. They'll still buy new cars, but they're more sticker-price conscious than ever. You can't expect to move cars

off the showroom floor in this market unless you keep prices way down. On each new car sale to these middle class households, you figure to average just $500 in profit. If you capture a quarter of this middle class market, you stand to register a $1.25 billion profit.

Meanwhile, in this more unequal society, affluent households aren't just more plentiful, they're also wealthier. For just the right automotive experience, these wealthier households are willing to pay a premium. A savvy automaker can now earn a $3,000 profit on every new car sale to an affluent household. Ka-ching! These sales add up fast. An automaker who captured a quarter of this luxury market could walk off with $3 billion. So where are you, as an automaker in an unequal society, going to place your automaking energy? You would, of course, choose to focus on the luxury market.

A far-fetched scenario? Not hardly. In fact, in the closing years of the twentieth century, automakers in the United States faced essentially these exact inequality dynamics.

Until the 1980s, these automakers had historically, ever since Henry Ford, always focused their factories on "building cars for everyday American families."[66] But this middle class-oriented approach, by the late twentieth century, no longer made any business sense. In an increasingly unequal America, as *Washington Post* automotive expert Warren Brown would note in 1997, the wealthy had become "practically the only customers the automakers can count on."[67]

By century's end, the mass middle class market for new cars had essentially evaporated. The bottom two-thirds of American income-earners, people making under $50,000, were buying just one-third of the nation's new cars, and most of the new car buyers in this bottom two-thirds weren't really people of modest middle class means at all. They were, observed W. Van Bussmann, a DaimlerChrysler economist, either young people with prosperous parents or retirees with a lifetime of assets to draw from.[68]

In this new market environment, with fewer families able to afford new cars, automakers felt they had little choice. If they wanted to continue making big money, they would have to start making much more money on each car sold. And that they proceeded to do — by "supersizing" their products. In the 1990s, automakers made cars bigger. The bigger the vehicle, the more option-laden, the bigger the per-vehicle profit.[69] The new strategy worked wonders. Ford, G.M., and Chrysler, amid record levels of inequality, all registered record earnings over the decade's last six years.[70]

Middle class motorists who still yearned for that new car aroma, in the meantime, found themselves paying through the nose for that most essential of American middle class entitlements, the basic family sedan.[71] Back in the mid 1960s, the most popular sedans, the Chevy Impala and Ford Galaxie, had cost consumers about $2,600, or around $13,000 in 1996 dollars. Most middle class households could, without much squeezing, afford that cost. By contrast, the comparable 1996 vehicle, the Ford Taurus, ran about $20,000, a price that shoved the Taurus "out of the reach of many middle-class consumers."[72]

Consumers who went looking for more affordable vehicles, by the end of the 1990s, found their choices limited. The inexpensive Ford Escort, for instance, "faded away without much notice" in 1999, as Keith Bradsher, the *New York Times* Detroit bureau chief, would later note. Ford replaced the Escort "with the taller, fancier Focus."[73]

America's auto industry had, in effect, totally reverted to the bad old days *before* Henry Ford, a time when average Americans could only daydream about becoming new car owners. In 1914, Henry Ford had attacked that reality. He had upped the wages of his autoworkers to $5 a day. On this Spartan, barely middle class wage, his workers could afford a spanking new Model T by saving up the equivalent of five months pay.

In 2000, to buy an average-priced new car, America's middle class families would have to set aside the equivalent of more than six months pay.[74]

Detroit didn't care. The middle class had become irrelevant. America's affluent didn't just buy more expensive cars, they bought more cars per person. By century's end, Keith Brasher would note, the hawking of "third and fourth automobiles to high-income families" had become one of the auto industry's "fastest-growth" market segments.[75]

By the end of the 1990s, nearly every major consumer industry in the United States, not just automakers, had come to grips — or ruin — with the phenomenon retailers had come to label the "two-tier market." America's growing concentration of wealth had essentially divided consumers into two camps, a luxury market at the top, a bare-bones market for everyone else. America's single, giant, dominant middle class market had vanished.

"The middle class, which once seemed to include almost everyone, is no longer growing in terms of numbers or purchasing power," noted *Business Week* in 1997. "Instead, it's the top and bottom ends that are swelling."[76]

As a retailer, you either recognized that reality or went under. America's classic middle class emporiums, department stores like Gimbel's, could not survive in a two-tier world.

"You could run the perfect store," explained economist Lester Thurow, "and if your customers go broke, you go broke with them."[77]

Those stores that didn't want to go broke targeted the swelling top and bottom. Discounters claimed the bottom. Everybody else dashed for the top, in the greatest retail gold rush ever. Retailers had seen bottoms swell before, but no one, anywhere, had ever seen the swelling at the top that American retailers witnessed in the 1980s and 1990s.

Outfits like the New York-based Spectrem Group, a research and consulting firm, began specializing in helping retailers understand the massive new affluent market. About 18.4 million households, Spectrem reported in 2000, could claim either an annual income over $100,000 or at least $500,000 in net worth, over and above the value of their primary residence. But the real explosion in affluence, researchers made plain, was breaking out at the tippy top.

Millionaire households, analysts at the Tampa-based Payment Systems Inc. related, were growing almost twenty times "faster than the general population."[78] The ranks of "pentamillionaire" households — families worth at least $5 million — were jumping even more rapidly. They totaled six hundred thousand by 2000.[79]

The wealthy, for the first time ever, now constituted a mass market in and of themselves, an enormous "rich niche," to use *Fortune*'s phrase.[80] By 1997, the Merrill Lynch financial services empire alone could count 125,000 customers with $1 million in their accounts. The bankers at Citicorp could claim, that same year, 75,000 customers with accounts worth at least $3 million.[81] By 2005, predicted the Affluent Market Institute, America's millionaires would control "60 percent of the nation's purchasing dollars."[82]

Amid this affluence, spending on luxury goods and services spiraled upward at rates marketers had never before imagined possible. Some thirty-seven hundred Porsches rolled out of U.S. showrooms in 1993. In 1999, dealers unloaded almost twenty-one thousand of these luxury sports cars, an increase of 476 percent.[83]

Retailers rushed to partake in the luxury feeding frenzy. In the fashion world, the *Boston Globe* reported, Giorgio Armani began "a new clothing line targeted at upper-strata status seekers." The gowns in this new line started at $12,000.[84] In hardware and appliances, Home Depot unveiled a chain of Expo Design Centers, well-appointed warehouses designed, the *Washington Post* noted, "to display and sell home furnishings you didn't know you wanted." Among these furnishings: chandeliers at $5,595 each, refrigerators at $3,996, and hand-painted tiles at $145 apiece. By 2005, Home Deport hoped to have two hundred Expo Design Centers up and running across the United States.[85]

Best of all, this luxury market appeared recession-resistant. In March 2002, two years after Nasdaq started tanking, waiting lists for $13,000 Hermes Birkin handbags still stretched for more than a year.[86]

No business, in the entire United States, would exult in this new, mass luxury market more joyously than banking. Bankers, of course, could count. By 1993, they knew that individual Americans with at least $1 million to invest owned assets worth about $4 trillion, "the near equivalent of all pension and mutual funds combined."[87] America's bankers rushed in to serve this gigantic new market. By the end of 1999, affluent households were handing financial services companies $270 billion a year to manage their money.[88]

"There's nothing but upside in this business," gushed Geoffrey von Kuhn, the chief of Citibank's American private-banking operations.[89]

For their new well-heeled clients, bankers were happy to provide almost any service imaginable. "Wealth management" would come to cover everything from checking accounts to advice on buying art and pearl necklaces.[90] And banks would be amply compensated for their thoughtful assistance. Profit margins in wealth management, a PricewaterhouseCoopers survey revealed in 2001, would run 35 percent.[91]

"It's simply easier," *Fortune* concluded, "to make money dealing with rich people."[92]

So why, if you were a retailer, would you bother dealing with anybody else? Why indeed? Bankers, for their part, spent as little time dealing with the hoi polloi as they possibly could. At the same time bankers were helping swells find just the right pearls, people in poor neighborhoods, the *Washington Post* reported, were finding it "harder than ever to find a bank branch or even an ATM within walking distance."[93]

By 2001, wealth had become so concentrated that even mere millionaires could find themselves treated as second-class consumers. To qualify for high-class handholding from Goldman Sachs, for instance, an affluent household needed $25 million. Households with only $1 million, sources inside Goldman Sachs told *Investment News*, would "soon be able to come on board," but these less affluent households would not be able to expect much in the way of personal attention. Mere millionaire households would "be asked to do most of their business online."[94]

IN AN UNEQUAL SOCIETY, living amid a marketplace of goods and services gone upscale, average consumers always lose. In a luxury market, goods and services cost more than they need to cost, often much more. Among the reasons: simple supply and demand.

"No matter how rich Seattle gets," as columnist Michael Kinsley would explain at the turn of the century, "the number of people who can enjoy a house on Lake Washington will stay about the same. What increases, of course, is the price."[95]

And the wealthy don't particularly care about that price, because they don't have to care. If you have to ask how much a bauble costs, as the old saw goes, you can't afford it. New York banker John K. Castle was asked, in 1999, how much he paid for his yacht and its plush interior decoration. He couldn't say. "One of the things about my lifestyle is that I don't want to know what anything costs," Castle explained to a *Wall Street Journal* reporter. At the top of the economic ladder, he added, price "doesn't really make any difference. That's part of the freedom."[96]

In a marketplace dominated by concentrated wealth, more than prices change. Products themselves change. Manufacturers and merchants, in markets dominated by the wealthy, come to lavish their attention, their creativity, their quality on the luxury market. Everything else goes to seed. Some analysts call this phenomenon "model feature creep." Year by year, economist Robert Frank explains, "products embody more and more costly new features." Over time, one year's high-end models become the next year's base models.[97] "And as this happens," Frank adds, "simpler versions of products that once served perfectly well often fall by the wayside."[98]

We see this marketplace dynamic all the time. We set out to buy a simple, sturdy barbecue grill to replace a now rusted grill we bought a dozen years ago.

That simple, sturdy model no longer exists. We find ourselves paying for racks and ash collectors we don't want and probably will never use. We grumble, but we buy that feature-laden grill anyway. But the extra features, the extra costs, eventually add up to too high a price. At some point, we start cutting back on the middle class basics.

"More families can no longer afford things that were once seen as the birthright of the middle class — the occasional new car, the new clothes, the annual vacation," *Business Week* would report in 1997. "Many have cut back in areas their counterparts wouldn't have considered skimping on in decades past."[99]

Inequality, the sage British social commentator, R. H. Tawney, observed back in 1920, "diverts energy from the creation of wealth to the multiplication of luxuries."[100] And that diversion invariably undermines, in every unequal era, the social capacity to satisfy basic consumer needs.

Especially that most basic consumer need of all, a home.

HOMES ARE THE SINGLE BIGGEST PURCHASE the typical American family ever makes. The entire American dream revolves around having a home to call your own.

By the late twentieth century, vast numbers of American families could only afford that home by going far deeper into debt than average Americans had ever before gone. In some areas of the country, even a willingness to take on massive debt wouldn't be enough. In turn-of-the-century San Francisco, only 12 percent of local families could swing a mortgage for one of the city's median-priced homes.[101] Bay area housing costs were running so high, in 2000, that one nonprofit group was relocating low-income families as far away as Reno, Nevada, the closest place with affordable housing. Complained the group's director: "The whole housing system is breaking down."[102]

In 2002, researchers from the National Low Income Housing Coalition would document the extraordinary extent of that breakdown. Across the country, on average, anyone working full-time had to earn at least $14.66 an hour, about triple the federal minimum wage, "to be able to afford to rent a modest two-bedroom home."[103]

In earlier years, an affordable, comfortable home had been an American middle class given — and an achievable goal for many lower-income households. Younger families would typically rent for a while, set aside money for a downpayment, then buy a home and start building up equity. By the 1990s, this pattern no longer played out. Housing simply cost too much. Renters could not save up for downpayments. Homeowners could not build up equity.

What had happened to America's middle class housing market? Middle class housing had been done in by the luxury dynamic, the same inequality-driven dynamic that had distorted everything else from cars to barbecue grills. In a market environment where price is no object for some people, prices will eventually be higher for all people.

In places like metro San Francisco, middle class families should have been living quite comfortably at the end of the 1990s. They earned, after all, about 33 percent over the national average. But they weren't living quite comfortably. They were struggling — with home costs nearly four times the national average. Why did homes cost so much in the San Francisco area? The "intensely competitive bidding from freshly minted millionaires," concluded the *San Francisco Chronicle*, after a lengthy investigation.[104] These freshly minted millionaires, *USA Today* added, frequently think "nothing of plunking down $500,000 for a San Francisco tear-down with a view."[105]

The new homes that replaced the tear-downs — and filled virgin spaces — would be grand homes. In the 1980s and 1990s, developers built homes the same way automakers built cars. They built them big, to maximize the profits they could expect to receive from their affluent customers. In 1984, just 7 percent of new homes topped three thousand square feet, the size usually thought large enough to require household help to maintain. Fifteen years later, 17 percent of America's new homes sprawled over three thousand feet.[106] Even garages were getting bigger. By century's end, 16 percent of all new homes came with garages that held three or more cars.[107]

Homes with super-sized garages concentrated, of course, wherever wealth concentrated. And in those areas where wealth concentrated, average families could seldom find anything affordable, not anywhere close. Where wealth congregated the most conspicuously of all, in America's trendy beach and mountain resorts, the unavailability of affordable housing created entire towns off limits to working families. In the Hamptons, the East Coast's ritziest summer resort, small cottages that went for $5,000 in the 1940s were fetching up to $900,000 by the mid 1990s."[108] People who worked in the Hamptons — plumbers, teachers, sanitation workers — couldn't even afford to rent locally.[109] Many simply gave up and left. At one point in 2000, half the thirty-six jobs in East Hampton's town road crew were going unfilled. Workers couldn't afford to take the $25,000 jobs, a town official explained, because local housing cost too much.[110]

The deep pockets who descended upon the Hamptons every summer — and made the area unaffordable for working families — would return every fall to Manhattan, another locale largely off limits to working families. In 2000, Manhattan apartments south of Harlem averaged more than $850,000.[111] In the Manhattan apartment market, one amazed realtor would note, "if you have a terrace and you have a view of Fifth, there is no number that you could put on your apartment that is impossible to obtain."[112]

What would be impossible to obtain, in end-of-millennium New York, would be an affordable place for an average-income family. A quarter of New York City's households ended the 1990s paying more than half their income on rent.[113] In the 1990s, even reasonably affluent families could no longer afford Manhattan addresses. Many would cross the river to Brooklyn — and set Brooklyn's housing market on fire. In 1997, thirty-five of Brooklyn's thirty-six zip codes registered double-digit hikes in home prices.[114]

In Brooklyn, and elsewhere in America, many middle class families would refuse to go deep into debt to buy a luxury-priced home. Instead, they would leave the neighborhoods where they had grown up. They would leave the communities where they worked. They would find housing they could afford in distant suburbs and small towns. These families would escape the mortgage squeeze. They would pay a different price for inequality.

TO SOME INCONVENIENCES, WE NEVER ADAPT. Loud sudden noises always make us irritable, no matter how many times we hear them. Traffic congestion makes a similarly unpleasant impact. People who travel long distances, in traffic, to arrive at work don't "get used" to long commutes. They die from them. Literally. Commuters in heavy traffic, researchers have found, are more likely to quarrel with co-workers and loved ones, more likely to have high blood pressure, and more likely, economist Robert Frank notes, "to experience premature deaths."[115] Traffic saps smiles out of life.

Unfortunately, Americans now spend more time in traffic than we ever did before. Between 1982 and 1999, a Texas A & M research team has estimated, the number of hours Americans spent "stalled in traffic" tripled.[116] Morning and evening rush hours, combined, averaged six hours a day in 2000, twice as long as they lasted in 1980.[117]

Why have America's roads become so congested? More people? Population growth only explains an inconsequential portion of the nation's increased traffic flow. In the 1980s and 1990s, traffic congestion actually rose eleven times faster than population.[118] So what's clogging America's highways? Commuters are clogging our highways. Americans are driving many more miles on them — to get to work.

Robert Frank calls the phenomenon the "Aspen effect," after the Colorado mountain resort. The phenomenon's stage one: Wealthy families bid up real estate in a desirable community. Stage two: With rising home prices, people who provide basic services in that community, everybody from cops to cooks, can no longer afford to live locally. Stage three: Service workers buy and rent housing far from where they work — and start commuting considerable distances. The end result? In Colorado, by the late 1990s, all roads in and out of "Greater Aspen" were almost always "clogged morning and night with commuters, many of whom come from several hours away."[119]

"The lower you are on the wage scale," explained Rick Stevens, the mayor of one Greater Aspen community, the town of Basalt, "the farther away you have to live."[120]

By century's end, Greater Aspen-like situations could be found all over America. Workers in California's Santa Clara County, the heart of Silicon Valley, found themselves commuting from Livermore and Tracy, communities about a hundred miles away.[121] In 1999, one worker at a Hewlett-Packard plant in San Jose, Santa Clara's biggest city, would leave his home in distant Stockton at 3 a.m. to "beat the traffic." The worker, according to a *San Francisco*

Chronicle profile, would arrive at the plant at 4:30 a.m., nap for an hour, then work a full shift. He would clock out at 2:30 p.m. and typically arrive home in time for dinner — but only if traffic were light.[122]

A continent away, on Long Island, another harried commuter, David Kavanagh spent his days fixing cooling systems for the Grand Union supermarket chain. He usually worked at a different store in the New York metro area every day. Management would let him know which one the night before. Kavanagh would leave home at 4:30 in the morning and not be home until 10 at night. He would eventually sue Grand Union over the company's refusal to compensate him for his travel time. He lost the case. An appeals court ruled that employers are under no legal obligation to pay for "normal" commutes.[123]

Workers with commutes as horrible as David Kavanagh's still make up a distinct minority of America's commuters, but their ranks are growing. The number of Americans who spend at least forty-five minutes driving to work every day jumped 37 percent between 1990 and 2000, according to Census figures. The number of Americans who spent at least ninety minutes driving to work, those same years, soared by 95 percent, to over 3.4 million unfortunate souls.[124]

Some of these souls, to be sure, may not consider themselves unfortunate. Some people chose to commute long distances. To spend weekends close to nature, they happily endure brutal commutes during the week. But millions of other Americans endure these brutal commutes with teeth gritted. And some Americans can't endure them at all. Road rage, in the late twentieth century, would become a mass social reality. Between 1990 and 1995, road rage incidents increased by over 50 percent.[125] By 1999, lawmakers in seventeen states were debating anti-road rage legislation.[126]

At century's end, no one could be totally shielded from road rage and traffic congestion, not even the affluent. And the affluent didn't appreciate that. In Southern California, midway through the 1990s, highway officials felt their pain — and came up with a solution to their distress. That solution, "congestion pricing," debuted on a privately operated highway in Orange County. For a fee, up to $4 a ride, motorists could zoom along in special "High Occupancy Toll" lanes. These "Lexus lanes" quickly caught the attention of transportation planners elsewhere. They also outraged many middle-income motorists. Pay-for-speed lanes, complained one, are really about "giving the rich people an advantage." With Lexus lanes, added Maryland commuter Rob McCulley, "you don't have to sit in traffic if you have enough money to pay your way out of it."[127]

True enough, of course. But Lexus lanes, as a solution to America's traffic snarls, did offer a certain social symmetry. Inequality had, after all, helped create traffic jam America. Why not let more inequality fix it — at least for the affluent?

SITTING IN TRAFFIC, WATCHING CARS ZOOM PAST IN A LEXUS LANE, we daydream about how sweet life must be for people who can always afford convenience. We imagine never having to settle for second-rate, never having to deny

ourselves a simple pleasure, never having to make do because we don't make enough. The wealthy, we imagine, live that sweet life. We envy them for it, and we race to grab, in our own daily lives, as much of that sweetness as we can.

Some do counsel us against making that race.

"We need to have the idea that you can have growth in your life," Millard Fuller, the founder of Habitat for Humanity, tells us, "without having growth in the size of your home or bank account."[128]

We appreciate the concern. But we are torn. We are of two minds about wealth. On the one hand, we gape at how easily rich people can make their dreams come true — and their disappointments go away. We see, for instance, a Steve Hilbert, the CEO of the Indiana-based financial services company, Conseco. As a boy growing up, Hilbert wanted nothing more out of life than to play basketball for Indiana University. He would never make the team. But he did make so much money at Conseco that he was able to build, at home, his own exact replica of the Indiana University basketball court. Weekends in the 1990s would find Hilbert dribbling away on his $5.5 million replica, playfully experiencing the hoop glory he never knew.

"On Saturdays," Hilbert would tell *Forbes*, "I hit the winning shot to beat everyone from UCLA to Michigan."[129]

On the other hand, we know that rich people sometimes shoot and miss. Every week, thumbing through the tabloids at supermarket checkout counters, we read about the wrecked and wretchedly unhappy lives rich people can lead. We read about Herbert Haft, the patriarch of the Trak Auto and Shoppers Food Warehouse empire, living alone in a huge mansion, divorced from his wife, totally estranged from his daughter, oldest son, and five grandchildren.[130] We scan the stories about Alice Walton, the Wal-Mart heiress who had become, before she hit fifty, the world's richest woman. Poor Alice suffered through three auto accidents before the 1990s ended. In the last of the three, she nearly lost a leg after smashing her SUV. The police charged her with drunken driving.[131]

"You know who I am, don't you?" she slurred to the arresting officer. "You know my last name?"[132]

Anne Scheiber didn't inherit billions nor snare, in her lifetime, any headlines. But riches dominated Scheiber's unhappy life every bit as much as Alice Walton's. Scheiber had begun pursuing her fortune back in the Depression, after her brother, a stockbroker, had invested and promptly lost all her savings.

"She was bitter with my father for the rest of her life," that brother's son would later relate. "In fact, she got more bitter the older and richer she got."[133]

After the loss, Scheiber started all over. She scrimped and saved in every way imaginable. She lived alone, skipped meals, walked to work, and wore worn-out clothes. By 1944, Scheiber had accumulated a $5,000 nest egg. Over the next half-century, she grew that $5,000 into a portfolio worth over $22 million. Nurturing this portfolio would be all that ever mattered to Scheiber. She would never marry or get close to anyone.

"A big day for her," Scheiber's stockbroker would later recall, "was walking down to the Merrill Lynch vault near Wall Street to visit her stock certificates. She did that a lot."

Scheiber died in 1995, at the age of 101. Over the last five years of her life, she didn't receive a single phone call.

In the closing years of the twentieth century, a rather sizable cottage industry emerged to help people of means avoid the unhappy fates of the Herbert Hafts, the Alice Waltons, and the Anne Scheibers. A host of organizations, by century's end, specialized in helping the affluent bear the "emotional burden of opulence."[134]

More than Money, a nonprofit launched by assorted younger heirs and dot.com millionaires, offered counseling and workshops. The Sudden Money Institute fielded a range of specially trained advisers. The Money, Meaning and Choices Institute zeroed in on "the psychological challenges and opportunities that accompany having or inheriting money."[135] In Chicago, an annual "Ministry of Money" retreat for those worth over $5 million, hosted by Father John Haughey, S.J., a Loyola University professor, encouraged the well-endowed to talk candidly about the burdens wealth imposes.[136]

This notion that wealthy people can bear terrible "burdens" strikes many people of modest means as outrageously silly. Chris Mogil, a New Englander, would see this outrage after, as a young man, he inherited a fortune from his grandfather.

"I was haunted by the question why I should have this privilege," says Mogil, who later started his own nonprofit to help wealthy people "take charge of their money and their lives." But Mogil found that he couldn't expect much sympathy from his nonwealthy friends. Their typical reaction: "Well, if the money bothers you, give it to me."[137]

But wealth does impose burdens, as Mogil and almost all thoughtful wealthy people so clearly understand. These burdens can weigh heavily on nearly every aspect of daily life, from the search for meaningful relationships to the ambition to achieve. Living with great wealth can be like living amid funhouse mirrors. Wealth distorts. You can never be sure about what you see. Is this person nodding approvingly at what I say because I have expressed a keen insight or because I might contribute to her cause? Is the smile on his face a sign of undying affection or a lust for my fortune?

"After I've gone out with a man a few times, he starts to tell me how much he loves me," heiress Doris Duke, worth $1.2 billion at her death in 1993, noted back in her thirties. "But how can I know if he really means it?"[138]

Someone who holds great wealth, suggests philosopher Philip Slater, can never know.

"If you gain fame, power, or wealth, you won't have any trouble finding lovers," Slater notes, "but they will be people who love fame, power, or wealth."[139]

The wealthy respond to this reality in various ways. Some become angry, upset "that money rather than affection or love seems to attract people to them."[140] Others become wary of any intimate relationship. And still others respond by seeking a safe refuge. They find intimacy in their fortunes.

"Money," as the industrialist Armand Hammer once boasted, "is my first, last, and only love."[141]

Sports impresario Jack Kent Cooke, the real estate and media tycoon who owned four different pro sports teams, might have chuckled at that line. Over his eighty-four years, Cooke amassed a near-billion-dollar fortune — and four wives. He died in 1997. In his will, Cooke mentioned every wife by name and left not a penny to one of them.[142]

J. Paul Getty, mid-century America's oil king, outdid Cooke. He divorced five times.

"A lasting relationship with a woman is only possible," Getty concluded, "if you are a business failure."[143]

Brutish patriarchs like Jack Kent Cooke and J. Paul Getty, some might argue, reflect their times more than their wealth. Both grew up in unenlightened, pre-feminist times, amid paleolithic attitudes toward women. In more modern times, the assumption goes, more sensitive and successful family relationships can unfold in wealthy households. But great wealth, author Ann Crittenden notes, can distort healthy, loving relationships just as easily in enlightened as unenlightened times. In the 1980s and 1990s, Crittenden notes, wealth concentrated overwhelmingly in male pockets. Men "struck it rich" much more frequently than equally competent women because few women were either willing or able to devote most all their waking hours to the money chase. And that dynamic created — and still creates — an enormous earnings gap between affluent men and their wives.

"Whether or not she works outside the home, the wife of a high-income man risks becoming a privileged employee rather than an equal partner," Crittenden observes. "As an exceedingly rich man once told me: 'My first wife was like my housekeeper.'"[144]

Men with fortunes don't need wives who do housekeeping. They can afford housekeeping staffs. So why keep a housekeeping wife around? They often don't. Not when a trophy wife can look ever so much better beside the mantel.

ALL RELATIONSHIPS, NOT JUST ROMANTIC COUPLINGS, tend to be twisted by wealth. Rich people "possess and enjoy early," as novelist F. Scott Fitzgerald once famously wrote, "and it does something to them, makes them soft where we are hard, and cynical where we are trustful, in a way that, unless you were born rich, it is difficult to understand."[145]

Even someone born rich might be unable to understand a J. Paul Getty. In 1973, mafiosa kidnapped his sixteen-year-old grandson, John Paul III, then in Italy. The kidnappers demanded a ransom the boy's father, Getty's son, could

not pay. Getty did eventually come through with the money, but only after his son agreed to pay him back, at 4 percent interest.[146]

How can such behavior possibly be explained? The wealthy, speculates columnist Nicholas von Hoffman, "grow up convinced everybody around them is after their money."

"They're right, of course," he adds, "which only warps their personality the more."[147]

Out of this suspiciousness that comes so naturally to rich people almost always grows, equally as naturally, an isolation from all those who aren't rich, because all those who aren't rich are always suspect. The greater the wealth, the greater the isolation. The greater the isolation, the more perverse the efforts to rejoin the human family, as historian M. H. Dunlop notes in her recent study of Gilded Age New York at the start of the twentieth century. In New York's original Gilded Age, with wealth concentrated as never before, strange new rituals evolved to reconnect the wealthy to the greater society they kept at arm's length. Men of means, relates Dunlop, "went on midnight slumming tours and sneaked peaks at the dirty feet of the unimaginably poor."[148]

These slumming tours would be fastidiously organized. Guidebooks even carried listings of them. But wealthy New Yorkers sometimes took their cheap thrills in less formally organized outings. Some would drop by "the toy departments of New York City's great department stores" to watch poor children gaze longingly through the windows at "toys they would never have a chance to touch."[149] Such behavior by the wealthy, historian Dunlop concludes, reflected a basic boredom with life. The rich had "retreated to the close company of their own," then "wearied of seeing only persons like themselves who owned the same things they owned." Out of ennui, New York's Gilded Age gentlemen "moved in new and risky directions." They "sought the thrill of watching other beings suffer in ways that were closed to them."[150]

Contemporary commentators have observed a similar mental exhaustion among the gentlemen and ladies of America's new Gilded Age. Wealthy people, they find, are subject to "consumption fatigue." Philosopher Philip Slater traces this fatigue to the control that wealth enables wealthy people to exercise over their lives.

"When you can control what comes to you in life," Slater points out, "life itself loses most of its excitement."[151]

Stanley Marcus spent his entire adult life working feverishly to put that excitement back in to wealthy lives. The original brains behind Neiman Marcus, the Dallas-based retailer to the rich, Marcus "sought to rekindle interest in possessions among those who wanted for nothing," as one obituary noted after his death in 2002, at the age of ninety-six. Toward that end, the famous Neiman Marcus holiday catalog each year endeavored to offer ever more outrageous extravagances, from his-and-her miniature submarines to his-and-her matching camels. Marcus even marketed silver-plated barbecues complete with live bulls. His fame grew world-wide.[152]

"He never let up in his mission," the British *Economist* magazine eulogized, "to save the very rich from the wasting disease of boredom."[153]

Marcus never succeeded, not in any lasting fashion. His "stuff" could not guarantee happiness, not to the daughters of quick-rich Texas oilmen his early retail empire set out to serve, not to digital economy dot.com wonderboys two generations later.

These dot.com'ers, notes psychologist Stephen Golbart, had no idea what they were getting into when they pulled in their first windfalls. Many would go out on spending extravaganzas, buying up two or three houses, cars, and assorted other "stuff" before binging out. But the spending would never "do it" for them. They would, Golbart found, "become depressed, empty and uncertain about what to do with the rest of their lives."[154]

Sudden new wealth, adds Irwin Rosen, a psychoanalyst at the Menninger Clinic in Kansas, always at first seems the ultimate answer to all prayers. "How many people," he asks, "say, 'Boy, if I had a million bucks, all my problems would be solved?' But when they acquire wealth, they learn that all their problems aren't solved."

Indeed, those who come upon significant wealth find they face new problems. They face "the envy of others." Perhaps even worse, observes Rosen, they face their own guilt, the sense "they don't deserve the money at all."[155] This guilt can become particularly intense among those born into exceedingly good fortune, people like the clients of Myra Salzer, a financial adviser in Colorado who runs a four-day seminar on inherited wealth. Her clients, says Salzer, feel "undeserving." And that doesn't surprise her. "They've almost been denied an opportunity to see what they can do for themselves," she explains.[156]

Those wealthy individuals who speak candidly in programs like Salzer's seminar have, at some point, made a decision to try to confront the guilt their fortunes make them feel. Other wealthy people do not confront guilt. They deny it. If I am far more wealthy than most all other people, they tell themselves, I must be deserving. If I weren't deserving, I wouldn't be so favored by fortune. In 1997, researchers at Roper Starch polled a national cross-sample of America's most affluent 1 percent. Everyone surveyed made at least $250,000 in income or held $2.5 million in assets. These wealthy Americans were asked to agree or disagree with a simple statement: "I deserve all my financial success." Nearly 90 percent agreed, 54 percent "strongly" and 32 percent "mostly."[157]

A harmless self-delusion? Unfortunately, no, because those of ample means who believe they fully deserve their good fortune usually also come to believe, come to insist, that those not blessed with abundance must deserve their ill-fortune. These self-satisfied wealthy come to see poverty "as a sin of the lazy" and great wealth "a reward for hard work."[158] If the poor were deserving, they would not be poor. The unfortunate get the little they deserve.

This contempt for the poor becomes increasingly vicious as societies become increasingly unequal. The more bountiful the wealth of the fortunate and the more vile the deprivation of the unfortunate, the greater the pressure

on those at the top to see their society's starkly unequal distribution of wealth as based on a just system that rewards superior work — and punishes sloth. How could the fortunate come to feel otherwise? If they acknowledged that hard-working people could still be poor, then their society would not be just and their good fortune in it might not be deserved. How much easier to assume that society works justly — and blame the poor for being poor.

In America's original Gilded Age, historian M. H. Dunlop reminds us, one orator by the name of Russell Conwell made a considerable name for himself by delivering, over five thousand times, a lecture entitled "Acres of Diamonds." Conwell told his audiences a century ago that "it is your duty to get rich."

"While we should sympathize with God's poor — that is, those who cannot help themselves — let us remember," orated Conwell, "that there is not a poor person in the United States who was not made poor by his own shortcomings, or by the shortcomings of someone else."[159]

About one hundred years later, in America's second Gilded Age, this same contempt would return, only delivered by syndicated columnists, not itinerant lecturers. In 1995, a liberal pollster, Stan Greenberg, had called on Democrats to push policies that appeal to downscale voters. How outrageous, shot back columnist Robert Novak. Greenberg, Novak asserted, was asking America to coddle "the country's losers."[160]

These losers didn't deserve help, in the eyes of America's smug — and they didn't get it in the boom years of the 1980s and 1990s. The rich did not share their good fortune with the less fortunate. Instead, notes author Michael Lewis, "the rich man's empathy for the nonrich" dwindled. Lewis, a Wall Street refugee, found this absence of empathy repugnant but understandable. After all, he explained, "you can't give money to anyone you don't respect, and you can't respect anyone who doesn't make money."[161]

In fact, if you're rich enough, you can't really respect anyone who isn't rich. You become contemptuous, not just of the poor, but all the rest of America's freeloaders.

"Let's face it," as one affluent entrepreneur told *Worth* magazine. "In this country the destructive behavior is done by the bottom 5 percent. The productive behavior comes from the top 5 percent. Everybody in the middle just eats the food."[162]

Worth's Richard Todd would report these comments in a 1997 analysis of wealth in America. Wealthy people, Todd related, hardly ever utter such sentiments in mixed company. But the entrepreneur's explicit comments, he added, were not isolated ravings. They represented, Todd noted, "something that one often senses at the top ranks of our country but seldom hears: a true abhorrence of the people in the middle."[163]

AVERAGE PEOPLE, WE HAVE ARGUED IN THESE PAGES, are of two minds about the wealthy. The reverse, interestingly, also holds true. The wealthy, for their part, are of two minds about average people. Many may abhor people in the middle,

but, deep down, many would also feel more at ease if their children lived a middle class life. Wealthy people, at least wealthy people with any sense, worry all the time about the dangerous impact wealth may have on the happiness of their kids.

In 2000, one fascinating survey of wealthy people, conducted for U.S. Trust, a wealth-management services company, revealed just how deeply many wealthy parents worry. Those polled had either a $300,000 annual income or a net worth of more than $3 million. Of those surveyed, 61 percent acknowledged worrying that their children would grow up overemphasizing material possessions. Many also feared their children would "have their initiative and independence undermined by material advantages."[164]

These apprehensions, note caregivers who work with children, are well-placed. Spoiled children, psychologists explain, are children who come to expect their environment to always respond as they want.[165] These sorts of environments, of course, can be created by overly doting parents in homes of any income. But these environments evolve most readily in households where anything desired can be afforded. Those born rich, notes London psychiatrist Trevor Turner, grow up all too often "never having known what it is to want something and not have it."[166]

Children so "blessed" can grow up without a clue about the real world that everyone else calls home. The *New York Times*, in 2000, would publish a riveting and revolting profile of one of these "born rich," a twenty-nine-year-old Upper East Sider who had enrolled in a Chase Manhattan Bank management training program after she figured it would be "chic to have a career." The young woman's well-to-do father had found the training slot for her, and she started on the job in March. But things didn't quite go right. Supervisors didn't like the young woman's Park Avenue princess outfits. They asked her to conform to the bank's dark-suits-and-stockings dress code. She did, despite firmly believing that stockings were "especially middle class." Soon enough, summer neared. The young woman informed her immediate boss she needed three months off for her family's annual vacation in the south of France. The supervisor approved one week's leave.

"That was so ridiculous," the frustrated trainee would later tell a reporter. "That's not even enough time to shop."

New York's affluent circles, notes *New York Times* reporter Monique Yazigi, abound with similarly clueless young people, children of privilege who "lack the drive and the discipline of their hungrier peers."[167] Robert Elliott, an executive vice president at a trust company that serves old-line wealth, has seen this same story, over and over.

"It's hard for someone who has several million dollars, which produces income of over $100,000 or so, to be interested in a job that pays $40,000," says Elliott. "Ultimately they become less committed to their career than their peers, which obviously produces less success in their career and ultimately less satisfaction with their lives."[168]

Over the years, some immensely wealthy parents have gone to great lengths to shield their children from this dissatisfaction. They have simply refused to pass their progeny their wealth.

"I would as soon leave to my son a curse," Andrew Carnegie once thundered, "as the almighty dollar."[169]

In our own time, Warren Buffet, the billionaire investor, has followed Carnegie's lead. To set up his three children with "a lifetime supply of food stamps just because they came out of the right womb," he has informed the world, would be "harmful" and "antisocial." New York entrepreneur Eugene Lang took a similar stance. He announced that his three children would receive just "a nominal sum" from his $50 million fortune.

"I want to give my kids," Lang told *Fortune*, "the tremendous satisfaction of making it on their own."[170]

So does James Rogers, the chairman of Sunbelt Communications, a chain of television stations that helped him build a personal net worth of $500 million.

"Leaving children wealth," Rogers once noted, "is like leaving them a case of psychological cancer."[171]

Kids from wealthy families, parents like James Rogers believe, can be saved from this horrible fate by denying them fortunes they have not earned. Insist that sons and daughters make their own fortunes, they assume, and these sons and daughters will turn out fine. But in real life, more astute observers point out, denying wealthy children their due in no way guarantees these children happiness or fulfillment. Wealthy parents can refuse to pass on wealth. But they can never avoid passing on the high expectations their great wealth creates.

These expectations, San Jose family therapist Dale Lillak points out, can be as burdensome as any inherited bankroll. Kids from wealthy families who have been brought up to "make it on their own," explains Lillak, quite naturally want to emulate the success of their wealthy parents. But their chances of matching that success "are slim," no matter how well-adjusted and hard-working they may be. Their parents, after all, didn't become fabulously wealthy just because they were hard-working. They became fabulously wealthy because, at some point in their lives, fortune smiled their way. All riches, Lillak continues, represent "luck on some level," and all the healthy child rearing in the world can't teach luck.[172] And that means that children encouraged to make their own way in the world will never measure up to the standard of "success" their parents have achieved — unless lightning somehow strikes twice. Wealthy parents who expect their children to "make it" fully on their own, as a consequence, are doing their children no great favor. They have set their children up for failure, not fulfillment.

Wealth, in the end, traps wealthy parents. If they lavish wealth on their children, they risk steering their kids into empty, unsatisfying lives. If they expect their children to forge their own way in life, they risk dooming their kids to disappointment.

The saddest irony in all this? Giving, in human affairs, can be a wonderful source of joy, perhaps the greatest source of joy of all, and the wealthy, by dint of their fortunes, certainly have more to give than anyone else. But the dollars the wealthy can so easily afford to give too often bring no great joy, no joy at all. For the wealthy, giving becomes just another burden, partially because they fear the impact of that giving on their loved ones — and partially because they are expected to give, even hounded to give, by nearly everyone they encounter. Billionaire Larry Tisch, a fixture on the *Forbes* 400 list of the richest Americans, once complained he received "thirty requests for money a day."[173]

That constant drumbeat of entreaties makes giving an obligation, not a source of satisfaction. If you resist that obligation, you will be resented. If you accept that obligation, then *you* start feeling the resentment. You gave because you felt forced into it.

Over the course of a wealthy person's lifetime, the resentments, the frustrations, the burdens add up. For George Bernard Shaw, the most acclaimed playwright of his time, the mix did not paint a pretty picture.

"You can easily find people who are ten times as rich at sixty as they were at twenty," Shaw would note in his seventies, "but not one of them will tell you that they are ten times as happy."[174]

SOME AWESOMELY AFFLUENT AMERICANS consciously set out to overcome the burdens and strains that must always come with wealth. These affluent steel themselves against wealth's temptations. They set out to lead normal lives. To a remarkable extent, some of them succeed. The world's second richest man, Warren Buffet, drove his own car and lived in an eminently nondescript house throughout the 1990s, even as his billions mounted. Mitchell Fromstein, the CEO of Manpower Inc., ended the 1990s living in the same four-bedroom suburban Milwaukee home he and his wife had purchased back in the mid 1970s, before Fromstein started pulling in several million a year. He was driving a twelve-year-old Mercedes when the *Wall Street Journal* profiled him in 1999.

"I'm not trying to keep up with anybody," the seventy-one-year-old executive explained. "We don't need a lot of things to be happy."[175]

Any wealthy person in America can follow the path blazed by Buffet and Fromstein. But hardly any do. Why not? If wealth makes for such a burden, as these pages have contended, then why do so few wealthy people ever attempt to put that burden down? America's sociologists of wealth suggest an answer. Great wealth, they contend, may indeed distort and poison normal human relationships. But great wealth also empowers, on a variety of intoxicating fronts. Wealth gives the wealthy, sociologist Paul Schervish contends, the capacity to "overcome the usual constraints of time."[176] Wealth can add extra hours to the days of the wealthy, extra years to their lives.

"By hiring accountants, housekeepers, gardeners, and personal secretaries to perform various mundane tasks," Schervish explains, "the wealthy expand the

portion of the day they can devote to doing what they want or what they deem important."

Wealth also empowers spatially. Riches enable the wealthy, notes Schervish, "to physically move about the world as they wish while, at the same time, insulating themselves from the movements or intrusions of others." And, finally, wealth empowers psychologically, by encouraging the wealthy to believe that their "self-determined goals are more important" than any other goals, that they have the right to pursue whatever goals they choose.

In our modern America, we all seek to become empowered. Our society, from right to left, considers empowerment a basic core value, an unalloyed good. We all should become "agents," as scholars might put it, empowered to shape our own personal destinies.[177] But the empowerment the wealthy find in their fortunes, sociologist Paul Schervish submits, goes far beyond mere agency. Wealth grants the wealthy "that extraordinary attribute of hyperagency."[178]

"As agents," Schervish explains, "most people search out the most suitable place for themselves in a world constructed by others." As "hyperagents," the wealthy construct their own world. Most of us spend our lives accommodating ourselves to the world. The wealthy, if wealthy enough, can accommodate the world to themselves.

Hyperagency means never having to tolerate any inconvenience. Why, for instance, miss the comfort of sitting in your own special chair when you go out for a fine meal? One July night in 1995, billionaire Marvin Davis had his favorite brass and green-leather armchair brought into the trendy Hamptons hotspot, Nick & Toni's. Three men carried the chair in from a van. After dinner, the three returned to carry the armchair back out.

"Mr. Davis," the *New York Observer* reported, "lumbered out of the restaurant under his own power."[179]

Hyperagency in refuges like the Hamptons also means never having to take anything, even Mother Nature, as a given. The Hamptons too cold in the winter for palm trees to survive? A mere trifle, easily overcome. In the 1990s, one deep-pockets couple had palms installed at their Southampton estate, then had the trees flown to Florida for the winter.[180]

Wherever the wealthy congregate, they bend the world to their priorities, their schedules, their pleasures. In palm tree-friendly Florida, billionaire H. Wayne Huizenga apparently couldn't bear the thought of having to apply for country club membership. He founded his own private country club, with only himself and his wife as members. The club featured an eighteen-hole golf course, three helicopter pads, and sixty-eight boat slips for invited dignitaries.[181] In California, the rich and the regal can't bear the thought of having eyebrows go unplucked, not for a moment. Anastasia Soare, the proprietor of one exclusive Beverly Hills salon, marched into the new millennium ready to pluck, any time, any place. She did local house calls that ran at least $400 for a five-minute pluck-cut-and-wax. For $3,000, she would even fly cross-country.[182]

In 1996, actor Charlie Sheen didn't want anybody to fly to him. He wanted a fly ball. For a Friday night baseball game that year, he bought a $5,000 block of seats behind the left-field fence at Anaheim Stadium. He and three friends then sat in the middle of that block all by themselves, for the entire game.

"Anybody can catch a foul ball. I want to catch a fair ball," Sheen explained. "I didn't want to crawl over the paying public."[183]

Hyperagency does sometimes have its limits. On that Friday evening in Anaheim, for instance, a homerun ball never came Charlie Sheen's way. Not everything can be bought, not all the time. In some rare situations, the world the wealthy encounter simply refuses to be shaped. Author Fran Lebowitz once found herself in a museum with a quite wealthy man. After twenty minutes, the man had to leave. He felt it, Lebowitz noted, "too irritating to see things that he couldn't buy."[184]

But the wealthy, over time, find that most of what they want in life can be bought. And with that understanding comes an arrogance peculiar to those who never need to compromise to get their own way, an arrogance that places their happiness and comfort first, whatever the impact on others might be.

Public officials in San Jose would encounter that arrogance, first-hand, in the late 1990s. These officials, to help ensure homeowners a "good night's sleep," had adopted regulations that restricted late-night jet landings at the local airport.[185] But billionaire CEO Larry Ellison saw no reason why the regulations should apply to him. He refused to abide by the local rules and kept landing his $38.7 million Gulfstream GV at all hours of the night. After the first violation, city officials sent Ellison a polite letter reminding him of the anti-noise ordinance his jet had violated. Eighteen months later, after the violations continued, officials issued a stiffer warning, then, late in 1999, threatened to sue.[186]

"San Jose has no right to tell me when I can land my airplane," Ellison retorted. "It's like saying people who weigh more than 200 pounds can't go into a store after 6 p.m."[187]

Ellison took the city to court. In June 2001, he won. A federal judge gave him the right to land his forty-ton private jet at the San Jose airport after the 11:30 p.m. curfew that all other big jets were still expected to honor.[188]

Hyperagency, of course, doesn't turn every phenomenally rich person into an arrogant, immature, totally self-centered boor. But hyperagency does seductively steer all who enjoy it down that same direction. To step back, to refuse to engage in and enjoy the hyperagent life that great wealth enables, is no easy task. We would all rather shape our world than be shaped by it.

Occasionally, of course, a wealthy person will not be seduced. In 1999, for instance, a Michigan-based construction mogul, Bob Thompson, sold his asphalt and paving business and shared $130 million of the proceeds from the sale with his 550 employees.[189]

"What was I going to do with all that money anyway?" asked the sixty-seven-year-old Thompson. "There is need and then there is greed. We all need certain basic comforts, and beyond that it becomes ridiculous."[190]

Why can't all rich people be like that, we wonder. If we were rich, we tell ourselves, *we* would certainly be like that. Nonsense. If we were rich, we would feel the same burdens rich people feel — and be seduced by the same pleasures. The wisest among us, people like the essayist Logan Pearsall Smith, have always understood this reality.

"To suppose, as we all suppose, that we could be rich and not behave as the rich behave," as Smith wrote in 1931, "is like supposing that we could drink all day and keep absolutely sober."[191]

"I have known some drunks who were happy at times," philosopher Philip Slater added half a century later, "but I've known no one who devoted a long life to alcohol and didn't suffer from it, and I believe the same to be true for wealth."[192]

THE CANADIAN SOCIAL SCIENTIST ALEX MICHALOS, a president of the International Society for Quality of Life Studies, once calculated from data on subjective well-being that nothing has a greater overall impact on an individual's satisfaction with life than an individual's sense of financial security. And this sense of financial security, he concluded, largely emerges from how individuals appraise three basic gaps in their lives: "the gap between what one has and wants, between what one has and thinks others like oneself have, and between what one has and the best one has had in the past."[193]

Over the closing decades of the twentieth century in the United States, decades of growing inequality, average Americans saw each of these three gaps widen. Our wants escalated as America's most affluent set new and higher standards for the good life. Our sense of what most of the people around us own inflated as we spent fewer hours with friends and neighbors and more hours in the workplace. Our past looked brighter than our present as we contemplated our stagnant paychecks and worried about our escalating health insurance premiums. Don't worry, the song said, be happy. We worried.

And we worried even if we were fortunate enough to sit on the other side of the great divide in income and wealth. Affluence, we found, brought new burdens.

"New wealth is rewriting relationships with friends, family and co-workers, and heightening everyone's sensitivity about where they fit in," journalist Michelle Quinn reported at the end of the 1990s, after interviewing what seemed to be half of Silicon Valley. "It's raised expectations and fueled frustrations. No matter what their economic status, people are on edge."[194]

On edge and not happy. Playwright Neil Simon could have predicted as much.

"Money brings some happiness," Simon had quipped years before. "But after a certain point it just brings more money."[195]

And trouble.

Still, as George Bernard Shaw once noted, some wealthy people do seem to be able to live lives largely trouble-free.

"Perhaps you know some well-off families who do not seem to suffer from their riches," Shaw observed in 1928. "They do not overeat themselves; they find occupations to keep themselves in health; they do not worry about their position; they put their money into safe investments and are content with a low rate of interest; and they bring up their children to live simply and do useful work."

In other words, concluded Shaw, the happy rich "do not live like rich people at all." They "might therefore," he concluded, "just as well have ordinary incomes."[196]

And if they did, we all would be happier.

Professions without Pride

The things we buy bring us, at best, only limited satisfaction. The work we do, by contrast, can add enormous and lasting satisfaction to our lives.

Unfortunately, only some among us spend our lives working at jobs that bring us significant pleasure. These fortunate souls stand out. We recognize them immediately. These are people who have studied and practiced and mastered a body of knowledge and skill. They perform their work at high levels. They take great pride in it. In fact, they take such great pride in the work they do that they cannot bear to watch this work performed poorly by others around them. Within their trade, they correct the beginner who may not know better. They rebuke the sloppy who do.

The people who approach their work in this spirit, the people who practice and perfect and protect their trade, whatever that trade may be, we call professionals. Over time, in any modern society, professionals tend to unite with like-minded colleagues. They create professions. These organized professions, the British social thinker R. H. Tawney once noted, typically take on two noble missions. Within them, professionals strive to maintain the quality of the services they provide and prevent the frustration of that quality by "the undue influence of the motive of pecuniary gain."[1]

Professions, Tawney argued in 1920, differ markedly from ordinary business operations. Ordinary businesses seek to maximize financial return. Professions do not. True professionals, Tawney contended, measure their success by the service they perform, "not the gains which they amass." Professionals do certainly owe their incomes to their professional positions, but "they do not consider that any conduct which increases their income is on that account good."[2] Professions, agrees a more contemporary observer, journalist Stephen Metcalf, "encourage in the good professional a certain gentility regarding money, an old-fashioned prudishness."

"Professionals aren't supposed to haggle: they set standard fees, then bill you," adds Metcalf. "They're allowed to be very well-off, but not very rich."[3]

Historically, in return for this genteel moderation, professionals have expected from society the power to control the conduct of their profession. They value this control enormously, not because they thirst for power, but because they relish the autonomy, the ability to make informed and independent judgments, that makes professional practice so pleasurable. This autonomy

thrives best within self-governing professions. Where societies deny autonomy to professions, individual professionals must practice their professions as outsiders see fit — and that practice brings no great joy.

Societies, for their part, will grant professions the autonomy they seek, but only if they trust the professions that seek it. To gain this trust, and keep it, wise professions police themselves. They deliberately prohibit, as R. H. Tawney observed, conduct that, though "profitable to the individual," would bring the profession "into disrepute."[4] If a profession succeeds in this self-policing effort, if a profession is able, in other words, to consistently prevent disreputable behavior within its own ranks, everyone benefits. The public is shielded from professionals who choose to abuse their expertise.[5] Honest professionals get to freely practice the work that brings them pleasure.

These sorts of mutually beneficial arrangements can endure only so long as professionals keep their professional balance. Should they lose that balance, should they let private self-interest trump professional responsibility, all bets are off. If a public senses that professionals are prospering extravagantly at public expense, that public will no longer trust professionals to set their own rules. Exit autonomy — and the professional pleasures autonomy brings.

In the closing decades of the twentieth century, America's most influential professionals would put these pleasures at risk. They would look away as individuals within their professions abused the public trust. They would look away because great wealth beckoned. They would find that great wealth. They would lose everything else.

BEHIND EVERY SIGNIFICANT CORPORATE DECISION made in the United States today stands a lawyer. Lawyers advise and lawyers bless. Their nods give go-aheads. Their thumbs down can give even the most determined chief executive pause.

Attorneys who practice corporate law have constituted, ever since the rise of the modern corporation, the elite of the legal profession. Their rewards have always been ample. Still, until recent times, attorneys in corporate law did not earn terribly more than lawyers practicing in less lucrative fields. In 1954, the year that future Harvard president Derek Bok graduated from law school, he could have taken a job with a top Wall Street law firm for $4,200 a year. He also could have gone to work in the Justice Department "for almost as large a salary as private law firms were offering."[6] Attorneys a half-century ago could live comfortably working in or out of corporate law. Top lawyers at the biggest corporate law firms collected impressive, but not staggering, rewards.

The same could be said for the top corporate executives that top corporate attorneys advised. A half-century ago, they collected impressive, but not staggering, rewards. That would change, as we have seen. Executive pay would explode upwards over the last quarter of the twentieth century. Corporate lawyers watched the explosion. Actually, they did more than just watch. They lit the fuse. With every regulation and tax they helped corporations sidestep,

with every merger they packaged, with every workplace they kept "union-free," these attorneys helped inflate corporate earnings — and executive incomes.

These rising executive incomes, in turn, raised pay expectations within America's top corporate law firms. Senior partners at these firms saw no reason why pay for executives should far outpace their own compensation. These attorneys considered themselves every bit as sharp and savvy as the executives they advised. Why shouldn't fortune smile just as sweetly on them as on corporate executives?

Executives, these lawyers understood, did hold one specific compensation advantage. Simply by manipulating shares of stock, executives could fashion for themselves enormous fortunes. Law firms, as private partnerships, could engage in no such lucrative stock maneuvers. Top partners in these firms, to keep pace with the pay of their corporate executive counterparts, would have to develop a different set of wealth-amassing techniques. And so they did. Over the last quarter of the twentieth century, America's elite attorneys would redefine and restructure how private law firms operate.

Law practices in the United States, even the most prestigious, had traditionally been modest in size. But modestly sized operations, in law as in business, can support at the top only modest compensation. Law firms would now shed their historic size limitations. In 1978, only fifteen law firms in the entire nation could claim as many as two hundred attorneys. A decade later, over seven times as many firms sported two hundred or more lawyers.[7] By 1997, just one law firm alone, the New York-based Skadden, Arps, Slate, Meagher & Flom, employed twelve hundred lawyers in twenty-one cities.[8]

These new supersized law firms did not "practice" law. They manufactured it, factory style. Legions of young attorneys staffed the new legal assembly lines. These "associates" labored sixty, seventy, even over eighty hours a week. They would be paid handsomely for these hours — associates at Skadden, Arps, Slate, Meagher & Flom, for instance, started at $101,000 in 1998 — but their employers, the partners in America's top law firms, could afford to be generous. Associate labor was making them rich.[9]

Between 1970 and 1990, after adjusting for inflation, per-partner profits at the nation's elite law firms leaped by 75 percent and more.[10] The profits would keep flowing in the 1990s. Midway through the decade, the 360 partners at New York's Cravath, Swaine & Moore were averaging more than $1 million each.[11] In 2001, Cravath's per-partner profits totaled twice that, $2.14 million. That same year, at Wachtell, Lipton, Rosen & Katz, partners averaged $3.17 million.[12]

By century's end, any "gentility regarding money" had been thoroughly purged from America's top law firms. A new money culture had taken root. Top attorneys no longer served their clients. They scrambled to squeeze them. In this scramble, notes Derek Bok, who would serve as the dean of the Harvard Law School before becoming the university's president, nothing would matter more than the billable hour.

"The more associates a firm could maintain for every partner, and the more hours they worked," explains Bok, "the larger the pool of profits would become."[13]

And that pool seemed limitless. If corporate clients balked at excessively high hourly rates, their law firms could simply smile, moderate the rate, and bill more hours. Two-minute phone calls could be rounded up to billable quarter-hours. Extra witnesses could be interviewed. Extra lawyers could be brought into meetings.[14] In this environment, inefficiency paid. The more time spent on a task, the more hours to be billed.[15]

Billable hours, as lucrative as they could be, would actually constitute only one prime revenue stream for America's top firms. In the 1980s and 1990s, they would start exploiting another, equally lucrative source of fortune, the contingent fee.

Lawyers had started practicing contingency fee law, years before, as a strategy to help people of limited means. Through a contingency arrangement, a litigant with a good case but no money could secure an attorney's services. That attorney would typically receive, instead of standard hourly fees, a third of whatever settlement the case produced. These contingency arrangements could make sense for both litigant and lawyer. They could also invite abuse. Lawyers who came to specialize in contingency fee law had to "win" to be paid. Some attorneys, under this pressure, would start to do anything to win. They might "harass defendants with endless requests for documents and interrogatories to extract a settlement" or "even manufacture evidence to inflate the amount of damages."[16]

Such tactics could be profitable. Contingent fee settlements and judgments could total tens of millions of dollars, a fact that did not go unnoticed in the plush offices of America's most prestigious law firms. Why should these contingent fee fortunes, top partners wondered, be left to ambulance chasers? In the 1980s, these top partners moved to cut their firms into the contingent fee action.[17] Litigants who could afford to pay standard legal fees would now have their cases handled on a contingent fee basis.

America's top firms would have, in contingent fee law, a promising new revenue stream. The general public would be no better served. Observers would be struck by "how few individuals with deserving claims receive anything at all." One major investigation of malpractice cases found that "only one in eight or ten meritorious claims ever reaches a lawyer, and only half of these result in any payment of money to the victim."[18]

In this client-be-squeezed, public-be-damned legal environment, America's biggest and best law firms found themselves, not surprisingly, stumbling to keep their moral bearings. The professionals America trusted to uphold the law would, at the height of the boom years, work diligently to subvert it — and then even flaunt their subversion.

In 2001, for instance, the Houston-based firm of Vinson & Elkins openly boasted, on its Web site, about the firm's pivotal role in creating off-balance-sheet partnerships for the nation's most innovative company — and its biggest

client. That client was Enron. In 2001 alone, the Enron account earned Vinson & Elkins $36 million. By year's end, the off-balance-sheet partnerships that Vinson & Elkins had helped create, partnerships "structured to enrich a few Enron insiders at the expense of company shareholders," had sunk the energy giant into bankruptcy.[19] Unhappy Enron shareholders would later charge that Vinson & Elkins, with its work at Enron, had engaged in outright racketeering.

In earlier generations, few young people had gone into the law expecting to practice racketeering — or amass multimillions. The law offered other, more professional satisfactions, the opportunity to practice an honorable trade, to build lifelong, collegial relationships. These pleasures would all erode in the 1980s and 1990s. Inside the profession's huge new law firms, young associates working eighty-hour weeks made "good" money, but had little time to enjoy it. That time, they told themselves, would come when they "made" partner. The pleasures of the profession would then be theirs. But partnership, once made, would turn out to bring no great pleasure either.

The profession had changed. In years past, partners could and did take great pride from their practice. The hours they spent mentoring young colleagues and sharing insights with fellow partners they respected and esteemed kept their careers professionally satisfying. Partners seldom squabbled about money. Seniority rules determined the shares each partner took from the firm profit pool.

In the late twentieth century, with hundreds of millions of dollars filling law firm profit pools, ambitious partners would come to see these traditional rules as silly and unfair. They demanded that firms shift to "performance" distributions. Let the most rewards go to the partners who brought in the most business. Partners who didn't spend their time bringing in new business, who wasted potential billable hours mentoring colleagues, now came across as fools. And if you were a partner who asked colleagues for their insights about a case, you would be seen as an even bigger fool. Any insights those partners might give you, after all, would entitle them to a share of what should have been your profits.

Professional pleasures could not endure in an atmosphere this strained. Fewer partners mentored, fewer partners collaborated. Partners, instead, hoarded clients. And if those clients, as a result, didn't receive the best possible representation, then so be it. The practice of law was now about profits, not clients, about selfishness, not service.[20]

Meanwhile, outside the exquisitely paneled confines of America's largest law firms, in small practices and legal clinics, individual lawyers would also be working long hours, but not to get rich.[21] They would be working their long hours to pay back their enormous student loans. By century's end, over half of America's law school graduates would be starting their careers more than $75,000 in debt, with one in every five over $105,000.[22] Some young lawyers, those who signed on with high-profile private firms, could handle these debt loads. Half of all new private-practice lawyers, after all, would be taking home starting salaries over $90,000 a year by the late 1990s. And law schools knew

that. By century's end, notes economist Dean Baker, the high salaries available in elite private practice had become "the driving force behind rising tuition."[23] Law schools would charge what the market would bear. In the 1990s, tuitions would soar 140 percent.[24]

Salaries for government and public-interest lawyers, over those same years, would rise 37 percent. By decade's end, the typical attorney for a public interest group would only be earning $35,000. Median incomes for government lawyers would go somewhat higher, but not enough to offset six-figure student debt loads. With salaries outside elite private-practice law so limited, the national association of public interest lawyers would charge in 2003, two-thirds of law school graduates could not afford to even consider a job in the government or public interest sector.[25]

Those young lawyers who did go into public interest work would do the best they could in understaffed and underbudgeted legal offices. They would, on a regular basis, have to say no to people who needed legal help. And they would be resented for it. Lawyers, increasing numbers of Americans were convinced, were just out for themselves.

"Has our profession," asked a 1986 American Bar Association report, "abandoned principle for profit, professionalism for commercialism?"[26]

By century's end, the answer would be in little doubt.

OUR SOCIETY'S SUSPICIONS ABOUT LAWYERS DO, of course, have roots that go deep into history. Let us first, as Shakespeare suggested, kill all the lawyers. Accountants carry none of this classic baggage. The founding fathers of accountancy, men like the legendary Arthur Andersen, left their successors a trade with an awesome aura of professional probity.

"Think straight and talk straight," Andersen would advise his colleagues in the early years of the accounting profession. He took his own advice to heart. In 1915, for instance, Andersen demanded that a steamship company formally acknowledge the sinking of a freighter that had sunk *after* the company's fiscal year had ended.[27] The investing public, Andersen insisted, had a right to the full story. Accountants had a responsibility to determine — and present — the unvarnished truth in every business situation.

The American people would come, after the stock market crash in 1929, to understand the importance of this honorable accountancy mission. In the 1930s, the federal government "gave the accounting industry the valuable franchise to audit companies that sell shares to the public."[28] Accountants, notes journalist David Hilzenrath, were expected "to do their best to make sure investors can trust corporate financial statements." That meant more than crunching numbers. That meant checking inventory and contacting customers. And that meant, most importantly, making judgments.

Any audit of a modern corporation demands thousands of judgment calls. Is an asset fairly valued? Is a liability understated? Is a revenue collectible? The

best accountants have always taken great pride in making these judgments — and getting them right.

Those who do judging, of course, must be impartial and independent. Auditors, accounting's founding fathers agreed, could not objectively audit a company's books and, at the same time, participate actively in that same company's business operations. Honorable auditors must avoid any trace of conflict of interest.

Down through the years, in practice, this ethic of independence would prove difficult to sustain. In the late twentieth century, with corporate executive compensation escalating at record rates, sustaining this ethic would become impossible.

In the 1980s and 1990s, partners at America's top accounting firms would see the same executive pay extravagances that partners at America's top law firms saw. They would feel the same envy. And to keep their own personal rewards rising, at a corporate executive-like pace, partners at top accounting firms would take the same steps that partners at top law firms took. They would supersize their partnerships.

Accounting firms actually supersized considerably faster than their law firm counterparts. By the 1980s, just eight accounting firms were conducting virtually all the audits of companies listed on the New York Stock Exchange. In 1989, two megamergers brought this "Big Eight" down to the "Big Six," and eight years later still another merger left the accounting profession dominated by the "Big Five."[29]

But in accounting, unlike law, supersizing alone could not ensure the princely earnings that Big Five partners had come to see as their natural right. Corporations, after all, were merging, too, and each merger created fewer big companies to be audited. Accounting firms, in a consolidating corporate America, would need new revenue streams, and these new revenues, top accounting firm partners concluded, could only come from the hot new field of management consulting. That quaint old professional ethic — that auditing firms ought to keep at arm's length from the companies they audit — would simply have to go.

In the accounting profession that would emerge in the 1980s, auditing would fill a new and considerably less elevated role. Audits would no longer be about helping the investing public unearth business truth. Audits would now be "loss leaders," a strategic maneuver accounting firms could employ "to get their foot in a client's door and win consulting contracts."[30] Revenues from these contracts would come eventually to overshadow totally revenues from auditing. In 2001, PricewaterhouseCoopers would bill the Tyco International conglomerate $13 million for auditing services and nearly triple that total, $38 million, for consulting work on taxes, acquisitions, and technology. Raytheon, the military hardware company, paid PricewaterhouseCoopers $3 million for auditing that same year — and $48 million for consulting.[31]

All this consulting, notes corporate researcher Philip Mattera, "flew in the face of the accounting profession's independence rules." The guardians of the profession didn't seem to mind. Accounting professional groups actually lobbied hard *against* any moves that might reimpose traditional accounting values.[32] The profession's movers and shakers, now routinely averaging over $1 million each, had found a most lucrative niche in corporate America.[33] They were not about to let it go.

Accounting had finally become, at least at the top, a profession that paid. But making your way to that top still took time. Young accountants usually had to spend ten years at a Big Five firm before earning partner status — and the half-million dollars or so in annual compensation that typically came with it.[34] Not bad, but ambitious young partners found they could do considerably better by crossing over and crunching numbers *inside* the corporate world, as corporate financial officers. Corporate CFOs, by the 1990s, were routinely taking home $1.5 million in annual compensation.[35] Some were doing considerably better. Mark Swartz, for instance, left his professional home at one Big Five accounting firm, Deloitte & Touche, and became the chief financial officer at Tyco International. In 2001, Swartz earned nearly $35 million.[36]

Back in the accountant cubbyholes at Deloitte & Touche, Ernst & Young, and the rest of the Big Five, ambitious auditors watched this desk-swapping closely. They would come to see, naturally enough, each audit they conducted as a lucrative career-changing opportunity. Smart auditors, by making just the right impression on the company they were auditing, could end up hired to a cushy company executive slot. And smart auditors didn't need to be told how to make that right impression. To get along, they played along — with the sorts of corporate financial sleights-of-hand that old Arthur Andersen would have delighted in exposing.

The entire auditing process, from the corporate perspective, now worked beautifully. Accounting firms, the supposed corporate "watchdog," no longer had any interest in subjecting the companies they audited to searching, tough-minded audits. The senior partners at these firms saw every auditing relationship as a first step toward a lucrative consulting contract. Why spoil the chances for that contract by giving an audited company a hard time? The lowly accountants who did the actual auditing work, meanwhile, had little reason to blow the whistle on their solicitous superiors. Why make a scene and risk spoiling a corporate job opportunity? Why can't we all just be friends?

In this clubby environment, accountants no longer stood at arm's length from their clients. Indeed, auditors frequently found themselves interacting with corporate officials who used to be their supervisors or colleagues. Such incestuous relationships, one academic observer, the University of Richmond's Paul Clikeman, pointed out, practically invited shenanigans. Accountants doing audits, he explained, could hardly be expected to maintain "proper professional skepticism when questioning their friend and former colleague."[37] These former colleagues, in turn, knew all the tricks of the auditing trade.

"The former auditor's knowledge of the audit firm's testing techniques," Clikeman observed in 1998, "may allow the client to manipulate the financial statements in ways that are least likely to be detected."[38]

By the time Clikeman made that observation, corporations had plenty of reason to want their financial statements manipulated. Real corporate profits had soared between 1992 and 1997, and those soaring profits had kept share prices — and executive stock option jackpots — soaring, too. But real profit growth, by 1998, had stalled. In fact, as economist Paul Krugman notes, the after-tax profits of the S&P 500 grew barely at all over the last three years of the century. For corporate executives, now fully accustomed to option windfalls, this would not do. If real profits weren't rising, they would just have to find some fake profits. And they did. Between 1997 and 2000, the corporations that make up the S&P 500 were able to report out, thanks to creative accounting, a whopping 46 percent jump in corporate earnings. Accounting smoke and mirrors, explains Krugman, had created "the illusion of profit growth."[39] And that illusion drove executive earnings to all-time record levels.

This most helpful illusion came courtesy of the accounting profession.

At Xerox, for instance, executives created a $1.5 billion phony profit, between 1997 and 2000, by faking $3 billion in nonexistent revenues.[40] The gyrations Xerox went through to fake these revenues clearly violated standard accounting rules, and one brave auditor at KPMG, the accounting firm handling the Xerox audit, had the temerity to point this violation out. Xerox executives were displeased. They asked KPMG for a new auditor. KPMG supplied one. KPMG would receive $62 million in fees from Xerox over the century's last three years, over half from consulting.[41]

Not everyone would turn a blind eye to this rampant faking and fraud. Arthur Levitt Jr., the Securities and Exchange Commission chairman, charged at the start of the new century that auditors and corporate executives had joined "in a game of winks and nods." In corporate financial reports, Levitt asserted, "integrity may be losing out to illusion."[42] Nobody paid Levitt much mind. Congressional leaders shrugged. Who cared?

And then came the collapse of Enron. Within a year, the most noble accounting firm of them all, Arthur Andersen, the firm that embodied the heart and soul of the accounting profession, had ceased to exist as an auditing entity.[43] Enron and Arthur Andersen had been joined at the hip. Former Andersen employees filled Enron's executive offices, in slots ranging from treasurer to chief accounting officer. Andersen accountants and Enron executives, a report released by Enron's board of directors would later note, worked side-by-side to inflate revenues and conceal liabilities. Personnel who would not cooperate were shunted aside. For professional services rendered, over the course of this collaboration, Andersen would take in from Enron $1 million a week.[44]

In the wake of Enron's spectacular collapse and Andersen's equally spectacular professional misconduct, accounting industry flacks endeavored to dismiss Andersen as some foul rotten apple in an otherwise healthy barrel. The face-

saving would not wash. Within months after Enron's crash, every giant accounting firm in the nation had come under suspicion and serious investigation. KPMG for work with Xerox. Deloitte & Touche for Adelphia. PricewaterhouseCoopers for MicroStrategy. Ernst & Young for PeopleSoft.[45] Accounting as a profession stood disgraced.

And humiliated. In Portland, Oregon, a minor league baseball team staged an "Arthur Andersen Appreciation Night." Fans were handed $10 receipts for $5 tickets.[46] In Congress, reformers rushed to snatch away from the accounting profession all regulatory autonomy. The resulting Public Company Accounting Reform and Investor Protection Act, enacted midway through 2002, created a powerful new board to oversee the auditors of public companies. The new board, Senator Paul Sarbanes proudly noted, would have "the authority to set standards" and "investigate and discipline accountants." It would be answerable to the Securities and Exchange Commission, not the accounting profession. The Public Company Accounting Reform and Investor Protection Act, Sarbanes summed up, "will mark the end of weak self-regulation on the part of public company auditors."[47]

Out across the nation, average Americans applauded the new legislation. Accountants, after all, could not be trusted. Accountants, meanwhile, wondered what had happened to their profession. The older the accountant, the deeper the shock.

"I'm heartbroken," one retired Arthur Andersen accountant, Albert Pollans, told a reporter. "We were the best of the best, and we took a great deal of pride in our work."[48]

BY THE EARLY YEARS OF THE TWENTY-FIRST CENTURY, many physicians felt the same distress, as professionals, as accountant Albert Pollans. These doctors labored in large institutions where basic decisions about patient care, decisions they had invested years of their lives to learn how to make, were now made by "bean-counters," financial analysts who had never ever taken a pulse or written out a prescription. Doctors in these institutions felt pressured and second-guessed, at every turn. They could be berated if they lingered with individual patients, scolded if they didn't empty out hospital beds rapidly enough. In short, they felt they could no longer practice as they saw professionally fit.

This humiliation would be, for doctors, an exceptionally bitter pill to swallow. No professionals in the entire United States, perhaps the entire world, had worked harder, or more successfully, to control the practice of their profession. American doctors, by the mid twentieth century, had achieved near total autonomy. Doctors themselves essentially determined how physicians were trained, how they were judged, even how they were paid. And lay Americans accepted these arrangements. They trusted doctors and valued their expertise. Politicians, for their part, feared doctors' collective clout. On medical matters, they largely let doctors, as a profession, determine public policy.

That, for American society overall, would prove to be a mistake. Doctors practice a profession that directly and regularly impacts everyone. In any modern society, as a consequence, everyone holds a vital, personal stake in basic decisions about medical care. No society should default this responsibility to doctors, or any one group.

Outside the United States, industrial nations have generally listened to doctors on matters of public policy, but not defaulted to them. Over time, these nations have all created health care systems that guarantee their citizens access to affordable medical care, usually through some form of national health care coverage. In the United States, by contrast, no national health coverage system would ever take hold. The United States, instead, would offer only Medicare and Medicaid, one program for the elderly, one for the poor. These two programs, both created in the 1960s, would not guarantee all Americans affordable health care. But they did guarantee doctors a wider paying clientele.

America's doctors, before Medicare and Medicaid, had practiced in an environment where some patients could afford to pay for services rendered and others, most notably the elderly and the poor, could not. In this America, a great deal of medical work either went uncompensated or compensated at less than the going rate. Medicare and Medicaid would modify these medical fee realities. Doctors would now be guaranteed, via tax dollars, "payments from millions of patients who previously were unable to afford the cost of their care."[49] These guarantees gushed new revenues into medicine — and gave doctors a powerful incentive to see as many patients, and perform as many procedures, as possible. The more "care" doctors could provide, the more they could earn.

In earlier ages, similar economic temptations had led to shockingly unprofessional medical messes. In the 1700s, for instance, authorities at the English Royal Hospital at St. Bartholomew famously decided to pay surgeons by the limb. The more limbs they amputated, the higher their total fees. This new pay-for-performance approach to compensation would not long endure. After a significant leap in the number of London limbless, hospital authorities changed course and required their suddenly saw-happy surgeons to obtain advance approval before moving ahead with any amputation.[50]

By the 1970s, American surgeons were no longer doing much amputating. But they did seem eager, especially after Medicare and Medicaid, to cut into patients at the slightest provocation. By the mid 1970s, researchers had begun keeping statistics on unnecessary operations. By the mid 1980s, an extensive academic literature was demonstrating "that perhaps 10 to 30 percent of diagnostic tests, procedures, and hospital admissions are unnecessary."[51] These procedures, necessary and unnecessary alike, were paying off handsomely. Top medical specialists could command, by the 1990s, $500,000 a year and more — and that for just performing three operations a week.[52]

Such stunning rewards would, not surprisingly, help swell the number of medical specialists in the United States. Why become a general practitioner

when specialty practice could be so much more lucrative? Doctors in the United States, by the late 1980s, accounted for about the same percentage of the overall population as doctors in Canada. But specialists in the United States would make up a far greater percentage of the physician population. In Canada, 52 percent of doctors would engage in primary care general practice. In the United States, only 33 percent.[53]

American doctors who couldn't become famed specialists could still find fortune — by investing in clinical laboratories and other ancillary medical services, then referring their patients to these facilities. "Self-referrals," by the 1990s, had become a national scandal. A quarter of the nation's independent clinical labs, federal investigators found, "were owned at least in part by physicians who made referrals of items or services to them."[54] Florida doctors with an ownership interest in radiation therapy units, one federal investigation found, were referring patients to radiation at a rate 50 percent higher than the national radiation referral average — and their patients were paying, for therapy, over 40 percent more than average radiation patients elsewhere.[55]

"Not infrequently, when we find cases of abnormally high and questionable utilization," a top official in the Health and Human Services Department's Inspector General Office would later tell Congress, "there is a financial reward at work."[56]

Not all physicians, of course, were chasing recklessly after financial rewards, but enough were to keep incomes of physicians increasing far faster than the incomes of their patients. In 1973, private practice physicians earned four times the U.S. median income. Two decades later, in 1994, physicians averaged over eight times the national median.[57]

An angry public would lash back. Society had granted doctors autonomy. Doctors, the public felt, had abused it. Society, in moves big and small, would now start taking that autonomy away, telling doctors what they could and could not do. In 1989 and 1993, Congress would go after "self-referrals," enacting legislation that prohibited Medicare payments for lab services when the physician who ordered the services had a "financial relationship" with the lab.[58] The entities footing the bill for most of American health care, the federal government and large employers, also began implementing programs that subjected doctors to "case-by-case assessments" of the care they were providing.[59] These "utilization management" programs infuriated physicians. Case-by-case reviews, they charged, were squeezing professional judgment out of the practice of medicine.

"Conscious of being watched," noted Dr. George Dunea, a physician at Chicago's Cook County Hospital, "many doctors are beginning to practice an undesirable brand of defensive medicine, ordering tests with an eye on the reviewers, admitting or discharging patients merely because the criteria say so, calling in consultants to cover all bases."

All this, Dr. Dunea added, went totally against the grain of what the professional practice of medicine ought to be about.

"How can medicine be practiced by the book," he lamented, "when each new day calls for intuitive decisions, short cuts, compromises, strategies designed for this patient only and nobody else?"[60]

Physicians would soon face even greater pressures on their professionalism — from for-profit corporate medical empires. Medicine had become so intensely lucrative, by the 1980s, that entrepreneurs suddenly saw no reason to leave health to the nonprofits that had traditionally operated America's hospitals. These entrepreneurs quickly started buying up and privatizing community hospitals. Then, to shake profits out of hospitals that had always functioned on a nonprofit basis, the new investor-owned chains began standardizing medical care. What they couldn't standardize, they eliminated.

This standardizing and squeezing would work wonders for the bottom lines of the new health care corporate empires. Their imperial CEOs would be suitably rewarded. In 1994, the top executive at U.S. Healthcare, Leonard Abramson, would sit on a personal stash of company stock worth over $784 million.[61] Fortunes this imposing could often only be maintained via outright fraud. Columbia/HCA chief executive Richard Scott would resign in 1997 amid a massive federal probe into kickbacks and overbilling. By that time, he had accumulated $338 million worth of Columbia/HCA shares.[62]

Major employers did not smile upon all this health care profiteering. Their health care costs were spiraling totally out of control. They demanded relief. Health maintenance organizations — HMOs — promised to deliver it. HMOs rejected the traditional fee-for-service model of medical care in the United States. They charged large employers fixed lump sums for each employee. In return, they guaranteed employees all the care they needed. This approach to financing health care, HMO enthusiasts proclaimed, would give medical professionals an incentive to keep people well. The healthier people became, the fewer health services they would require, the lower overall medical spending.

The theory sounded fine. But, in an unequal America, the theory would not work. In America's traditional fee-for-service system, *unnecessary* services proliferated. Under HMOs, *necessary* services would simply not be performed. Big money for HMO kingpins, in a "managed care" environment, could only be made if expenditures for health care services were kept down as low as possible. And they would be kept down — by pressuring doctors to practice by the book and avoid any and all "intuitive decisions."

HMO executives, not practicing doctors, would reap the subsequent rewards. Dr. Malik Hasan, the neurologist who ran Health Systems International Inc., would end up Colorado's highest-paid executive in 1995. He took home $20.5 million that year.[63] He made, in effect, more in two days than average doctors could earn in an entire year.

Physicians who actually spent their days with patients noticed, and resented, these sorts of disparities. In 2002, *Medical Economics* magazine asked doctors in general practice if they were sorry they had gone into primary care. An astounding 73 percent said yes.[64]

Patients, one young doctor, Cynthia Howard, told *Medical Economics*, had little patience with her in the new medical marketplace. They would even balk, Dr. Howard explained, if she tried to collect a $10 Medicare copayment.

"You already make a million dollars a year," the patients would tell her, "so why do you need my money?"

Howard, a practitioner in Texas, didn't make a million dollars, or anything close.

"Where else but in medicine in 2002 can you find a job that has no vacation pay or sick time; no retirement benefits or health care coverage; and no certain paycheck?" Howard asked. "No wonder med school admissions are down."

For doctors who just wanted to be doctors, to enjoy the respect of their communities and make a decent living, the profession no longer worked. The concentration of the dollars Americans spend on health care had left a wound that medicine could not heal.

IN A THRIVING, VIBRANT CULTURE, talented young people follow their hearts. They seek out professions that catch their imaginations. Some choose to teach. Some become chemists. Some nurse. Some preach. Some raise cut flowers. Wise cultures encourage young people to choose professions that tickle their fancies. Economies only develop to their fullest, these cultures understand, when people are working at trades they enjoy.

In societies that tend toward equality, young people will naturally tend to gravitate to the professions that bring them the most satisfaction. If no one line of work offers *substantially* more compensation than any other, most talented young people will pick as their life's work the profession they find most personally appealing.

Professions themselves, in more equal societies, must always strive to remain appealing or risk watching talented young people go elsewhere. Equality, in effect, gives professions an extra incentive to manage their affairs professionally. Professions that let down their professional guard and fail to discipline misbehavior within their ranks will lose public respect — and the interest of young people who might otherwise have chosen to enter into them. And professions that neglect their responsibility to maintain a pleasant working environment for practitioners will also turn off young people. Only rare birds will willingly devote a career to a tense and distasteful daily grind. More equal societies, in short, keep professions on their toes, anxious to please both public and practitioners.

In less equal societies, the incentives all run in the opposite direction. In societies that tolerate significant gaps in compensation within and between professions, talented young people have a rational reason *not* to follow their hearts. If some lines of work can offer their practitioners five times more, or perhaps even fifty times more, than others, then monetary rewards will eventually dominate young people's career decisions.

Roy Smith made his life's work decision in 1966, right after graduating from the Harvard Business School. Smith chose to go into investment banking. Only one other graduate from his business school class made the same choice, a not particularly surprising statistic. Investment banking, at that time, offered rewards not appreciably higher than any other business field. Smith's starting salary at Goldman Sachs would be a mere $9,500, with no guaranteed bonus.[65]

Three decades later, graduates from top business schools could start an investment banking career at as much as $235,000 a year.[66] And almost all of them seemed to want to do so. Investment banking, once a yawner, had suddenly become a magnet. One investment house, in 1990, received thirty-six thousand applications.[67]

Only a handful of these applicants would, of course, ever manage to get a foot in the door. But investment banking and other professions that offered jackpot earnings would continue to lure America's "most talented young people to pass up careers in engineering, manufacturing, civil service, teaching and other occupations."[68] Societies, economists Robert Frank and Philip Cook argue, suffer mightily when young people are so tempted.

"The economic pie would be larger," the two explain, "if more bright students abandoned their quest to become multimillionaire personal-injury lawyers for the more modest paychecks of electrical engineers."[69]

Individual young people, not just societies, suffer when outsized rewards bias career choices. Those who choose work they don't relish for a paycheck they do can often end up stewing in affluence. And those who choose work that speaks to their hearts, not their wallets, can end up feeling devalued — by a society that rewards other professions at levels far higher than theirs.

No profession in the United States, by century's end, would count in its ranks more of these devalued professionals than education.

Education in America has never paid particularly well. Educators have always earned less than comparably educated professionals in other fields. For years, that didn't much matter to the nation at large. The schools could still attract significant numbers of talented young people, despite poor pay, simply because significant numbers of talented young people — women and people of color — were effectively barred from entering most other careers. American education enjoyed, in effect, a captive talent pool.

The great social struggles of the 1960s and 1970s would topple many of the barriers that kept minorities and women captive. In the new, more socially equal America, schools would now have to compete for talent with other professions. In this competition, they would prove unable to keep up. The gap between educator salaries and compensation in other fields would actually widen. Between 1990 and 2000, the average salary of a veteran New York City teacher would rise seven times slower than the compensation of a partner at a top New York law firm — and four times slower than the average salary of a computer science grad from a top university.[70] In the 1990s, years of low inflation, teaching salaries in New York would not even keep up with the cost of living.[71]

"If you don't have a competitive compensation program, talented people will not give you a second look," the *School Administrator* journal noted in 2001. "In the war for talented employees, organizations outside education seem to be winning all the battles."[72]

In the 1990s, elected leaders and education policy makers desperately searched for "work-arounds" that could somehow offset the impact of widening pay gaps. Early in the decade these policy makers would cheer when one recent Princeton grad suggested a bold new program to place talented young people into teaching. Her new "Teach for America" effort would invite grads from top universities to take two years off their march up the career ladder to teach in an impoverished public school. Those self-sacrificing, idealistic young grads who accepted the offer would then receive six weeks of summertime training to get them ready to enter the classroom and make a difference for kids.

Teach for America, the claim went, would bring into America's most hard-pressed schools the energy and enthusiasm of some of America's most talented young people. In return, the claim continued, these talented young people would receive a priceless, life-enriching experience. They could do good, in Teach for America, and then go on to do well — in some more financially fitting profession.

The claims would not pan out.[73] Many of Teach for America's young people would not stick out their two-year stints. Those who did left their assignments with mixed feelings.

"Did I change my school? No." noted one, who went on to attend Yale Law School. "Did I change the lives of some of my kids? I hope so. Is that enough? I don't know."[74]

Many career teachers, on the other hand, had no mixed feelings whatsoever about Teach for America. They considered the program an insult, plain and simple, to their profession. Few young people of talent, Teach for America assumed, could ever be expected to devote a career to a profession as unappealing as teaching. So schools ought to be grateful, ran the program's unspoken subtext, that at least some talented young ones were willing to give teaching two years of their valuable time, especially since these bright young folks have actually spent six whole weeks learning how to teach.

Most career educators at disadvantaged schools resented that subtext, but they swallowed hard and welcomed unprepared teachers into their schools anyway. What choice did they have? In an unequal America, efforts like Teach for America would be the best that public schools could realistically expect.

GROWING INEQUALITY, IN THE LATE TWENTIETH CENTURY, worked to devalue almost everyone who labored in the public sector, not just educators. Even the most highly rewarded of public sector professionals would end the century feeling distinctly second-class.

A number of these professionals worked at the federal Securities and Exchange Commission. These lawyers and accountants labored nobly to pro-

tect investors from stock market scams. They could have chosen careers on Wall Street. They chose public service instead. The Securities and Exchange Commission certainly did have its attractions. SEC service, as one proud staffer noted, offered "opportunities not easily found elsewhere: the chance to work on novel and important issues, the opportunity to collaborate with an unusually nice group of colleagues (especially rare for lawyers!) and, not least, the chance to feel good about what you do for a living."[75]

But these pleasures would be largely canceled out, in the boom years, by the vast pay gap that separated SEC staffers and their counterparts on Wall Street.

"Every day," SEC staffer Martin Kimel would later explain, "my colleagues and I speak with securities lawyers in the private sector who are earning two to three times our salaries (not counting bonuses and stock options)."

These exchanges, not surprisingly, left staffers like Kimel feeling like saps. Many would leave the SEC. And those who gritted their teeth and hung on anyway, because they valued the work they were doing too much to leave, came to be seen as losers. If they actually had anything on the ball, the industry scuttlebutt went, they would be working on Wall Street. Summed up Kimel: "It is as if those of us who stay too long — and I am talking years, not decades — risk being labeled as spoiled milk."[76]

The same pressures would bear down on the nation's judiciary in the 1990s. Over the course of the decade, fifty-four federal judges discarded their judicial robes for greener pastures in the private sector. In the 1960s, years of far smaller pay gaps between public and private service, only three federal judges left the bench to work elsewhere.[77]

"Something is horribly wrong," exclaimed one frustrated federal judge in Florida, Edward Davis, "when my law clerks can leave me, after serving two years, and go to New York and make more money than I made as a judge."[78]

A great deal more. In 1990, the sixty-odd partners at the law firm of Cravath, Swaine & Moore, on average, each earned "more than the nine justices of the U.S. Supreme Court combined."[79]

These sorts of discrepancies, Supreme Court Chief Justice William Rehnquist would argue early in the new century, endanger the very quality of justice in America. Judges needed to be totally independent, not beholden to litigants who might be their future employers. The "large and growing disparity" between public and private sector pay in the legal profession, Rehnquist would entreat, simply "must be decreased if we hope to continue to provide our nation a capable and effective federal judicial system."[80] The nation cannot afford to have a judiciary "limited to the wealthy or the inexperienced."[81]

Rehnquist delivered this lament in 2002 before a blue-ribbon National Commission on the Public Service chaired by Paul Volcker, the former Federal Reserve Board chairman. The panel's hearings actually attracted not just one, but two, Supreme Court justices. The judiciary, Associate Chief Justice Stephen Breyer asked the commission to remember, was by no means "the only sector of the government with problems."

"Salaries do matter," Breyer testified. "If you keep cutting and cutting and cutting, you will find the institutional strength sapped. You will find morale diminished. You will find it harder to attract and keep people."[82]

Breyer's answer: Professional salaries in the public sector needed to be raised. A most reasonable position. But salaries in the public sector, in a nation where compensation at the top of the private sector had leaped to stratospheric heights, could never be raised high enough to compete effectively. The taxpaying public would not stand for it. In a deeply unequal nation, Breyer failed to see, public sector professions would always have to beg for respect — and talent.

Or would they? In a 2001 column, a *Wall Street Journal* commentator, Holman W. Jenkins Jr., argued that great concentrations of wealth actually promote quality public service. The more wealthy families about in the land, Jenkins contended, the bigger the pool of financially secure sons and daughters who can afford to labor in worthwhile but low-paying public service positions. His policy prescription? Keep those fortunes growing and inheritances flowing!

"With sizable inheritances to supplement their earnings," Jenkins noted, "more people from privileged backgrounds might become policemen, teachers, botanists or park rangers without making a big sacrifice."[83]

Trickle-down with a professional face.

MANY MILLIONS OF PROFESSIONALS IN THE UNITED STATES, from scientists to social workers, practice their professions neither in the public sector, for the government, nor in the private sector, for profit-making enterprises. These millions of professionals work in America's nonprofit sector.

Organizations in this nonprofit "independent sector" in some ways mirror their for-profit counterparts. In the nonprofit world, for instance, boards of directors set compensation levels for top executives, just as in the for-profit world. These compensation decisions, over recent years, have become increasingly contentious, again just as in the for-profit world. The reason? With pay rising so rapidly in the executive suites of corporate America, many board members in the independent sector have begun to feel that nonprofits simply must discard their traditionally modest executive pay standards — or risk becoming unable to attract top-flight executive talent. If nonprofits do not significantly increase their upper-most compensation, these board members have argued, they would "become employers of last resort" and find themselves stuck with leadership unable to "juggle multiple tasks and motivate both professionals and volunteers."[84]

These arguments for higher executive pay resonate well on the boards of most big-time nonprofits. Many members of these boards, after all, are themselves corporate executives in the private sector. And these arguments also resonate, naturally, with the executives of big-time nonprofits. These executives are constantly rubbing shoulders with their corporate counterparts, at board meetings, at fundraising galas, on blue-ribbon commissions. They consider

their jobs every bit as demanding as executive jobs in the for-profit sector. They feel they deserve comparable rewards.

These rewards would start coming in the late twentieth century. By the mid 1990s, America's most generous private universities were paying their top executives one-half million dollars a year.[85] Foundations, another category of big-time nonprofits, would keep pace.[86] One top foundation executive, the Lilly Endowment's Thomas Lofton, took home $450,000 in 1997 salary, plus another $163,648 in benefits.

"We have to compete," explained one Silicon Valley foundation official, Colburn Wilbur, "to get qualified people."[87]

This competition would soon drive top nonprofit salary packages over the million-dollar mark. The president of the Sloan Kettering Cancer Center would draw $1,077,500 to open the twenty-first century.[88]

The Internal Revenue Service, the nation's arbiter of which organizations qualify for tax-free, nonprofit status and which do not, did not find such paychecks unreasonable. Under IRS regulations, any compensation amount "as would ordinarily be paid for like services by like enterprises under like circumstances" could not be defined as "excessive." With executive compensation at "like enterprises" in the private sector soaring, nonprofits would have no problem justifying their bountiful executive rewards.[89]

But nonprofits would have problems footing the bill for this generosity. Nonprofits, unlike their for-profit counterparts, have no stock jackpots to award. Any generosity they opt to extend to executives has to come out of actual — and limited — budget dollars. Major nonprofits might have enough of these dollars to be able to significantly hike executive pay. Few have the dollars, or the inclination, to raise average employee pay at the same significant rate. The result: widening pay gaps between the executives at top nonprofits and their professional staffs.

These gaps can sometimes tear nonprofit institutions into warring camps. In 1995, at Long Island's Adelphi University, an angry faculty voted 131 to 14 to demand the firing of the college's president, Peter Diamandopoulos. Adelphi's board of trustees had made Diamandopoulos the country's second highest-paid college president — the first, Boston University's John Silber, sat on Adelphi's board — and supplemented his ample $523,636 salary by outfitting him with a $1.2 million apartment in New York City and a $401,000 condo closer to campus in Long Island's Garden City.[90]

Similar pay scandals would erupt throughout the nonprofit world in the 1990s, in organizations ranging from the United Way to the Baptist Church.[91] Each took a heavy organizational toll — and not just on the individual nonprofit in the headlines.

"The whole nonprofit sector suffers for the 'highly publicized' transgressions of a few," the lead association of the nonprofit world, the Independent Sector, would note in a report published in 2000. "The public holds the nonprofit sector to a 'higher standard.'"[92]

Astronomically high salaries for nonprofit executives, Harvard analyst Peter Frumkin would add, erode that "higher standard" in any number of ways. They weaken "a community's confidence in the motives of nonprofit workers." They shake "the confidence of clients." They undermine "the ability of donors to assume a link between the size of their gift and the amount of charitable services delivered."[93]

Without community, client, and donor confidence, nonprofits cannot thrive. Lower levels of confidence translate, inexorably, into lower revenues, into program cutbacks and salary freezes for the professional staffers who do the actual day-by-day work of every major nonprofit. These professionals didn't go into nonprofit work to become rich. But they also didn't expect to work under nonprofit executives who *are* getting rich — or with clients and donors upset by these executive riches. These professionals went into nonprofit work to do good and feel good about the work they are doing. In an America more and more unequal, this work would bring fewer and fewer of these good feelings.

WE TEND TO THINK ABOUT *THE* PROFESSIONS, in our everyday discourse, as medicine and law, as accounting and architecture, as teaching, the ministry, or nursing. We typically, on hearing *profession*, visualize fields of identifiable work with special schools and degrees, specific standards and certificates. But we also use *profession*, informally, to describe almost any body of skilled work. Law enforcement can be a profession, dressmaking a profession, child care a profession. And we recognize, as well, that people in every line of endeavor yearn to be considered — and treated — as professionals in the work they do, for good reason. To be treated as a professional, in our life's work, is to be respected, is to be given the autonomy to make basic decisions that affect our work. To be a professional is to make judgments, not just take orders. To be a professional is to take pride in what we do, to share our expertise, to insist on quality.

Wise societies welcome and nurture professional attitudes. Wise societies want the people who labor within them, all people, to approach their work as professionals. Indeed, the wisest of societies recognize that professionalism knows no collar color, that blue-collar work, or pink-collar work, can be every bit as professional as white-collar effort. In human labor, as the English social critic R. H. Tawney told us more than four score years ago, there is no distinctive difference "between building schools and teaching in them when built, between providing food and providing health."

"The work of making boots or building a house is in itself no more degrading than that of curing the sick or teaching the ignorant," Tawney explained. "It is as necessary and therefore as honorable. It should be at least equally bound by rules which have as their object to maintain the standards of professional service."[94]

A wiser America would, following Tawney, treat all workers as potential professionals.

Some, no doubt, will object to any characterization of all working people as potential professionals. How can workers on an auto assembly line, these skeptics might ask, ever be considered "professionals"? These workers, after all, just turn the same bolt day after day, year after year. They have no body of knowledge to master, no skill to perfect. They just turn bolts. They will never merit, in some people's minds, true professional status.

But these workers, if treated as just bolt-turners, will never perform truly good work either. Indeed, as the effective enterprise literature teaches us, any enterprise that keeps people endlessly engaged in mind-numbing repetitive work will never operate effectively. Effective enterprises don't treat autoworkers as bolt-turners. They treat them as automakers. They encourage them to collaborate with their fellow automakers to come up with new ways to make cars. In an empowered environment, workers do not turn bolts, they craft cars. They can take pride in their work. They can be professionals.

But few workers will ever behave professionally in a plant, in a company, in a nation, where inequality is rising. Few workers will behave professionally in situations where they are expected to be clever so someone else can become disproportionately richer.

Inequality, at every turn, subverts the professional spirit. Every worker, in every workplace, should be a professional. In a more equal world, and only in a more equal world, every worker could be.

Sports Without Winners

In a good society, people derive great pleasure both from the work they do and the games they play. In troubled societies, where work brings little pleasure, we flee to our games. Indeed, the less pleasure we take from our work, the more we seem to sink our psyches in the games we play — and watch.

In modern America, many millions of our lives now revolve, almost exclusively, around the games we call sports. We awake to the radio and listen for the latest scores. We troop down to the den, or out to a gym, and pedal away on a stationary bike to game highlights flashing on the twenty-four-hour sports network of our choice. At breakfast, we pore over the sports pages. In the car, on the way to work, we tune in our favorite sports-talk show. On the job, we talk sports at the water cooler — and rue the upset that cost us a big win in the weekly office football pool. On weekends, we could, if we wanted, watch ballgames from noon to midnight. In modern America, "SportsWorld" never ends.[1]

Our sports-obsessed lives have become easy to mock. But we cannot deny the pleasure that sports can bring. We delight in the drama of never knowing how a game will end. We marvel at athletic artistry honed over years of practice. And we learn. We learn, through watching and participating in sports, lessons worth treasuring, lessons about loyalty and trust, about diligence and courage, about the bonds that link people, about the barriers that keep people apart. Sports can even nurture democratic values. In sports bars, everyone is entitled to an opinion. In short pants, at the starting line of a 10K run, everybody's equal.

The ancient Greeks knew the pleasures that sports can bring. So did our grandparents. But sports played a considerably different role in their social orders. Sports rumbled along at the margins of their societies, an economically inconsequential enterprise. Sports offered escape and little more. Now sports offer fortunes. Sports have become a driving economic force, a high-stakes business, an essential corporate sector.

How essential? The games we play and watch have become a $213 billion annual operation.[2] How corporate? Of the 116 major league franchises in baseball, football, basketball, and hockey, publicly traded corporations control 84, either wholly or partly.[3] Pro sports teams no longer muddle along as economic

small-fry. The single most lucrative franchise in American sports, the New York Yankees, pulled in $800 million in revenues from 1996 through 2000.[4]

Sports fans, at century's end, didn't need to be told that sports had become big business. Sports pages seemed, at times, to carry more about the money athletes were making than the games they were playing. The numbers, year after year, would escalate ever higher. Baseball's highest salary in 1988: $2.4 million for catcher Gary Carter. In 1993, $6.2 million for outfielder-first baseman Bobby Bonilla. In 1998, $10 million for outfielder Albert Belle. In 2003, $22 million for shortstop Alex Rodriguez.[5]

Owners of franchises, for their part, could receive even more impressive rewards. Sports could pay, from an ownership perspective, in any number of ways. Owners could reward themselves, or their family, with multiple-digit salaries and consulting agreements. Yankees owner George Steinbrenner once paid himself $25 million for negotiating a cable television deal.[6] In 2001, one pro football owner paid himself $7.5 million.[7] Such sums counted as "business expenses." They could be deducted from a franchise's tax bill.

Owners enjoyed an assortment of other fortune-enhancing tax breaks as well. They could "depreciate" much of what they paid their players.[8] They could also play back-scratching games between their teams and their other properties. Owners with both a team and a television outlet in their portfolios could, for instance, have the rights to telecast their team's games sold dirt-cheap to the TV outlet. The TV property would then have cheap programming, the sports team a convenient year-end operating "loss" for tax purposes.[9]

But the real windfalls in American sports would not come from operating teams. The real windfalls would come from selling them. Pro sports leagues operate as cartels. As such, they limit supply, in this case, the number of teams. These limits make pro franchises scarce, and incredibly valuable, commodities. In the boom years, franchise values jumped even more rapidly than stock values. In 1997, according to *Forbes*, the nation's football, basketball, baseball and hockey franchises were worth an average $146 million. The next year, *Forbes* tabbed their average value at $196 million.[10] By 1999, for just one fabled franchise, the Washington Redskins, bidders were offering $800 million.[11]

The buyers and sellers of sports franchises, and the athletes who play for them, seemed to inhabit, by century's end, their own special world. Owners had always been well-to-do. Now players appeared to be living at levels of luxury equally distant from the everyday lives of everyday fans. In 1956, baseball's flashiest star, Jackie Robinson, earned $42,500, a salary nine times the income of the average household. Just over four decades later, baseball's flashiest star, Ken Griffey Jr., would make over $8.5 million. Griffey's 1997 earnings would top average household incomes by about two hundred times.[12]

Fans, by Griffey's era, had begun seeing players and owners as members of the same exclusive club, multimillionaires all. And the frequent squabbles between players and owners would leave fans, even the nation's number one fan, totally mystified.

"It's just a few hundred folks trying to figure out how to divide nearly $2 billion," President Bill Clinton would complain during the 1995 baseball lockout. "They ought to be able to figure that out."[13]

But they couldn't, and that didn't make any sense, not to fans. With all that money flowing about, why couldn't players and owners get along? And why weren't owners and players, with all that money they were getting, giving fans their money's worth and more? Why weren't they treating fans to a new golden age of sports?

For fans, at the start of the twenty-first century, the sports experience had come to feel anything but golden. Average fans, in fact, seemed to be taking less pleasure from the games they followed, not more. Most fans couldn't articulate exactly *why* sports so often left them disappointed, not in so many words, but they had their suspicions. Money, too much money, many suspected, had made a real mess out of sports. They suspected right. America's workplaces couldn't escape the poisons that spread whenever too much money collects in too few pockets. Neither could America's pastimes.

IN SPORTS, DOWN THROUGH THE GENERATIONS, wealthy people and average working people have always coexisted rather uneasily. Wealthy people owned the teams, working people rooted for them. This relationship could sometimes sour. A tightwad owner might dump a popular player. Tempers would flare. Hearts would be broken. Storm clouds would circle.

The storms would usually pass. Owners and fans would forgive and forget. But not always. A particularly upset owner might, in a huff, yank his team out of one city and plop it into another. But owners, however unhappy they may have become with one city, always realized they needed average working people. If they couldn't win the hearts of average fans in one town, they would just have to find another town where they could. Rich people might *own* the nation's sports franchises, the movers and shakers in sports understood, but their teams, to be successful, had to *belong* to average people. A sports franchise simply could not flourish, assumed the conventional wisdom in mid twentieth century America, without the support of fans from average working families.

America would change over the last half of the twentieth century. So would the assumptions of America's sports franchise ownership. In the new America that emerged in the 1980s, the economy would no longer revolve around average, middle class households. In the new America, income and wealth would tilt toward the top, and owners would tilt that way, too. Owners would no longer covet the average fan. The average fan spent only average money. The real money, in a much more unequal America, now rested in affluent pockets. Franchise owners, in the 1980s and 1990s, would move heaven and earth to get these pockets picked.

A great deal of earth. Bulldozers and backhoes would redefine American sports in the late twentieth century. Across the United States, wherever professional sports were played, deluxe new ballparks and arenas, veritable sports

palaces, would rise up to host the nation's favorite games. This unprecedented "stadia mania" added fifty-one new facilities to America's urban landscape in the 1990s alone, at a cost of nearly $11 billion. By 2005, experts estimated at the turn of the century, twenty-five additional new ballparks and arenas, costing another $7 billion, were likely to open.[14]

These new sports palaces replaced, in most cases, stadiums built in the 1960s and 1970s, facilities that still had years of useful life ahead. But these older facilities had been built for a different America. They lacked what owners now craved and demanded: luxury accommodations for America's affluent.

Ballparks, of course, had always offered special seating for fans with deeper pockets. Patrons who wanted to sit up close to the action would pay a few dollars extra per ticket for a "box seat." Anybody could buy one. Almost anybody, by saving up a little, could afford one. These box seats would remain the ultimate in ballpark luxury until 1965, the year the Houston Astros introduced a new twist on the premium seat notion.[15] The Astrodome, the world's first domed ballpark, that year began offering "luxury suite" seating. These first "luxury suites" sat far from the field, high up along the Astrodome's upper rim. They amounted, essentially, to an afterthought, a maneuver to make money off an otherwise undesirable section of the stadium.

Three decades later, luxury suites would no longer be an afterthought. They would become the main motive for billions of dollars of new stadium construction. Any ballpark or arena that couldn't be reconfigured to prominently position luxury suites would now be considered obsolete. The new facilities that replaced these "obsolete" stadiums would be designed, from top to bottom, to maximize luxury seating opportunities.

In the nation's capital, the new MCI Center would open in 1997 with over one hundred luxury suites, available from $100,000 to $175,000 a year, and three thousand "club seats," each costing $7,500 on an annual basis.[16] Two years later, the new American Airlines Arena in Miami would raise the luxury seating bar. Miami's twenty special suites would feature dining rooms, lounge areas, plasma-screen TVs, computers, DVD players, and outside terraces with views of the city's downtown and harbor.[17]

In Washington, Miami, and the rest of America's pro basketball world, deep pockets more interested in watching than dining could also cheer from special courtside seating. In 1997, these front-row seats at New York's Madison Square Garden went for $1,000.[18] These same courtside seats, for the 2002-2003 season, ran $1,500 each.[19]

Pro football teams, in their vast stadiums, couldn't offer intimate "courtside" seats. They would make do with luxury suites and club seating sections. By the 2003 season, all but three teams in the National Football League would boast facilities that enabled them to offer some sort of "premium-level tickets."[20] Football fans, of course, didn't *have* to pay "premium" prices for their seats. All the new stadiums had plenty of standard seating options available. But these new standard seats would often come with a catch. In many of the

new facilities, fans actually had to pay for the right to buy a seat. Owners called these rights "personal seat licenses." In Charlotte's new football stadium, the "right to buy a season ticket" cost $2,500.[21]

Not all standard seats in the new America would require seat licenses. But all standard seats would require, almost without exception, thick wallets. In the 1990s, analysts at the Team Marketing Report started tracking a "Fan Cost Index" that calculated, for a family of four, the cost of a day or a night out at a game. Included in the calculation: four average-price tickets, four small sodas, two small beers, four hot dogs, two game programs, two souvenir caps, and parking. In the 2002 season, the analysts found, families of four paid, on average, $145.21 to watch a Major League Baseball game in person. Attending a National Basketball Association game, in the winter of 2002, would set an average family back $277.19. The following fall, on the gridiron, a family of four paid, on average, $290.41 per game to see NFL football.[22] This "average," researchers noted, did not take into account the cost of "premium-level" tickets.[23] Overall, the prices on *regular* tickets for NFL games rose 77 percent between 1992 and 2002.[24]

In baseball, virtually the same ticket story played out. Prices for all seats catapulted over the closing decades of the twentieth century. In 1967, a field-level box seat to a Baltimore Orioles game cost a mere $3.25. A seat in the bleachers could be had for 75 cents.[25] For the 2003 Orioles season, a bleacher seat cost $13. Baltimore's bleacher seats, between 1967 and 2003, jumped in price four times faster than the inflation rate. Baltimore's field level box seats cost $35 each in 2003, more than twice as much as they would have cost if seat prices had just matched inflation.

In an economically top-heavy America, pro sports teams could always find enough fans to pay the new prices. And those willing to pay the highest going rates could look forward to royal treatment. At Washington's MCI Center, the high rollers in luxury seating enjoyed their own separate parking, their own separate entrance, their own separate restaurants, and even their own separate concourse, all "barred to the arena's 15,680 ordinary ticket holders."[26]

These "ordinary ticket holders" would not include many ordinary people. In the new America, sports arenas would essentially be off-limits to average people, even the workers who built them. The Washington Wizards charged an average $51 per ticket when the MCI Center opened. "At those prices," Percell Spinner, a carpenter who worked on the arena, told a reporter, "only the rich people can afford that."[27]

Even players would have problems paying for seat space. In Oakland, strong safety Lorenzo Lynch walked into the ticket office for his team's new football stadium and asked about buying eight seat licenses for his father and family. Lynch walked out empty handed. "Even with his $375,000 annual income," the San Jose *Mercury News* would later report, "he decided he couldn't swing the tickets."[28]

Going to ballgames, in mid twentieth century America, had been a basic rite of middle class passage. By the 1990s, few average families would be making that passage.

In America's new sports environment, rabid but unwealthy fans could occasionally still get a chance to go to a ballgame. Someone at work might know someone down in accounting with two extra tickets in the corporate box. Two buddies might score a good ticket deal on eBay. And if you waited until the second inning, a scalper might give you a break. But none of that helped parents who wanted to share with their kids the same memorable ballpark experiences their parents had shared with them. For working families, opportunities to enjoy an outing at the ballpark essentially no longer existed.

"So far," *Washington Post* sportswriter Thomas Boswell would note in 1996, "nobody has the first hint of a solution of how to get the average fan, and his family, back into the ballpark in the next century."[29]

SO WHAT'S THE BIG TRAGEDY? Fans can't afford to see a game in person? All they have to do, if they care that much about sports, is turn on the television. Every game worth seeing, by the 1990s, could be found somewhere on TV. And television coverage, all fans would have to agree, had gone ballistic! More cameras on the action, more stats on the screen. Add in remotes and picture-in-picture and fans could spend a Sunday on the couch and never miss a single important play. Throw your feet up, grab a beer. Sheer rapture!

Television executives would pay dearly to bring these rapturous moments to American fandom. In 1997, the Fox television network agreed to pay the NFL $17.6 billion to broadcast pro football games through 2004. The deal more than doubled each NFL team's TV income.[30]

For owners and star athletes, these TV dollars translated into enormous income gains. For fans, the high-priced TV rights meant more commercials. Many more commercials. Television executives, to make an adequate return on their investments, stuffed all the games they televised with as many ad minutes as they could possibly squeeze in. Football and basketball timeouts, from time immemorial, had lasted only a minute. Baseball players took about the same sixty seconds to change sides between innings. Now TV stretched these one-minute breaks to two minutes and more.

Even worse, TV producers, not coaches, started dictating the flow of game action. In football and basketball, TV now called most timeouts. "Commercial timeout" became as familiar a phrase to fans as "first down!" Games sputtered. The multiple commercial timeouts threw game rhythms out of kilter. Teams in football, before commercials totally took over, would line up quickly after a momentum-shifting interception, eager to run a play while they still held the psychological edge. TV now dulled that edge.

Longer commercial breaks also meant longer games. NFL games once fit nicely into three-hour time slots. By the late 1990s, the league was setting aside three hours and a quarter for each game telecast. To make sure games didn't

spill over this expanded time frame, the NFL and the TV networks would have to take other steps as well. They would shorten halftimes — and also keep game clocks running in situations that had previously stopped the clock. The running game clocks made for fewer plays, on average, in NFL games. Better fewer plays, the networks figured, than fewer commercials.

Did fans have any right to expect anything better? The televised games were still free, weren't they? And what right did fans have to complain about a free product? Actually, by the 1990s, "free" games would be disappearing from America's TV screens. By 1997, for the first time ever, teams were streaming more games over paid cable than "free," over-the-air TV. This cable trend, observers agreed, only figured to increase. They pointed to the growing numbers of franchise ownership groups scrambling to create their own premium cable networks. Yankees principal owner George Steinbrenner started the stampede, in a 1999 deal that merged his club with the basketball New Jersey Nets and the hockey New Jersey Devils. The move created a year-round package of cable programming — and cleared Steinbrenner an estimated $200 million.[31] Other owners quickly figured out that they didn't really need to start their own cable network to boost their telecast earnings. They could extort higher rights fees out of the TV outlets currently carrying their games just by threatening to start up a new network.

All these ownership maneuvers — the new stadiums, the premium-priced seating, the television wheeling and dealing — would help baseball owners double their revenues between 1996 and 2001.[32] But the record revenues came at a price. The game was turning off fans. In Baltimore, Denver, Milwaukee, and Cleveland, all cities with sparkling new stadiums, attendance in 2002 hit new-ballpark record lows.[33] Baseball's "fall classic" the same year ended with the worst TV ratings of any seven-game World Series ever. Between 1991 and 2002, baseball's World Series ratings fell an amazing 50 percent.[34]

Other sports faced similar ratings woes.

"Broadcast television ratings for the four major professional sports — baseball, basketball, football and hockey — have been generally decreasing for more than a decade," a *New York Times* survey would note in 2001.[35]

Industry analysts groped for explanations. Pro sports, some suggested, had become too black for white audiences. Video games were distracting kids. Too many sports on too many channels were confusing viewers. Other analysts saw a more profound transformation at work. Owners, they argued, had turned sports into just another commodity. Owners and their minions no longer saw *fans*. They saw *consumers*.

"Teams aren't in cities anymore," explained the *Baltimore Sun*'s Michael Hill, "they're in markets."[36]

Consumers, the most astute sports observers began pointing out, simply do not see sports through the same emotional lens as *fans*.

"Instead of hoping that your team wins, you begin to demand it," notes NBC sportscaster Bob Costas. "It's like you bought a car and if it doesn't work,

you want to know why. When a team doesn't win, instead of disappointment or heartbreak, you now have anger and resentment."[37]

In 1999, one careful observer, sports columnist Thomas Boswell, inventoried a month's worth of that anger. He noted a variety of incidents that had recently taken place in stadiums across America. Fans heaving ice chunks in Denver. Ten fans arrested and twenty ejected in Minneapolis. A mini-riot in Boston.

"Once, we went to games to let off steam. Now, we get steamed," Boswell lamented. "Whatever level of raw rage you think is circulating in our sports arenas, I promise you, it's higher."[38]

Why did the rage run so deep? Why did fans resent athletes so and not movie stars, one reporter asked a spectator at an NBA playoff game?

"Because," the fan shot back, "we don't have to pay $113 to get into a movie."[39]

WHAT IF MOVIE-GOERS DID HAVE TO PAY $113 to get into a movie? And what if, on top of paying that $113, they also had to pay, with their own tax dollars, the cost of building the theater they saw the movie in? How resentful might movie-goers get then?

Average American families, both those that follow sports and those that do not, have actually subsidized the transformation of professional sports into a luxury commodity. The tax dollars of working families, directly and indirectly, have bankrolled America's "stadia mania" — and shifted hundreds of millions of dollars into the pockets of some of America's richest people.

In 1997, for instance, billionaire Paul Allen asked Washington State to underwrite three-quarters of the cost of the new $425 million stadium he wanted built for his Seattle Seahawks football team. If the money weren't forthcoming, Allen noted, the Seahawks just might have to move elsewhere. The money came.[40]

Overall, between the mid 1980s and the end of the 1990s, governments at the state and local level expended some $7 billion on "new homes" for forty-one professional teams.[41] In the early 2000s, in Houston and also in Philadelphia, the tabs for new sports palace projects topped $1 billion, with much of that coming from public purses.[42]

Tax dollars from public purses did give government agencies of various stripes ownership rights over most of America's new sports stadiums. But the profits from these palaces flowed, almost exclusively, to team owners. In Maryland, state officials coaxed Art Modell, the owner of the Cleveland Browns, to move his team to Baltimore by building, to Modell's specifications, a new stadium that would eventually cost over $200 million. Under the terms of the deal, Modell gained the right to all profits from game concessions, parking, tickets, and advertising, plus half the gate receipts from any nonfootball event held in the new stadium. Modell paid no rent to use the stadium, only operating expenses, and also walked off with permission "to keep up to $75 million" from the sale of the new facility's "personal seat licenses."[43]

Meanwhile, over in Cleveland, public officials cut a desperate deal of their own. They agreed to replace Modell's operation by subsidizing a new stadium for a "new" Cleveland Browns franchise. The reborn Browns, in this stadium's opening year, would score a $36.5 million profit — for the team's private owners, not Cleveland.[44]

In some cities, angry taxpayers somehow found the backbone to stop schemes that would finance new ballparks at their expense. Franchise owners, in several instances, then went ahead and built their own stadiums, or at least that's what the public thought was happening. In fact, public tax dollars were pouring into these "privately" funded projects, through "government funded highways, off-ramps, rail connections, and parking lots."[45]

By 2001, with most of the construction dust settled, observers could finally get a clear look at what had transpired. No professional team, urban analyst Neal Peirce would note, "has failed to snare, ultimately, a subsidized stadium it wants."[46] And all these subsidies, other observers added, had diverted public tax dollars from more pressing public needs.

"How did government get in the business of entertaining its citizens," asked one Maryland lawmaker, "as opposed to educating them, providing roads and building bridges?"[47]

Most public officials did their best to ignore such questions. In Cleveland, exactly one day before the City Council voted to bankroll a ballpark for the "new" Browns, officials of the city's underfunded school system announced plans to eliminate interscholastic sports and lay off 160 teachers.[48]

The owner of the "old" Browns, Art Modell, most likely found nothing amiss in the priorities of his former city's top officials. How could anyone, after all, possibly doubt the value of a big-time sports franchise?

"The pride and the presence of a professional football team," as Modell had once proclaimed, "is far more important than 30 libraries."[49]

Libraries would have to do without, in more ways than librarians might immediately realize. Those luxury suites that meant so much to patrons of fine football like Art Modell would be rented, by and large, by large corporations. These corporations would write off, as tax deductions, half of whatever they paid for their suites. By the 1990s, according to one estimate, luxury suite deductions were cutting corporate tax bills by about $80 million a year.[50] That "savings" meant $80 million less for libraries — and playgrounds and schools and every other ill-funded public service.

A small price to pay, as Art Modell might say, for "pride and presence."

AND WHAT ABOUT THE PLAYERS? How have they actually fared in a more unequal America?

Avid sports fans hardly ever agree on anything about players. They argue, and relish arguing, about which players "have game" and which players don't, about which young players will grow up to become stars, about which star players rate Hall of Fame honors. Fan arguments about players never end. Except

on one topic. Money. Modern big-time sports stars, all fans seem to agree, have life incredibly sweet. Even ordinary athletes, fans now assume as a given, can and do become multimillionaires.

Who could argue the point? Did not all Major League Baseball player salaries average, in 2001, over $2 million? They most certainly did.

But numbers, as sports fans know better than most, can sometimes mislead. In an unequal America, players have not been the incredibly big winners they seem. Athletes who play professionally are, in fact, more likely to end their careers in pain than in mansions. And the superstars of sports, as many millions as they may have accumulated, have yet to crack the topmost sanctums of American income and wealth.

Consider Sammy Sosa, the Chicago Cubs slugger. In 1999, the year after Sosa's homerun duel with Mark McGwire made baseball history, Sosa earned $9 million.[51] That same year, fifteen Chicagoland CEOs pulled in pay packages that totaled at least $10 million.[52]

On the annual *Forbes* listings of the four hundred richest Americans, not one professional athlete has ever appeared. Not even Michael Jordan, the planet's most famous athlete throughout the 1990s. To match the fortune of media mogul Rupert Murdoch, one analyst calculated at decade's end, Jordan would have to match his own peak annual athletic and endorsement earnings for 140 consecutive years.[53]

Jordan's actual professional playing career spanned about two decades. Few big league professional athletes now have careers that span much more than two or three years.

In pro football, for instance, rookies quickly learn that "NFL" stands for "Not For Long."[54] NFL player careers, notes one study, typically last 3.3 years. Running backs can look forward, on average, to 2.57 years in the league. Only 6 percent of players who make an NFL roster can count on lasting ten years.[55] Major League Baseball careers, as of 2002, averaged four years, NBA basketball careers four and a half.[56]

Pro athletes did not always come and go so quickly. In the 1950s and 1960s, players, once established, returned year after year. Fans who followed football in those years could name, thirty years later, their favorite team's entire defensive line. Today, only the most compulsive fans can name more than a lineman or two on their favorite team. Players simply cycle in and out too hurriedly to make an impression.

Many players these days exit as casualties of pro football's "salary cap." The cap keeps each team's total payroll at a certain prescribed limit. With the cap in place, teams cannot retain on their rosters both a handful of marquee star players *and* a significant core of veterans. The veterans cost too much. They can be replaced by inexperienced rookies at prices far less expensive. And so they are. Every preseason, around Labor Day, NFL teams now routinely ax from their rosters a steady stream of skilled, seasoned veterans.

These axed veterans often hold "long-term" contracts worth multiple millions, contracts that made headlines when the veterans originally signed them. But insiders knew, at the time, that the headlines distorted the dollars the players would actually be receiving.

"Teams call news conferences to announce long-term, multi-million-dollar deals," sportswriter Leonard Shapiro explained in 2002. "A player does get a large signing bonus — his guaranteed money — but most don't get to the final few years of the contract when they're due to be paid the big money."[57]

Football's revolving door keeps most players virtually anonymous to average fans. Only stars get to hang around long enough for fans to feel they know them. Stars, of course, have always grabbed the lion's share of fan attention. But by the 1990s, in the new world of American sports, they would get almost all of it. Everybody's eyes would now fix upon stars — and their fortunes. And the bigger the fortunes, the more unrelenting the pressure on stars to prove their "worth" whenever they took the field or rink or court.

Tennis star Andre Agassi and his equally famous tennis star partner, Steffi Graf, once found themselves giving a lesson to a fan who had bid, at a charity auction, $125,000 for an hour's worth of the two stars' time. The pair delivered an hour's lesson, but then, feeling "sheepish," kept going. They spent all day with the bidder.

"You try to be worth $125,000," Agassi explained later, "and you realize you can't be."[58]

Most all stars felt this same pressure and strained constantly, on the field, to demonstrate their multi-million dollar "worth." Their performance, all too often, would slip as they strained. One study of baseball free agency, published in 2001, compared star player performance before and after stars signed big new contracts. In every offensive category, the researchers found, player numbers tailed off. Newly minted baseball millionaires banged out fewer homers, drove in fewer runners, and hit for significantly lower averages.[59]

At century's end, each big new contract megadeal would up the compensation strain, and not just for the stars who signed the big new contracts. Other stars, particularly those who had inked long-term contracts two or three years earlier, would feel underpaid — and underappreciated — as they watched players of no greater ability or accomplishment sign contracts that put their own salary to shame. In 2001, superstars throughout baseball grumbled about how "disrespected" they felt after Alex Rodriguez cut a ten-year deal for $252 million. Frank Thomas, a stellar player who had been among baseball's high-salary elite, suddenly found himself making only a third of the salary earned by the game's top-paid player. He demanded that his contract be renegotiated and refused, in the meantime, to check in at spring training. Thomas insisted he wasn't "asking to be the richest man in baseball." All he wanted, he explained, was to be "at least in the top 20."[60]

Thomas would eventually rejoin his team, but he never really recovered from the slight. His career would nosedive.

Some superstars, like Chicago's Sammy Sosa, would be able to get the new deals they wanted. But their struggles for the big money would isolate them from fellow players and fans alike. "Any day now, Sosa is expected to sign a contract extension that will make him wealthier than he ever could have imagined," *Chicago Tribune* sportswriter Rick Morrissey observed just before the 2001 season. "But he looks so very alone, him and his money."[61] Sosa's stormy, distracting contract battles the summer before had alienated "half of the Cubs' fan base." Was that battle, Morrissey wondered, worth it? Would Sosa even "notice the thick layer of permafrost between himself and some of his teammates, upset at how the Sosa contract watch helped send the Cubs into a free fall last year."[62]

The richer the contracts sports stars signed, the greater their isolation. Superstars, by century's end, would live and travel and party in their own universes. They could sometimes be spotted, sportswriter Steve Rushin would note, in one of "the nightclubs that so many stars inhabit, with the inevitable glassed-off VIP room, inside of which is a smaller roped-off VVIP section, and so on, until the biggest star in attendance can be found standing alone in a kind of VVVVIP phone booth, dolefully sipping a mai tai."[63]

The biggest stars trusted themselves and hardly anyone else. And that made sense. The people they met, after all, didn't want them. They wanted a piece of their fortune. Up-and-coming stars would learn this lesson quickly.

"The way I handle it is really simple," Eddy Curry, a young Chicago Bulls basketball pheenom, explained. "I don't make any new friends."[64]

The superstars would have their wealth and little else. Out in the playgrounds and the sandlots, youngsters with little saw only the wealth. And that wealth seemed to be within their reach. Just a quicker cross-over dribble away. But that wealth was a mirage, as anyone who studied the odds would quickly see. Only 1 percent of high school athletes could expect to play big-time college ball. Only 1 percent of college ballplayers could expect to become pros. Only 1 percent of pros could expect to reach stardom.[65]

Athletes would, at times, become rich in the late twentieth century. But America's new Gilded Age would bring gold — and fulfillment — for precious few of them.

SPORTS, SOME COMMENTATORS LIKE TO SAY, MIRROR LIFE. In the boom years, the sports scene most definitely did mirror American life — in the depth of its inequality.

During the boom years, in America at large, gaps in income and wealth between affluent Americans and everyone else reached modern records. In sports, these same gaps also widened, between owners and players, between players and fans, and, in some sports, between teams themselves. Indeed, within baseball, the financial gaps between teams extended so wide that the game's high priests sometimes seemed unable to pronounce on anything else.

"Fans in a number of markets have been forced to watch their teams become chronically uncompetitive," baseball commissioner Bud Selig told Congress after the 2000 season. "During my 32 years in baseball, I have never witnessed the type of despair that competitive imbalance is causing so many of our clubs."[66]

In baseball, as in America, "markets" ruled supreme. And that, for baseball, created a real problem. Teams in the nation's biggest urban markets were cutting for themselves far more lucrative local TV and radio deals than teams in smaller cities could ever hope to cut. At the start of the 1990s, richer baseball franchises were collecting four times more revenue than the poorest. By decade's end, revenues for richer teams were outpacing revenues for poorer teams by twenty-to-one.

Amid inequalities this striking, baseball's traditional approaches to ensuring "competitive balance" no longer worked. The amateur player draft, for instance, had originally been designed to give losing clubs first dibs on the most promising stars of tomorrow. The teams with the worst records would choose first, the powerhouses last. But poorer teams, in the boom years, found they couldn't afford the bonuses the top blue-chip players were demanding — so they simply stopped drafting them.[67] Poorer teams that did stumble onto young talent soon lost it. Emerging stars on poor clubs would almost invariably jump to rich clubs as soon as they had played enough years to qualify as "free agents."[68]

Baseball teams with the highest revenues, most notably the New York Yankees, would dominate the 1990s. Poorer teams would struggle. In 1999, only one of the ten lowest-payroll teams in baseball ended the season with more wins than losses. Of the ten highest-payroll teams, eight had winning records.[69] In April that year, fans in Kansas City, one of the bottom clubs, actually organized to demonstrate their displeasure. During a game against the Yankees, some two thousand Royals fans marched out of the ballpark, carrying banners and chanting, to protest baseball's "staggering salary gap."[70]

But most fans in the poorer "markets" didn't stage protests. They just lost interest. In 1998, attendance dropped for half the teams in baseball. Most teams, conservative columnist and rabid baseball fan George Will noted the next year, "have no realistic hope of contending, ever." Eventually, Will warned, the fans of these teams would catch on and "baseball's spell will be broken."[71]

Pro football, interestingly, did not share baseball's competitive imbalance woes. Teams in the vast majority of NFL cities *did* have a "realistic hope of contending." Throughout the boom years, one year's losers in the NFL would become the next year's winners. The reason? Football's owners rejected the pure "market" approach. They shared, *equally among themselves*, all the revenues from their immense network TV contracts.

"Without that socialistic, communistic approach to business that we have," the ever clever Art Modell, owner of the Baltimore Ravens, proclaimed in 2001

at the Super Bowl, the biggest annual spectacle in sports, "we wouldn't have this colossal event."[72]

The football hierarchy's commitment to "socialist equality" would only go so far. Among themselves, club owners would share and share alike. But within their individual teams owners would remain firmly wedded to the corporate assumptions that had, in America at large, done so much to concentrate wealth and widen inequality. The owners assumed that teams, like corporations, absolutely must have top talent to succeed. The owners would pay a premium for that top talent, even if that meant compensating some players at rates far, far higher than others. These basic assumptions, in football and every other major sport, would keep player salaries soaring — at the top end of the income scale.

"Average" salaries, amid this soaring, would rise substantially, too, pulled up by the megasalaries at the top. But *median* salary figures, the numbers that show what typical players are actually making, would increase at far less rapid rates. Teams, in other words, were becoming far more unequal internally, and nowhere more so than in baseball.

Early in the 1980s, before the income explosions at the top, *average* and *median* salaries in baseball would vary only modestly. In 1983, the "average" baseball salary stood at $289,000. The median ballplayer that year made $207,500. By 2000, over a million dollars would separate baseball's "average" and "median" salaries. Ballplayers, thanks to giant megadeals at the top, "averaged" $1,789,556 in 2000. But the typical ballplayer took home $550,000.[73] The gap would continue growing in the new century. In 2002, Alex Rodriguez would take home $22 million, but a third of baseball's Major Leaguers would earn $300,000 or less. How wide had the baseball gap become? In 1988, ballplayers at the exact middle of baseball's income distribution had earned $10 for every $100 earned by baseball's top-paid players. In 2002, baseball's "middle class" made $4 for every $100 top players made.[74]

What impact did this gap have? Not the impact owners hoped. Throwing megamillions at stars did not create winning ballclubs. In fact, the more dollars owners threw at top players, at the expense of their teammates, the poorer their teams performed. Matt Bloom, a management expert at the University of Notre Dame, would document this reality at the end of the 1990s. He had set out, a few years before, to use baseball to test whether "unequal rewards induce greater individual effort and performance." Bloom would subject nine years' worth of baseball salary and performance data to close analysis. His research would draw one clear conclusion.

"The bigger the pay difference between a team's stars and scrubs," as the *Wall Street Journal* summed up Bloom's findings, "the worse its record."[75]

The 1998 season would prove typical. In that season, three of the five major league teams with the most unequal payrolls finished last in their divisions, three of the five most equal teams finished first.[76] On the field, equality seemed to work.

But baseball would pay Bloom's research no heed whatsoever. Owners would continue to lust after superstar saviors. The Texas Rangers would ink Alex Rodriguez to ten years and $252 million — and promptly finish last the next three years. The team that lost Rodriquez, the Seattle Mariners, would promptly tie the Major League record for wins in a season.[77]

NEAR THE END OF THE 1990S, ESPN, America's top all-sports television network, began running weekly documentaries about the twentieth century's greatest sports heroes. The series caught on. Sports fans young and old found these profiles fascinating, perhaps because every episode reminded viewers just how much sports in America had changed. Once upon a time, the profiles helped viewers remember, money didn't dictate *everything* in sports. But now money did.

"Money makes those who pay it resentful and impatient and makes those who receive it feel guilty or inadequate," laments sportswriter Thomas Boswell. "Money makes fans cranky, the media sarcastic. Money warps judgment and sours dispositions, in the locker room and the stands."[78]

What could end the dollar's dominion over sports? Boswell would speculate, at times, about the difference a better order of owners could make. Owners, he understood, could do great harm to the games they controlled. The worst of them, men like video rental mogul Wayne Huizenga, could ruin sports for an entire city.

Huizenga had come into baseball, as the owner of the Florida Marlins, eager to show off how a "real" businessman makes money. Huizenga moved quickly. He convinced, in the mid 1990s, "all the weak-spined owners to get tough with the union, bring salary costs down and, then, make serious money."[79] The owners' subsequent showdown with the players union, a showdown Huizenga helped incite, ended up canceling a World Series but changing, from the owners' perspective, relatively nothing in baseball labor relations.

Huizenga then changed course. He would now seek to make his "serious money" by trying to "monopolize the market" for good players. Huizenga flung open his checkbook and signed up an assortment of accomplished veteran players. He would shell out, before his checkbook spree ended, $89 million on multi-year contracts. Huizenga's solid new players, none of them huge superstars, would make an immediate impact. The Marlins would actually go all the way in 1997, winning the World Series.

Attendance at Marlins games would rise too, from 1.7 to 2.3 million. But that leap would not be large enough to offset the cost of Huizenga's free agent splurge.[80] That would frustrate Huizenga no end. He soon started whining that his team's "2.3 million patrons weren't buying enough luxury boxes."[81] He demanded a fix: a new stadium.

South Florida would not go along. Something about building another stadium for a billionaire apparently didn't appeal to the locals. An angry Huizenga

would now retaliate. He unloaded, one by one, the players who had thrilled Miami with their World Series heroics. In 1997, the World Series year, the annual Miami payroll had run $53 million. By the next summer, the payroll would be down to $24 million, with about $10 million more in cuts planned for 1999.[82]

On the playing field, the new bargain-basement Marlins would tank. Their veterans gone, the team sank to last place. Miami, a city that should have been a baseball hotbed, would become a baseball graveyard. Fan attendance dropped, in 1998, to baseball's second-worst total.[83] Few individuals, sportswriter Thomas Boswell would note, had ever "done the game more harm" than Wayne Huizenga.

"Maybe, someday," Boswell mused, "baseball will attract a core of owners with a sense of balance in their expectations."[84]

To prosper and bring pleasure at the same time, in other words, sports would seem to need a better class of super rich. Maybe. But another alternative does exist. Imagine how good sports could be if we had a society with no super rich at all.

Wealth Without Health

All of us of sound mind, even the most sports-crazed among us, *really* care deeply about only one reality in our lives, our own individual health and the health of our loved ones. We want everyone close to us to live a long and healthy life.

But if we are truly of sound mind, we also care deeply about the health of everyone we encounter, not just everyone dear to us. We care about our neighbors, our co-workers, even the people we pass on the streets. None of us, after all, want to live among sick, unhealthy people. Self-interest and altruism reinforce each other here: The healthier those around us, the healthier we individually and those we love are likely to be.

All people around us, unfortunately, are not healthy. We typically cite several reasons. Some people, we note, are born unhealthy. Some people engage in unhealthy behaviors. And some people, we acknowledge, have much less money than others.

This last reality, public health researchers have helped us understand, is "powerfully related" to longevity and illness.[1] People with lower incomes are more likely to suffer heart attacks and strokes, more likely to develop diabetes and cancer, more likely to become disabled.[2] Older Americans in excellent health have, on average, two and half times more income and five times more wealth than older Americans in poor health.[3]

Why are people without much wealth less healthy than people of means?

Low-income people, some analysts contend, simply don't have access to decent health care. Poor people with health problems in the United States are "only half as likely to see a doctor" as more affluent people.[4] But access alone doesn't seem to explain why people with more money tend to be healthier than people with less money. Health varies by income bracket, researchers have shown, "even in countries with universal access to care, where health care resources seem to be distributed justly."[5]

If lack of access to care doesn't adequately explain why lower-income people suffer poorer health, what does? Other analysts have an answer: poverty itself. Deprivation breeds chronic ill-health. Poor kids breathe more polluted air and get more asthma. Poor adults, after lives spent working in jobs that expose them to environmental hazards, end up with elevated blood-lead levels.[6]

Better access to health care, these analysts point out, cannot by itself undo the daily insults to good health that a life without money inevitably engenders. Only by ending deprivation — only by ensuring all people decent housing, clean air and water, nutritious food, adequate clothing — can societies make significant strides against ill-health. Help poor people out of squalor and health outcomes will improve appreciably.

So have argued insightful champions of public health ever since the middle of the nineteenth century. And history has affirmed their wisdom. Medical science "breakthroughs" have typically won the popular culture credit for triumphs over disease, but rising standards of living have actually mattered much more than medical fixes. A vaccine, for instance, did end the scourge of smallpox in nineteenth century England. But nineteenth century English doctors had no vaccines for diphtheria, pneumonia, and a host of other infectious killers. Yet death rates for all these diseases, over the course of the nineteenth century, fell as dramatically as death rates from smallpox.[7] Medicines didn't stop these other infectious diseases. Better incomes did. People who could afford to live in decent homes and eat decent diets developed stronger immune systems. Their more adequately nourished bodies could, for the first time, fight off disease.

Rising incomes, by the mid twentieth century, had essentially eradicated mass malnutrition throughout the developed world. Diseases that had once routinely killed children, like measles, now meant little more, in developed nations, than a few days off from school. In the world's poorly nourished nations, meanwhile, diseases like measles remained killers. To public health advocates, a half century ago, the prescription for better health seemed obvious. Incomes needed to rise. Greater wealth would lead to greater health. If nations kept living standards rising, health outcomes everywhere, in nations rich and poor, would continue to improve.

This certainty would not last. Epidemiologists — researchers who study how and why diseases spread within populations — soon began to have second thoughts. Yes, rising living standards did seem to work wonders against the classic infectious diseases. But infectious diseases, in economically developed nations at least, no longer posed the prime medical challenge. In these nations, degenerative, not infectious diseases, now ravished populations. By the late twentieth century, heart disease, cancer, diabetes, and other degenerative conditions accounted for three-quarters of all deaths in the United States.[8] Against these ailments higher per capita incomes seemed to make no difference.

The statistics told a striking story. Economically developed nations with higher per capita incomes — per capita incomes, remember, are simple averages computed by dividing total income by total number of people — did not necessarily register lower death rates than economically developed nations with lower per capita incomes.[9] The Dutch, for instance, lived longer than Americans despite living in an economy that generated about 30 percent less per capita wealth.[10]

The conclusion from these numbers? Rising income levels, researchers would agree, do make a significant contribution to better health — but only in societies where most people live amid horrible material deprivation.[11] In societies that have conquered this deprivation, societies where most people can count on decent living conditions, more income and wealth do not automatically translate into longer, healthier lives.[12]

Had income and wealth, in developed economies, become irrelevant to health? In one sense, yes: More money did not guarantee better health. But money, investigators in the late twentieth century began to argue, did certainly still matter a great deal, only in a different way. In developed societies, what matters most to health is not aggregate wealth, but wealth distribution. The more concentrated a developed society's wealth, the less healthy the society. Populations of people who live "in countries and regions with smaller gaps between rich and poor," as one researcher would note, "are, in general, healthier than the populations of countries and regions in which the gap is larger."[13]

Christopher Jencks, a widely known and respected Harvard sociologist, would come late to this research into the links between health and the distribution of income and wealth. "If you had asked me a year ago," he told an interviewer in 1998, "if there was evidence that income inequality had some social consequence, I would have said, 'Gee, I don't know.'" But Jencks found his attitudes changing after he began studying the epidemiological research. The data, he noted, "seem to say that if you are of average income, living among people of average income, you are less likely to have a heart attack than if you live more stressfully in a community where there is you in the middle, and a bunch of rich people and a bunch of poor people."[14]

Inequality, in effect, could kill.

"That seems hard to believe," observed Jencks, "but it is the direction in which the evidence seems to point."

THE EVIDENCE, BY THE MID 1990S, had been accumulating for some years. Even the world's top medical authorities had begun taking notice. In 1996, the prestigious *British Medical Journal* would inform readers that "studies have related income inequality to infant mortality, life expectancy, height, and morbidity, with a consistent finding that the less equitable the income distribution in a country, the less favourable the health outcome." The studies, the journal added, "seem to show that inequality per se is bad for national health, whatever the absolute material standards of living within a country."[15]

The more unequal a country, the less healthy its people.[16] And by "people," researchers emphasized, they meant all people, not just the poor. Low-income people suffer poorer health in unequal societies, investigators explained, but so does everyone else. People with modest incomes in an equal society could actually look forward to longer, healthier lives than people with higher incomes who lived in an unequal society.[17]

Researchers, by century's end, had demonstrated this "inequality effect" on health in one comparative study after another. The first wave of these studies compared countries. People lived longer, investigators found, in nations with narrower income gaps. In the late 1980s, the nation with the developed world's lowest level of income inequality, Japan, boasted the world's highest life expectancy. And that relationship between inequality and life expectancy didn't appear to be a coincidence. The nation with the developed world's second-lowest level of income inequality, Sweden, held the world's second highest life expectancy.[18]

British epidemiologist Richard Wilkinson, in a powerful 1996 book, *Unhealthy Societies: The Afflictions of Inequality*, would collect this mounting international evidence for "a strong relationship" between income distribution and mortality.[19]

"In the developed world," he would conclude, "it is not the richest countries which have the best health, but the most egalitarian."

This conclusion, noted Wilkinson, rested on a wide and deep pool of research data.[20] Some "eight different groups of researchers," working on "ten separate sets of data," had clearly demonstrated linkages between national mortality rates and income inequality.[21]

Investigators would find the same relationships between inequality and death rates when they compared states within the United States. In 1996, two separate high-powered research teams published landmark studies. One team, led by George Kaplan, later the top epidemiologist at the University of Michigan School of Public Health, gathered state-by-state mortality data, adjusted that data by age, and stirred into the mix other health-related data on everything from low birth weight to homicides. The researchers found "a significant correlation" between death rates and the share of income received by each state's bottom 50 percent of households — and substantial correlations between inequality and "a large number of other health outcomes" as well.[22]

These results, the Kaplan team concluded, did not "prove that income inequality causes poor health." But their findings, the researchers quickly added, ought to be a "cause for alarm given the increasing inequality of income and wealth in the United States."

A second study, published simultaneously, pounded home the same point. Researchers Bruce Kennedy, Ichiro Kawachi, and Deborah Prothrow-Stith calculated a state-by-state inequality index and then examined the relationships between income distribution and specific causes of death. This Harvard-based team found "strong associations" between inequality and "all of the indicators of treatable causes of mortality." In states with greater inequality, all people, from a health standpoint, appeared worse off.[23]

Researchers from both research teams, in explaining their work, took care to distinguish the impact of poverty from the impact of inequality. The conventional wisdom, as George Kaplan pointed out, assumed that the states with the highest death rates would be the states with the most poor people. But that assumption did not hold. The research, Kaplan observed, "suggests that the

increased death rates" in more unequal states "are not due simply to their having more poor people." In more unequal states, he noted, "income inequality seems to be increasing mortality rates among nonpoor people as well."[24]

That point would be reinforced repeatedly, by new studies, over the next several years. In 1998, an expanded Kennedy team sought to determine whether inequality alone could account for differences in health outcomes between states, or whether those differences could be better explained by other factors ranging from smoking habits and obesity to level of schooling and health insurance coverage. Or, the researchers asked, were still other factors — age, sex, and race, for instance — the key determinants? The investigators took all these factors into account. Their finding: Inequality in and of itself, separate from all other factors, does indeed significantly matter. People in states with the highest income inequalities turn out to be 30 percent "more likely to report their health as fair or poor than individuals living in states with the smallest inequalities in income."[25]

Inequality, in short, could help explain why people in some states lived healthier lives than others. Could inequality also help explain health differences in jurisdictions smaller than states? The answer would come, in 1998, after researchers compared health outcomes in America's metropolitan areas. The analysts, based at the University of Michigan, collected data from all but one of the 283 official metro areas in the United States.[26] Their aim: to test whether "the size of the gap between the rich and the poor in a society is importantly related to health." Their finding: The more unequal a metropolitan area, the higher the area's death rate is likely to be.

"Given the mortality burden associated with income inequality," the health researchers would conclude, "business, private, and public sector initiatives to reduce economic inequalities should be a high priority."

Other epidemiological investigators, meanwhile, drilled down even deeper than metro areas. In New York, Peter Arno and two colleagues at the Albert Einstein College of Medicine, Chee Jen Chang and Jing Fang, plowed through four years of infant-mortality data from every zip code in the nation's largest city.[27] These zip codes included some of the richest neighborhoods in the entire United States and some of the poorest. In which zip codes did the fewest babies die? The answer proved an eye-opener. The fewest babies did not die in the city's highest-income zip code. The fewest babies died in a zip code that sported one of the city's most narrow income gaps between top and bottom, Staten Island's overwhelmingly middle-class South Beach.[28]

Nations. States. Cities. Zip codes. The evidence, notes James Lardner, a former *US News & World Report* journalist who has written widely on health and inequality, tells a consistent story. Societies divided by deep economic inequality "are more unhealthy — not just in some highfalutin moral sense but in the plain old medical sense, and not just for the poor (as anyone would suspect) but for the bulk of the population."[29]

"To put it more baldly, if you live in a place where differences in income and wealth are unusually large," adds Lardner, "your chances of escaping chronic illness and reaching a ripe old age are significantly worse than if you live in a place where differences are not as large."[30]

OF ALL THE COMPARISONS RESEARCHERS have made between equal and unequal, healthy and unhealthy, the most compelling of all may well be the contrast between the world's richest nation, the United States, and the nation that has been, over most recent decades, the world's most equal, Japan.

By all rights, the United States ought to be the healthiest place in the world. The United States spends more money to keep people healthy — over $1 trillion annually — than any other nation on the face of the globe. Americans make up less than 5 percent of the world's population, yet our medical bills add up to 42 percent of what the world spends on health care.[31] And we Americans don't just spend money on health care. We mount mammoth mobilizations against unhealthy habits. We have waged war against smoking and fatty foods and drunk driving. We invented aerobics and mass marathons.

"We should be pretty healthy," notes Dr. Stephen Bezruchka, a veteran observer of the international health scene from the University of Washington School of Public Health .[32]

We should be, but we're not.

In 1970, the year Bezruchka started medical school, the United States ranked fifteenth in the world on the most significant health measures. By 1990, the United States had dropped to twentieth place. Over a decade later, in 2001, Americans occupied the twenty-fifth rung in the world's health ratings. We trailed nearly every other rich nation in the world and even, notes Bezruchka, "a few poor ones."[33]

First place, meanwhile, belonged to Japan, the world's most equal developed country.

Japan's lofty health status, of course, could conceivably have nothing to do with its distribution of income and wealth. The Japanese could simply, for instance, be the fortunate beneficiaries of a healthy gene pool. A possibility? Certainly. But back a few decades, in 1960, Japanese people had the same genes they have now, and their health status only ranked the world's twenty-third best.[34]

How about diet? Could Japanese people owe their longevity to the healthy food they eat? Nutritionists certainly do give Japanese cuisine high marks for healthfulness. But this cuisine didn't change much between 1965 and 1986, yet life expectancy in Japan, over these two decades, soared seven and a half years for men and eight for women.[35]

Maybe the Japanese are healthier because they've done a wonderful job eliminating unhealthy behaviors. Actually, the Japanese have some way to go on the unhealthy behavior front. Japanese men smoke at twice the rates of American men. Yet deaths attributable to smoking in Japan run at only half the

American rate.[36] Smokers in Japan simply live longer than smokers in the United States.

Everybody in Japan lives longer. Life expectancy in Japan, now almost eighty years, stretches three and a half years longer than life expectancy in the United States.[37] These three and a half years, in epidemiological terms, amount to an enormous gap. How enormous? If Americans stopped dying from heart attacks tomorrow, life expectancy in the United States would only jump up to levels the Japanese have already achieved.[38]

People in Japan, of course, are still dying from heart attacks and cancer and lung disease and all the other ailments that are killing Americans, but they are dying at substantially lower rates. What explains this gap? Has Japanese medicine become that much more effective than ours? No serious observer makes that claim. Japanese doctors have discovered no super cures. Only one Japanese medical scientist has ever won a Nobel Prize. Sickly people across the world do not flock to Tokyo for treatment. Medical science, in short, has not marched faster in Japan than anywhere else.

Japan, as a society, has marched fast and far only in one area important to health. The Japanese, since the 1940s, have done more than any other people to create a society where, relatively speaking, only narrow gaps of income and wealth separate the affluent from the average.

Japan had been, before World War II, just an ordinary unequal country. But the war left Japan's traditional hierarchies battered and discredited. A "flood of egalitarian ideas" soon swept over the country — and swept out of economic power the old elites. By 1949, 95 percent of the directors of Japanese companies were people who had worked their way up through the ranks.[39] The Japanese companies that these new directors helped shape valued workers and their ideas — and their need for stable, secure employment — more than companies anywhere else in the world. Corporate Japan, in compensation patterns, in job security, in employee involvement, would in no way resemble corporate America. By the 1980s, the two nations, Japan and the United States, had evolved two different economies, two different societies, and two different health outcomes.

But can the economic organization of a society actually make a difference in how long people live? Apparently so. Researchers have reviewed the medical records of Japanese people who have emigrated to other countries. If something peculiarly "Japanese" explains why Japanese people are living longer than people elsewhere, emigrants from Japan would be outliving their neighbors in their new homes. But Japanese emigrants, the research shows, are no healthier in their new countries than their new neighbors.[40]

Must we conclude, from all this evidence, that inequality somehow "causes" disease? How foolish this question sounds to American ears. We who have been raised on the germ theory of disease can readily understand how deadly to our health a virus can be. But inequality is no virus, no saturated fat, no carcinogen. How can inequality "cause" disease? The honest answer: We don't yet

know for sure, just as, generations ago, we didn't know exactly why foul water makes people sick. Still, researchers and analysts do have some ideas on how inequality is doing us in. We turn now to these ideas.

HAPPY WITH YOUR CHIN? Feel that you're projecting enough grim determination? Or does that chin of yours make you seem indecisive? Not a problem. Legions of cosmetic surgeons, in every major American metropolitan area, now stand ready to recast your countenance. Or straighten your droopy eyelids. Or trim your thunder thighs. All, of course, for a price. A price only the affluent can afford.

In the United States today, the "needs" of these affluent have come to drive — and distort — the distribution of our health care services. Physicians who could be providing prenatal care for frightened young mothers are instead performing tummy tucks.

We should not be surprised. Where wealth concentrates, health care providers will invariably concentrate on the wealthy. Inequality, notes Mark Cullen, a professor of public health at Yale, even warps our medical research priorities. In a United States ever more unequal, research dollars are increasingly flowing into "developing treatments only the rich can afford."[41]

This disproportionate attention to the affluent makes, from a medical perspective, no sense. Affluent people face fewer daily insults to their health than less prosperous people. They are less likely to work around hazardous chemicals, less likely to encounter people with untreated illnesses, less likely to lose heat in their homes. Any distribution of health care resources that privileges wealthy people will, consequently, inevitably undermine a society's overall level of healthfulness. And this privileging is exactly what plays out in unequal places. In the United States, medical "specialties" that cater to high-income people have proliferated the fastest in the nation's most unequal states. By contrast, notes a research team led by Leiyu Shi of Johns Hopkins University, states with narrower gaps between rich and poor provide their citizens with many more primary care options.[42]

Unequal societies, in other words, get health care backwards. They devote valuable health care resources to people who need these resources the least. Such misplaced priorities, many researchers believe, help explain why people in unequal societies live, on average, shorter, unhealthier lives than their counterparts in more equal societies.

Overwork may also help explain how inequality "causes" ill-health. Average Americans spend far more hours at work today than Americans who lived in earlier, more equal decades. Families of workers on the job more than fifty hours a week, research shows, have more "severe" interpersonal conflicts.[43] Family conflicts can lead to health-deflating depression or alcoholism. Overwork, to make matters worse, invites overeating. Obesity comes naturally when time-squeezed people are continually grabbing bites on the run. Nearly 100 million Americans now carry enough extra pounds to increase their mortality risk.[44]

But frazzled Americans are grabbing bites on the run all across the United States, not in any one particular state. So why then in some states, the more economically equal states, do residents lead longer, healthier lives? Something basic about life in more equal places must be offsetting the strains, the daily pounding, of modern life. Researchers have a label for this something. They call it *social cohesion.*

Social cohesion — the sum total of human relationships that help people feel respected, valued, and safe in their everyday lives — cannot be bought over the counter or prescribed by any doctor. Social cohesion can only be nurtured, over time, by and between people who care about each other, who support each other, who trust each other. Social cohesion, many epidemiologists contend, makes societies healthier places. If we can go about our daily routines knowing we can count on others, these researchers posit, we feel better about life. Feeling better, we do better — in our physical health.

People who live outside supportive, cohesive networks lead lives that are, in effect, socially "malnourished." They suffer, suggests Yale's Robert Lane, from a "famine," not of food, but "of warm interpersonal relationships," a "malnutrition" that leaves them weak and vulnerable to disease.[45]

Some of the most dramatic early evidence for "social malnutrition" came from a nine-year project that traced individual health histories in California's Alameda County. The most socially isolated of the seven thousand county residents studied turned out to be "two to three times more likely to die of all causes" than their more socially connected neighbors, even after taking cigarette smoking, drinking, and other health-impacting factors into account.[46]

Other early evidence, even more dramatic, came from a small town nestled in the foothills of Pennsylvania's Pocono Mountains. Immigrants from southern Italy had started settling this community, a town named Roseto, in the 1880s. Roseto's residents led lives that appeared, at least outwardly, not much different from the lives led by immigrants in nearby towns. Rosetans smoked. They ate fatty sausages. They seldom exercised.[47] In other Pennsylvania small towns, as in the rest of America, this sort of lifestyle invariably generated waves of heart attacks. But doctors in the 1950s discovered something strange about little Roseto. Rosetans weren't dropping dead, at standard rates, from heart attacks, nor from anything else. Roseto's heart attack rate ran 40 percent under what medical experts figured the rate should be, and the town's overall death rates were also "substantially lower" than rates in neighboring towns.[48]

Why weren't people in Roseto dying off as regularly as everybody else? Researchers eventually came to credit the town's good health to its deeply rooted social cohesion.[49] The original Rosetans had all come from the same Italian village. Their community had remained, over the years, especially close. People didn't just know each other, they protected each other from whatever bad breaks life could throw their way.[50] Rosetans displayed deeply seated egalitarian sensibilities. Some of them did come to earn more than others, but few people ever did anything to flash their financial success.

"Practically everyone," one reviewer of the literature on Roseto would later write, "dressed in the same simple clothes and lived in similar square, clapboard houses with front porches, screen doors, and small gardens."[51]

Roseto's more prosperous locals, medical researchers Stewart Wolf and J. G. Bruhn found, paid close attention to the "delicate balance between ostentation and reserve, ambition and restraint, modesty and dignity." Should they lose their balance, and show themselves too preoccupied with making money, the local priest would point out the error of their ways. The town's entire culture, investigators concluded, "provided a set of checks and balances to ensure that neither success nor failure got out of hand."[52]

Roseto's cohesive, egalitarian culture, by the 1970s, would start to unravel. The more affluent third-generation Rosetans "started building newer, bigger houses on the outskirts of town." They "hired interior decorators, walled off their gardens, and no longer invited their relatives to move in."[53] The "social taboos against conspicuous consumption began to weaken," as Rosetans moved steadily deeper into the American mainstream.[54]

"Roseto became a lonelier place," analyst Helen Epstein sums up. "There were fewer picnics, the brass bands performed less frequently, membership in social clubs and other organizations dropped off."[55]

Rosetans in these lonelier years actually began adopting, along with the rest of America, some healthier habits. They started watching their diets. They started smoking less. They also started dying, despite these healthier habits, at ordinary American rates. Within a decade, heart attacks were striking down Rosetans as often as people in neighboring towns.[56] Roseto, a truly unique place, had become, rather swiftly, just another place, a town no more healthy, no more cohesive, no more equal, than any other.

CLOSE, WARM, CARING RELATIONSHIPS, the evidence suggests, are seldom sustained in communities where differences in income and wealth keep people far apart. Inequality stretches the bonds of friendship and caring that keep people close. At some point, even the closest bonds snap. Individuals no longer "cohere." They become less trusting, as they have in the United States. At the height of America's post-World War II equality, in 1968, 55 percent of Americans said they trusted others. Three decades of increasing inequality later, in 1998, only 35 percent called themselves trusting.[57]

The larger a society's income gap, many investigators now agree, the less trust, the less cohesion, the less healthy the lives that people lead. But again the same question, why? Why should people in less cohesive, less trusting environments end up less healthy?

The answer may rest in how, at the most fundamental level, we experience inequality.

Within all societies, however equal or unequal they may be, we experience inequality through hierarchy. We are all born into humanity's oldest hierarchy, the family. We move on through school, another hierarchy, and then into the

workplace, still another. We may play on a sports team or serve in the army or join a theater company. More hierarchies. Some hierarchies we experience may be benign, others cruel. All share one commonality: All hierarchies involve positions of higher and lower status. These differing levels of status may seriously impact our health. Even seemingly minor inequalities in hierarchical status, researchers have found, can make a substantial difference on how long and how healthily people live. Just how substantial only became clear after British epidemiologists began publishing results from a massive study of about seventeen thousand men employed in Britain's civil service.

University of London epidemiologists began what became known as the "Whitehall study" to learn why heart attacks hit some people and not others. The civil servants at Whitehall, the British seat of government, offered a nearly ideal research sample. In the late 1960s, when the study started, these civil servants constituted a remarkably undiverse group — one white, middle-class, Anglo-Saxon man after another, all between the ages of forty and sixty-four. The massive uniformity of the Whitehall sample, investigators believed, would help them zero in on the exact factors that generated heart failures.[58]

The researchers would work diligently — for years. They examined all the "obvious risk factors for heart disease," everything from diet and exercise to smoking. They checked blood pressures. They measured cholesterol levels. They even compared health outcomes between civil servants at various rungs of the civil service ladder. The lead researcher in this latter effort, Michael Marmot, soon uncovered a consistent phenomenon. White-collar employees at the bottom of the civil service hierarchy were many times more likely to die from heart attacks than employees at the top. And lower-grade employees also appeared to be much more prone to other ailments, including cancer and stomach disease.

Marmot found more as well. Health outcomes improved, rung by rung, as civil servants moved up the employment grade ladder. Clerks had three times as many fatal heart attacks as the supervisors immediately above them in the civil service hierarchy. These supervisors, in turn, had twice as many fatal heart attacks as the administrators above them. The most modest of distinctions, Marmot and fellow investigators discovered, could produce striking differences in death rates. Senior assistant statisticians suffered fatal heart attacks at almost twice the rate of chief statisticians.

The conventional risk factors for heart disease — poor diet, lack of exercise, smoking, high blood pressure — could only account, the investigators determined, for less than half of the health differences, overall, between Whitehall employment grades. Hierarchical status, in and of itself, clearly seemed to be making a health impact.

"If a clerk and a manager both smoked twenty cigarettes a day," as Helen Epstein, a reviewer of the Whitehall literature, would note, "the clerk was more likely to die of lung cancer."[59]

Other studies, from Massachusetts to Finland, would later find similar patterns.[60] Social standing everywhere, not just Whitehall, appeared to shape

health outcomes. The lower an individual's slot in a workplace hierarchy, the worse the individual's health. Subordinate status, somehow, some way, was "causing" ill-health.

And just how was subordinate status making this impact? Some clues would emerge from research conducted far from Whitehall's white collars, out in the wilds of Africa, among the baboons of the Serengeti plains.

Baboons, like people, interact within hierarchies. Males at the bottom of these hierarchies, researchers have found, exhibit far higher levels of hormones called glucocorticoids than male baboons at or near the top. Glucocorticoids typically release out through the body whenever primates encounter stressful situations. These hormones serve a necessary function. At threatening moments, they divert a body's resources away from tissue repair and other "non-urgent tasks" and help the body mobilize for action.[61] A threatened baboon, flush with glucocorticoids, either fights or takes flight. Without these hormones flowing, an individual baboon would never last long out in the wild.

But glucocorticoids, if they're *always* flowing, create a different set of problems. In a baboon awash with glucocorticoids, the body never ends up devoting enough resources to needed maintenance work. Blood pressure rises. The immune system eventually starts to break down. These breakdowns, interestingly, never seem to afflict baboons that sit high in baboon hierarchies. The explanation? High-ranking baboons can go for appreciable periods of time without feeling particularly threatened. Baboons lower in the hierarchical order, by contrast, live much more stressful existences. They find themselves, as British epidemiologist Richard Wilkinson observes, "constantly faced down by more dominant" baboons. This chronic stress eventually blunts the body's feedback mechanisms that regulate glucocorticoids.[62] Hormone levels run out of whack. Health deteriorates.[63]

Chronic stress, the Whitehall researchers found, can make the same sort of negative biochemical impact on human bodies. With civil servants, as with baboons, body chemistry varies with status. Levels of low-density lipoproteins, chemicals that make blood vessels more likely to clog, ran higher in both low-status civil servants and low-status baboons. High-density lipoproteins, substances that help bodies clear cholesterol, displayed exactly the reverse pattern. These health-enhancing chemicals ran at higher levels among civil servants and baboons at the top end of their hierarchies.[64]

Primates, people and baboons alike, may share the same chemistry. But the exact stresses we primates face obviously differ enormously. Low-ranking baboons face physical violence. They worry about getting bitten. In human workplaces, we rarely encounter threats of violence. Our stresses come instead from the emotional ebb and flow of nine-to-five life, from getting passed over for promotions or having our ideas belittled, from worrying about job security, from struggling to meet impossible deadlines.

But doesn't everyone within a workplace hierarchy feel stress, even CEOs at the summit? Top executives, after all, have quarterly earnings expectations to

meet. What could be more stressful? And if everyone in a modern workplace is stressed and if chronic stress really does make people sick, why should high-ranking executives be any healthier than low-ranking clerks? Just one reason: High-status executives, researchers believe, do not experience the *same* stress as low-status clerks. The pressure they feel from having too many appointments on their calendar or having to make an important decision, explains analyst Helen Epstein, "is very different from the kind of stress a clerk feels when he thinks that he is stuck in a routine, under someone else's often arbitrary authority."[65]

Some people within a hierarchy, in other words, control their own fates, or feel they do. Others experience little or even no control at all over the work they do. The lower the hierarchical rung, the less control, the more damaging the stress. In the Whitehall research, Michael Marmot found feelings of low control "associated with lower civil service rank, greater risk of heart attack, and higher blood levels of a substance called fibrinogen, which is associated both with stress and with heart attacks."[66] Other studies in Sweden, the United States, Germany, and elsewhere in Britain have demonstrated comparable links between health and the control people feel they have over their work.[67]

Outside the workplace, meanwhile, individuals also experience control and lack of control issues, only here, off the job, hierarchies are defined not by employment rank but by the distribution of income and wealth. Those with appreciable income and wealth simply have a much greater wherewithal to control how their lives unfold than those without.[68] The less wealth, the less control, the more stress.

These stresses build over time, one upon another, stirring up, in the process, a toxic biochemical brew. People at the lower end of hierarchies, on and off the job, can come to "feel depressed, cheated, bitter, desperate, vulnerable, frightened, angry, worried about debts or job and housing insecurity."[69]

"Prolonged stress from any of these sources," notes Richard Wilkinson, "is often all it takes to damage health."[70]

How potent are these chronic stresses? They can, contends Wilkinson, "dominate people's whole experience of life."[71] They can even, over time, *physically* alter our insides, as Stanford neurochemist R. M. Sapolsky has so deftly illustrated.

Throughout the nineteenth century, Sapolsky relates, cadavers for medical anatomy classes in London came from local poorhouses. The adrenal glands anatomists found in these cadavers became the adrenal gland textbook standard. But every so often doctors would get a chance to dissect a cadaver from a wealthier life. The adrenal glands found in these more affluent cadavers seldom met the textbook standard. They were too small. Doctors subsequently "invented a new disease" to account for these smaller adrenal glands, and this new disease "flourished" until physicians came to realize, early in the twentieth century, that smaller adrenal glands were actually "the norm" — and the larger adrenals of the poor "the result of prolonged socioeconomic stress."[72]

Doctors made the same mistake with the thymus gland, with more tragic results. In poor people's cadavers, the thymus appeared small. Doctors classified the larger thymus glands of more affluent people "as a disorder." They "treated" this disorder with radiation. The doctors eventually realized their error. Too late. The radiation treatments they had administered "later caused thyroid cancer."[73]

Inequality had killed still again.

IN THE UNITED STATES, OUTSIDE ACADEMIC CIRCLES, the vast upsurge of epidemiological interest in inequality has made relatively little impact on our ongoing national discourse over health care policy. In Britain, by contrast, the notion that inequality, not just poverty, can significantly undermine health, has actually become a matter of somewhat heated public debate. In 1998, for instance, a well-publicized report by the British government's former chief medical officer, Sir Donald Acheson, talked about the struggle for better health outcomes as "fundamentally a matter of social justice."[74] Nonsense, critics charged. Sir Donald, fumed one commentator in London's *Sunday Times*, actually "blames ill-health on economic inequality."[75] Such an "absurd" conclusion, the critique continued, could only come from an "equality fanatic." And why was this conclusion so absurd? Acheson had totally failed, the *Times* would disdainfully charge, to take into account the "choices" about health that people in modern societies make.

"The most likely reason for the widening health gap is that better-off people have changed their behaviour, for example by stopping smoking or choosing to breast-feed, whereas worse-off people have not," the *Times* critique concluded. "Behaviour associated with poor health is concentrated among poor people, but this has nothing to do with the earning power of the better-off."[76]

The poor, in short, have no one to blame for their ill-health but themselves.

This blame-the-victim message can and does resonate powerfully within modern societies, largely because the core "fact" at its root turns out to be absolutely true. Many habits we now know as unhealthy — smoking, overeating, engaging in substance abuse — *are* practiced more by people who rank low in wealth and income. All these unhealthy behaviors, from smoking to obesity, carry what epidemiologists call a "social gradient." Their frequency increases as social and economic status decreases.

So do low-income, "low-status" people simply "choose" to be unhealthy? Many researchers think not. The same stresses that enlarge adrenal glands, they suggest, can help us understand why people low in hierarchical status seem to hang on to unhealthy habits with more tenacity than their "betters." Lower-status people practice unhealthy behaviors not because they want to be unhealthy, but because they need relief — from social stress.[77] People typically respond to stress, investigators note, by increasing their intake of our society's readily available relaxants, disinhibitors, and stimulants. They smoke. They do drugs. They "increase their consumption of various comforting

foods," digestibles that "usually have high sugar and fat content."[78] The more chronic the stress, the more likely a reliance on one or another of these comforting props.

And the more chronic the stress, the harder to end that reliance. Researchers, for instance, have found a clear "social gradient" in smoking cessation programs. People of lower social and economic status who attend such programs are less likely to give up smoking than people of higher status. But "the desire to give up smoking," interestingly, carries no social gradient.[79] Clerks turn out to be just as eager as CEOs to stop smoking. What then explains the economic differentials in cessation success rates? Stopping an unhealthy habit may simply be easier for people of means. They can always afford, after all, to engage in other forms of relief. People whose prospects seem hopeless, on the other hand, often cannot. Smoking may well be their "only relaxation and luxury."[80] Do they "choose" to smoke? Literally speaking, yes. Is their "choice" a purely individual decision, totally unrelated to their subordinate place in the social and economic hierarchy? Clearly not. The stresses that hierarchical life generates, in other words, don't just wreak biochemical havoc. They encourage behaviors that can contribute, *over the long run*, to poor health outcomes, to reduced life expectancies.

These same chronic stresses, researchers note, help drive the behaviors — homicide, for instance — that reduce life expectancies *in the short run.*

Homicide statistics reflect as strong a social gradient as the numbers on smoking. People on society's lower rungs commit more murders than people higher up. Why do people commit homicides? Research has identified "loss of face" as the largest single "source of violence."[81] People lose face when they feel humiliated by others. Everyone, of course, feels humiliated at some point or another. But our social status conditions how we respond to the humiliation. People of means, of "larger reserves of status and prestige," will likely "feel less fundamentally threatened by any particular loss of face" than someone whose life seems to be tumbling out of control.[82]

No homicide records ever list inequality as the cause of death. Maybe they should.

AND NOW THE GOOD NEWS. Hierarchies may figure to be with us for many millennia to come, but the biochemical stresses hierarchies generate can be mitigated, even neutralized, by the caring, compassionate, public-spirited social cohesion that thrives whenever inequalities of income and wealth are significantly narrowed.

"It seems likely," notes epidemiologist Richard Wilkinson, summing up the evidence, "that social support may be important in changing the way people respond to stressful events and circumstances."[83]

Epidemiologists found that social support in Roseto, the town where local customs helped nurture a deeply embraced egalitarian ethos. And they have found that same social support, even more strikingly, in war-time Great

Britain. Life expectancy in England and Wales actually increased more during the 1940s, the years that included World War II, than in any other decade of the twentieth century.[84]

The 1940s added six and a half years to the life expectancy of British men, seven full years to the lives of British women. British life expectancy, overall, jumped over three times faster in the 1940s than in the 1980s.[85] These numbers, analyst Helen Epstein suggests, should astound us. British life expectancies in the 1940s rose despite "hundreds of thousands" of battlefield deaths and bombings that killed thirty thousand civilians.[86]

But more than bombs, notes Richard Wilkinson, dropped in Britain over the course of World War II. The war years also saw a "dramatic" drop in inequality. Higher taxes on high incomes and lower unemployment levels kept income gaps narrowing. People at the top and bottom of British society moved closer to the middle. Overall, the number of people making less than 50 percent of Britain's median income may have dropped by as much as half.[87] And that, in turn, nurtured an egalitarian spirit that lifted people's hearts.

"Inequality did not disappear, but something changed," Helen Epstein points out. "There was an ethos of cooperation and common striving. For a time, most of the nation was of one mind."[88]

By war's end, most British felt inspired to take the next step, to do whatever they could to build a society that "took better care of its members."[89] Voters, after the war, sent war-time Prime Minister Winston Churchill packing. The new Labor Party government that succeeded him promptly created a national health system that guaranteed every British man, woman, and child free basic care. Britain had become, despite the horrors and deprivation of a war-ravaged decade, a more cohesive, caring place. A healthier place.

THE WORK OF EPIDEMIOLOGISTS LIKE Michael Marmot and Richard Wilkinson, many scholars believe, "provides a direct biological rationale" for how inequalities impact health.[90] But not all scholars consider their emphasis on hierarchies and biochemistry, on "psychosocial pathways," an appropriate explanation for the stark differences in health outcomes that widening inequality inevitably seems to generate.

These skeptical scholars focus their attention on the *material* realities of life in unequal societies. Growing economic inequality within any society, they contend, will always mean that more people will lack access to "education, health care, and other services, with long-term consequences for health."[91] And more people will lack this access because unequal communities tend to invest less in the medical, educational, and other public services vital to health than do more equal communities.

"Increases in income inequality go hand in hand with underinvestment, which will reap poor health outcomes in the future," as George Davey Smith has argued in the *British Medical Journal*. "In the United States, poor invest-

ment in education and low expenditure on medical care is seen in the states with the most unequal income distribution."[92]

John Lynch, George Kaplan, and several University of Michigan colleagues deepened the case against the centrality of psychosocial factors in research they published in 2001.[93] Using newly available international data, Lynch and colleagues found that some psychosocial measures, like levels of distrust, do not always match up with the health outcomes. France, Italy, and Spain, for instance, show high levels of social distrust, but low incidences of coronary heart disease and relatively long life expectancies. Psychosocial factors like trust between people and the control people feel over their own lives, Lynch and colleagues conclude, "do not seem to be key factors in understanding health differences" between many wealthy countries.

That may be the case, the researchers advise, because many wealthy nations have made "investments in public health relevant goods and services" that tend to equalize the basic medical care all people receive. In societies where most people receive similar health care services, the argument goes, the psychosocial stresses generated by economic inequalities will be offset — and become less important to health outcomes.

To illustrate this point, some investigators contrast health outcomes in the United States and Canada. In the United States, public officials have chosen not to make the investments that equalize access to health care. Americans at different income levels receive widely varying levels of care. Health outcomes in the United States, not surprisingly, *do* match up with income inequality data. The more unequal an American state or metropolitan area, the higher the mortality rate.

In Canada, provinces also vary by level of income inequality, just as states do in the United States. But these provincial differences in inequality do not translate into significantly different death rates, as do state-level inequality differences in the American context.[94] What explains the difference? In Canada, health care and other material resources are "publicly funded and universally available." In the United States, health resources are distributed through the market, based largely on ability to pay. In Canada, as a result, income inequality appears to matter less for health.[95]

Case closed? Do we have proof here that psychosocial factors are not that central to differences in health outcomes? Maybe not. Analyst Stephen Gorin asks us to consider the differences between *how* health care is provided in the United States and Canada. In the United States, the poor only gain access to health care "through public assistance or charity, in short, through programs that differentiate them from the rest of the population." These programs have a stigma attached, and that stigma, notes Gorin, "is undoubtedly a source of stress, and possibly poor health, for the individuals relying on them."[96] In Canada, with everyone covered by government health insurance, no stigma applies to health care. In short, Gorin suggests, even investments in health care can have psychosocial dimensions.

We live in a world, apparently, where psychosocial and material factors continually interact to keep some people healthier than others. Epidemiologists will no doubt continue to debate which of these factors carry greater causal weight. The psychosocial camp, for its part, readily acknowledges the significance of material underinvestment, but contends that the most telling impact of inequality on health goes deeper.

"If, in the spirit of neo-materialism, you give every child access to a computer and every family a car, deal with air pollution, and provide a physically safe environment, is the problem solved?" as Michael Marmot and Richard Wilkinson ask. "We believe not."[97]

Not if people remain trapped in subordinate status, they argue, not if widening inequality is making that status an ever heavier weight to bear. That status will generate terribly debilitating stress — and undermine health — even if living standards are rising. How else to explain, wonder Marmot and Wilkinson, the "dramatic mismatches in living standards and health between societies"? [98]

Contrast, for instance, the situation of black men in the United States and men in Costa Rica, historically the most equal of Latin American nations. By absolute level of material well-being, black American men far outdistance their Costa Rican counterparts. In 1996, black males in the United States, with a median income that stood at $26,522, had over four times the purchasing power of Costa Rican men, whose median income barely topped $6,400. Yet Costa Rican men, on average, could look forward to nine more years of life expectancy than black men in the United States.[99]

The explanation for this difference, note Marmot and Wilkinson, "must have more to do with the psychosocial effects of relative deprivation" — the stresses of subordinate-status daily life in a racially and economically unequal society — "than with the direct effects of material conditions themselves."[100]

"To emphasize psychological pathways," Wilkinson takes pains to make clear, "does not mean that the basic cause of the problem is psychological or can be dealt with by psychological interventions."[101] The base problem, to his perspective, remains economic inequality. Greater inequality "increases the burden of low social status." Greater inequality dissolves social cohesion. Better health outcomes can never be attained, or maintained, in societies that grow more unequal.

On this last point, at least, most all researchers who have delved deeply into the links between economic inequality and health seem to agree. No good, in health terms, can come when a society becomes more unequal.

IF GROWING INEQUALITY WITHIN A SOCIETY leaves people less healthy, can people only get more healthy if their society becomes less unequal?

Some health professionals, based on the epidemiological evidence, argue that the struggle for healthier societies must, first and foremost, be a struggle for more equal societies. All people will have a meaningful chance to "get well,"

these health professionals believe, only in societies that are striving to get more equal.

"If we share the resources of our country more fairly," as Scottish medical educator George Watt has put it, "we shall have a more cohesive society and reduce inequalities in health. It will not happen the other way around."[102]

Other health care professionals disagree. They do not dispute the epidemiological evidence that links inequality and health. But they see the struggle against overall economic inequality as a long-term matter. What about, they ask, the here and now? Improvements in the health of the American people, these experts argue, will never begin to be made if these improvements must wait until America first becomes more equal.

"Those of us dedicated to a more just society find the American public's toleration of gross — and growing — inequalities in income and political power puzzling and frustrating," notes National Institutes of Health bioethicist Ezekiel Emanuel. "Yet this is the reality in which changes will have to be fashioned."[103]

"Income redistribution is important," agrees Barbara Starfield from the Johns Hopkins University School of Public Health, "but it is unlikely to happen any time soon."[104] In the meantime, conscientious health advocates ought to be promoting "more practical and feasible" strategies, by working, for instance, to increase access to primary health care.

Health advocates, adds Yale's Ted Marmor, should be addressing "the doable but difficult task of making medical care more fairly distributed before taking on the more utopian task" of narrowing economic inequality.[105]

These voices all seem eminently reasonable. But their logic is not without flaws. Access to medical services certainly does deeply impact our individual health. But the stresses and strains, disappointments and deprivations of everyday life in a deeply unequal society, taken cumulatively, seem to impact our overall health far more significantly.

"By the time a sixty-year-old heart attack victim arrives at the emergency room, bodily insults have accumulated over a lifetime," as researchers Norman Daniels, Bruce Kennedy, and Ichiro Kawachi have noted. "For such a person, medical care is, figuratively speaking, 'the ambulance waiting at the bottom of the cliff.'"[106]

The basic social and economic inequalities that drive people over that cliff, these three analysts contend, simply must be seriously addressed, as impractical and utopian as that task may feel in an increasingly unequal society.

Daniels and his colleagues also make another point, a more "practical" observation about access to health services. Champions of better and wider health care services, they note, have exerted enormous energy over recent years to extend access to affordable, quality care. Yet more, not fewer, Americans now go without health care services. This shameful situation, contends the Daniels team, could have been predicted. In times of growing inequality, advocates for social decency seldom make significant progress in any realm, health includ-

ed.[107] To be truly "practical," to actually improve people's health, Daniels and his colleagues argue, advocates must not "*choose* between expanding coverage of health care and devoting our energies to changing the social distribution of other resources."[108] They must do both.

"Popular support for universal health care coverage," the Daniels team concludes, "*arises* (when it does) out of a shared egalitarian ethos that is itself a product of maintaining a relatively short distance between the top and bottom of the social hierarchy."

Where no egalitarian ethos exists, neither will a consensus that society ought to work to keep all people well. Where the "haves" and "have nots" stand wide apart, those with health security simply do not care, enough, about those without. In these sorry places, no secure health safety net will ever be strung. In these sorry places, the social fabric, in essence, has frayed. We move now to how — and why.

A Fraying Social Fabric

Weavers can almost always distinguish, without much difficulty, quality from second-rate fabric. Quality fabrics will typically be tightly knit. You can tug and twist them. They will not tear. In our everyday speech, we talk about quality *social* fabrics in much the same way. People within a healthy social fabric, we say, lead *tightly knit* lives. They care about each other. They join together in community improvement efforts. They give of their time to help others not as fortunate as themselves. They enjoy each other, too. Within a healthy social fabric, people relish spending time with friends. They welcome neighbors over for dinner. They mingle in parks. They dawdle over bake sales.

Within a tightly knit social fabric, people seem to routinely "experience joy in the completion of ordinary life tasks."[1] They don't just do their work or run their errands. They forge relationships. Colleagues at work turn into teammates on an after-hours softball team. Chance encounters picking up kids at a day care center start up long-lasting friendships. Afternoons spent raking leaves end up with neighbors sharing ideas. These sorts of relationships between people, over time, build "social capital," a special sort of grease that keeps the wheels of society rolling smoothly.[2] Societies that accumulate social capital, researchers tell us, aren't just more pleasant places to live. They seem to function more efficiently as well.[3] People in these societies don't waste time constantly worrying about whether they can trust other people — because they know these other people, or know people who know them, or know their paths will cross again.

These thick webs of relationships do not, of course, *guarantee* that people will behave fairly and effectively with each other. But they do increase the odds. They make civility the social norm. They foster "the sense of well-being and security that come from belonging to a cohesive society."[4]

Most of us, if we had the choice, would choose to make our home in a society of this sort. We sense, almost instinctively, that tightly knit communities make for good places to live. Many of our parents and grandparents can vouch for that. They lived in such communities.

We don't.

Harvard sociologist Robert Putnam has, over recent years, chronicled the "ebbing of community" in America, the fraying of our social fabric, more thoroughly than any other observer of our contemporary scene. He has tracked,

through mountains of data, the eroding of our social capital. He has documented the fading frequency of "neighborhood parties and get-togethers with friends," the increasingly rare "unreflective kindness of strangers," and, most tellingly, our long-abandoned "shared pursuit of the public good."[5]

Putnam's work on the collapse of community in America first caught public attention midway through the 1990s. He labeled the phenomenon, in a brilliantly evocative phrase, America's "bowling alone" syndrome. Bowling in the United States, Putnam pointed out, used to be a social activity. People did most of their bowling in leagues, as part of teams that competed every week. League bowlers socialized between strikes and spares. They laughed, they bonded. They even sometimes shared points of view about civic issues.

By the 1990s, Americans were still bowling, but not much any more in leagues. Between the 1960s and the mid 1990s, league bowling dropped off over 70 percent for men, over 60 percent for women.[6] Bowling no longer meant bonding.

Researchers have found the same pattern in nearly every aspect of American life, from card playing to eating dinner. By virtually every meaningful measure, not just bowling, Americans have come to enjoy each other less. Between the mid 1980s and the end of the 1990s, according to one set of national polls, the readiness of average Americans "to make new friends" declined "nearly one-third."[7] A subsequent study, conducted in 2000 by Harvard University and the Center on Philanthropy at Indiana University, found that a third of all Americans simply no longer engage in "informal socializing, such as inviting friends to their homes or visiting relatives."[8]

Americans don't even seem to be enjoying the people closest to them, their spouses and their children, as much as they once did. Working couples, in one mid 1990s survey, reported only having twelve minutes per day "to talk to each other."[9] The kids of working parents found themselves alone so much, in the late twentieth century, that a new social category — "latch-key children" — had to be invented to account for them.[10]

Average Americans, the various data streams show, also seem to care less about their communities than they once did. Between the mid 1970s and the mid 1990s, "the number of Americans who attended even one public meeting on town or public affairs in the previous year" fell 40 percent.[11] Over these same years, local organizations saw their active memberships drop by more than half.[12]

These declines in civic involvement, in social interactions of any sort, happen to correspond, almost exactly, to another trend line in American life, our nation's rising levels of economic inequality. Indeed, the American social fabric seems to have begun fraying, begun tearing, at exactly the same time inequality in America began accelerating.

Must social fabrics always tear when societies become more unequal? Must inequality always isolate us from each other when gaps in income and wealth

widen? Must widening gaps always leave our communities less caring and more cold-hearted?

These questions deserve America's attention. They have not yet received it.

PEOPLE WHO ARE QUITE WEALTHY, the sort of people who proliferate whenever income and wealth start concentrating, have always had a difficult time understanding their fellow human beings who happen to be less fortunate than they. The least fortunate the wealthy understand hardly at all.

"Poverty is an anomaly to rich people," as the nineteenth century English economist Walter Bagehot once noted. "It is very difficult to make out why people who want dinner do not ring the bell."[13]

Today's wealthy face similar comprehension deficits. In abstract theory, they share the same world as the less fortunate. In daily reality, they live within an entirely separate space. They move through a world of "Four Seasons suites" and "$500 dinner tabs," a world so comfortable that any other existence becomes almost impossible to even imagine.[14] In 1997, business journalist Richard Todd noted at the time, the typical American household had to make do on $31,000 worth of income for the entire year. How could the wealthy, Todd wondered, possibly comprehend what living on $31,000 must really be like? For wealthy Americans in 1997, Todd pointed out, $31,000 amounted to "a price tag, not a salary," the cost of "a low-end Land Rover, a year at Brown, a wedding, a dozen or so Prada dresses."[15]

In the boom years, America's most affluent routinely went about their lives with "very little sense that they live in the same country as anyone who is poor."[16] If reminded, they lashed out. The unfortunate, they insisted, needed to get their slothful little acts together. The nation, America's most fortunate agreed, needed to show some tough love. No more pampering. Poor people needed to be shoved off the dole, into jobs if they could find them, into oblivion if they could not. Decades earlier, in the 1960s, America had made war on poverty. America, in the 1980s and 1990s, would make war on the poor.

Those who led the 1960s war against poverty would never have understood this new offensive against the poor. They lived, after all, in a different America, a more equal America. They saw poverty as a horrible stain on a proud nation's social fabric. We will, President Lyndon Johnson pledged in 1964, wash that stain away. The United States would become a place where people truly care about each other, a "Great Society." Congress would buy into that noble vision. Lawmakers created medical care programs for the poor and the elderly. They widened Social Security coverage. They invented Food Stamps and created new subsidies for low-income housing.[17] And they didn't just create new programs for America's least fortunate. They funded them. Between the mid 1960s and mid 1970s, total outlays on medical, housing, food, and cash support for the poor "rose nearly 400 percent," after adjusting for inflation.[18]

"By the late 1960s," notes journalist James Lardner, "responsible officials looked toward a day when the last pockets of poverty, as they were quaintly known, would be eliminated."[19]

Sargent Shriver, the nation's top-ranking anti-poverty official, even had a year in mind when this noble goal would finally be realized.[20] That year, 1976, would eventually come and go without the ultimate triumph Shriver had expected. His War on Poverty did reduce indigence, and substantially so, but poverty would persist.

What would not persist, beyond 1976, would be any effort to wipe the poverty stain, once and for all, off America's social fabric. The year 1976 would mark, in budget terms, the War on Poverty's last all-out charge. Total anti-poverty cash assistance that year, in inflation-adjusted terms, would hit an all-time high. By the mid 1980s, that assistance would be down 14 percent.[21] By 1991, the purchasing power of a typical poor family's welfare benefits had crashed 42 percent from 1970 levels.[22] By 1994, in not one state in the entire nation did "welfare benefits plus food stamps bring recipient families up to the poverty line."[23] By 1996, America's political leaders would be ready to "end welfare as we know it." The welfare reform they would enact that year, the Personal Responsibility and Work Opportunity Reconciliation Act, eliminated the welfare system created by the original Social Security Act. In its place came a new program for "Temporary Assistance to Needy Families." The emphasis would fall on the "Temporary." Under the new law, poor families would be allowed to receive benefits for no more than five years. Within two years, any head of a family accepting benefits would need to be working.[24]

The new law accomplished exactly what lawmakers had intended. Welfare reform drove people off welfare rolls, at incredibly rapid rates. Within five years after the reform legislation's 1996 passage, the number of families on welfare had dropped almost 60 percent, from 5 million to 2.1 million.[25] What happened to these millions of families no longer on welfare? The government didn't know, or particularly care. The welfare reform legislation included no provisions for tracking what happened to former recipients.

Private groups did their best to fill in the informational void. The Children's Defense Fund had interviews conducted with over five thousand former recipients. Nearly 60 percent of former recipients who had found jobs, the research revealed, were earning weekly wages that kept their families *below* the poverty line. Over half the former recipients who had left welfare for work, the research added, had found themselves "unable to pay the rent, buy food, afford medical care, or had their telephone or electric service cut off."[26] Other survey work would reinforce the Children's Defense Fund findings.[27] Some former welfare recipients might be "better off today," Children's Defense Fund founder Marian Wright Edelman would tell Congress in 2001, "but millions are not thriving and are struggling simply to survive."[28]

Welfare reformers sloughed off Edelman's critique. In states where governors and lawmakers really understood how to make the new system work, they

insisted, public policy miracles were taking place. Among the miracle makers: Wisconsin's Tommy Thompson, the governor who would later ride his reputation as a welfare reformer to the top slot at the federal Department of Health and Human Services. Journalists would rarely challenge Thompson's miracle-working claims. Those who did dare glance behind the curtain found more messes than marvels. In Wisconsin, noted the *Milwaukee Journal Sentinel's* Eugene Kane, some thirty thousand poor families just "disappeared" under Thompson's widely lauded welfare reform.[29]

Thompson's reform, Kane pointed out, had been billed as an endeavor "to build a bridge to meaningful work for the poor."[30] But any program truly devoted to "meaningful work," Kane observed, would bend over backwards to help recipients get the education and training necessary to qualify for decent-paying jobs. In Wisconsin, as well as elsewhere throughout the nation, welfare reform did no such thing. Poor mothers, under welfare reform, could not attend postsecondary classes and still qualify for basic benefits.[31]

Welfare reform didn't just prevent poor moms from going to college. In some places, welfare reform actually drove poor kids out of high school. In New York City, in 1998, local welfare officials told Keith Keough, a senior on the Grover Cleveland High basketball team, that he'd have to leave school and report to workfare once he turned eighteen — or else forfeit the benefits he had been receiving ever since his mother died the previous summer. An outraged math teacher immediately rallied to the boy's aid.

"I am a high school teacher in Queens," the educator wrote reporters, "and today an 18-year-old boy cried because he was told to leave school and go to work."[32]

Amid the resulting furor, city officials did an about-face. They dismissed the entire affair as "an isolated incident." Not quite. Earlier that same year, reporters discovered, a local judge had ruled that city officials had systematically "set up unconscionable obstacles" for poor young people who wanted to finish high school. Instead of giving students time to do homework, the judge found, officials were "requiring them to travel late at night on subways, to empty trash baskets in deserted municipal buildings."[33]

Mean-spirited acts of cruelty against the poor, in the welfare reform age, would multiply far beyond New York. In Colorado, a mother lost her family's Medicaid coverage after state officials discovered she owned a car. The mother, it turned out, had bought a used car to shuttle her six-year old asthmatic daughter back and forth to day care. The mom, before the car, had been taking her child to day care via light rail and a bus, leaving home at 6:30 a.m. to make all the right connections. But the mom feared that the early morning cold was making her daughter's asthma worse. A used car seemed a rational solution. But not to local officials. In Colorado, any mom with an asset worth more than $1,500 could no longer qualify for Medicaid.[34] A sick daughter made no difference.

Colorado's Medicaid officials were taking their cues from a state and a nation that had defined insensitivity to the unfortunate as perfectly appropri-

ate behavior. Those who would suffer the most, from this insensitivity, would be those who had the nerve not to have been born in the United States. Congress would, in the 1990s, deny Food Stamps and Medicaid benefits to America's *legal* immigrants.[35]

Overall, Food Stamp rolls dropped by nearly 8 million people after the 1996 welfare overhaul, mainly, critics charged, because new procedures had turned the applications procedure into an intimidating obstacle course. In Ohio, Food Stamps went to 80 percent of the state's eligible poor in 1994, only 59 percent in 2000.[36]

"Every day, too many of our children have too little to eat," Marian Wright Edelman would report to Congress in 2001.[37] We in America live in the "world's wealthiest" nation, she would add, yet "millions of our children are still being left behind."

NO SOCIETY THAT PURPORTS TO BE CIVILIZED can ever justify leaving poor children behind. Children are our innocents. They cannot possibly be held "accountable," as poor adults so often are, for their poverty. Decent societies simply do not tolerate child poverty.

Unequal societies do.

At century's end, the most unequal nations in the developed world carried the highest child poverty rates. In the United States, over one in four children — 26.3 percent — lived in households that UNICEF, the United Nations children's agency, defined as poor, that is, households making less than half a nation's median income. The United States, the world's most unequal developed nation, did not, at the time, boast the developed world's highest child poverty rate. That dishonor belonged to Russia, possibly the only nation in the world, over the course of the 1990s, where wealth concentrated at a faster rate than in the United States. Russia's child poverty rate stood at 26.6 percent.[38]

Meanwhile, at the other end of the child poverty scale, researchers found the world's most equal nations. In France, just 9.8 percent of children lived in poverty by century's end. In the Netherlands, 8.4 percent. In Sweden, 3.7 percent.[39]

What explains these inexcusable differences in child poverty rates between less unequal and more unequal nations? Elite isolation, analysts note, certainly plays a pivotal role. In countries where wealth is concentrating the fastest, the wealthy and the powerful simply lose touch with the rest of society — and no small bit of their humanity in the process. A disconnected elite, observes University of Texas economist James Galbraith, will be much more likely to rush into public policies that end up punishing the poor.

"The 'end of welfare as we knew it,'" he points out, "became possible only as rising inequality insured that those who ended welfare did not know it, that they were detached from the life experiences of those on the receiving end."[40]

But elite isolation, analysts like Galbraith are quick to add, does not fully explain why poverty overall, and child poverty specifically, stains the social fabric of unequal nations much more markedly than the fabric of more equal

nations. Something else, some other powerful social dynamic, must be at work, particularly in the United States and Britain, the two wealthy nations with the highest child poverty rates. In these two ostensible democracies, wealthy elites cannot unilaterally determine public policy toward the poor. These elites do not have enough votes, or even enough money, to impose their insensitive vision of what government should and should not do on the rest of us. Yet that insensitive vision has prevailed anyway.

To mend our social fabric, to create a society where cruelty can never be enshrined as policy, we need to understand why.

EVERY SUNDAY BEFORE ELECTION DAY, somewhere in the United States, a minister is earnestly reminding congregants that we are indeed our brother's keepers. The congregants all nod approvingly. An appreciable number of them, the following Tuesday, will then proudly vote — for candidates who pledge their eternal enmity against the "government handouts" meant to help our brothers, and sisters, who may be poor.

Why do such pledges work so well politically in the United States? Why do people of average means in America vote "against" the poor much more frequently than people of average means vote against the poor in the Netherlands, France, Sweden, or any one of a dozen other modern societies? Does some basic flaw in the American character doom us to a politics of insensitivity — and make attacks on poor people inevitable?

Economist James Galbraith most certainly does not believe so. Forget character flaws, he advises. Concentrate, instead, on America's economic flaws. Concentrate, above all, on what America's increasingly unequal distribution of income and wealth has meant for people in the middle.

Middle-income working people who vote against poor people are not by nature, Galbraith contends, "nasty, mean-spirited, ignorant, brutish."[41] They are instead responding somewhat rationally to an ugly and unequal world. In this unequal world, ever since the 1970s, a fortunate few have been gaining a greater share of America's treasure. This greater share at the top has meant a smaller share of income and wealth — greater poverty — at the bottom. Greater poverty, in turn, increases the cost of ongoing government programs to help the poor.

Who bears this cost? The wealthy easily could. In an increasingly unequal society, after all, they have more income and wealth, much more. But in an increasingly unequal society the wealthy also have more political power, and they use that power to "insulate" themselves from tax collectors. They convince lawmakers to reduce or even eliminate the taxes that most directly impact their affluent selves. The tax burden, ever so steadily, shifts onto middle-income people. These families in the middle, James Galbraith argues, soon become "ripe for rebellion against the burdens of supporting the poor."[42]

In America, the rebellions would start flaring in the late 1970s. They would flame throughout the rest of the century.

These rebellions, notes Galbraith, rarely emerged spontaneously. They would typically be stoked by sophisticated, lavishly financed ideological offensives that followed "a fairly standard form." In the early stages, the people who benefit from anti-poverty programs would be "stereotyped and demonized." They would be "presumed to be 'trapped' in a 'spider's web of dependency.'" Aid programs for poor people, the claim went, only encourage this dependency. Over time, this drumbeat would intensify. In reports and books bankrolled by wealthy donors, and in op ed columns and speeches based on these reports and books, "reformers" would declare that anti-poverty initiatives have been abject failures. They would pound home these declarations "so loudly and persistently" that those who disagreed would eventually "simply recede from public view."[43]

Individual anti-poverty programs, their defenders effectively silenced, would then stand defenseless. In budget battles, they would lose the dollars they needed to operate effectively. Without dollars, these anti-poverty initiatives would lose constituent support. In due time, some of these initiatives would be totally wiped off the public policy slate.

"Public housing suffered this fate in the early 1980s," observes Galbraith. "Welfare went away in 1996."[44]

Outside the United States, in Europe, conservative ideologues watched as this daring offensive against the modern welfare state unfolded. They thrilled to the battle cries that rallied conservatives in America to victory. No more handouts! No more big government! No more high taxes on the incomes of the successful! Emboldened, the European conservatives would launch their own offensives against the welfare state. But these offensives would all largely fail. In Europe, unlike the United States, conservative ideologues would not be able to turn middle-income people against programs that ensured decency for poor people.

The European conservatives, in their zeal to match the conservative triumph in America, had made a colossal miscalculation. They believed that average people, suitably enlightened by conservative insights, would see the poor as conservatives see them, as undeserving freeloaders. But contempt for the poor, the European conservatives failed to realize, only flourishes and festers where inequality has upset the basic security of middle class life. Their European nations, in the 1980s and 1990s, were simply not unequal — and insecure — enough.

Danish conservatives would learn that lesson the hard way.

Danish right-wingers had been stewing about Denmark's "overly generous" welfare state for quite some time. Everywhere they looked, they saw "handouts." Bums were making out like bandits. They didn't have to pay a cent for medical, child, or home nursing care. Or college either. They could even get paid family leave if they stayed home from work.[45] To make matters worse, the affluent had to pick up the bulk of the bill. Wealthy Danes paid taxes at rates that infuriated their conservative admirers. A most shameful situation.

In 1982, for a variety of somewhat unique political reasons, Danish conservatives would at long last gain an opportunity to set Denmark "right." Elections that year would give a coalition of conservative parties clear majority status. The conservatives would hold this status for over a decade, ample enough time to challenge — and start undoing — the welfare state created by their Social Democratic Party rivals.[46]

That undoing would never take place. In 1993, the Danish conservatives would leave office, their agenda unfulfilled. "Big government" had not been routed. Their nemesis, the Danish welfare state, still thrived. The conservative-led governments between 1982 and 1993, observers noted, had proven almost completely "unable to change Danish society" in any "profound way."[47] Poorer people in Denmark did not lose services and benefits, despite over a decade of conservative rule in Denmark.

What explains the conservative failure to smash the Danish welfare state? What made Danish social programs so resistant to right-wing "reforms"? What kept poorer Danes protected?

Many observers credit the survival of the Danish welfare state to the egalitarian spirit that animates it. The Danes, in creating their welfare system, had not set about the business of "eradicating poverty." They aimed instead to "improve the social welfare of the entire population."[48] The social welfare programs they created guaranteed *every* Dane important benefits and services, not just the poor. Every Dane could take advantage of free medical care and education through college. Every Dane could count on home nursing support, if needed, and an adequate pension.[49] Every Dane, even the most affluent, could receive child allowance payments four times every year.[50]

Within the Danish welfare state, all citizens had both a *right* to benefits and services and an *obligation* to support these benefits and services, to the best of their ability. And that meant that wealthy Danes, those most able to help support the Danish welfare state, paid more of their incomes in taxes than anyone else. These high tax rates on the wealthy, in turn, helped keep affluent incomes relatively modest – and gave affluent Danes reason to use and appreciate the same public services and social benefits every other Dane enjoyed.

Average Danes paid taxes, too. But these taxes fueled no massive taxpayer rebellion. Middle class people in Denmark depended too much on public services to do anything foolish that would jeopardize the funding of these services. In this sort of environment, compassion for poor people came naturally, not because average Danes were "naturally" compassionate, but because compassion, in a more equal society, tends to serve every average person's rational self-interest.

No analyst, in Denmark or anywhere else, has done more to clarify the essential rationality of this self-interest than John Rawls, the Harvard scholar many consider to have been the most important political philosopher of the twentieth century.

Suppose, Rawls once famously asked, that a group of people could create the society they were going to be born into, but not their place within that soci-

ety. What sort of society would these people choose to create, a society where wealth was distributed unequally, and deeply so, or a society that distributed wealth much more evenly?

Most thoughtful people faced with this choice, Rawls argued, would tilt toward equality. In a more equal society, after all, even if you were unlucky enough to find yourself born into the ranks of your new society's least fortunate, you would still be able to look forward to a decent and tolerable life, since the least fortunate in a more equal society would never be that much *less* fortunate than anybody else. In a deeply unequal society, on the other hand, you could win big, that is, be born into a fabulously rich family, but you could also lose big. You could find yourself wretchedly poor. By opting to enter a more equal society, you could avoid, close to absolutely, this latter wretched outcome — and ensure yourself at least a modicum of personal social security.

In real life, of course, we cannot choose either the society or family we are born into. We all enter the world amid grand uncertainty about our prospects. For some of us, those of us born into wealth, this uncertainty ends fast. Great wealth ensures us security. We can confidently face the future with life's basics guaranteed. We will never go hungry or homeless. We will never suffer indignity should we suddenly become incapacitated by illness or accident. We will never have to deny our children what they need to succeed. Our great wealth will shield us from dangers and open doors to opportunity.

Unequal societies, societies where wealth has concentrated significantly, will always boast plenty of people affluent enough to live these sorts of self-assured, confident lives. In more equal societies, by contrast, few of us will have enough personal wealth to secure our futures against whatever unexpected obstacles life may throw our way. Without these personal fortunes, we will naturally worry about what could happen to us and our loved ones should we be forced to face a long bout of unemployment. Or a crippling ailment. Or a steep bill for college tuition.

But these worries need not incapacitate us. We can still live securely, even without sizeable individual personal fortunes to fall back upon, if we know we can count on help from others should times get difficult. We will support, consequently, programs that insure us this help. We will rally enthusiastically to proposals that guarantee us income when we lose our jobs, medical care when we lose our health, and old-age pensions when we lose the bounce in our step. In an equal society, the vast majority of us will spiritedly support all these initiatives because, simply put, someday we may need them.

In more unequal societies, no consensus on the importance of mutual support ever develops. Significant numbers of people in unequal societies — those people fortunate enough to be wealthy — need never worry about their basic security. These affluent have enough personal resources to weather any illness or accident. They can afford any tuition bill. Their savings will generate income long after old age has withered their individual earning power. These wealthy

require no public safety net. They feel themselves totally self-sufficient — and wonder why everyone else can't be self-sufficient, too.

In an unequal society, in short, the most fortunate usually feel no vested self-interest in maintaining strong and stable social safety nets. The more unequal the society, the more people without this vested self-interest, the less the support for safety net programs. In other words, as James Galbraith sums up, rampant inequality "weakens the willingness to share" and, even worse, concentrates the resources that could be shared in the "hands least inclined to be willing."[51]

"In this way, and for this reason," Galbraith continues, "inequality threatens the ability of society as a whole to provide for the weak, the ill and the old."

AMERICANS OF MEANS, AND THEIR MANY ADMIRERS, usually object mightily to any suggestion that America has become, over recent years, a less compassionate place. Widening gaps between the affluent and everyone else, they assert, have not left America more cold-hearted. The weak, the ill, and old still tug at our heartstrings. As evidence, apologists for inequality point to programs like the Earned Income Tax Credit, a relatively new federal initiative designed to help the working poor.

The "working poor" make up about a quarter of employed Americans.[52] These low-wage workers take home paychecks that leave them, over a year's time, below or only slightly above the poverty line. In the United States today, these workers can count on the Earned Income Tax Credit to help them make ends meet. The program works on what might be called a "rebate-plus" principle. Workers who qualify for the Earned Income Tax Credit can get back, at tax return time, some or even all the income tax deducted from their previous year's paychecks. They can even, depending on their income and number of dependents, get additional cash back. In 2000, if the Earned Income Tax Credit had not existed, a couple with two kids making $20,000 a year would have owed a bit more than $200 in federal income tax. With the Earned Income Tax Credit in place, that same family could apply for and receive a $2,100 cash refund.[53]

The Earned Income Tax Credit, originally created in 1975, only came into its own after the 1986 Tax Reform Act substantially hiked the tax benefits that low-income workers could receive from it.[54] A few years later, in the 1990s, Congress expanded the program still again. By 1997, a low-wage worker with several dependents could collect as much as $3,656 via the credit. For parents working full-time in minimum-wage jobs, the Earned Income Tax Credit could "increase net earnings nearly 40 percent."[55] By century's end, the credit was funneling low-wage Americans $26 billion a year in cash refunds.[56]

The Earned Income Tax Credit, cheered *Fortune* magazine, "is first-rate social policy."[57] Few public figures disagreed. In the Earned Income Tax Credit, American business and political leaders had an anti-poverty program they could

wholeheartedly embrace. And they did. The expansions of the credit enacted in the 1990s sailed through Congress with wide bipartisan majorities. This overwhelming support struck champions of America's unequal economic order as proof certain that grand fortunes and graciousness can advance hand in hand. The Earned Income Tax Credit demonstrated, at least according to inequality's champions, that affluent America had not turned its back on poor people.

But the various expansions of the Earned Income Tax Credit, in fact, signaled no great new wave of compassion toward the poor. By century's end, even with the billions spent on Earned Income Tax Credit refunds, the United States was still spending on poor people, as a share of gross domestic product, only half what other developed nations were spending.[58] And the Earned Income Tax Credit refunds, at the recipient level, offered considerably less than met the eye. The same low-wage workers who were receiving income tax rebates under the credit were also paying considerably more in Social Security and other payroll taxes.[59] These increased payroll taxes, in the 1980s and 1990s, ate significantly into the rebates poor families gained through their income tax credit.

To make matters worse, many low-wage workers eligible for Earned Income Tax Credit rebates never received them, largely because the government never worked particularly hard to simplify the tax credit application process.[60] One official pamphlet explaining just who was eligible for the credit ran fifty-four pages.

The bottom line: Despite the Earned Income Tax Credit, the *net* incomes of poor working people have hardly increased at all over the last two decades. In fact, according to Congressional Budget Office data released in 2003, the after-tax incomes of America's poorest 20 percent rose less than one-half of 1 percent, on average per year, between 1979 and 2000. CBO researchers included all federal support programs in their calculations, including Earned Income Tax Credit refunds. They found, after adjusting for inflation, that total incomes for the poorest 20 percent of Americans moved from $12,600 in 1978 to $13,700 in 2000, an average increase of $1 per week over the twenty-one years.[61]

The Earned Income Tax Credit has plainly worked no wonders for low-wage workers. Indeed, critics have charged, the credit is really only working wonders for employers fond of exploiting low-wage labor. The Earned Income Tax Credit actually gives these employers an incentive to continue paying low wages. For every $6 an hour these low-wage employers pay workers with families, the Earned Income Tax Credit adds about $2 to the worker's bottom line. If these employers were to pay appreciably higher hourly wages, the government would add nothing. Low-wage employers, in effect, are receiving what amounts to billions of dollars a year in outright corporate welfare subsidies.

Meanwhile, America's "other" welfare program, welfare for the poor, is no longer subsidizing poor moms. Under the 1996 welfare reform act, poor mothers with children are now required to enter the workforce and essentially take any job available, no matter how low the wage. This requirement, by flooding the job market with poor moms, is also working wonders for low-wage employ-

ers. With a growing labor pool of poor mothers available, low-wage employers are under no pressure to raise their wage rates.[62] The rush of poor moms into the job market serves, quite efficiently, to keep wages depressed.

The federal government, of course, could undo this downward pressure by raising the minimum wage. But minimum wage hikes enjoy no support in corporate circles, perhaps because business leaders and their friends in Congress have exhausted their compassion quota with the Earned Income Tax Credit. Throughout the boom years, business and political leaders sat back and did nothing as inflation steadily and significantly eroded the minimum wage. In 1968, minimum wage workers earned, in inflation-adjusted dollars, $8 an hour. In 2001, even after a minimum wage hike in 1996, they earned only $5.15.[63]

The modest 1996 increase in the minimum wage did help spark a brief surge in wage rates at the end of the 1990s. But that increase wasn't high enough to boost low-wage workers back up to where they had been in the late 1960s. Indeed, the 1996 legislation that increased the minimum wage actually *widened* the gap between low-wage Americans and America's most affluent. That's because Congress, without much fanfare, included in the minimum wage increase bill a provision that helped wealthy Americans "sidestep taxes on big stock market gains."[64] With this provision in effect, America's most fortunate could donate stocks to their own personal foundations, deduct from their incomes the stocks' current value, not what they originally paid for them, and, through this maneuver, totally avoid capital gains taxes on their stock market earnings.

Their personal foundations could then sell the donated stock, pocket several million dollars profit from the sale, and, if they so chose, use those millions to subsidize still another scholarly tome dedicated to exposing the uselessness of minimum wage laws and the silliness of those who support them.

IF YOU WANT TO SEE REAL COMPASSION IN AMERICA, the most ardent defenders of America's current unequal economic order argue, don't look at government "welfare" programs. Look instead straight into the hearts of Americans. There you'll see a "thousand points of light," countless examples of goodness and mercy that have nothing to do with government handouts. Let other nations depend on government to help the downtrodden. In America, the claim goes, the fortunate help the unfortunate directly.

Take, for instance, the battle against hunger. No one can deny that vast numbers of Americans have engaged themselves, over the past quarter-century, in anti-hunger campaigns. Since the early 1980s, notes Janet Poppendieck, a sociologist at Hunter College in New York, "literally millions of Americans" have volunteered their time in "soup kitchens and food pantries" and the "canned goods drives, food banks, and 'food rescue' projects that supply them."[65]

Poppendieck herself has been actively involved in anti-hunger activism since the late 1960s. Over the years, she has interviewed hundreds of volunteers at food banks across the United States. She knows the anti-hunger world, per-

sonally and professionally, as well as anyone. And she is troubled by what she knows. America's heavy emphasis on volunteer efforts to fight hunger, she fears, may be dulling, not feeding, our national commitment to compassion.

This anti-hunger volunteerism, Poppendieck notes, has become part of everyday American life. Boy Scouts go door-to-door collecting spare cans of food. Supermarkets place collection barrels for foodstuffs near their entrances. Restaurants sponsor anti-hunger fundraisers. Surrounded by all this activity, many of us quite logically assume that hunger must surely be "under control." Those who actually coordinate anti-hunger volunteer programs know that not to be true. The most important organizations in America working against hunger — Second Harvest, Food Chain, Catholic Charities, the Salvation Army — have all stressed that they play only a supplemental role in the struggle against hunger. The real heavy-lifting in that struggle, these groups have testified repeatedly, must come from government food assistance programs.

But many lawmakers no longer deem these programs essential. If government food programs were so needed, these lawmakers ask, why do so many poor people convert their Food Stamps into cash or resell items they pick up free at food pantries? If people were really hungry, the lawmakers argue, these poor families wouldn't be turning food aid into dollars they can spend on something other than food.

Are these lawmakers exaggerating the "fraud" that goes on in food programs? They may be, but many poor people, the fact remains, *do* turn food aid into cash. Does this mean that hunger really isn't a problem anymore? Wrong question, answers Janet Poppendieck. We ought instead, she argues, to be asking what makes modern life in the United States so miserably difficult for poor people. The key culprit, she contends, is not hunger.

"Many poor people are indeed hungry, but hunger, like homelessness and a host of other problems, is a symptom, not a cause, of poverty," Poppendieck notes. "And poverty, in turn, in an affluent society like our own, is fundamentally a product of inequality."

Only by confronting that inequality, adds Poppendieck, can we overcome social misery. The key issue, she argues, "is not whether people have enough to survive, but how far they are from the median and the mainstream."

That observation, at first take, doesn't ring true. Surely, at least with food, the issue must be whether people have enough to survive. What, after all, could be more misery-inducing than having to go hungry? Poppendieck understands how odd her contention — that inequality, not hunger, matters most — might seem. She helpfully offers an analogy to clarify her point. In many tropical nations, she notes, "children routinely go barefoot." But no mother in these nations feels "driven to convert food resources into cash to buy a pair of shoes, or to demean herself by seeking a charity handout to provide them."

But a poor mother in the United States, "where children are bombarded with hours of television advertising daily," faces a quite different set of pressures. Her child must have shoes, and not just any shoes, but the *right* shoes,

"the particular name brand that her child has been convinced is essential for social acceptance" at the local junior high. To get her child the right shoes, to protect her child from ridicule, an American poor mother may well feel driven to convert Food Stamps into cash, even if that means going hungry.

The quality of life that poor people lead depends, in the end, not on how much food is on their plate, but on the gap that separates them from the social mainstream. If that gap is widening, poor people will see more misery, more hunger, even as cans of green beans are piling up in food banks.

Far too many anti-hunger activists, Janet Poppendieck charges, have ignored America's growing gaps in income and wealth. These activists, "diverted by the demands of ever larger emergency food systems," have essentially left conservative lawmakers free "to dismantle the fragile income protections that remain," free to "concentrate ever greater resources at the top." The result: Those "who want more inequality are getting it, and well-meaning people are responding to the resulting deprivation by handing out more and more pantry bags, and dishing up more and more soup." Ladling soup may make us feel noble, Poppendieck notes, but we ought not confuse our comforted consciences with real progress for people shunted to our society's bottom rungs.

"It is time," she concludes, "to find ways to shift the discourse from undernutrition to unfairness, from hunger to inequality."

THE OBLIGATIONS OF A GOOD SOCIETY go far beyond insuring decency for the hungry, the ill, the old, and the weak. All truly good societies, all societies that knit strong social fabrics, take great pains to offer and maintain public amenities for everyone. These societies cherish what some call the "commons," those shared aspects of public life that impact all people, not just the unfortunate.

In societies that cherish the commons, people breathe clean air, drink safe water, and gaze out over landscapes free from blight. The schools of these societies are joyously inspiring, their parks well manicured, their streets walkable without worry. In these societies, commuters don't sit and fume in endless traffic jams, and kids and seniors always seem to have plenty of pleasant places to go.

Public amenities, most Americans would agree, help make life worth living.[66] Yet today, all across the United States, these amenities are going neglected. In city after city, county after county, frustrated citizens can point sadly to signs of a deteriorating commons — to worn-out parks, to traffic-clogged roads, to libraries operating on scaled-back hours. These deteriorating public services, in the booming 1990s, would exasperate millions of American families. America had never been wealthier. So why couldn't our communities keep parks clean and libraries open? Why were local elected leaders neglecting the public goods and services that make our lives easier and more enjoyable? Were these officials vile — or simply incompetent?

Or could there be another explanation? Could we be expecting our local officials to do the impossible, to maintain the commons, for all Americans, at a time when growing inequality had left Americans with not much in common?

A commons, any commons, brings people together. We cannot benefit from public parks and public libraries, or public schools and public transportation, without rubbing elbows with other people. In more equal societies, no one gives this elbow rubbing much of a second thought. In less equal societies, the situation changes. In less equal societies, some people — the wealthiest among us — are not at all eager to come together, face to face, with other people. This hesitance, in societies divided by wide gaps in wealth, almost always arises, not because the wealthy are born snobbish, but because wealth inevitably generates pressures that induce the wealthy to withdraw from general company.

"Economic disparity," as journalist Michele Quinn has noted, "has always made socializing awkward."[67]

This awkwardness, Quinn has shown in her reporting on life in Silicon Valley, can spoil even the most casual of encounters. Just going about "picking a restaurant to meet friends," she explains, can end up sparking considerable social static if some acquaintances in a group can easily afford a hot new dinner spot and others can't. Wealthy people, once singed by such static, tend to take steps to avoid it in the future. They start, sometimes consciously, sometimes not, "making friends with those whose economic profile is similar to theirs."[68]

Author Michael Lewis, another acute observer of life amid wealth, sees in this self-segregation an eternal truth: "People tend to spend time, and everything else, in the company of others who possess roughly similar sums of money."[69]

Wealthy people see this separation as self-protection. They come to feel, often with good reason, that the nonwealthy envy and resent them.

"We've had five sets of friends who have turned on us since we made our money," one newly minted multimillionaire told the *Houston Chronicle* in 2000. "Some of them demanded a cut, saying they helped us, so we should help them."[70]

Wealthy people, this multimillionaire concluded from his experience, are better off hanging out with other wealthy people.

"You don't have to worry that they want something from you," he explained, "because, well, they're rich, too."[71]

The wealthy, not surprisingly, come to have little patience with the rest of us. Sooner or later, they withdraw. They cluster with their own kind, in affluent surroundings, luxury condominiums like New York City's Ritz-Carlton Downtown. In these surroundings, the wealthy no longer need the commons. They no longer depend on publicly provided goods and services. They can afford to provide their own.

At the Ritz-Carlton Downtown, for instance, the payment of a $4,500 monthly condo fee would entitle residents, early in the twenty-first century, to almost any service they could imagine. They could have condo staff arrange child care or do laundry or fill a refrigerator. They could even have staff talk to their plants while they were away on vacation. Not far from the Ritz-Carlton Downtown, at the Trump International Hotel & Towers, suitably wealthy fam-

ilies could buy into an equally lavish and self-contained world. Janet and Christopher Hassett, multimillionaires from California, made their home there in the late 1990s. They found everything they needed, all under one roof. Never any crowds, never any waiting. They could have lobster risotto delivered just by "pressing an extension" on their phone. If they ever wanted to cook for themselves, staff would be happy to bring by anything from porcelain chop sticks to a non-stick wok.[72]

"Here it's private and exclusive," Janet Hassett beamed in an interview. "It's la-la land."

Would she ever leave, a reporter wondered? Only in a pine box, she laughed.[73]

IN THE SELF-CONTAINED WORLDS OF WEALTHY PEOPLE like Janet and Christopher Hassett, public goods and services hardly ever make an appearance. The exceedingly wealthy don't need public parks for recreation or public transportation to get to work. They don't browse at public libraries or send their children to public schools. They never sit in public hospital waiting rooms. They don't even call on public law enforcement officers for protection. Their homes are monitored, day and night, by private security.

Exceedingly wealthy people, in short, don't use public services. They have no personal stake in supporting them. They come, over time, to resent any government that insists they help pay for them.

"The poor have sometimes objected to being governed badly," as the English writer and critic G. K. Chesterton noted years ago. "The rich have always objected to being governed at all."[74]

These objections never much matter, to the regular providing of quality public services, so long as a society's rich people are neither particularly plentiful nor wildly wealthy. In societies where grand fortunes are few and far between, the overwhelming majority of people will always depend on the commons. This overwhelming majority will actively partake of public services — and frown on those who seek to wiggle out of their obligation to help support them. In these more equal communities, isolated wealthy families may grumble about paying for public services they don't use, but their grumbling will be dismissed. Public life will move on.

But everything changes when wealth starts concentrating, when fortunes start proliferating. In these societies, more and more people start inching away from the normal, everyday social life of their communities. More and more people start living in their own private and separate wealthy worlds. At some point, if wealth concentrates enough, the society begins to tip. Private services come to seem necessary not just for the awesomely affluent but for the modestly affluent as well. These affluent, in every community becoming more unequal, also come to feel they're better off going life alone, on their own nickel — better off joining a private country club, better off sending their kids to private school, better off living in a privately guarded gated development.

Over time, the greater the numbers of affluent who forsake the commons, the greater the danger to the public services that most people still depend on. The affluent, in more equal communities, may grumble about paying taxes for public services they do not use. But grumbling is usually all they can do. In communities where wealth is concentrating, by contrast, the affluent have the clout to go beyond grumbling. They can press politically for tax cutbacks, and succeed, because fewer people, in an unequal community, have a stake in the public services that taxes support.

With every such "success," with every tax cut, with every subsequent budget cutback, with every resulting deterioration in public services, the constituencies for maintaining quality public services shrink. Those who can afford to make the shift to private services do so. With fewer people using public services, still more budget cutbacks become inevitable. Services deteriorate even further. People of distinctly modest means now find themselves depending on private services, even if they really can't afford them. Deteriorating public services leave them no choice.

This dynamic unfolds so predictably, whenever wealth concentrates, that one economist, the University of Chicago's Sam Peltzman, has even formulated a "law" to account for it. Growing income *equality*, holds Peltzman's Law, "stimulates growth of government."[75] Growing *inequality* has the exact opposite effect. In societies becoming more unequal, taxpayers are less likely to support spending that enhances a society's stock of public goods and services.

"If wealth and income are unequally distributed, the 'winners,' so to speak, will want to maintain their advantage," explain historians Carolyn Webber and Aaron Wildavsky. But "if substantial equality already exists, then citizens will want still more of it."[76]

Over the last half century, government spending in the United States has followed Peltzman's Law as assuredly as if that law had been enacted by Congress. Spending for public goods and services increased in the 1950s and 1960s, years of growing equality, and fell significantly in the 1980s and 1990s, years of growing gaps in income and wealth. In California, America's egalitarian middle class heaven after World War II, $1 of every $100 state residents earned in the 1950s went for the commons, for building schools, roads, water systems, and other public goods and services. By 1997, California had become the nation's most unequal state. In that year, of every $100 Californians earned, only seven cents went for public services.[77] The result: a massive deterioration of the California commons, from schools to roads. In the late 1990s, three-quarters of the teachers hired by the Los Angeles school district, the state's largest, "lacked teaching credentials." Freeways in the area remained "among the most clogged in the country."[78]

Americans, by century's end, could see the same sort of disinvestment in public goods and services throughout the United States. Drinking water systems that served more than 50 million Americans violated basic health stan-

dards. In nine major metro areas, the air people regularly breathed was polluted enough to spread serious respiratory disease.[79]

Our commons had been fouled — and nobody seemed to be cleaning the contaminants up, not in the air, not in the water, not even in our food. The federal government's Food and Drug Administration inspected food-processing plants twenty-one thousand times in 1981. By 1997, despite widespread fears about E-coli, listeria, and other dangers, the FDA only had enough funding to conduct five thousand annual inspections.[80]

This collapse of the commons, this fraying of the social fabric, would seldom inconvenience America's most fortunate. One way or another, affluent Americans could always arrange to get those public amenities they felt they absolutely must have.

In New York City, for instance, visitors in the boom years would marvel at how beautiful the city seemed. "The city looks good, quite good indeed," economist William Tabb would observe early in the twenty-first century. "For the more affluent, the city is a fine place."[81] Tabb would give the credit to a clever financing maneuver that had become exceedingly popular in New York corporate circles. This maneuver gave quasi-public entities, called "Business Improvement Districts," the power to levy taxes on businesses within a particular neighborhood and spend the proceeds on various public amenities, from litter removal to refurbishing park benches, within the confines of each district. These Business Improvement Districts appeared to work admirably. The New Yorkers who lived and worked within them raved about the quality public services they delivered.

Had New York City stumbled onto a formula for successful urban revitalization? No such luck. Corporate tax dollars, as economist William Tabb would explain, had once gone to support the entire city. Through Business Improvement Districts, corporate tax dollars could now be targeted to the specific enclaves that corporate interests, for one reason or another, wanted "spruced up." Corporate New York, in effect, was now off the hook for maintaining a city-wide commons. With Business Improvement Districts, noted Tabb, the same companies that had for years been demanding lower taxes — lower taxes that left city schools without playgrounds and libraries — had "found a privatized way of paying for the services they want."[82] What they didn't want, they didn't have to support.

New York's affluent, by century's end, would see no litter on the streets they walked. Everyone else would see a cleaner, better New York only when they stepped into the neighborhoods that attracted affluent New Yorkers.

IN OSLO, UNLIKE NEW YORK CITY, Norwegians of means do not get to pick and choose the neighborhoods, or the public goods and services, their tax dollars will support. And they don't seem to mind. All Norwegians consider themselves part of one commons.

"Here, if you have money or no money, it doesn't make a difference," Ansgar Gabbrielson, a leader in Norway's Conservative Party, told a *New York Times* reporter in 1996. "We all go to the same doctors; we all get the same services."[83]

The services of the Norwegian commons make for quite a pleasant existence. Parents in Norway can receive up to forty-two weeks of paid maternity leave. Lifelong homemakers receive retirement pay. Norway even pays children an annual stipend. In the mid 1990s, each Norwegian child under seventeen, whatever that child's family income might have been, was entitled to $1,620. Norwegian families also enjoy full medical security. All medical bills, above a few hundred dollars per person, are reimbursed. In their bountiful commons, adult Norwegians can also find wonderful opportunities to advance their careers. Norway's Lifelong Learning Program gives all working men and women the option to take paid annual leave, once every decade, to improve their job skills.[84]

Norwegians credit the generosity of their society to a "national commitment to egalitarianism."[85] They work diligently to maintain this commitment. To keep income differences narrow, they tax higher incomes at higher rates. Few Norwegians grumble. Most all are proud of the caring society they have created.

Outside observers are not as universally impressed. Generosity comes easy, critics sneer, when a nation sits aside offshore oil fields that are gushing black gold at volumes and rates only topped by Saudi Arabia.

But oil bonanzas, more sympathetic observers note, don't guarantee a bountiful commons. Within the United States, oil-rich Texas rates lowly on nearly every measure of a quality commons. Nearly a quarter of children in Texas, 24.1 percent, lack health care coverage, according to federal data released in 2003, a higher percentage than in any other state.[86] Way south of Texas, in oil-rich Venezuela, petroleum wells generate about $9 billion a year in revenues, yet over half that nation's 23 million people still live in dire poverty, without any decent public amenities.[87]

In Texas and Venezuela, no bountiful commons has ever taken root, despite oil riches. Both locales have, historically, allowed those riches to concentrate. They have welcomed and embraced colossal concentrations of wealth that would, in Norway, bring only shame. They have made a beleaguered commons inevitable.

In Norway, in other words, equality, not oil, keeps the nation caring.

"Even if we didn't have oil," as Norwegian Health Minister Gudmund Hernes noted defiantly midway through the 1990s, "we would not rethink the notion of the welfare state."[88]

That may be true, skeptics snicker, but that's only because social solidarity comes as second nature in a nation as ethnically homogeneous as Norway. It's easy for Norwegians to behave as if they were their brother's keepers, these skeptics charge. Norwegians share a common culture. They look alike. They speak the same language. They don't have to deal with cultural and racial dif-

ferences. They can treat everybody fairly because racist attitudes and assumptions never tear at their social fabric.

In the United States, by contrast, racist attitudes and assumptions have been ripping us apart for hundreds of years. These attitudes and assumptions prevent the sort of social solidarity that matures so easily in nations like Norway. Homogeneous nations, the skeptics sum up, deserve no special plaudits for their benevolence. If their populations were more diverse, they would be no more generous and caring than any other nation.

Racism, of course, does rip social fabrics — and probably more viciously than any other social divider. But racism does not survive and thrive in isolation. Racism, many analysts note, cannot be separated from inequalities in income and wealth distribution. Indeed, maldistributions of income and wealth may well be what keeps racist stereotypes and hostilities alive in our modern age, an age that repeatedly declares, in every official international pronouncement, zero tolerance for racist behavior.

We Americans have by and large separated racial and economic inequality. We see lingering racism and concentrating wealth as two totally distinct phenomenon. Rich people, we know from our experience, can be bigots and rich people can be noble humanitarians. That some Americans have accumulated substantially more wealth than others, we consequently assume, makes no difference to whether America is winning or losing the struggle against discrimination, intolerance, and hate.

We have paid, and continue to pay, an enormous price for this most faulty assumption.

YEARS AGO, IN SEGREGATED AMERICA, African Americans occupied essentially only the bottom rungs of our national economic ladder. Racism, both virulent and subtle, kept better jobs off limits to black people — and kept wages depressed in the jobs where blacks dominated. Civil rights activists in these segregated years could and did argue, with unassailable logic, that black poverty reflected ongoing discrimination. End that discrimination, people of good will agreed, and black people would finally be able to realize the American dream.

The struggle against segregation and racial discrimination would take generations — and many lives. That struggle would finally triumph, in the 1960s, with a series of landmark civil rights acts. People of color, under these new laws, could no longer be denied jobs or housing, an adequate education or the right to vote.

These stirring victories, most of white America believed, would clear away the obstacles that had blocked black people from full participation in American life. With discrimination at long last illegal, racial gaps in social and economic well-being would surely start vanishing, or so white America assumed. But gaps between blacks and whites would not vanish in the decades after Jim Crow died. By almost every measure of social and economic well-being, black Americans would continue to lag behind white Americans, often by significant

margins. Black Americans didn't make as much money. They suffered through higher jobless rates. They spent more time in poverty. They lived shorter lives. And they didn't do as well in school.

The school achievement statistics would be the most distressing of all, for schools were about the future. If black young people weren't succeeding in school, they didn't figure to succeed later in life — and racial gaps would never narrow. For America's political leaders, white and black alike, and for millions of parents, poor black student performance in education would emerge in the late twentieth century as the single most visible symbol of America's failure to come to grips with racial inequalities.

And just who or what was to blame for inequalities in school performance? Answers varied. Many community activists blamed low black test scores on poverty and the poor schools that most black kids attended. But some experts argued that other factors had to be at work. How else to make sense out of the most troubling academic achievement gap of all, the gap between middle-income kids of color and middle-income white kids? Black students were scoring lower than white kids, researchers reported, even when they shared the same socio-economic status.[89]

"How do we explain the underproductivity of middle-class kids, of able and gifted minority youngsters who come out of situations where you would expect high achievement?" asked Edmund Gordon, a distinguished psychologist at Yale. "This is not something a lot of people feel comfortable talking about."[90]

That discomfort, of course, reflected the racial dynamite in the middle class achievement gap numbers. These numbers cheered only the heirs to America's vilest racist traditions. If blacks from middle-income families were scoring less on their SATs than whites from middle-income families — and even less than whites from low-income families — that "proved," to racist minds, that blacks must be intellectually inferior, exactly the claim that white supremacists had been making for generations.[91]

Halfway through the 1990s, two academics, Richard Herrnstein and Charles Murray, would give this age-old racist claim a more scholarly gloss. Their 1994 best-seller, *The Bell Curve*, argued that "intelligence is largely inherited and intractable" and linked poverty and poor school test scores to the "lower" average IQ of blacks.[92] *The Bell Curve* would find plenty of receptive readers. National public opinion polls, conducted about the same time, suggested that one in five whites still believed that "blacks are genetically less intelligent than whites."[93]

Educators and community leaders, deeply alarmed by *The Bell Curve* mindset, would launch an all-out search for the real reasons behind the achievement gap between black and white students from comfortable families. The College Board, the nation's premiere testing organization, would create a special blue-ribbon panel, the National Task Force on Minority High Achievement, to investigate.[94] Meanwhile, out across the United States, parents, pundits, and politicians would be in no mood to wait for declarations from blue-ribbon pan-

els. Some would blame white teachers for the achievement gaps between black and white middle class students. These teachers, critics contended, were making racist assumptions about black kids.[95] Other critics blamed black parents.[96] They didn't "care enough" about learning. Still other critics blamed black students themselves. These students, the charge went, equated success in school with "acting white" and ridiculed those black students who did dare to concentrate on their studies.[97]

In 1998, after a three-month investigation, the *San Francisco Examiner* would enter the fray. A major *Examiner* analysis would trace the achievement gap between middle class black and white students to a "complex" set of factors, everything from low teacher expectations to differences in parenting styles.[98] Nothing new here. But this *Examiner* analysis would go a bit further. The paper would offer, almost as an afterthought, another observation on the achievement gap between middle class black and white students. Black middle class families may have the same income as white middle class families, *Examiner* reporter Annie Nakao noted, but they have "less accumulated wealth."

"This, along with segregation patterns, can affect where a family buys a home," Nakao added, "and result in children having to attend school in less desirable districts, where peers are less likely to aspire to higher education."[99]

The *Examiner* reporter had hit upon a vitally important but almost universally ignored reality: Families with the same income do not necessarily live in the same economic world. Families really only belong to the same socio-economic class when they earn about the same incomes *and* own about the same wealth.

In the late 1990s, one researcher, Yale's Dalton Conley, would document just why this insight matters. Taking income *and* wealth into account, Conley reanalyzed the data that purported to show a clear achievement gap between "middle class" black and "middle class" white students. He would discover that no achievement gap actually existed. Black and white students from comfortable families of the same income *and* same wealth, he found, actually scored about the same on standardized tests.[100]

By ignoring wealth, Conley noted, previous educational researchers had ignored a key determinant of educational success. A family that earns $50,000 a year and owns a home, he explained, will almost always be able offer its children more in the way of educational advantages than a family earning the same income that rents. The family that owns will likely live in a better neighborhood. That better neighborhood will likely have a better school, because local property taxes still largely determine how much individual schools have to spend. That better school will likely have lower teacher-to-pupil ratios, better textbooks and supplies — and more qualified teachers. Students in that better school will likely do better. Almost always.

A family's level of wealth also determines other educational supports as well. Families with wealth can afford extracurricular resources and activities that

families without wealth cannot. And families with wealth, adds education journalist Alain Jehlen, can offer their children an even more important leg up, a sense of confidence.

"Parents who own their home or other forms of wealth are imbued with a sense that 'their kind' of people can make it in America," he notes. "Children soak up this feeling at the dinner table and in a thousand other little interactions that have more impact than any amount of preaching."[101]

Wealth, in short, matters to education. And because wealth matters, how wealth is distributed ought to matter, too, especially to Americans who want to narrow and erase, once and for all, the gaps that divide white Americans from Americans of color. These gaps rest, above all else, on differences in wealth.

IN 1995, TWO RESEARCHERS, Melvin Oliver and Thomas Shapiro, would publish a major study that set out to compare the wealth of black and white households.[102] On one level, their findings would prove rather unremarkable. Black households overall, the two sociologists would show, owned less wealth than white households.[103] Everyone, of course, already knew that, and everyone also thought they knew why. The breadwinners in black households, the conventional wisdom went, did not have the education that breadwinners in white households had attained. Consequently, white breadwinners could find better jobs and earn higher salaries. Black breadwinners, once they had earned the same degrees, would be able to compete for the same good jobs. Eventually, they would make the same incomes and have the same wealth. The gap would disappear.

But Oliver and Shapiro's work would directly challenge this conventional wisdom. Blacks in the United States didn't just hold less wealth overall than whites. Blacks who had achieved the same educational degrees as whites held less wealth. Indeed, blacks who had the same degrees, the same jobs, and the same salaries as whites owned on average "dramatically lower levels of wealth."[104]

Subsequent research would find no significant changes in these distributional patterns. The wealth gap between white and black families, Dalton Conley would sum up in 2001, "is far greater than racial differences in education, employment or income." And this wealth gap, Conley would add, had actually been growing "in the decades since the civil rights triumphs of the 1960s."[105]

How could that be? How could wealth gaps between white and black households be growing if blacks now had access to the better-paying jobs previously denied them? The wealth gap between black and white households could be growing, analysts noted, because most of the wealth Americans accumulate doesn't come from our job earnings. We spend the bulk of our earnings on day-to-day expenses. Most of our household wealth, from 70 to 80 percent, comes from "family gifts in one form or another passed down from generation to generation."[106]

"These gifts," notes Dalton Conley, "range from a downpayment on a first home to a free college education to a bequest upon the death of a parent."[107]

Gifts like these help young families gain an economic foothold. With help on a downpayment, families just starting out can buy a first home and spend years building equity instead of paying rent. With a free college education, they can be saving money instead of paying back student loans. With an unexpected bequest, they can invest in a bond or a mutual fund and watch their wealth grow.

In the latter decades of the twentieth century, the years after the civil rights revolution, family wealth did grow. Homes and other real estate, stocks and bonds leaped ahead at record rates. Those families that entered the 1970s with household wealth would see that wealth multiply nicely over the next thirty years. But few black families would share in this multiplication. Most black families did not enter the 1970s holding any significant household wealth. They had nothing to multiply. Their parents and grandparents had not left them much wealth, in any form, because their parents and grandparents had little wealth to share. And they had little to share because they lived in a society, the United States, that had systematically prevented them, and their parents, and *their* parents, from accumulating wealth in the first place.

That prevention process had begun, generations back, in slavery. Black slaves were denied any share of the immense wealth they created. But the expropriation of the wealth that black people created did not end when slavery ended. The slaves freed by Lincoln's generals had been promised "forty acres and a mule." They never got them. They ended up instead as tenant farmers squeezed by sharecropping arrangements rigged to keep them in perpetual debt.[108] And if they could somehow save up some cash, despite these arrangements, they still couldn't count on being able to buy their own land. Whites who sold land to blacks, in some parts of the South, would be "physically attacked" after the Civil War.[109] In 1870, less than 5 percent of America's black families would own their own land.[110] Blacks that year made up a third of the South's total population. They would own 1.3 percent of the South's total wealth.[111]

By the early 1900s, a half-century after slavery, not much had changed. In the Deep South's Black Belt, fewer than one-fifth of black farmers owned the fields they worked with their families.[112] And the land and wealth they did accumulate could be snatched away at any time, as one successful South Carolina black farmer, Anthony Crawford, learned in 1916. One day, at a local store, the prosperous Crawford — his farm extended over four hundred acres — fell into an argument with the storekeeper. Word spread that Crawford had cursed a white man. A mob came for him. He fought back. The local sheriff whisked him away to jail, where a second mob grabbed him, tied a rope around his neck, hung him up, and "riddled his swaying body with several hundred bullets." Soon afterwards, the remaining Crawfords "packed up their belongings and left."[113]

Millions of black families picked up stakes like the Crawfords. But they would find limited opportunity elsewhere. In Northern cities, the government agencies set up to help Americans become homeowners would routinely keep

black families out of housing and credit markets. The Home Owners' Loan Corporation, in the 1930s, would institutionalize "redlining," a practice that denied home loans to residents of black neighborhoods. The Federal Housing Authority and the Veterans Administration would later shut blacks out of homeownership by funneling most of their loan dollars to suburbs where African American households were unwelcome. Between 1930 and 1960, less than one of every hundred mortgages issued in the United States would go to black families.[114]

America's most important wealth-enhancing program of the twentieth century, Social Security, would also shortchange African Americans. To get Social Security through Congress in 1935, New Dealers needed the support of white Southern Democrats. The price of that support: no Social Security coverage for farm laborers and domestics, the two job categories that employed the most black workers. This initial exclusion, not remedied for years, meant that millions of black working people would exhaust during old age whatever savings they had been able to accumulate during their working years. They would die with little wealth to hand down to their family's next generation.[115]

That next generation, by the 1990s, would find itself on the economic outside looking in. By the end of that decade, just one man, Microsoft's Bill Gates, would hold more wealth in stocks and bonds than all the African Americans in the United States together.[116]

In the late 1990s, Gates would pledge to spend $1 billion over the next twenty years on minority scholarships. That "one white man can possess more securities wealth than all 33 million African Americans combined," observed *Washington Post* columnist Courtland Milloy, "suggests something so wrong that it's going to take much more than a billion dollars' worth of schooling opportunities to fix it."[117]

NO SOCIAL SCIENTIST HAS EVER BEEN ABLE TO CALCULATE just how far, before tearing, a social fabric can be stretched. But people within an unequal society, note economists Gary Burtless and Timothy Smeeding, can often sense danger "when the gulf separating rich, middle class, and poor grows too large."[118] In the closing decades of the twentieth century, many Americans did sense danger. They felt like targets. They believed that a disturbing number of their fellow Americans could no longer be trusted to live by the rules that define civil behavior. Some ascribed this refusal to play by the rules directly to growing inequality.[119] What else could society expect, they asked, when some did unimaginably well while others could imagine only more misery?

"There is," as *New York Observer* columnist Michael Thomas would put it, "one very simple rule in life: Boast about your wealth, lifestyle and possessions, and it will occur to others either to get the same for themselves, or to deprive you of yours. The more remote a possibility the former becomes, the tastier the latter will seem."[120]

Affluent Americans, in the 1980s and 1990s, felt themselves much too tasty. They demanded protection. Political leaders rushed to provide it. They locked up every suspicious character in sight. By century's end, the United States would have 5 percent of the world's population and 25 percent of the world's prison inmates.[121] In California, America's most unequal state, public officials built one new university in the twentieth century's last two decades — and twenty-one new prisons.[122]

These building priorities would satisfy few Californians.

"The people in the inner city feel like they're being left out," Miguel Contreras, a top labor official in Los Angeles, would observe early in the new century. "And the people who live in the gated communities want higher gates."[123]

Rick Hilton, an heir to the Hilton hotel fortune, couldn't find gates high enough in Los Angeles. He wound up moving his family, in 1996, to New York City and an apartment that came with two cameras inside and six more outside in the hallway.[124]

"I feel completely safe in the middle of the night," Hilton's wife Kathy would note.[125]

Other affluent Americans couldn't feel completely safe without turning their homes into private fortresses. Architects caught on quickly. By 1998, the Neo-Fortress Movement — "towers and turrets, walled yards, locked gates, and tall, narrow windows" — had become a trendy and stylish look.[126]

In the end, affluent Americans would learn that no home fortress, no gates, no hallway cameras, could protect them from random violence. On September 11, 2001, all Americans would suddenly come to realize that we live in a horribly unsafe world — and cannot escape it.

That horribly unsafe world, like the United States, has become considerably more unequal over recent years. The latest studies of global income distribution, Robert Wade of the London School of Economics would note in 2001, all confirm "a rapid rise in inequality" among the earth's 6.2 billion people.[127] This inequality, he observed, is polarizing the world, creating entire regions where the social fabric has shredded, leaving behind scores of nation states "whose capacity to govern is stagnant or eroding." In these nations, "a rising proportion of people find their access to basic necessities restricted at the same time as they see people on television driving Mercedes cars."

"The result," Wade would add perceptively, just months before the horror of September 11, "is a lot of unemployed and angry young people, to whom new information technologies have given the means to threaten the stability of the societies they live in and even to threaten social stability in countries of the wealthy zone."

IN THE AFTERMATH OF THE ASSAULT on New York's World Trade Center, Americans would briefly step back into the commons that had been all but

abandoned over the course of the previous quarter century. We all saw, in the heroic willingness of firefighters and other public employees to put their lives on the line for others, a world where people took seriously their obligations to one another. We liked what we saw. We saw community. We saw caring. We cheered.

But then life went on, as before, amid a social fabric that continued to fray, a commons that continued to collapse.

In New York, a year and a half after September 11, city officials would begin gearing up to shut down local firehouses, the homebases of 9/11 heroism, to help cover a mammoth budget deficit.[128] To avert the shutdowns, labor groups in the city rallied behind a proposal to impose a "transfer tax" on Wall Street stock transactions. Such a tax had actually been on the books until the early 1980s. Advocates for the tax noted that if this levy were reimposed, at just half the rate that had been in effect back in 1981, the city treasury would gain $3.8 billion, more than enough to eliminate the city's budget deficit without shutting firehouses and shredding other city services. But Wall Street balked. A transfer tax, the biggest brokerage houses charged, would be "disastrous." The mayor agreed. Stock trading would not be taxed. Firehouses, instead, would start closing.[129]

A continent away, wealthy Californians would be equally oblivious to the dangers of living in an unequal world. Their landgrabs along the California coast, throughout the boom years, had turned a series of coastal communities into resorts that middle class families could no longer afford to live in. Local city councils, if not the wealthy, worried mightily about the potential impact.

"So many firefighters, paramedics and other public safety employees on the coast are moving so far away because of housing prices," one journalist reported, "that there is new concern they might not be able to get back to town in an emergency such as an earthquake, when they would be needed most."[130]

We all, in the final analysis, need each other, whether we be rich or poor or anywhere in the middle. We never know when the earth might crack — or our homes go up in flames. We all really do need others to care about us, and that means, logically speaking, we ought to care about them. Deeply unequal distributions of income and wealth keep us from caring. Deeply unequal distributions keep us apart.

"Where wealth is centralized," as Confucius once noted, "the people are dispersed. Where wealth is distributed, the people are brought together."[131]

And social fabrics seldom tear.

An Imperiled Natural World

In a caring community, people think about the future. What kind of society, they wonder and worry, will we leave our children and their children? Greed, by contrast, knows no tomorrow. Accumulate. Consume. Toss. Disregard the consequences.

But consequences, we know now, decades after Rachel Carson first rang the alarm against "the contamination of air, Earth, rivers, and sea," cannot be disregarded.[1] We are spinning through space on a distinctly fragile planet. This planet, our home, can only take so much abuse. Most of us, in our day-to-day lives, ignore this reality. Some of us fear it.

"Our house is burning down and we're blind to it," French President Jacques Chirac told world leaders gathered in Johannesburg for the 2002 Earth Summit. "Nature, mutilated and over-exploited, can no longer regenerate, and we refuse to admit it."[2]

This sense of despair, the more optimistic among us believe, may not be entirely warranted. On every continent, the optimists note, people at the grassroots level are working to avert environmental catastrophe — and making an impact. Their sheer numbers have compelled the world's political leaders to conduct Earth summits. Their consumer dollars are changing how companies go about their business. No major corporation today dares to be seen as hostile, or even indifferent, to our planet's well-being. Almost every top business currently spends a small fortune performing — and promoting — environmental good deeds.

These good deeds, to be sure, will not save our Earth, as eco-entrepreneurs like Paul Hawken are quick to point out.

"If every company on the planet were to adopt the best environmental practices of the 'leading' companies," Hawken notes, "the world would still be moving toward sure degradation and collapse."[3]

But business, Hawken and other eco-entrepreneurs argued in the 1990s, can be reconfigured to go beyond mere good deeds. Markets, they acknowledged, have traditionally ignored the environmental impact of what business takes, makes, and wastes.[4] But markets can be fixed, they argued, to factor into account the environmental costs of business activity. "Green taxes" can be levied on business operations that do damage to the natural world. To avoid

these green taxes, businesses would need only pollute less and waste less. And they would, because such ecologically appropriate behavior, in a world of green taxes, would make eminent bottom-line sense.[5]

Hawken and like-minded thinkers had good reason, in the 1990s, to believe that their ideas might help inspire an environmental turnaround of unprecedented proportions. All the pieces for a breakthrough appeared to be in place, especially in the United States. Over two decades of environmental activism had changed how Americans think about their natural world. On top of that, times were "prosperous," the economy was "booming." What better time for an upsurge in selfless environmental behavior? A prosperous people could afford to be magnanimous to Mother Earth.

But no magnificent environmental turnaround would ever take place in the United States, or the world for that matter, in the 1990s. Freshwater aquifers continued emptying, rainforests vanishing, species dwindling.[6] In 1992, only 10 percent of the Earth's coastal reefs were "severely damaged." By late 2000, that percentage had soared to 27 percent. Fewer healthy reefs, in turn, meant less protection from the storms "associated with climate change."[7] Our global environment, as a cranky French President Chirac would conclude at the 2002 Earth Summit, still stands "in danger."[8]

How could the Earth have come to this sorry pass? Why had progress against environmental degradation been so halting, despite decades of growing environmental awareness? Chirac had no answer. Some environmental activists did. Progress against environmental degradation has been so halting, they suggested, because gaps in wealth and income have become so wide.

OUT IN THE WILD, IN THE NATURAL WORLD, most creatures within a species lead remarkably similar daily existences. Some squirrels may stash away an extra acorn or two, but few squirrels live significantly better than any others. The same could once be said of us. The vast majority of the world's people, for most of human history, led lives that were roughly comparable. Relatively few families consumed terribly more than any others, wherever we lived, whatever the continent. That situation, of course, did begin to change as human civilizations began to emerge and evolve. Even so, until just a few centuries ago, the daily differences in living standards around the world remained, for the most part, modest. In the 1750s, notes demographer Paul Bairoch, most people in those nations we now consider "poor" lived just as well as most people in those nations we now call "rich."[9]

The Industrial Age would begin to alter this reality. By 1820, a few decades after industrialization began reshaping the global economy, the world's richest countries would claim, on a per person average, three times more wealth than the world's poorest countries.[10] By 1900, the world's richest nations would be averaging nine times more per person income than the world's poorest.[11] By 1960, the richest fifth of the world's people would claim thirty times more

income than the poorest fifth. Over the next three decades, that margin would more than double, to sixty-one times.[12]

This colossal gap would widen even more rapidly in the twentieth century's final years. In 1991, the world's wealthiest 101 families would make more money than the entire populations of India, Bangladesh, Nigeria, and Indonesia combined.[13] In 1999, U.N. researchers would report that the world's two hundred richest individuals had amassed a combined $1 trillion.[14] If this fortune returned a mere 5 percent a year, the world's two hundred richest people would have averaged $684,932 in *daily* income — at the same time the world's poorest 1.3 billion people were subsisting on less than $1 a day.

The world's two hundred wealthiest lived in both rich and poor nations. Mexico, for instance, would boast the world's fourth highest billionaire contingent, with twenty-four in all, midway through the 1990s. Half the rest of Mexico, 45 million people, lived in poverty.[15]

"The Latin American brand of inequality is not for the timid," analysts from the Carnegie Endowment for International Peace and the World Bank would note in 1999. "The richest 10 percent of families are richer than their counterparts in the United States, while the poorest 10 percent are 10 times as poor."[16]

Do gaps so gaping matter to the global environment?

Mainstream economists, even those who think of themselves as environmentally aware, have generally sidestepped this question. Most environmentally minded economists do care about equity, but the equity they care about involves generations, not classes. To be fair to generations yet to come, they rightfully insist, we must consider the eventual environmental cost of what we do today, even if the bill for that cost won't come due until after we've gone.

These conventional environmental economists do not inquire whether the producer of a particular environmental cost "is rich and its victims are poor, or vice versa."[17] Instead, they spend their time adding up overall "costs" and "benefits." If the total "cost" of an environmentally degrading economic activity tops the "benefit," they sound warning bells. If the benefit tops the cost, they conclude that all's well with the natural world.

But all may not be well. Activities that degrade the environment, economist James Boyce reminds us, "do not merely benefit those alive today at the expense of future generations. They also typically benefit some living people at the expense of others."[18]

Standard cost-benefit analyses, by discounting income and wealth distinctions, essentially ignore the pressures that drive environmental degradation in the first place. Central American cattle ranchers, to offer one example, level rain forests because they stand to benefit personally from the destruction. These cattle ranchers, if wealthy and powerful enough, will continue to level rain forests, whatever the "costs" of that leveling to society. Even worse, on an unequal globe, the desperation of those without wealth and power, and not just the greed of those with it, will also come to despoil the natural world.

We see this desperation — and despoilation — wherever wealth concentrates. In Guatemala and El Salvador, environmental author Tom Athanasiou observes, the wealthiest 2 percent of the population owns over 60 percent of available arable land.[19] Should we be surprised, he asks, when landless peasants in outrageously unequal nations like these "migrate into rain forests or onto fragile uplands" to find land to farm?[20]

In our increasingly unequal world, such migrations are degrading our globe.

"Dispossessed peasants," notes author and activist Alan Durning, "slash-and-burn their way into the rain forests of Latin America, hungry nomads turn their herds out onto fragile African rangeland, reducing it to desert, and small farmers in India and the Philippines cultivate steep slopes, exposing them to the erosive powers of rain."[21]

In an unequal world, the Earth fears the poor.

OUR EARTH, OF COURSE, also has ample reason to fear the rich. In the Philippines, for instance, President Ferdinand Marcos and his business associates virtually wiped out what may have been the world's most glorious tropical hardwood forest.[22] The Marcos gang sawed down, stacked up, and shipped out enough hardwood to keep First Lady Imelda Marcos in world-class luxury for decades.

We remember Imelda for her fantastic footwear, her 1,200 pairs of shoes that became, in the 1980s, the world's most visible symbol of contemptuous consumption. We have largely forgotten the excess that defined the rest of the Ferdinand Marcos fortune, his dozens of country houses throughout the Philippines, the second presidential palace he had constructed in his home province, his waterfront Long Island estate half the world away.[23] How many kilowatts were wasted cooling and cleaning, lighting and guarding the enormous personal empire of Ferdinand Marcos? We don't know. But we don't need exact numbers to understand that our Earth winces whenever wealthy people begin to consume — and waste. Excess always exacts an environmental price.

Still, no one wealthy family by itself can ever waste enough, no matter how excessive its consumption, to seriously threaten our environmental well-being. We could multiply the Marcos excess by four hundred or so — the number of billionaires in the world at the start of the twenty-first century — and still not come up with enough wasteful consumption to give the Earth more than a moment's pause. The enormously wealthy may be wasteful, but they are not plentiful. In 2001, of the world's 6.2 billion people, only 7 million owned more than $1 million in financial assets.[24] If every one of those 7 million lived in a mansion that wasted several thousand square feet of space, if every one bopped about town in a luxury auto that burned ten miles to a gallon, if every one filled closets with clothes that were only worn once, the globe would likely muddle through quite nicely. In a world of 6.2 billion people, the personal habits of 7 million people, as environmentally degrading as these habits might be, will never make much of a dent.

This may be why so much environmental advocacy literature focuses on rich nations and not rich people. Those of us who live in rich nations are, relatively speaking, plentiful. We make up a large enough group to make a significant impact on the Earth. Our 20 percent of the world's population, U.N. researchers have reported, accounts for 86 percent of the world's consumption. The world's poorest 20 percent accounts for 1.3 percent. Those of us in the richest 20 percent use seventeen times more energy than the bottom 20 percent and seventy-seven times more paper. We eat eleven times more meat, seven times more fish. We own 145 times more cars.[25]

Within the rich nations, we Americans stand out. We produce nearly a quarter of the world's greenhouse gases and ten times more hazardous waste than the world's next largest producer. We generate over 330 pounds of municipal waste per person, 36 percent more than the world's rich-nation average.[26] We have become, many expert observers believe, an enormous drain on the world's life-blood.

"The environmental impact of 2.6 million newborn Americans each year," notes Thordjorn Bernsen, a former Norwegian environment minister, "far exceeds that of the 34 million new Indians and Chinese."[27]

Bernsen may be exaggerating, but not by much, suggests the work of two scholars at the University of British Columbia, Mathis Wackernagel and William Rees. Midway through the 1990s, the two calculated how many acres were needed, per person, to support America's "consumption of food, housing, transportation, consumer goods, and services." They tallied all the "garden, crop, pasture, and forest space" necessary to produce everything that Americans buy. They factored in fossil energy and land use. Individual Americans, they concluded, leave an "ecological footprint" that totals about twelve and a half acres per person. Individuals in India require, by contrast, just two acres each.[28]

These sorts of dramatic contrasts tend to frame the ecological challenge facing our globe as a simple conflict between a rich north and a poor south. The nations of the north, in this framework, become one undifferentiated mass of affluence, the nations of the south one monstrous sinkhole of poverty. In the north, households spend $17 billion a year on pet food. Meanwhile, in South Asia, half of all kids under five go malnourished. In Africa, south of the Sahara, a third of the continent's people die before they hit forty.[29]

These contrasts shock. But they do not tell the whole story. Indeed, the gaps between north and south may not be the biggest obstacle to environmental sanity. That biggest obstacle may well be the gaps *within* "rich" nations, between the rich and everyone else. These gaps accelerate the consumption that takes place within rich nations. Where these gaps grow, as wealth concentrates, so does our consuming. And so does our waste. The wider these gaps, the deeper we stamp our footprints into the Earth.

But that's not the worst of it. In an unequal world, everyone else in the world wants to follow in our rich nation footsteps. Or, at the least, ride in our SUVs.

BACK IN THE MID 1970S, Americans suffered through a gasoline crisis. The memories, for many of us, remain vivid. Long lines of idling cars snaking their way into gas stations. Drivers sitting — and fuming — in their cars, sometimes for hours. If, back then, you had walked down one of those gas station lines, clipboard in hand, and asked the frustrated drivers what sort of automotive future they envisioned, the answers would have no doubt come quickly. Tomorrow's vehicles, most motorists would have confidently predicted, will definitely be much more fuel-efficient than the dumb gas-guzzlers we have now.

Those motorists could not have been more wrong. America's vehicles have not become considerably more fuel-efficient. In 2000, a generation after the gas crisis, America's cars would only average 23.6 miles per gallon. And that average would actually overstate how many miles America's drivers were getting to the gallon, since millions of Americans were doing their everyday driving in vehicles officially classified as "light trucks," not cars. The biggest of these, SUVs like the king-size Ford Expedition and Dodge Durango, averaged 12 miles per gallon, and less, in city driving.[30]

Vehicle fuel efficiency in America, in other words, had gone backward, not forward — and at quite an environmental price.

"If you switched today from the average American car to a big SUV, and drive it for just one year," environmental author Bill McKibben noted in 2001, "the difference in carbon monoxide that you produced would be the equivalent of opening your refrigerator door and then forgetting to close it for six years."[31]

What had happened to America's more fuel-efficient future? Technology certainly didn't fail us. By 2000, America's automakers certainly knew *how* to make fuel-efficient cars. But they didn't. In an unequal America, they felt they couldn't. In an unequal America, fuel efficiency didn't pay.

Automakers had once been able, back in the middle of the twentieth century, to make decent dollars by selling modestly priced cars. Automakers may not have made a ton of money on every car sold, but they sold a ton of cars — to the middle class households that dominated America's mid-century marketplace. But that mass middle class market, as we have seen, had disappeared by the 1990s. Wealth in America had concentrated. Far fewer average families now made enough to be able to buy their autos new. Automakers, in response, devoted their attention to the affluent — and reconfigured their product lines. Out went the modest-margin, high-volume marketing strategy that had worked so well in a more equal America. In a more unequal America, automakers couldn't count on ever higher volume. They would have to start making more money on each vehicle sold. And that meant building bigger vehicles. Automakers could make, on each SUV sold, as much as ten times the profit from the sale of a standard sedan.[32]

These bigger vehicles carried, naturally enough, bigger appetites. They burned fuel at astonishing rates. But this higher fuel consumption gave no pause to the affluent 20 percent of American households now buying the bulk

of new vehicles. In the 1980s and 1990s, their incomes were rising 44 percent faster than prices at the pump.[33]

The affluent could afford not to worry about fuel economy. The atmosphere couldn't. America's growing fleet of king-sized vehicles, environmentalists warned, was fouling the air and warming the globe. Environmental groups, throughout the 1990s, pressed Congress to take action. They asked lawmakers to eliminate the gas-guzzler tax exemption for "light trucks," a move that would "provide tremendous financial incentives for automakers to improve the fuel efficiency of their light trucks and SUVs." They backed tax breaks for carmakers that seriously set about hiking fuel efficiency. They promoted tax credits for consumers who purchase fuel-efficient vehicles.[34]

All these reforms made environmental sense. But they promised, at best, only to slow, not reverse, environmental degradation. To truly shrink America's ecological footprint, many analysts noted, we Americans would need to do more than shun SUVs. We would need to fundamentally rethink our society's bedrock economic assumptions – about growth, about accumulation, about personal satisfaction.

Pleasure, we modern Americans assume, increases as we accumulate. Our economy, we believe, will keep improving our lives so long as we take care to keep the economy "growing." And this economic "growth" has always meant "more," as in more goods. More goods will bring more pleasure. More makes better. Make more. Consume more.

Herman Daly imbibed this faith in growth as a bright young economist in the 1950s. He had come out of Texas eager to do good for people of limited means. Economic growth, as conventionally defined, seemed just the ticket. In an economy that grows, Daly's professors taught him, more becomes available for the poor. In a growing economy, the poor grow richer. Daly would not start second-guessing this growth-equals-progress equation until, in the late 1960s, he spent two years living among intensely poor people in Brazil. Amid this poverty, and amid Brazil's natural splendor, Daly suddenly started grasping the immensity of the gap between north and south, the fragility of the Earth, and the inadequacy of standard "more-is-good" economics. He would later emerge, after subsequent stints at Yale and the World Bank, as one of the world's most astute champions of a truly sustainable Earth. And he would argue, in a widely acclaimed body of scholarship, that the fight for a sustainable Earth must become, at the same time, a fight against inequality.[35]

HERMAN DALY BEGINS HIS CASE FOR AN EQUITABLE EARTH with the basics. Every economy, he notes, faces certain common problems. The first revolves around the allocation of productive resources. How should these resources be allocated? What should be produced? Bicycles or jellybeans? In market economies, prices guide these decisions. Prices help product makers and service providers understand what people want.[36] Manufacturers take signals from

these prices. If the price on an item spikes, they'll produce more of it, to meet the obvious demand.

Distribution poses the second problem all economies — and societies — face. How should the benefits from production be apportioned? Goods, most people would agree, ought to be distributed fairly. A few people shouldn't get everything. But markets can't help us here. They cannot price fairness. Responsible societies, as a result, don't leave fairness to the market.[37] They establish rules, on everything from minimum wages to child labor, to guide how markets operate. The more democratic the society, the more fairness these rules are likely to generate.

Economists, Daly points out, have wrestled for ages with questions about both production and distribution. But they have given the third challenge all economies face — scale — virtually no attention at all. Scale raises questions about size, about how large an economy can grow within any given ecosystem, about how much economic activity an ecosystem can sustain. Conventional policy makers consider these questions irrelevant. They take the abundance of the Earth for granted. We humans, as U.S. Treasury Secretary Henry Morgenthau once asserted, live "on an Earth infinitely blessed with natural riches." On such an Earth, "prosperity has no fixed limits."[38] Today, notes Herman Daly, we know better — or at least should. Years of ecological research have made plain that no nations can assume they will always remain "infinitely blessed with natural riches."

We encounter "natural riches," Daly reminds us, in one of two forms. Some — oil, copper, coal, and the like — exist as fixed quantities. We use them up, they're gone. Other natural riches flow continuously, as renewable resources. The sun shines, rain falls, green plants manufacture carbohydrates. These resources do not exist as fixed quantities. But if these resources are depleted faster than nature can renew them, they can be used up and extinguished just as surely as copper and coal. We can cut down trees, for instance, faster than nature can grow them.[39]

Those resources we use up don't actually disappear, of course. They remain with us, as wastes. Our Earth, fortunately, has natural systems to handle these wastes, systems that go largely unseen. Termites break down wood. Earthworms recycle termite wastes into soil. The soil nourishes new trees. The world is renewed.[40] But natural waste-removal systems can be overwhelmed. Our economic activity can, at some point, produce more waste than the Earth can absorb. Where does that point sit? Just how much waste can the Earth absorb? We Americans appear intent on testing the limits. Directly and indirectly, we currently generate twenty-three tons of waste — each — per year.[41]

Scientists used to believe, observes author David Korten, that our first catastrophic environmental crisis would come when we as a world depleted our stocks of oil or some other nonrenewable resource. But we now seem more likely, he notes, to hit other limits first, among them our Earth's capacity "to absorb our wastes."[42]

These wastes, in contemporary America, no longer spew predominantly from factory smokestacks. We're "slowly fixing," notes commentator Bill McKibben, these traditional sources of pollution. Our new waves of wastes, unfortunately, are coming from sources that cannot be so readily "fixed." Our new wastes are coming from the unfolding of our normal daily lives, "from things going as they're supposed to go — but at such a high volume that they overwhelm the planet."[43]

Take for example the five-plus pounds of carbon that shoot out of car exhausts, as carbon dioxide, whenever an engine burns a gallon of gasoline. No filter of any sort, Bill McKibben points out, "can reduce that flow — it's an inevitable by-product of fossil-fuel combustion." This carbon dioxide, in turn, is trapping enormous amounts of heat on the Earth's surface. The greenhouse effect. We are "turning the Earth we were born on into a new planet."[44]

We as a species weren't built for a new planet. We were built for the one we have. And that planet, Herman Daly stresses, cannot sustain our insults forever. We can only shove so much economic activity through our Earth's ecosystems before they break down. If we keep increasing our "throughput" — the sum total of energy and materials we drive through the human economy — we make that breakdown, at some point, inevitable. At that point, the "natural systems that support all life," everything from the recycling of wastes to the atmosphere's capacity to filter out excessive ultraviolet radiation, would no longer be able to support all life.[45] We would be toast.

When would the toaster bing? No one can give an exact date. But we do know that we cannot produce more forever. Simple math tells the story. Between 1970 and 1990, notes the University of Oregon's John Bellamy Foster, world industrial production grew at a rate of 3 percent a year. If that rate were to continue, world production would double in twenty-five years, multiply sixteen-fold within one hundred years, and soar 250 times in two centuries.[46]

"Anyone who believes exponential growth can go on forever in a finite world," as the distinguished British-born scholar, Kenneth Boulding, once put it, "is either a madman or an economist."[47]

And that raises, for Herman Daly, what may be the most fundamental question of all.

"If the economy cannot grow forever," Daly has asked, "then by how much can it grow? Can it grow by enough to give everyone in the world today a standard of per capita resource use equal to that of the average American?"[48]

In 1987, an international commission chaired by the prime minister of Norway, Gro Harlem Brundtland, offered up a calculation that helps us answer this most basic of questions. The Brundtland Commission concluded that the world economy would need to grow by a factor of five to ten to give everyone in the world a shot at living an average American life. But the world's current level of human economic activity, Daly notes, is already showing "clear signs of unsustainability." To multiply this level of economic activity by five to ten — to double what we make and what we consume, then double and double again

this production and consumption —"would move us from unsustainability to imminent collapse."[49]

WE CANNOT, CONCLUDES HERMAN DALY, "grow" forever. Current human economic activity is already preempting one-fourth of what scientists call "the global net primary product of photosynthesis."[50] This economic activity cannot possibly be multiplied five- to ten-fold without forcing a fundamental environmental breakdown. The economics of "more" simply cannot deliver an American standard of living to everyone on Earth. For everyone's sake, Daly and other ecological economists contend, we need to reject "growth" as our be-all and end-all.

But if we were to say no to "more," wouldn't we be consigning the world's poor to perpetual second-class status? And if we tried to narrow global lifestyle differentials, in a world that wasn't producing great amounts of more, wouldn't average people in rich nations have to be content with less? To improve the lives of the poor, in a no-growth world, wouldn't we, in effect, have to degrade the lives of everybody else? Are we faced, in the final analysis, with a choice we don't want to make? Must we either brutalize people to protect the Earth or brutalize the Earth to protect people?

In fact, argues Herman Daly, we do not face this choice. We do not face a choice between more and less. We face the choice, as a world, between more and better, between economic *growth* and economic *development.*

These two notions, growth and development, often get confused, a confusion that may stem from how we think about growth in our everyday lives. We speak, for instance, about children growing. Children who grow, we all understand, are becoming larger in size. But we also talk about adults growing. We might say, for instance, that a newly elected office-holder has "grown" in office. We don't mean, of course, that this elected official has become larger in size. We mean simply that this official has matured — developed — as a person. Herman Daly draws this same contrast between economies. An economy that "grows" gets larger. An economy that "develops" gets better.

Conventional economists do not distinguish between more and better, between growth and development. They simply assume that more always makes for better. They don't evaluate the outputs of economic activity, to separate the potentially harmful from the possibly helpful. They just count them. The more things we make, the higher they say our standard of living rises. Our current single most important conventional measure of economic vitality, gross domestic product, simply tallies the sum total of economic activity that takes place within a geographic area over a given period of time. Economies "grow," in standard economist-speak, when gross domestic product increases.

But "growing" economies are not always producing better lives for the people who live within them. The economic "outputs" that increase our gross domestic product do not necessarily increase our individual well-being. Our gross domestic product, to give one example, includes the value of all the prod-

ucts our chemical factories manufacture for sale. That's fine. Better living through chemistry. Chemical factories, on the other hand, also generate toxic wastes. That's not so fine. Toxic wastes do not improve our lives. They fill dumps that need to be cleaned up. They give us cancer. No matter. In the calculation of gross domestic product, a dollar spent on cleaning up a toxic waste dump — or burying a cancer victim — counts as economic growth.[51]

Or consider food. The food industry, notes analyst Jonathan Rowe, spends $21 billion a year "to entice people to eat food they don't need."[52] The commercials, coupons, and supermarket aisle displays that this $21 billion buys all raise our gross domestic product. And so does the $32 billion of goods and services the weight loss industry offers to help people dump the excess pounds they gain consuming food they don't need to consume. And so do the liposuctions that people have performed when weight-loss products don't work exactly as advertised. Every spin of this "grueling cycle of indulgence and repentance, binge and purge," economically speaking, "grows" our economy.[53]

Our "growth" economy has, in effect, spun out of control. In countless instances, we don't need the "more" we're getting. Indeed, adds psychotherapist Marc Burch, our homes are becoming "warehouses" for possessions we never use — or even remember.[54]

"We accumulate for the sake of accumulation to the point where we no longer really know what we own," he notes. "We trip over this junk, insure it, maintain larger-than-needed houses to shelter it, pay for security services to keep it from being stolen, fret over its safety, curse its oppressive effects on our emotions and activities, search through it to find what we really need to get on with our lives, trip over it in the dark, and then, at last, relegate it to a landfill."[55]

Up to a point, of course, adding more to what we possess can most certainly improve how good we feel. If we have no place to sleep, any bed will help us survive another night. If our bed has lumps, a new mattress will bring us comfort. But at some point down the consumption road, Marc Burch observes, "spending more and more for additional luxuries" eventually starts detracting from whatever fulfillment we might feel.[56] To make the money to buy the "more" we do not need, we work ourselves too hard and too long. We don't feel fulfilled. We feel stressed.

What we really need, to feel fulfilled, are the "goods" that standard growth economics doesn't count. We need to be surrounded by people we care about and who care about us.[57] We need more time for the personal pursuits that bring us pleasure. We need safe streets, clean parks, easy commutes. We don't need our already "rich" economy to grow and give us "more." We need our economy to develop and give us better.

In an economy that focused on better, not more, goods providers would make their mark and their money "by adding ingenuity, tasteful design, and efficiency improvements to products," not by pushing people to buy more and bigger products. The emphasis, notes Marc Burch, would be on making products "more durable, repairable, and aesthetically pleasing." Large numbers of

people would be employed "in maintaining, repairing, rebuilding, and recycling."[58] A no-growth economy, adds environmentalist Alan Durning, would place a premium on "permanence" and make the all-important distinction "between physical commodities and the services people use those commodities to get." Few people, for instance, buy cars because driving gives them immense pleasure. Most people buy cars to gain easy access to the places they want to go. In an economy devoted more to better than to more, thoughtfully designed housing and public transportation systems could give people easy access to where they want to go as conveniently as cars.[59]

Societies absorbed in development, not growth, would aim to *reduce* the amount of energy and materials we drive through the human economy, our "throughput." They would seek, as economist E.F. Schumacher once noted, to "meet real human needs ever more efficiently with less and less investment of labor, time, and resources."[60]

But how would we know, how would we measure, if we were making progress toward this noble goal of truly meeting human needs? Conventional economic yardsticks wouldn't be able to help us. These measures only see value in more. They make no allowance for better. Other measuring options, fortunately, do exist. Over recent years, scholars have fashioned several alternative yardsticks that treat life as something more than the sum total of all goods and services exchanged in the marketplace. One measure developed at Fordham University, the Index of Social Health, combines sixteen different quality-of-life indicators, everything from high school completion and teenage birth rates to average weekly wages. Another ambitious quality-of-life measure, the Genuine Progress Index, calculates both the positive and negative impacts of economic growth. This index subtracts from the standard gross domestic product various costs of growth, be they social, like family breakdown and the loss of leisure time, or environmental, like loss of wetlands or the cost of air pollution.[61]

The Fordham researchers have crunched annual numbers for their Index back to 1959. The researchers behind the Genuine Progress Index have run numbers back to 1950. Their calculations, interestingly, reveal the same basic trends. They both show the *quality* of American life increasing up until the mid 1970s and then dropping off. What happened in the mid 1970s? We have already noted, in earlier pages, one significant phenomenon that took place in these years: In the mid 1970s, the march toward a more equal America sputtered and stalled. We have had rising inequality ever since.

Rising inequality, we have argued, inexorably undermines the quality of our lives. If that be the case, might rising inequality also undermine efforts to shift our economic focus from quantity to quality, from more to better? Many ecologists believe that inequality has exactly this effect. Inequality, they contend, makes "growth," as conventionally defined, appealing. Inequality makes the economics of "more" seem our only hope.

IN ANY UNEQUAL SOCIETY, THE DOMINANT, to maintain their dominance, always find themselves striving to keep the minds of the dominated off the underlying unfairness of their situation. In our modern age, a fixation on "growth" helps enormously in this effort.

Growth neatly diverts attention from troublesome questions about equity. Do some people have more, much more, than others? Not to worry. If an economy is "growing," the dominant proclaim, then everyone will eventually have more. In a growth economy, the argument goes, all will get theirs, in due time, so long as the economy keeps growing. The need to keep that economy growing, in turn, becomes a rationale that justifies economic policies that help wealthy people become wealthier: The richer the rich become, the more they will invest, the more the economy will grow. To prosper, the gospel of growth assures us, we must merely keep faith — in the all-consuming importance of more.

But if we conclude that the Earth can no longer survive on an endless "growth" diet, then everything changes. Questions about the concentration of wealth, once easily shunted aside, now thrust themselves onto center stage. If we must, for the sake of our future on Earth, place limits on growth, than how the benefits from limited growth are distributed immediately becomes a matter of no small public interest. In a society that limited how much more can be produced, we would look askance at any individuals who gathered in extravagantly more than anyone else. In a world of limited growth, what Herman Daly calls a "steady state" world, a world developing but not growing, sharing would inevitably become second-nature. A sustainable world would be a more equitable world.[62]

An inequitable world, by contrast, cannot be sustainable. In an unequal world, the wealthy chase their own private solutions to whatever problems, a degraded environment included, life may bring. Local waters too polluted? They jet off to pristine beaches elsewhere. Those without wealth, meanwhile, come to see the accumulation of wealth as their only route to personal security. "In response," environmentalist Rich Hayes has noted, "governments push economic growth even more forcefully." The politics of more.

"Can environmental values survive such a future?" Hayes asks. "I can't see how."[63]

Environmental values, our recent history suggests, thrive only in times of greater equality. America's entire basic body of environmental protection legislation — the Clean Air Act, the Endangered Species Act, the National Environmental Policy Act — moved through Congress into law in the late 1960s and early 1970s, a time of unprecedented economic equality in the United States.[64] Our years of increasing inequality, since the mid 1970s, have brought not one single grand new breakthrough for environmental protection. Environmentalists in the United States have essentially spent the last thirty years playing defense. Despite that defense, our Earth continues to erode.

We ought to be able to do better, but we won't, not within an economy, not within a society, growing more unequal with every passing year.

WHICH RAISES A FRIGHTENING THOUGHT. Are we too late? Haven't the values of "more" already triumphed, not only in the United States but all over the globe? In our media-saturated world, hasn't just about everyone been exposed to the glories of modern consumer culture? Given that exposure, how can we expect the world's poor to be content with anything less than the same consumer comforts the comfortable currently enjoy in the United States? How can we expect poor peoples to reject the growth economics that promise to deliver these comforts? How can we expect poor nations to explore more equitable, more sustainable economic alternatives, to choose development over growth?

Poor nations, clearly, will only explore these alternatives if they have evidence to believe that equity and sustainability can improve life quality today, in the here and now, better than the economics of inequality and growth. Such evidence, wondrously, does exist, in a tropical hothouse of innovation that few people outside South Asia even know exists. In this place, a coastal state within India known as Kerala, over 33 million people have created a remarkably equitable society where equity and sustainability actually offer a realistic and practical alternative to the economics of more.

Kerala, by every conventional measure, rates as a desperately poor place, "even by Indian standards."[65] Keralans average, per person, $200 less in gross domestic product than the average Indian. The comforts conventional economic growth delivers — cars, air conditioners, washing machines — grace only a tiny percentage of Keralan households.

But the people of Kerala, in social interactions, don't come across as desperately poor. They come across as proud. Keralans, men and women alike, look visitors straight in the eye. They don't beg. They don't show, notes Akash Kapur, a thoughtful observer of the Indian scene, any of the "self-abasement that so often comes with poverty."[66] Keralans have reason to be proud. On the only measure that "ultimately matters" — "the nature of the lives people can or cannot lead," a formulation introduced by Nobel Prize-winning economist Amartya Sen — Keralans have created a society that outperforms much of the rest of the world.[67] People in Kerala lead lives that are long and healthy, in vital, safe, tolerant communities.

The numbers testify to Kerala's achievement. Morocco, a nation about equal to Kerala in population, generates about three times more wealth per person than Kerala. But people in Kerala, on average, live ten years longer than Moroccans. Colombia, another similarly sized nation, generates four times Kerala's wealth. But babies die in Kerala at less than half the rate they die in Colombia.[68]

Kerala and California also carry about the same population. California, of course, overwhelms Kerala economically. California generates seventy-three times more growth per person than Kerala's. But Kerala, not California, enjoys

more social peace. In the 1990s, about two hundred thousand inmates packed California's jails and prisons. The number of full-time prisoners in Kerala: five thousand.[69]

Within India, Kerala boasts the lowest rates of malaria and cholera and the highest rates of access to doctors, nurses, health clinics, and hospitals.[70] Within the world, Kerala boasts a literacy rate that tops the average of all other low-income nations — by an amazing 40 percent.[71] And the literate in Kerala, unlike most of the rest of the low-income world, include girls as well as boys. In 1994, 93 percent of high school-age girls in Kerala were enrolled in high school, more than three times the rate in the rest of India and the world's poor nations.[72]

The people of Kerala owe their good fortune, their outstanding *quality* of life, partly to the accidents of geography. On the west, Kerala stretches along the Indian Ocean. This long coastline has always left Kerala open to new ideas from abroad, everything from Christianity to communism. Meanwhile, on the east, mountain ranges have kept Kerala somewhat separate from the rest of the South Asian subcontinent. These mountains, together with the sea, helped create a land where divergent peoples – Hindus, Christians, Muslims, and Jews – have lived side by side, in tolerance, for generations.[73]

In this heady atmosphere, intolerance — and exploitation — would not go unchallenged. In the nineteenth century, Kerala saw massive protests against the indignities of India's caste system, an outrageously rigid hierarchy that subjected people in the "lower orders" to life-long humiliation.[74] In the 1930s, inspired by the teachings of Mahatma Gandhi, small but significant numbers of Kerala's wealthy Brahmins, all born at the opposite end of the caste hierarchy, began "renouncing their privileges and giving up their lands."[75] About the same time, all across Kerala, grassroot networks of landless tenants were organizing for thorough-going land reform. They would later elect, in 1957, India's first communist-led state government, and this new government would quickly enact sweeping land reform legislation. But the legislation would not go into effect. India's central government promptly dismissed the ministers who would have been responsible for its implementation. Kerala's peasant associations would not be intimidated. They kept up the pressure, and comprehensive land reform would finally come about, fourteen years later, in 1971.[76] The reform would give about 1.5 million former tenant families title to their first property.

Over the next two decades, under steady pressure from peasant groups and trade unions, elected governments in Kerala, communist and noncommunist alike, would enact still more wealth-redistributing reforms.[77] Kerala's minimum wage became India's highest. Stiff tax rates on the wealthy, meanwhile, helped underwrite the free and low-cost distribution of basic services. Keralans, by the 1990s, were paying no charge for a minimal level of electrical power.[78] In state-supported stores, Keralans could buy everything from rice to batteries at subsidized prices.[79]

All these reforms, notes environmental author Bill McKibben, helped create "a state with some of the most equal wealth distribution on Earth."[80] That suited average families in Kerala quite nicely. But outsiders, particularly outsiders with power and wealth, considered Kerala hostile territory. Industrialists avoided Kerala. They were not about to situate manufacturing plants in a state where wage rates ran three times the Indian average.[81] Kerala, as a result, would not — could not — "grow" in standard economic terms. Without capital to fund ambitious "growth" projects, no giant manufacturing plants would soar above Kerala's tropical forests. Joblessness, on the other hand, would rise, to levels that topped the average unemployment rates elsewhere in India. But Kerala did not crumble, as conventional growth economics would have predicted. Kerala, instead, developed. Kerala's communists may "have failed to spur economic growth," as a 1998 *Atlantic Monthly* analysis would observe, but "they have been singularly successful at implementing development through redistribution."[82]

Kerala would grow better, not bigger, through a variety of imaginative initiatives. One key effort, the People's Resource Mapping Program, mobilized villagers to inventory their local natural resources and then forge plans to develop these resources sustainably. Village volunteers, once trained, collected data on land use, local assets, and water resources. Scientists added other data into the mix to create "environmental appraisal maps" that villagers and scientists together could then use to fashion local action plans.[83]

These plans, note anthropologist Richard Franke and sociologist Barbara Chasin, would make real differences in people's lives. In Kalliasseri, a village in northern Kerala, the mapping helped villagers realize they were always importing, late in the dry season, expensive vegetables from elsewhere in India — at the same time their own rice fields "lay fallow for lack of water." The village decided to try an experiment. Land owners would grant unemployed young people "free use of their fallow rice fields during the dry season," to raise vegetables. The youths would then use the maps developed by the mapping project to identify the fields "that would make the best use of local water resources." The end result? The jobless youths earned income, productive land no longer went wastefully fallow, and local villagers saved money buying vegetables.[84]

The same spirit of sharing and sustainability has animated development efforts all across Kerala.[85] In the midst of one literacy campaign, for instance, teachers in a predominantly Muslim region realized that many people weren't becoming literate because they needed glasses to be able to see what they were supposed to be reading. Over a two-month stretch in 1989, local people in the region proceeded to donate over fifty thousand pairs of eyeglasses. Forty trained volunteers, note Richard Franke and Barbara Chasin, then "matched those who needed glasses with the appropriate set of lenses."[86]

Sustainable solutions also emerged to meet Kerala's energy challenges. Historically, rural Indians have used wood for fuel, a course that has leveled wide expanses of local forests and exposed families to dangerous levels of "sus-

pended particulates" from inefficient wood-burning stoves. Cooking for three hours at one of these stoves, researchers have found, fouls lungs as grimly as smoking twenty packs of cigarettes a day. In the 1980s, activists would fan out across Kerala to educate about wood stove dangers. Scientists and engineers, meanwhile, collaborated "on improved stove design" and "seminars to bring together household cooks and scientists." All told, the project would help Keralan households install some two hundred thousand high-efficiency stoves.[87]

Kerala state officials, to conserve energy, have also encouraged architectural styles that make the most of local resources. The schools, offices, and homes designed by Laurie Baker, the British-born architect Kerala officials hired to design state housing for the poor, offer one example. Conventional builders reinforce concrete floors with steel rods. Laurie Baker's buildings use grids of split local bamboo instead, "at less than 5 percent of the cost." Baker's mostly brick-and-mud structures save even more energy by avoiding air conditioning, no small feat in an oppressively hot place like Kerala. His secret? "Gaps between bricks let air and daylight through a wall, while diffusing the glare of direct sunlight," notes Adam Hochschild, an American admirer. Baker's buildings also often feature pools of water surrounded by tiny courtyards. The evaporation from the pools keeps temperatures down, as does the shade of the coconut palms Baker strives to keep overhead. The net effect: buildings that sit beautifully in harmony with their surroundings, all reflecting a clear understanding, sums up Adam Hochschild, "that the Earth will not forever permit us to be so profligate with its riches."[88]

THE PEOPLE OF BRAZIL COULD once credibly claim they, too, lived at least somewhat in harmony with their surroundings. In the 1950s, Brazil's flagship city, Sao Paolo, offered a model of sensible urbanity. A neatly tuned network of trolleys and buses kept the city's 3.7 million people coming and going in clean, fume-free air. On Sao Paolo's streets, only 164,000 private cars, less than one for every twenty-three people, pumped out pollution.[89]

But over the next half century, years that saw Kerala choose equity, Brazil chose to take a different course. Kerala would redistribute land to poor peasants and endeavor to keep rural life a viable option. In Brazil, where 43 percent of the land belonged to less than 1 percent of the nation's landowners, authorities would make no serious effort to distribute rural land wealth.[90] Poor peasants in Brazil would react sensibly. They fled the economic dead-end the countryside had become. They filled Brazil's urban centers. Sao Paolo would jump, in the four decades after 1960, from 3.7 to 17 million people.[91]

In Brazil's new overcrowded urban environments, the affluent would create their own separate living spaces — and lose all interest in maintaining the amenities that make life livable for all. Public transportation, for instance, now made no sense. The affluent had no desire to rub elbows, in trolley cars, with people so clearly "below" them. The trolley tracks would be torn up. Once

charming cobblestone streets would be widened into multilane thoroughfares. By the end of the 1990s, average people could no longer move easily about their once beautiful Sao Paolo. Some 5.1 million cars choked the city.[92]

And sewage would choke the rivers. Nearly half the families in Brazil, the nation's top statistical agency reported in 2001, do not have access to proper sewage-collecting. Over the course of the 1990s, a decade that saw Brazil's economic "growth" nearly double over the 1980s, the number of families without sewage treatment barely dropped at all.[93]

In a reasonable world, the contrast between Kerala and Brazil, a contrast so strikingly evident by the 1990s, might have sparked some serious soul-searching. Brazil's choices — wealth concentration over wealth redistribution, "growth" over sustainability — had paid no dividends for either average people or that tropical piece of the Earth they called home. Kerala's commitment to equity and better, not more, had created a nation that worked for average people and their environment. Maybe the world needed more Keralas.

The world, at least the world elites that set the rules, would have other ideas. Global policy makers would promote, throughout the closing decades of the twentieth century, economic policies that undermined Kerala-like choices at every turn. The "Kerala model" stressed self-sufficiency, making the most of local resources. The world's movers and shakers insisted instead upon "free trade." They labeled as "protectionist" — and intolerable — any actions taken to shield and sustain fragile local economic activity from competition with the world's corporate giants. The Kerala model placed "infant survival, nutrition, education, and public services ahead of consumerism and private gain."[94] The world's globalizing elites would ridicule public expenditures as inefficient and inflationary. The Kerala model promoted policies that narrowed gaps in income and wealth. The globalizers accepted inequality as natural and necessary. Without inequality, they argued, economies could never "grow."[95]

Kerala's political leaders never bought into this globalization mantra. But that didn't matter. Globalization would impact Kerala anyway. India's central government found itself in the same situation as governments throughout the "less developed" world. To gain economic assistance, these governments had no choice but to accept the policy prescriptions pushed by international economic agencies like the World Bank and the International Monetary Fund. That meant moving to privatize public services — and cutting the budgets of those services that remained public. That meant cutting taxes on the wealthy to create a better "business climate." That meant ending tariffs that kept the prices of imported goods high enough to give local industries and farmers the space they needed to survive.

Kerala would feel the impact of these "structural adjustment" policies throughout the 1990s. Budget cuts at the national level would force Kerala state officials to cut back on lunches for poor schoolchildren.[96] The state subsidies that kept rice and other basic goods inexpensive also had to be reduced. But Kerala's political leaders would fear the abolition of protective tariffs per-

haps most of all. Without protection, their state's labor-intensive, sustainably managed small farms and cottage industries would be competing directly with highly mechanized, energy-devouring, resource-depleting corporate operations.[97] Kerala could not win that competition. Indeed, suggests Herman Daly, societies that treat people and environment with all due respect will always be losers in a no-holds-barred "free trade" marketplace.

In societies that respect people and the Earth, Daly explains, enterprises must take environmental and social costs into account. Such societies enforce anti-pollution laws. They set minimum wage standards. They levy taxes that fund health and other basic benefits. Enterprises in these societies have responsibilities, to people and place, that must be met. These enterprises can compete with no problems against enterprises that bear similar responsibilities. But they cannot compete against enterprises that are "free" to ignore their impact on the Earth and its people. Enterprises that can dump their wastes into rivers — and exploit their workers as easily as they exploit the Earth's resources — will always be able to sell their products for less than enterprises held responsible for their conduct. Enterprises that degrade people and earth, in an entirely "free" marketplace, enjoy a "natural" advantage.[98]

That advantage, of course, can be countered — by imposing tariffs "on goods imported from countries that refuse to internalize environmental and social insurance costs."[99] But tariffs, global elites insist as a matter of faith, infringe upon "free trade." Indeed they do, and that's why they're needed, not to protect inefficient domestic industries — the claim the globalizers always make — but to protect societies wise enough to recognize that no business can honestly calculate profit and loss without having to take all costs into account.[100]

In a world dominated by "free trade" orthodoxy, and the lure of western consumer culture, Kerala would stumble into the twenty-first century working desperately to maintain its commitment to both equity and the environment. Whether Kerala could maintain that commitment remained unclear. Many educated Keralans, by 2000, had begun emigrating to the more affluent Persian Gulf. They wanted more than their society could deliver.[101]

Kerala, critics contend, can only deliver that "more" by abandoning the Kerala model. These critics have not yet triumphed. Within Kerala, limits on the economics of more remain in place. For how much longer no one can say. In a world that worships growth and welcomes inequality, Kerala's vision of our human future will never be secure.

IS A SUSTAINABLE WORLD TRULY ATTAINABLE? Can we ever go beyond the mindset that more is always better? The experience of Kerala suggests that perhaps we can — but not on a globe where the lifestyles of the rich and famous continually tease and taunt us.

"A billion people living in dire poverty alongside a billion in widening splendor on a planet growing ever smaller and more integrated," economists

Raymond Baker and Jennifer Nordin have noted, "is not a sustainable scenario."[102]

A seriously sustainable scenario, ecological economists point out, would require us to recognize what we so far have not, that the Earth cannot be exploited endlessly, that we can only consume, only discard, so much. The Earth imposes limits on what we can do. To move toward sustainability, we need to understand these limits, accept these limits, live within these limits. But we will never succeed at that endeavor so long as we place no limits on our economic behavior, no limits on the accumulation of more.

Every year, on Earth Day, earnest speakers ask us all to think about ourselves as the stewards of our planet. As stewards, they remind us, we have the responsibility to preserve and protect. This responsibility defines the environmental ethic. The lust for "more" — gluttony — poisons it. We will never become the stewards of our Earth we need to be until we reject this gluttony. But we will never be able to reject gluttony until we first reject inequality. Gluttony grows where wealth concentrates.

Where wealth concentrates, societies accumulate. They get bigger. To save our Earth, we must have better.

A Dying Democracy

The political commentators that grace America's op-ed pages don't usually agree on much. But they do agree, overwhelmingly, that democracy in America isn't working very well. Our elected representatives, the complaint goes, hardly ever show real leadership or move with dispatch. They take few risks. They have become mere slaves to public opinion polls.

Hardly any commentators argue the reverse. In fact, in the United States today, not a single prominent pundit contends that politicians regularly defy what the polls tell us. Yet today, the truth is, our elected leaders *do* often disregard even the clearest public opinion poll numbers. Not all the time, to be sure, but on a predictable basis. In modern America, our representatives regularly ignore polling results whenever these results dismay the rich and powerful. And our representatives move decisively whenever these same rich and powerful want to see movement.

Too cynical a judgment?

In the tumultuous days after the horrible tragedies of 9/11, America's entire airline industry seemed to be tottering at the verge of collapse. Over one hundred thousand airline and travel industry workers had lost their jobs, almost overnight.[1] Americans the nation over clamored for Congress to act.

In Washington, lawmakers noted solemnly that this clamor had been heard.

"We need to secure," House Speaker J. Dennis Hastert pronounced shortly after 9/11, "some strong help for the American workers."[2]

Help from Congress would indeed shortly be forthcoming, but not for American workers. Airline employee unions had assembled a package of proposals designed to provide cash support, job training, and health benefits for the out of work.[3] Lawmakers ignored these proposals. Instead, just ten days after 9/11, they enacted a $15 billion bailout that left airline executives, as a *Los Angeles Times* observer would note, "free to slash more jobs and run."[4] The bailout would include no help for workers who had lost health care, no money for job training, and no extension of unemployment insurance. Airlines, under the bailout, would even be free to duck their severance obligations to laid-off workers.

Airline executives, for their part, had to agree not to raise their salaries over the next two years to qualify for the bailout's billions.[5] But that stipulation meant nothing, in practical terms, since the bailout placed no limits at all on executive stock option windfalls or any other non-salary category of executive pay.[6]

Airline executives would not be the only corporate leaders who shook their tin cups after 9/11. Shortly after the attacks, insurance industry executives met with President Bush "to press for the creation of a multi-billion dollar government safety net to limit their exposure to future terrorist incidents."[7] The President proved happy to oblige. He would later sign into law, as part of the Homeland Security Act, legislative language that committed taxpayers to foot the bill for billions in insurance company liabilities.[8]

These bailouts for the airline and insurance industries would not stir, in mainstream political and media circles, much in the way of debate. Why bother debating? The bailouts represented nothing new, just American democracy at work. Corporate leaders ask, corporate leaders get.

The telecoms want government regulators out of the way? Fine. The Telecommunications Act of 1996 gives them total freedom to wheel and deal — and set whatever cable TV rates they deem appropriate.[9]

Bankers worried about public outrage over soaring ATM fees? Congress can help. Shortly before century's end, lawmakers put the kabosh on a proposal that would have forced banks to slash ATM surcharges.[10]

Data-entry operations upset about a new federal ergonomics standard designed to protect office workers from "carpal tunnel syndrome" and other Information Age ailments? In 2001, early in the new Bush administration, Congress will smite the new rule down.[11]

Corporate leaders, of course, do not always win what they want in our modern America. They couldn't possibly. Some corporate sectors, after all, are competing against each other for congressional favors. They all can't win. But where corporate interests share common interests, their deepest desires seldom go unfulfilled. And corporations, in the closing decades of the twentieth century, would desire nothing more deeply than lower taxes. They would get them.

By statute, corporations are supposed to pay 35 cents in federal tax on every $1 of profits. In practice, by 2003, they were paying under 15 cents in taxes on every profit dollar, thanks to a friendly Congress that has delivered unto corporate America hundreds of billions of dollars in new and expanded tax-based corporate subsidies.[12]

These sorts of business tax breaks have come to be widely known — and derided — as "corporate welfare." Corporations, by the mid 1990s, were raking in over $100 billion a year worth of corporate welfare, $53 billion in tax breaks and another $51 billion from direct subsidies to industries.[13] The enormity of these subsidies disturbed even some usually pro-business conservatives in Congress.

"I don't think," noted Ohio Republican John Kasich, "we should coddle the rich."[14]

But his colleagues did. In 1995, Kasich tried to cut corporate welfare by $15 billion. The House would vote to axe just $1.5 billion, not much more than 1 percent of the total.

"House Republicans took a hard look at corporate welfare," the *Washington Post* noted, "and decided they liked what they saw."[15]

If American politics were truly "poll-driven," as the conventional wisdom holds, members of Congress would have never dared oppose Kasich's proposal for modest cuts in corporate welfare. After all, as polls showed well *before* Enron hit the headlines, most Americans do not trust corporations. In one 1996 poll conducted for *Business Week*, only 4 percent of Americans felt large corporations really cared "about what's good for America." And two-thirds of those surveyed, 67 percent, told pollsters the "government should use higher taxes to penalize companies that eliminate jobs, close plants, or pay their executives extremely high compensation."[16]

If American politics were simply poll-driven, legislation to implement penalties against misbehaving corporations would have sailed through Congress. But no such legislation would even reach the House or Senate floor. And that would not be because Congress was too busy working on other initiatives that Americans cared about more. Lawmakers have spent the last quarter-century ignoring almost everything average Americans care about.

Pensions? After Enron's collapse, and the evaporation of millions of dollars from employee 401(k)s, Americans expected government to make some effort to make their retirements more secure. But the post-Enron Congress "shunned even modest protections like rules to require companies to make promised severance payments or to let workers elect representatives to the board of their 401(k) plans."[17]

Education? Parents with kids in schools with leaky roofs want help making school buildings safe, clean, and up-to-date. By the late 1990s, the typical school in the United States had seen forty-two years of service.[18] Giving every child an appropriate learning environment, the American Society of Civil Engineers estimated in 2001, would cost the United States $127 billion.[19] Congress has made no move to appropriate any of that.

Health care? Americans, polls show clearly, worry constantly about affording quality care. But lawmakers have made no moves to give Americans what all other industrial democracies already have, a system that guarantees everyone access to affordable care.

America's political leaders, early in the 1990s, always had a ready excuse whenever an impertinent voter would ask why Congress couldn't act to insure all Americans against illness or repair leaky school roofs. The nation, the answer went, simply couldn't afford the cost, not with the federal budget running in the red. By the late 1990s, that excuse would no longer be credible. At century's end, the federal government was running huge budget surpluses, not deficits, and so were state governments. Surely the time had now come for investing in America. But the time had not come. America's working families

would still not see any action on the concerns they told pollsters they cared most about. Not from Republicans. Not from Democrats. By 2000, despite bountiful budget surpluses, government investments in education, research, and infrastructure had dropped, as a share of gross domestic product, 63 percent from their 1980 level.[20]

Not all lawmakers, of course, would sit silent through all this.[21] But those who dissented would find themselves overwhelmed by corporate cash.

"We have come to the point," political reform advocates Ellen Miller and Micah Sifry would note, "where we have what amounts to a 'coin-operated Congress.'"[22]

And plenty of coins were flowing in. In 2001, the health care industry alone spent $235 million making its case to Washington politicos. Corporate America's nine biggest sectors, that same year, together invested $1.27 billion to nudge American democracy their way, forty-seven times the outlays made by all America's trade unions combined.[23]

Deluges like this, repeated year after year, would not guarantee the wealthy and powerful victories in every battle they engaged. But they would always bounce back, and quickly, from any setback. In 1993, for instance, the new Clinton administration squeaked through Congress a modest increase in the top income tax rate on high-income households, an increase that infuriated America's deepest pockets.[24] Lawmakers shared their outrage. To show how much, they would go after the IRS, first by holding a series of high-profile hearings that portrayed IRS agents as bullying stormtroopers, then by pushing through "reforms" and budget cuts that crippled the government's ability to audit high-income tax returns.[25] The end result? In 1999, for the first time ever, poor taxpayers were more likely to be audited than wealthy taxpayers.[26] Over the course of the 1990s, Syracuse University researchers would later note, IRS audit rates on America's wealthiest taxpayers actually dropped 90 percent.[27]

For the lawmaking friends of America's rich and powerful, a defanged IRS would not be enough. In 2001, after the ascendancy of George W. Bush, they would rush to pass the largest tax cut for the wealthy in American history.[28]

This first George W. Bush tax cut would have little to offer the vast majority of American taxpayers, the men and women who make up the bottom 80 percent of American income-earners. As a group, these middle- and low-income Americans pay nearly twice as much in Social Security and Medicare payroll taxes as they pay in income taxes.[29] But the 2001 tax cut would cut not one dime from payroll taxes. Instead, the act would set in motion the repeal of the estate tax, a levy that only impacts America's richest 2 percent.

"This is an administration and Congress that galloped to the rescue of the rich," the *Washington Post* would note just after President Bush signed his initial tax cut into law.[30]

Two years later, with the federal budget back deeply in the red, the administration and Congress would gallop again, to the same rescue. The Bush administration's 2003 tax cut would save households making over $1 million a

year, on average, $93,530 each off their annual federal income taxes. Households making under $10,000 a year would see, from this same 2003 tax cut, an average annual tax savings of $1.[31]

In 1994, nearly a decade before this second mammoth George W. Bush giveaway to the wealthy, the *National Catholic Reporter* had openly wondered whether democracy in America has passed some point of no return.

"Has greed killed democracy in America?" asked a *Reporter* editorial. "It now appears no bill can make it through the U.S. Congress that does not first and foremost serve the nation's super rich, those 100,000 families or so who annually amass more than $1 million, who run Congress and for whom Congress works."[32]

For this wealthy slice of America, democracy in the United States continues to work well. Our elected leaders do not take their cues from the polls. They take their cues from the wealthy. Some sticklers for political precision have a word for any nation that willingly accepts the rule of the rich. We in the United States, they insist, cannot claim to have a *democracy*. We have become a *plutocracy*. We the people no longer rule.

WEALTH, OUR NATION'S MOST SAVVY POLITICAL THINKERS have from time to time noted, has always played a central role in American political life.

"There are two things that are important in politics," as Mark Hanna, the top GOP strategist of the first Gilded Age, quipped over a century ago. "The first is money, and I can't remember what the other one is."[33]

In Hanna's time, money talked. But money did not totally monopolize the discussion. Throughout the 1890s, Hanna's heyday, candidates without much money — the original Populists — raised issues that challenged corporate power and even won elections. How incredibly distant those days seem today. In twenty-first century America, no candidate without a bankroll can mount a competitive race for a meaningful elected office. In 1976, candidates typically had to spend $84,000 to win a seat in the U.S. House of Representatives. In 2000, they spent an average $840,000.[34]

In contemporary American politics, those candidates who spend more win more. A candidate's odds of winning, researchers have shown, increase in direct proportion to the money the candidate has available to spend. House candidates who campaigned on less than $100,000 in 1992, for instance, did not win a single race. Those who spent between $250,000 and $500,000 won one race in four. Those who spent over $500,000 won half the time.[35] And those candidates who spend lofty sums against opponents less amply funded win almost all the time. In the 1996 elections, House candidates who spent more than their opponents won 90 percent of their bids for office.[36]

Numbers like these, in the 1990s, would make fundraising the most important talent on the political landscape. In 2000, the Democrats formally recognized that reality. They named as chairman of their party an individual whose sole qualification for the honor amounted to his fundraising prowess. The new

chair, Terry McAuliffe, had first hit the fundraising big time in 1995. In just over seven months, he raised $27 million for the Clinton-Gore re-election. Two years later, a grateful Al Gore would fly "through the snow to make it to McAuliffe's 40th-birthday bash."[37]

Back in Mark Hanna's day, money could buy votes. A century later, the sort of money that people like Terry McAuliffe could raise was making voting nearly irrelevant. Most elections today are decided not at the ballot box, but by the fundraising that takes place before voters are paying any attention to who the candidates will be. Political observers call this early fundraising the "money primary." The ability to raise large sums of cash quickly and early, analysts Robert Borosage and Ruy Teixeira note, now "separates the serious candidates from the dreamers before voters even learn their names."[38]

Serious candidates give the money primary every ounce of their political energy. Their goal: to amass enough money to scare off challengers. Money has become, explains political scientist Jamin Raskin, a means "to discourage and overwhelm political competition and debate."[39]

In the money primary, no candidate, no matter how well-known, can afford failure. In 1999, Republican Presidential candidate Elizabeth Dole, the most politically viable woman ever to run for the nation's top office, ended her campaign before a single voter in the "real" primaries had cast a ballot. Dole had raised just $1.7 million in 1999's third quarter. George W. Bush had raised $20 million over the same period. Dole had $861,000 available to spend when she quit the race. Bush, at the time, had $37.7 million.[40]

"The bottom line," Elizabeth Dole would note wistfully in her withdrawal announcement, "is money."[41]

Five Republican candidates, in all, would drop out of the 2000 Presidential race before the Iowa caucuses, the traditional opening event of the race to the White House.[42]

"We're turning the nominating process of both parties into lifestyles of the rich and famous," complained Ed Gillespie, a strategist for one of those candidates, Ohio's John Kasich. "Some very good candidates never even got to the point where voters got to say one way or another how they felt about them."[43]

In money primaries, the only people who get to have a say, to "vote," are those who open their wallets to candidates, and those who open up actually make up an incredibly narrow slice of the American public. In fact, notes the Center for Public Integrity, 96 percent of Americans make no political contributions whatsoever.[44] And of those who do make contributions, only a tiny number give enough to merit a candidate's attention at the money primary stage. How tiny? In the two years leading up to the 2002 elections, only a little over one quarter of 1 percent of adult Americans contributed over $200 to a political campaign. Only one tenth of 1 percent contributed at least $1,000.[45]

Those few Americans who do contribute generously to political campaigns, predictably enough, in no way represent a cross section of the American people. In the 1996 elections, notes a Joyce Foundation study, 81 percent of

Americans who contributed at least $200 to a political candidate made at least $100,000 a year.[46] In the general population that year, just 6 percent of Americans earned over $100,000.[47]

For candidates who play the money game well enough to win, the fundraising for the next election starts as soon as they take office. To raise enough money to scare off serious challengers, experts estimate, a House incumbent needs to raise at least $2,000 per day, Sundays included, in the year and a half after getting sworn in.

"We're in an escalating arms race here," Steve Elmendorf, chief of staff to then House Minority Leader Richard Gephardt, explained in 2001. "It would be nice to have a little break so people could do their job before they have to spend all their time calling people, asking them for money."[48]

The people called most often — rich people — have become quite accustomed to chatting regularly with America's most important elected leaders. In 1996, according to a study conducted for *Worth* magazine, 11 percent of America's richest 1 percent met personally with President Clinton. Nine percent of these affluent Americans met personally with his Republican challenger, Robert Dole.[49]

In America today, to be rich is to be chummy — with whatever elected leader you choose. In June 2001, President Bush and Vice President Cheney and several hundred tables full of their favorite deep-pocket friends packed the Washington Convention Center for a fundraising dinner that collected a record $20 million. The banquet tables went for $25,000 each. Each $25,000 check "bought the right to request a particular senator or congressman as a dinner companion."[50]

Senators, congressmen, governors, presidents, most all elected officials of national significance, now spend their days — and dinners — surrounded by men and women of wealth. Should we be surprised that these elected officials occasionally lose a bit of perspective? Take poor Fred Heineman, the former police chief of Raleigh, North Carolina. Heineman, after his 1994 election to Congress, could not believe that some people actually considered him to be a person of means. How outrageous. All Heineman had to live on was his $133,600 congressional salary and $50,000 in police pensions.

"That does not make me rich," Heineman protested. "That does not make me middle class. In my opinion that makes me lower middle class."

And who was middle class?

"When I see someone who is making anywhere from $300,00 to $750,000 a year, that's middle class," Heineman explained. "When I see anyone above that, that's upper-middle class."[51]

In Heineman's world, a swirling universe of dinners and lunches with extraordinarily well-heeled movers and shakers, that sort of income classification made eminent sense. Average voters, of course, approach life from a slightly different perspective. In the 1996 elections, they sent the candid Heineman home.

How many other "lower middle class" members of Congress feel, like Fred Heineman, put upon financially? We will never know. Most pols smart enough to get elected to Congress are smart enough to keep their financial aspirations to themselves. But not all. Senator Bob Packwood from Oregon, for instance, couldn't help but confide to his private diary his fervent desire for a thicker wallet. Perhaps someday, Senator Packwood wrote to himself, "I can become a lobbyist at five or six or four hundred thousand."[52]

Packwood would have to delay his fondest financial desire.[53] A sex scandal in 1995 would turn his career upside down and inside out — and, in the process, force the public release of his private papers.

The release of Packwood's diary no doubt left more than a few of his colleagues quietly squirming. Packwood, after all, didn't figure to be the only senator daydreaming about the great wealth that might one day come his, or her, way. In a plutocracy, with great wealth all about, most all lawmakers sooner or later come to share the same dreams.

IF THE WEALTHY SAW THE WORLD the same way everyone else sees it, then no one who cares about government of the people, by the people, and for the people would worry one whit about excessive chumminess between pols and plutocrats. But the wealthy do not see the world the same as people of more limited means. In 1996, in a fascinating opinion survey exercise, pollster Celinda Lake would document the difference.

Lake, a widely respected polling analyst, compared the political perspectives of two different random samples, one taken from the American voting public at large, the other compiled from the ranks of Americans who had given candidates at least $5,000 over the previous two and a half years. Half the large donors Lake surveyed were Republicans, half Democrats.[54] What did she find? The large donors Lake queried, by almost a two-to-one margin, agreed that "government spends too much, taxes too much and interferes too much in things better left to individuals and businesses." Only a third of the average voters surveyed shared that perspective. Most average voters, instead, told Lake they believed that "government is too concerned with what big corporations and wealthy special interests want, and does not do enough to help working families."[55]

Lake repeated her survey research four years later and found similarly stark contrasts on one issue after another. One case in point: funding Social Security.

Under current law, all Americans pay Social Security taxes at the same rate, up to a set cap that rises slightly each year. In 2001, all Americans paid a 7.65 percent Social Security payroll tax — the "FICA" deduction — on wages and salary up to $76,200. Those with income over $76,200 paid no Social Security tax on any of this income. In 2001, as a result, someone making $76,200 and someone making $762,000 paid the same exact $5,829.30 in Social Security tax. But the $5,829.30 amounted to 7.65 percent of the $76,200 person's annual salary and less than 1 percent of the $762,000 person's salary.

Before the 2000 election, Celinda Lake asked both of her sample groups, the ordinary voters and the $5,000 contributors, if they favored raising the salary cap on Social Security taxes. Solid majorities of the ordinary voters — a group including Democrats, Independents, and Republicans — agreed the cap should be lifted. Only 24 percent of these ordinary voters opposed raising the cap.

Among the $5,000 contributors, the numbers reversed. The majority of those with an opinion in this deep-pocket sample opposed lifting the cap.[56]

America's lawmakers have studiously followed the lead of these $5,000 contributors. They have avoided any talk of raising the Social Security salary cap. The cap-lifting notion, despite its popularity with rank-and-file voters, remains a non-issue.

In American politics today, on all issues, not just Social Security, our wealthy have come to enjoy almost magical powers. They can make ideas that average people find attractive disappear. In deeply unequal societies, wealthy people always wield these powers. Their regular, ongoing access to elected officials guarantees their world views a respectful hearing. Their distaste for populist approaches makes lawmakers think twice before even entertaining unconventional economic ideas. In time, if wealth concentrates enough, unequal societies become polities where only the world views of the wealthy receive any serious consideration at all. Representative government comes to represent only the rich.

In the United States, the world's most unequal rich nation, rich people would not be satisfied in the 1990s with elected officials who merely represented their interests. They would do their best to do away with the middleman — and represent their interests themselves. They would make remarkable progress.

ON NOVEMBER 8, 1994, Republicans had a very good day. For the first time in four decades, their candidates would gain simultaneous majority control of both the House and the Senate. Two months later, over eighty "freshmen" lawmakers, most of them Republicans, formally began their congressional careers. About a quarter of these newcomers shared a special bond. They were each worth at least $1 million.[57]

By the 2000 elections, six years later, Democrats had regrouped. The new century's first elections ended with Congress almost evenly split between Democrats and Republicans. The elections also ended with more millionaires in Congress. Of the candidates newly elected to Congress in 2000, one third held personal fortunes worth at least $1 million.[58]

Two years later, on Election Day 2002, neither Republicans or Democrats registered any substantial numerical gains. But millionaires did. They would make up, the Associated Press reported, "close to half the incoming members of Congress."[59]

Inside Congress, and outside Congress, American politics seems to be turning into a rich people's hobby. Rich people seem to be running for everything.

In Virginia, cell phone entrepreneur Mark Warner spent $10.5 million of his personal fortune in a losing 1996 Senate bid.[60] Five years later, Warner, a Democrat, emptied another $4.7 million from his wallet. That was enough, with some additional help from his friends, to make him governor.[61] That same year, in 2001, billionaire Michael Bloomberg, a Republican, spent $73.9 million from his own deep pockets to become mayor of New York. Bloomberg spent more on mailings, $16.6 million, than his opponent spent on his entire campaign. He spent more on his election night victory party, $45,000, than the average American family makes in a year.[62]

Not every deep-pocket candidate, over recent years, has ended up celebrating. In fact, healthy percentages of wealthy candidates have lost their election bids. In the 2000 elections, for instance, five of the nineteen candidates who spent more than $1 million of their own money to get elected fell short.[63] Some commentators see in these defeats reassuring proof that, at least in America, democracy still trumps dollars. Other observers of the American political scene beg to differ. Rich people's candidacies, they argue, are having an enormous impact on American politics, win or lose. They point, as just one example, to the 1994 California Senate race.

Into this Senate contest, Michael Huffington, the heir to an oil fortune, invested $28 million of his own considerable fortune, just two years after he spent $5 million to win election to the House of Representatives.[64] This time around Huffington's millions would not be enough, mainly because he came up against a candidate with some significant millions of her own. His opponent, Diane Feinstein, pushed $2.5 million of her family fortune into the race and spent about $14 million overall, enough to emerge triumphant.[65]

But Huffington, even in defeat, had an impact. His relentless barrage of TV ads defined the campaign's political thrust. Day after day, Huffington's ads blasted Feinstein for having voted for "the biggest tax increase in history."[66] Feinstein, in truth, had only voted for the modest tax hike on wealthy incomes that was part of the Clinton administration's 1993 deficit-reduction package. This tax increase had actually raised taxes on only 1 percent of California taxpayers. In her campaign, Feinstein would do her best to explain all this to voters. But she would never feel, despite her eventual victory, that she had truly overcome the tax-hiker stigma Huffington plastered on her.

"It hurt me the way they presented it," she would acknowledge.[67]

Feinstein, a Democrat, would not be hurt that way again. In 2001, the Democratic Party leadership in the Senate opposed the Bush administration proposal to cut total taxes on the wealthy far more than Clinton's 1993 measure had raised them. Feinstein voted for it.

The many millions that the Michael Huffingtons heave into their own campaigns don't just distort how the public perceives taxes and other issues. These millions also raise the overall campaign spending bar. They force other candidates to raise ever more money to stay competitive. Candidates who can't raise

these ever higher sums will not be taken seriously, no matter how qualified they may be.

Caleb Rossiter would learn this lesson in 1998, in his race against Amory Houghton, the richest man in Congress. Houghton, a billionaire heir to the Corning Glass fortune, had already won re-election to his upstate New York district five times, outspending his Democratic rivals $2 million to $14,000 in the process.[68] Rossiter, a native of Houghton's district and a respected, experienced advocate for progressive causes, had no trouble winning the Democratic nomination to challenge Houghton's sixth bid for re-election. No one else wanted the honor. But Rossiter felt Houghton might be vulnerable this time around. The billionaire, despite his "moderate" image, had voted to weaken clean-water standards and cut Medicare. If voters could be alerted to positions like these, Rossiter figured, Houghton might have a fight on his hands.

Sounding that alert, Rossiter understood, would take cash, at least "half a million dollars." Rossiter would go at the task of raising that cash with everything he had.

"I spent so much time on the phone trying to get that money that my ears hurt and my soul ached," he later would note.[69]

Rossiter would eventually raise a respectable $250,000, not nearly enough to match what Houghton had available to spend on TV. To try to offset his TV time deficit, Rossiter would devote nearly every waking hour to meeting voters directly. He walked precincts, stood at factory gates, marched in parades. But Rossiter would need more than shoe-leather. To have any shot at topping Houghton, he needed more dollars. The only possible significant source: national liberal advocacy groups.

Rossiter would go ahead and make his case to these national organizations. They would not find that case compelling. Hardly any national groups would give Rossiter any financial support. Giving Rossiter money, they figured, would be lunacy. Rossiter was running against a billionaire. What chance did he have? In the end, Rossiter would have no chance at all. On Election Day, he would be demolished, by 68 to 25 percent.

The liberal political realists in Washington, with Rossiter's defeat, had their judgments more than amply confirmed. They had been right not to waste any of their scarce resources on Rossiter's doomed campaign. They had been, in the rational accounting of modern American politics, absolutely right to dismiss his candidacy. But the absolute rationality of their decision, on another level, merely demonstrated just how irrational American politics had become. Caleb Rossiter sported a distinguished career in unselfish public service. He exuded intelligence and dedication, compassion and commitment. All he lacked was a fortune. To insiders, that made Rossiter a joke, a hapless Don Quixote.

In 1999, a year after Caleb Rossiter's dismal race, journalists found Washington's political insiders hard at work getting ready for the 2000 elections, all doing their best, once again, to win — with wealth. "Both parties,"

reported analyst Robert Dreyfuss, "are busily recruiting superwealthy candidates who can either self-finance their runs or call on personal networks of rich donors."[70] In Nevada, he added, the likely GOP candidate for Senate would be former Congressman John Ensign, the son of the Circus Circus casino empire. In New Jersey, the Democratic Party's Senate nod seemed to be going to Jon Corzine, a Wall Street executive worth $300 million.

"The two candidates," Dreyfuss reported, "have scared off credible opponents."[71]

On Election Day 2000, both Ensign and Corzine would win.

Not everybody in the two winning parties, the Nevada Republicans and the New Jersey Democrats, felt like celebrating. Some party stalwarts, like Richard Sooy, a New Jersey podiatrist, felt a bad taste in their mouths. Sooy, the previous spring, had been a candidate himself, for a local office. A Corzine ally had offered him up to $50,000 for his campaign — in return for giving Corzine an endorsement in the Senate primary. Corzine would go on to spend more than $60 million, from his own fortune, to win election.[72]

"I'm not a historian," Richard Sooy the podiatrist would later note, "but I don't believe Thomas Jefferson meant for it to be like this."[73]

EARLY IN 2001, about the same time John Ensign and Jon Corzine were taking their oaths to serve in the Senate, a smiling George W. Bush was holding his first cabinet meeting. The new President, a multimillionaire, looked around the table and beheld a truly remarkable sight: a cabinet as close to all-millionaire as a cabinet could be.

Of the eighteen men and women on the new Bush administration cabinet, seventeen held personal fortunes worth at least seven digits. Seven of these each held, in net worth, at least $10 million. The lone non-millionaire, Secretary of Agriculture Ann Veneman, could lay claim to only $680,000.[74]

In the George W. Bush White House, even staffers would have bulging bankrolls. The President's top political adviser, Karl Rove, came into the West Wing with stock holdings alone worth $1.5 million.[75] Impressive. Almost as impressive as some of the incomes made and fortunes held by White House staffers in the Clinton administration. Robert Rubin, Clinton's top economics adviser and later his treasury secretary, earned $26.5 million from his Wall Street firm the year before he joined the White House staff. Franklin Raines, a Clinton pick to head the Office of Management and Budget, earned $12.8 million his last year before joining the Clinton team. Erskine Bowles, who would later become a Clinton chief of staff, came into his White House responsibilities with a personal net worth somewhere between $30 and $60 million.[76]

In modern America, administrations might come and go. Extremely rich people, apparently, would never be far from the action.

And not just in the White House — or Congress. By century's end, America's most affluent had hit the trifecta. They made laws as members of

Congress, they implemented laws from the crowning heights of the executive branch, and they sat in solemn judgment on the laws as justices of our nation's highest court. In 2000, six of America's nine Supreme Court justices held net worths comfortably over $1 million. The financial disclosure form of a seventh, Chief Justice William Rehnquist, left his millionaire status a bit unclear. Rehnquist's filing would note only that he held assets worth somewhere between $525,000 and $1.3 million.[77]

All this wealth troubled some observers. Public officials of great wealth, these observers noted, stood to benefit enormously from the decisions they would be called upon to make in public office. During the 2001 debate over the estate tax, for instance, opponents of estate tax repeal noticed that Bush administration officials pumping for repeal had somewhat of a personal stake in the matter. Repeal of the nation's only tax on the fortunes rich people leave behind at death, critics noted, would save the heirs of Vice President Cheney up to $40 million, the heirs of Treasury Secretary Paul O'Neill up to $50.7 million, and the heirs of Defense Secretary Donald Rumsfeld up to $120 million.[78]

President George W. Bush could, presumably, approach the estate tax question with a more open mind. His heirs only stood to save as much as $9.9 million if the estate tax were repealed.[79]

This sort of cynical conjecture and innuendo, America's most fortunate and their friends believe, totally misses the point. Rich people, they assert, actually improve our democracy when they give of their precious time to serve in public office. Rich people, their champions explain, "cannot be bought." They are, after all, rich already.

This argument often impresses listeners, particularly in locales where headlines about endless kickback and influence-peddling scandals have soured voters on ordinary office-holders of limited means. But simple corruption, in fact, poses *no* fundamental threat to our democracy. Kickbacks can be prosecuted. Bribe-takers can be unveiled. Democratic governments can and do eventually catch up with pols on the take.

Democracy cannot so easily survive the far more significant threat that great wealth poses. Real democracy thrives only where free and open debate engages people's imaginations, only where old ideas are regularly challenged, only where new ideas are always welcome. The presence of great wealth in politics, the domination of great wealth over our political life, endangers this debate.

"Money doesn't just talk in politics," as political analyst William Greider explains, "it also silences."[80]

Our major political parties today, to compete effectively, must either enlist wealthy people as their candidates or enlist the wealth of wealthy people on behalf of candidates the wealthy find credible. In this political environment, ideas that might discomfort great wealth are "effectively vetoed even before the public can hear about them."[81] Those who pay the freight for politics come to define the issues that politics addresses.[82]

These freight-payers, should their definitions be challenged, turn apoplectic.

"This isn't an issue that should even be on the political agenda today," Nike billionaire Phil Knight fumed after critics attacked the sweatshops that manufactured his company's sport shoes. "It's a sound bite of globalization."[83]

Knight would have his way. In the 1990s, the ongoing scandal of sweatshop labor would receive nothing more than sound-bite attention from America's political class.

But Knight and his friends would score a much greater political triumph in the closing years of the twentieth century. They would keep off America's political radar screen an even greater scandal than the reemergence of sweatshops. They would keep off America's radar screen the scandal of rising inequality, the greatest and most rapid redistribution of wealth — from bottom to top — that the United States had ever seen.

"Inequality is at levels not witnessed since before the Great Depression," as analysts Robert Borosage and Ruy Teixeira would point out midway through the 1990s. "Yet neither political party has a coherent argument or agenda to deal with this fundamental dynamic."[84]

The nation's two major parties, throughout the 1980s and 1990s, would treat the widening gap between America's rich and everyone else as a non-issue. Several thoughtful observers figured that top American political leaders would have to ditch, at some point, this see-no-evil attitude. Gaps in income and wealth, these observers believed, were simply growing too wide to be disregarded.

"Sooner or later this country's politics will get back to the core issue: economic inequality," William Greider noted in 1995. "I hope this happens in my lifetime. Actually, I think the subject is bearing down on the politicians faster than they imagine."[85]

"Eventually," agreed commentator Mark Shields in 1997, "public attention must turn to the widening gap in income between those at the very top and everyone else."[86]

But mainstream American politics would never turn to the widening gap, never consider how that gap was impacting America, never contemplate steps that might slow, or, heaven forbid, even reverse America's growing economic divide. America's political leaders would simply never raise any questions about inequality, at least never raise them loud enough for Americans to hear.

Why this reluctance? Big Money, critics charged, had "metastasized" throughout the American body politic.[87] In this sick body, noted physicist Barry Casper, a former policy adviser to Senator Paul Wellstone, democracy was dying.

"We now have a political system in which a public policy proposal can have enormous popular support and the potential to garner an electoral majority," Casper explained, "but it may not even get a fair hearing, much less a vote, in the Congress or anything approaching adequate coverage in the media."[88]

Can America's body politic be revived? Many activists feel they have the medicine that can do the trick. They call their medicine campaign finance reform.

IN A DEMOCRACY, THE PEOPLE RULE. They rule, most basically, by deciding who gets elected to office. In the United States, by century's end, Big Money seemed to be deciding elections, not the people. How could the people regain control? Get tough on Big Money, came the answer from reformers. Shove Big Money out of America's election process.

In the 1990s, public interest activists would work indefatigably to get this message across to the American people. They would finally score, in 2002, a landmark victory when a reluctant George W. Bush signed into law campaign finance reform legislation co-sponsored by his arch Republican rival, Arizona Senator John McCain, and Wisconsin Democrat Russell Feingold. Only once before in American history, back in 1974, had Congress ever attempted such a comprehensive election campaign reform.

The original reformers, lawmakers sickened by the Watergate scandals, figured they had covered all the bases with their 1974 legislation. They had limited contributions. Individuals, under the new reform law, could give no more than $2,000 within a single election cycle, political action committees no more than $10,000. They had also limited expenditures. Their legislation capped how much candidates and their supporters could spend on their campaigns. Big Money, the reformers felt confident, had been checked.

But not checkmated. The new 1974 law would quickly start to unravel.

The Supreme Court took the first hard yank. In 1976, the High Court would rule that the caps on campaign spending in the 1974 reform violated the First Amendment right to free speech. Candidates, the court ruled in this *Buckley* decision, could not be prevented from spending their own money on their own behalf. Nor could supporters of a candidate be prevented from spending whatever they wanted to spend. Any spending limits, the Court determined, would have to be optional to pass constitutional muster.[89]

Candidates and political parties, in the wake of *Buckley*, could now *spend* however much they wanted. But wealthy donors still couldn't *give* whatever they wanted directly to candidates. The contribution limits set by the 1974 reform legislation still remained legally in place. Legally, perhaps, but not practically. By law, political parties could not accept unlimited contributions for campaigns on behalf of specific candidates. But they could accept unlimited "party-building" contributions to strengthen their infrastructure. These contributions, known as "soft money" because they skirted the "hard" $2,000 contribution limit, would soon start soaring. In 1980, at the onset of the "soft money" era, Republicans raised $15 million in soft cash, the Democrats $4 million. Two decades later, in 2000, Republicans and Democrats together raised nearly half a billion dollars, $487 million to be exact, from soft money contributions.[90] More than 90 percent of these dollars, Georgia Rep. John Lewis would note, "came from corporations and wealthy individuals whose interests are often at odds with those of average Americans."[91]

Big Money would find other loopholes to exploit as well. After the 1974 election reforms, wealthy individuals could legally fork only $2,000, per elec-

tion cycle, to a specific candidate. But corporations could "invite" their executives to "max" out to the $2,000 limit and then "bundle" the resulting checks off to the candidates of their choice.

Corporate special interests and wealthy individuals could also, under the law, finance as many election-oriented TV ads as they wanted, so long as these ads were produced independently of any specific candidate's campaign. This "independent expenditure" loophole, coupled with "soft money" and bundled contributions, would create a new political environment that corporate America quickly came to dominate. In the 1998 election cycle, business interests would outspend labor interests by eleven to one. In just the first year and a half of the 2000 election cycle, business would outspend labor by sixteen to one — and overwhelm environmental groups by even wider margins.[92]

The reform legislation of 1974 had, in essence, failed miserably. Big Money dominated American politics as powerfully as ever. McCain-Feingold, the reform enacted in 2002 to fix the reform enacted in 1974, set out to limit that domination. Soft money contributions to national parties, under McCain-Feingold, would be illegal. Interest groups would not be allowed to flood the airways with TV spots in the weeks right before elections. Disclosure requirements would be tougher. A new era.

"The political landscape," announced a proud Senator Carl Levin from Michigan, "will be filled with more people and less influence, more contributors and smaller contributions, more democracy and less elitism."[93]

"This will be a landmark piece of legislation that I think will be written about in the history books for years to come," added Senate Majority Leader Thomas A. Daschle.[94]

But other observers worried that Congress was just repeating history, not making it. McCain-Feingold, they argued, would not pass what some fair election advocates called the "Fannie Lou Hamer standard." Fannie Lou Hamer had been a civil rights hero, the leader of the struggle that challenged Mississippi's all-white delegation at the 1964 Democratic National Convention. Any campaign finance reform, skeptics about McCain-Feingold argued, would have to make the political system fairer for people like Fannie Lou Hamer — "a poor woman, a person of color, a stranger in the halls of power" — to be considered an important step toward.[95]

McCain-Feingold, these activists believed, did not make America fairer for today's Fannie Lou Hamers, mainly because backers of the legislation, to win passage, had agreed to double the amount of "hard" money wealthy donors can give directly to candidates. In the 2000 federal elections, critics of McCain-Feingold pointed out, soft money contributions had accounted for about a third of all the money spent. The rest came from hard money. If wealthy contributors doubled their hard money contributions in 2004, to max out at the new limit, they would be able to flood the political process with more money than flooded the process in 2000, even with the ban on soft money.

"In short," noted one public interest group, "there will be more money spent after McCain-Feingold than ever before, only now politicians will claim this is OK since it's all hard money."[96]

The ban on soft money, other activists noted, wasn't likely to work particularly well either.[97] The "soft" dollars that had been going to the national parties, they predicted, would simply start going instead to state parties, to more independent expenditures, or to non-party entities known, by their tax code loophole, as "527 committees."[98]

Senators McCain and Feingold, to their credit, had never claimed that their legislation would "solve" the Big Money challenge. Party strategists, McCain had acknowledged, would be hard at work "trying to figure out loopholes" as soon as the bill became law.[99] McCain-Feingold, agreed Russell Feingold after the bill's passage, would have just a "modest impact." Only the "public financing" of election campaigns, he noted, could ever prevent candidates from having to rely on wealthy Americans.[100]

Growing numbers of activist reformers agreed with Feingold's perception. Proposals for publicly financing election campaigns would mushroom in the late 1990s. Two states, Maine and Arizona, would actually enact and implement "Clean Money" public financing systems in time for their 2000 state elections.

In the Maine system, candidates who opt for public financing must agree to limit their spending and not accept private contributions. To qualify for public support, candidates must initially collect a specified number of $5 contributions from voters. If a "Clean Money" candidate's opponent chooses not to seek public financing, to avoid having to abide by spending limits, the Clean Money candidate can receive extra public financing.[101] Arizona's public financing works in a similar fashion.

Both laws are so far proving popular, with more candidates running "clean" in each successive election. And cleanly elected lawmakers in both states say they feel they can legislate without having to kow-tow to special interest lobbyists.

"It is too soon to say that money no longer talks in either state capitol," one observer noted in 2001, "but it clearly doesn't swagger as much."[102]

Is "Clean Money" the antidote to Big Money that American democracy needs? Can public financing of elections offset the advantages that concentrated wealth carries onto the political playing field? Like Senators McCain and Feingold, interestingly, the nation's top Clean Money advocates have never described their reform as a solution that will "solve" America's Big Money problem once and for all. Clean Money systems, these advocates understand, have yet to secure anything close to a solid foothold. Even in Maine, they point out, the public financing dollars available for statewide candidates aren't enough to run a competitive race against opponents who opt not to run "clean."[103]

But Clean Money public financing, even if more adequately funded, would still not level the political playing field. Indeed, note thoughtful reformers, the political playing field will never be level so long as some players — by dint of

their bankrolls — remain far bigger and stronger than every other player on the field. In a deeply unequal America, we can change the rules that determine how political campaigns are run. But we cannot prevent the very rich from using their grand fortunes to distort how candidates — and the public — think about political issues.

IN 2002, ACCORDING TO THE ANNUAL GALLUP POLL on education, 3 percent of America's public school parents felt their local public schools were failing.[104] That figure may have surprised casual observers of American politics. Over the previous two decades, after all, the debate over what we ought to do about "failing public schools" had almost completely dominated America's political discourse on education.

In that discourse, most grassroots American educators shared a common perspective. To fix failing schools, they believed, you start with qualified teachers. You give these teachers small classes so they can give students individual attention. You give them supportive principals, time to plan lessons and collaborate with colleagues, and an opportunity to impact the decisions that affect learning. And you recognize parents for what they are, a child's first teachers, and treat them with respect. Do all this, grassroots educators believed, and "failing" schools will significantly improve.

These prescriptions, of course, raise countless questions. Just how small do classes have to be? How can schools effectively attract and retain quality teachers? What can schools do to help time-squeezed parents become involved in their children's education? To improve education, questions like these need to be thoughtfully discussed and debated. Throughout the 1990s and into the new century, unfortunately, America's mainstream political debate would give these sorts of questions little attention. Instead, in state after state, lawmakers and voters would find themselves preoccupied with an entirely different proposition, the notion that public schools can best be improved by giving parents taxpayer dollars, or "vouchers," to send their children to private schools.

Where did this voucher notion come from? Not from teachers or principals. Not from educational researchers. Not even from dissatisfied parents. None of these groups shoved vouchers into the political limelight. The shove would come instead from the upper reaches of America's economic firmament, from some of America's deepest pockets.

These zealously wealthy individuals came to the debate over education with an ax to grind. Public education, by its very existence, violated their sense of free-market decency. Public schools, as Wall Street financier Theodore Forstmann put it, were merely "monopolies" that "produce bad products at high prices."[105]

Over the course of the boom years, wealthy ideologues like Forstmann would pay any price necessary to thrust an alternate vision of education onto America's political agenda. Public tax dollars, they argued, should not subsidize "monopolies." Parents should be able to "choose" where they send their chil-

dren to school. They should be able to spend public tax dollars to pay private school tuition.

No single individual would do more to advance this notion of taxpayer-subsidized vouchers for private school tuition than billionaire John Walton, heir to the Wal-Mart fortune. Walton would pump $250,000 into the 1993 ballot initiative that would have, if passed, created a voucher system in California.[106] That measure didn't pass. California voters drubbed it, by 70 to 30 percent.[107] Walton would not be deterred. He pumped still more of his fortune into a 1998 Colorado initiative that would have let parents take a tax deduction for private school tuition.[108] Voters drubbed that idea, too, 76 to 33 percent.[109]

But billionaires seldom have to take "no" for an answer. Two years later, Walton shipped still more dollars to Michigan, where Dick DeVos, son of Amway co-founder Richard DeVos, was trying to get voters to buy his version of Walton's California voucher plan.[110] Voters still weren't buying. They rejected vouchers by 69 to 31 percent.[111]

Walton and Wall Street's Ted Forstmann, even before the Michigan vote, had realized that they needed to do more than wage referendum campaigns to gain public support for vouchers. In 1998, Walton and Forstmann would each invest $50 million from their own personal fortunes to underwrite private school tuition for kids from low-income families.[112] The goal: to gin up a demand, among poor people, for publicly financed vouchers for private schools.

This new effort would not make the impact Walton and Forstmann hoped. Veteran advocates for inner city parents refused to be bought. In 1998, the NAACP would go on record against all voucher-type initiatives.[113] In 2000, NAACP activists in California helped defeat still another statewide voucher initiative, this one bankrolled by Silicon Valley venture capitalist Timothy Draper, who had spent $2 million to put vouchers on the statewide ballot.[114] Voters would crush Draper's initiative, 71 to 29 percent.[115]

No matter. Deep-pocket voucher proponents would keep up the pressure, out of their own wallets and out of the budgets of the foundations they controlled. The $2 million seed money for the first national group promoting vouchers would come from the Walton Family Foundation, the "philanthropic" arm of the Wal-Mart fortune. Out of other foundations would come subsidies for think tanks and special university centers that churned out an endless stream of voucher-boosting reports and press releases.

By 2002, Walton and his wealthy friends had little to show, by some measures, for their decade of effort. Voters had repeatedly rejected vouchers, by wide margins, in every voucher referendum. In only two states, Florida and Colorado, and two cities, Milwaukee and Cleveland, had lawmakers voted to establish voucher programs — and only on a limited basis. But by other measures, perhaps more significant measures, the wealthy champions of private school vouchers had achieved considerable success. Their legal teams had scored, in June 2002, a major victory when the U.S. Supreme Court ruled that taxpayer-funded vouchers for religious school tuition do not violate the

Constitution. Their unrelenting referendum campaigns, though all losers, had drained millions of dollars and thousands of volunteer hours from groups supporting public education. And their ad campaigns — the biggest a $20 million blitz announced by Ted Forstmann in 2000 — had begun to soften up the opposition to vouchers in public opinion polls.[116] The wealthy zealots opposed to public education, in a sense, had succeeded. They had redefined America's political debate on education, altered America's political climate.

The climate change that men like John Walton engineered on education would not be unique. Over the closing decades of the twentieth century, America's wealthy would significantly transform America's political climate on issue after issue.

Social Security, for instance, used to be known as the "third rail" of American politics. No politician would dare suggest meddling with the basic inner workings of America's most popular social program. But Wall Street, by the 1990s, had come to see a reason to meddle. If Social Security could be "privatized," if dollars withheld for Social Security could be diverted into stocks, bonds, and mutual funds, Wall Street would have the ultimate cash cow. If just 2 percent of the dollars withheld for Social Security were instead invested in Wall Street securities, the resulting fees and commissions for Wall Street banks and brokerage houses would total $10 billion a year.[117]

Wall Street-subsidized think tanks would spend the closing years of the twentieth century convening conferences and churning out reports that sang the glories of privatizing Social Security.[118] The steady drumbeat of their underlying message — you can't count on Social Security — would eventually convince large majorities of American young people they would never live to see a Social Security check. In fact, Social Security faced no debilitating crisis. The system, independent experts agreed, "could operate without any changes at all — no cuts in benefits, no additional revenue — until 2041."[119] And the system would face virtually no shortfall at all, even then, other analysts pointed out, if the bottom two-thirds of Americans "had the same share of national income in 1998 that they had in 1978."[120] Rising inequality, these analysts noted, meant fewer dollars for the Social Security trust fund, since high income above the Social Security salary cap weren't subject to any Social Security payroll tax.

These facts would not matter much in the public debate over Social Security, not when the movers and shakers behind the push to privatize Social Security had tens of millions of dollars available for spreading Social Security doom and gloom. Their privatizing push would seem, by century's end, unstoppable. Even Clinton administration operatives started hinting about compromises that would start funneling Social Security tax dollars into Wall Street's outrageously eager clutches. These compromises, in the end, would not be struck. The sudden burst of the stock market bubble, starting in 2000, would shunt privatization off the immediate political agenda.

But the privatizers, observers figured, would be back in force. And they would likely dominate the political debate over Social Security once again, even

if rigorous campaign financing reforms became the law of the land.[121] In an America top heavy with concentrated wealth, even with Clean Money-type reforms in place, think tanks subsidized by wealthy ideologues would still be pumping out white papers.[122] Top corporations would still be offering plum positions for ambitious political leaders with careers in temporary holding patterns. And, perhaps most significantly of all, America's media empires would still be making celebrities out of flacks for the wealthy's pet causes.

"FREEDOM OF THE PRESS," the irreverent journalist A. J. Liebling once quipped, "is guaranteed only to those who own one."

A half century ago, few Americans affluent enough to own a press actually owned only one. America's newspapers and magazines, and television and radio stations as well, would belong for the most part to ownerships of multiple media properties. Still, throughout the 1950s and 1960s, independent media voices could and did arise. Journalism, for most of the twentieth century, would always sport at least some owners who considered their media properties a sacred public trust. These owners would take seriously their responsibility to keep Americans informed and alert. Not all, or even most, owners would feel that sense of responsibility. But that didn't matter. Widespread competition between media ownership groups tended to keep individual media outlets honest — or at least give readers and viewers someplace else to go if they weren't.

By century's end, that had all changed. In the early 1980s, media critic Ben Bagdikian had counted about fifty different owners of major media outlets. Twenty years later, merger mania had left only six different ownerships in control of America's most important sources of information.[123] The media had become just another business, and a lucrative one at that. Newspapers, by century's end, regularly averaged profit rates that doubled the *Fortune* 500 average.[124] Top media executives could stand tall in any executive gathering. In 2000, for instance, Gannett CEO John J. Curley took home $9.4 million in compensation and held, on top of that, $112.3 million in unexercised stock options.[125]

Within America's media empires, as in the rest of corporate America, steady doses of downsizing would help keep Wall Street happy and stock prices up. These downsizings would exact a steep price journalistically. In understaffed newsrooms, harried reporters now had little time to do their own digging.[126] The "news," not surprisingly, would lose bite. Across the country, again not surprisingly, ratings for traditional "news" would sink. But these low ratings would engender no soul-searching among media executives. They simply devoted their news programs and pages to non-newsy filler and fluff. Out would go coverage of ongoing political debate. In would come the latest on murder and mayhem. If it bleeds, "news" executives exulted, it leads.

Democracy, America's founders had believed, cannot prosper without free and open public debate. Only a free press could keep a free people free. America's media barons, by century's end, hardly bothered to even pay lip service to this noble ideal. They would feel accountable only to their quarterly bot-

tom line. Not a good situation. But things, some American media critics noted, could be worse journalistically. We could be in Italy.

Italy, by century's end, boasted the Information Age's ultimate plutocrat, a billionaire who had become as familiar as family to every Italian. This media magnate, Silvio Berlusconi, had built a colossal media empire by conniving with politicians to win special favors — and then gone into politics, at least partly to keep prosecutors from nailing him for the favors. Berlusconi carried a host of overwhelming advantages into Italy's political arena. He owned Italy's three biggest private TV networks, its biggest publishing conglomerate, its biggest newsmagazine, two nationally circulated daily newspapers, not to mention Italy's biggest investment firm and most popular sports team.[127] His total fortune would reach, at one point, $12.8 billion, enough to place him fourteenth on the 2000 *Forbes* wealthiest people in the world list.[128]

Berlusconi's national TV networks would give him, in any election campaign, a virtually unbeatable advantage.

"This is the only country in the world," one of Berlusconi's political foes would note in 1999, "where the political parties must pay their political adversary in order to run an election campaign."[129]

In 1994, Berlusconi would be elected Italy's prime minister. He would prove a flop his first time around Italy's political track. But he would be back. In May 2001, Italian voters went to the polls and once again elected Silvio Berlusconi, their nation's richest citizen, to their most powerful office.[130]

CAN A DEMOCRATIC SOCIETY, WITHOUT VIOLATING the basic freedoms a democracy is supposed to hold dear, limit the influence of someone as wealthy and powerful as a Silvio Berlusconi? Several political commentators would find themselves, by the 1990s, grappling with this perplexing question. The *Washington Post*'s David Broder, the dean of America's political commentators, would end his grapple by concluding that "it is damnably difficult to devise a system that will effectively reduce the role of money in politics and still not trample on constitutional rights to express political views."[131]

Damnably difficult indeed. A democratic nation can, quite legitimately, prohibit one person from owning multiple media networks. But a free nation cannot deny a rich person the right to endow a school of journalism — and shape the minds of a generation of journalists. A democracy can choose to limit campaign contributions and still remain a democracy. But a free society cannot prevent multimillionaires from winning friends and influencing people by making generous donations to their favorite charitable causes.[132] A nation committed to free and open debate can regulate TV political advertising, to prevent one side from monopolizing the limited resource of pre-election air-time. But a free society cannot stop rich people from bankrolling think tanks that drown the public debate in misinformation.

In an unequal society, a society dominated by concentrated wealth, democracy will always be "damnably difficult." And we will make no progress toward

overcoming these difficulties, the British political scientist Harold Laski argued years ago, until we recognize that the primary problem in a deeply unequal democracy isn't the influence we allow the wealthy to bring to bear on our politics. The primary problem is concentrated wealth itself, the huge gap between the wealthy and everyone else.

"A State divided into a small number of rich and a large number of poor," as Laski noted in 1930, "will always develop a government manipulated by the rich to protect the amenities represented by their property."[133]

To practice democracy, to realize democracy, we need to narrow inequality. That does not mean abandoning efforts to change the political rules. Serious rule-changing efforts, like the continuing Clean Money campaign, *can* throw the armies of great wealth off balance — and, in the process, create political space for working to narrow the inequality that stains our nation. But Americans today are so turned off to politics that campaigns for election reform, in and of themselves, are unlikely to rally the public support necessary to change the political rules significantly. After all, if you believe politics doesn't matter, then why bother to change the political rules?

Generations ago, at several different points in American history, Americans did have a reason for caring about politics. They saw political life as an opportunity to cut the overbearing wealthy down to democratic size and improve the lives of America's vast, non-wealthy majority. If those times ever came again, so would the public support needed to enact real reform in the political rules of the game. Americans would then see a reason for fighting for political reforms that put people before corporate special interests.

In other words, argues analyst Robert Dreyfuss, if we want to see real political reform, we need to refocus America's political debate on the class wars that only the rich are winning. This notion that we need to take on America's wealthy corporate elite, Dreyfuss acknowledges, does not particularly interest mainstream political leaders, "or even some foundations that support campaign finance reform." These foundations would "rather see reform that tinkers with the system, preserving the power of the affluent while smoothing out some of the system's rough edges."[134]

Democracy, these tinkerers assume, can survive amid rampant inequality. But no historical evidence, notes economist Lester Thurow, supports that assumption. Some deeply unequal societies, he points out, have indeed survived for centuries. But none of these societies, not "ancient Egypt, imperial Rome, classical China, the Incas, the Aztecs," ever "believed in equality in any sense — not theoretically, not politically, not socially, not economically."[135]

"Democracies have a problem with rising economic inequality precisely because they believe in political equality," Thurow explains. "No one has ever tried survival-of-the-fittest capitalism for any extended period in a modern democracy, so we don't know how far rising inequality and falling wages can go before something snaps."

And what may snap may well be our democracy.

NO NATION, OBSERVERS LIKE LESTER THUROW SUGGEST, can over the long haul remain both deeply unequal and deeply democratic. Severe inequality and meaningful democracy cannot coexist. But why? The answers may lie in Latin America. Democratic aspirations and deeply unequal economic realities have commingled longer in Latin America than anywhere else in the world.

Great wealth, political thinkers in Latin America have noted, always privileges politically those who hold it. Democracy presupposes legal equality — we're all equal under the law — but wealth makes the wealthy substantially more equal. Carlos Vilas, a political theorist from Argentina, asks us to consider Carlos Slim, Mexico's wealthiest single individual. Slim's holdings have included the controlling interest in Mexico's biggest telephone company, largest bank, and most profitable financial services corporation.

"Are Slim's political power and efficacy restricted to just the ballot he casts every two or three years?" Vilas asks. "Hardly."[136]

But inequality, Vilas argues, creates a danger to democracy that goes far deeper than power imbalances. Democracies, he points out, require citizens. And inequality, most poisonously of all, undermines citizenship.

To be a citizen, in any democratic sense, an individual must have autonomy. You must be free to speak your own mind. Most all nations that call themselves democracies have written the right to speak freely into their basic constitutions. But this right, on paper, does not guarantee an individual the autonomy necessary to speak freely. People who fear losing their jobs should they speak what they see to be truth do not feel autonomous — or free. They feel dependent, on others.

To feel autonomous, and free, individuals must enjoy at least a basic level of economic security. Economic security, in turn, requires certain limits on the behavior of a society's most powerful economic players. If employers are able to threaten to pull up stakes and move elsewhere unless their current communities deliver the subsidies the employers seek, individuals in these communities will not feel autonomous and not behave freely. The decisions they make will be made under duress, not in the democratic spirit of free and open debate. The more inequality, the more duress. The more that wealth concentrates, the more dependent those without it become on those who have it. In the most severely unequal societies, these dependencies force people without wealth onto their knees, turn them into submissive clients looking for powerful patrons.

"Patron-client relations of domination and subordination," notes Carlos Vilas, "tend to substitute for relations among equals."

In environments like this, the most dominated, the most deprived, come to believe that only the most powerful of patrons can guarantee their security. Vilas notes one example among many from Latin American history: In Peru's 1995 presidential election, the vast majority of Peru's poorest people voted for Alberto Fujimori, a power-hungry strongman bitterly opposed by the Andean nation's democratic political parties and trade unions.

In societies deeply split by income and wealth, people also become less and less able to visualize life on the opposite side of the economic divide. People at the bottom increasingly identify only with kith and kin, their own narrow religious or ethnic group, not with any broader community. People at the top, meanwhile, increasingly pledge allegiance to the corporate entities that provide them wealth, not the society they share with their less fortunate neighbors. Amid these social dynamics, all sense of "shared belonging" to a single common society tends to fade. Democracy, to thrive, needs this sense of shared belonging, the conviction that you and your adversary, however much you disagree, share some elemental basic interests. In severely unequal societies, few feel these common interests. Democracy withers.

Historically, Carlos Vilas observes, Latin America's two most consistently democratic nations — Uruguay and Costa Rica — have also been Latin America's two most equal nations. Contemporary public opinion surveys, he adds, show "the greatest preference for democracy" in these two countries "and the greatest tolerance for authoritarian rule in Brazil, Guatemala, Paraguay and Ecuador, where wealth is concentrated in the hands of a small percentage of the population."[137]

In the United States, our level of inequality has not yet reached Guatemalan levels. But our inequality is already encouraging the same anti-democratic habits of mind scholars like Carlos Vilas have identified and explored in Latin America. In the United States, as in deeply unequal nations elsewhere, the wealthy become accustomed to getting their own way. These wealthy can buy, outside of politics, everything they want. Why, they wonder, can't they buy what they want in politics?

Sometimes, if wealthy enough, they can.

In 1997, Microsoft co-founder Paul Allen, already the owner of the Portland Trailblazers pro basketball franchise, expressed an interest in purchasing Seattle's pro football team, the Seahawks. But billionaire Allen wanted some help from taxpayers — and insisted on a new stadium and a host of other revenue-producing enhancements. To help state lawmakers see the wisdom of providing this help, Allen would spend $1 million on lobbyists. The lobbyists would do their job well. They convinced lawmakers to hand Allen $300 million in state subsidies and another $300 million to cover interest and finance charges for a new stadium. Taxpayers, under the deal the lawmakers signed off on, would pick up almost all of the tab.[138]

But the deal, under Washington State law, would have to be approved by taxpayers before any dollars could change hands, and this requirement left Allen and his lobbyists more than a little apprehensive. They feared that voters would reject the deal they had brokered if the deal's opponents had until the next Election Day in November to mobilize. The solution? Allen's lobbyists wrote into the stadium subsidy package a provision calling for an early special election five months before the normal Election Day. That unusual timing, they figured, would keep turnout low and deny opponents the time they need-

ed to organize. The lobbyists would turn out to be right. Allen would win his new stadium.

"Microsoft millions," one computer industry trade journal would later note, had turned "a state into a banana republic where election laws can be altered to suit one person's interests."[139]

Not all wealthy people, of course, behave so selfishly self-centered in the political arena. Phenomenally wealthy people do sometimes take actions and positions that actually place the public interest first. Cable TV impresario Ted Turner would perform, for instance, a series of highly publicized good deeds over the course of the boom years. In 1997, after what he called "a spur of the moment decision," he decided to donate $1 billion to the United Nations over the next ten years.[140]

"The federal government, the state government, the municipal government — they're all broke," Turner had noted the year before. "All the money is in the hands of these few rich people and none of them give any money away. It's dangerous for them and for the country."[141]

Other supremely rich people felt similarly. Billionaire currency trader George Soros spent the 1990s underwriting democracy-building projects. Jon Corzine, the Wall Street multimillionaire New Jersey voters elected to the Senate in 2000, would speak out strongly as senator against the repeal of the estate tax, America's only tax levy on concentrated wealth. In this effort to save the estate tax, he would join with Bill Gates Sr., the father of the wealthiest man in the world. Gates Sr. would emerge, in 2001, as America's most visible public advocate for taxing accumulated fortunes.

Could wealthy people actually be good for democracy? To anyone watching wealthy people like Turner and Corzine and Gates Sr. in action, that almost seemed to be the case. Here were truly "autonomous" people making decisions, taking stands, as public-spirited as anyone could ask. What could be wrong with that?

In a democracy, a great deal.

Democracy is about we the people making decisions, not about hoping that people of great wealth and power do the right thing. Bill Gates Sr. and the other wealthy people who joined his call to save the estate tax do most certainly deserve the thanks of all people who care about fairness. Without their intervention, in the winter of 2001, a permanent repeal of the estate tax would have sailed through Congress. But the powerful impact that fairness-minded wealthy people made on the estate tax debate dramatizes exactly what's wrong with our democracy, not what's right. Lawmakers paid no attention to the case against estate tax repeal until several rich people started making it. America's media considered estate tax repeal a boring done deal until the daddy of the world's richest man raised his voice in protest.

In America, wealthy people make things happen, or stop things from happening, as the case may be. That's plutocracy, not democracy. Plutocracy can

sometimes deliver up a result average people value. But so can monarchy. We the people of the United States made a choice, a long time ago, to practice democracy. We have practiced democracy for over two hundred years. Maybe someday we'll get it right. But that day will never come, the evidence suggests, until we have a less, a significantly less, unequal nation.

BUT YET, SOME MIGHT OBJECT, what about America's foundations? Our nation currently hosts hundreds of forward-thinking foundations, each one originally endowed by a rich person's grand fortune. These foundations are funding innovative approaches to public policy problems. They are nurturing cutting-edge ideas and initiatives that our lawmakers seem much too timid to explore. We wouldn't have these foundations if we didn't have wealth that had concentrated at some point in the past. If we took steps as a society to prevent the concentration of wealth in the future, wouldn't we be throwing out the baby with the bath water? Wouldn't we be undermining our common good if we discouraged the concentrations of wealth that bankroll foundation endowments?

We could note, in response, that foundations are as likely to subvert as promote the public good. Foundations founded by wealthy right-wing ideologues do regularly — and massively — bankroll initiatives that serve only to advance special, not common, interests. But the problem with treating foundations as a reason for tolerating, or even welcoming concentrations of wealth, goes far beyond the machinations of right-wing zealots. Foundations, the public-spirited and the mean-spirited alike, have a much more debilitating impact on our democracy. They bias our democratic political discourse — against a careful consideration of how we are impacted, and hurt, by concentrated wealth.

America's foundations, explains foundation analyst Mark Dowie, depend for their funding on an unequal distribution of America's wealth. They generally do not, as a consequence, "directly address the injustices created by disproportionate wealth."[142] They sidestep, not confront, inequality, and that sidestep, notes Dowie, reflects the "central contradiction of foundation philanthropy."

Mainstream foundations, adds economist Robert Kuttner, can articulate wonderfully about "social-change goals" that "are impeccably liberal — empower the poor, clean up the environment, improve the welfare of children — but the political dimension leaves many senior foundation executives uneasy."[143] They assume, notes Kuttner, that "social problems have technical solutions," that research, if rigorous enough, will somehow result in social change. Almost universally, they simply would rather not dip their toes in political waters and risk causing waves that might unduly upset America's powers that be. And that reluctance is "reinforced by the composition of mainstream foundation boards, which tend to be patrician and corporate."

Some foundations, to be sure, do break beyond these limits. Kuttner himself helps edit a magazine, *The American Prospect*, that owes its capacity to challenge concentrated wealth in no small part to foundation support. But activists for a democratic society, Kuttner suggests, will never make adequate progress

expecting "large private fortunes," however noble their originators may have been, "to underwrite progressive politics."[144]

If we are to have systemic reform in our democracy, we have no choice but to cut to the chase and confront power and wealth. A democratic society does not wait for crumbs to fall from rich people's tables. A democratic society identifies the public interest, through free and open debate, then moves to meet it. And that will mean, more often than not, having to advocate steps likely to discomfort those with wealth and power.

As "nice as it is that Bill Gates gives money to libraries," notes Randy Cohen, the resident ethicist at the *New York Times*, "a decent country would tax Microsoft at a rate that lets cities buy their own books."[145]

IN ANY COMPLEX MODERN NATION, identifying the public interest can be incredibly difficult work. Inequality makes this hard work all the harder.

"The wider the disparities in Americans' economic circumstances," as Harvard political analyst John Donahue has pointed out, "the more their policy priorities are likely to diverge, and the harder it becomes to stake out common ground."[146]

The public agenda that does get set, in an increasingly unequal America, most often reflects the interests of those at the top end of those disparities. Average Americans know that — and resent it. In 1996, 60 percent of Americans agreed that public officials don't care much about what they think.[147] In 1960, a considerably more equal time, only a quarter of Americans held to this alienated perspective.

Citizens, Carlos Vilas has argued in the Latin American context, only participate politically when they feel their participation matters. In the United States, by century's end, most citizens felt their participation no longer mattered — and no longer participated. In 1996, the voting turnout among *eligible* voters came in at just 49 percent, the lowest level since 63 percent of eligible voters voted in 1960.[148] In the 1998 midterm elections, nearly two-thirds of Americans, 64 percent, did not vote.[149] In the 2000 Presidential primaries, nearly 80 percent of Americans did not vote.[150] In the 2000 Presidential general election, turnout did bump up slightly over the previous Presidential general election, by 2.2 percent. But Curtis Gans, America's most-quoted expert on voter turnout statistics, would not be impressed by the slight increase.

"When you have one of the three closest elections of the last 125 years, when you have the stimulus of polls telling you how close it is and you still have nearly half the nation not showing up," Gans noted, "you haven't fundamentally changed the motivation of the American people."[151]

Two years later, in the 2002 congressional midterm elections, despite massive get-out-the-vote efforts by both parties, 61 percent of voters would not go to the polls.[152]

Americans, observers note, aren't just stiffing the ballot box. They aren't even following politics any more. In 1960, 60 percent of the nation's house-

holds watched John F. Kennedy debate Richard Nixon. In 2000, under 30 percent of the nation watched Al Gore and George W. Bush go at it.[153]

Levels of citizen participation in American political life, analysts lament, figure to sink even more in the years to come. More than half the kids in America, Curtis Gans noted in 2000, are currently growing up in households "where neither parent votes."[154]

Some observers see in these staggering statistics no reason to get alarmed. If people aren't voting, these observers contend, they must be satisfied with the way things are. An interesting theory. But if nonvoters are "the satisfied," then affluent people ought to be *not voting* at levels higher than anyone else. Affluent people have, after all, the most reasons to feel satisfaction. In fact, researchers agree, affluent people in the United States are voting at rates much *higher* than everyone else, not much lower. In 1996, for instance, 76 percent of voters in families making at least $75,000 a year voted. Voters from families earning under $10,000 cast ballots at just a 38 percent rate.[155]

The wider the gaps between top and bottom, researchers have also found, the less voting overall. In the 1996 elections, the ten states with the smallest income gaps averaged a 57 percent voter turnout. The ten with the widest income gaps averaged 48 percent.[156]

"Income gaps," notes political analyst Holly Sklar, "translate into voting gaps."[157]

These voting gaps, adds economist Paul Krugman, quickly generate "disproportionate political weight" for well-off people. America's major political parties do not compete for the votes of average Americans. They compete for the votes of those who vote. They compete, notes Krugman, "to serve the interests of families near the 90th percentile or higher, families that mostly earn $100,000 or more per year."[158]

That competition, naturally, has consequences for society at large.

"A family at the 95th percentile pays a lot more in taxes than a family at the 50th, but it does not receive a correspondingly higher benefit from public services, such as education," Krugman explains. "This translates, because of the clout of the elite, into a constant pressure for lower taxes and reduced public services."[159]

Average Americans see, in these reductions, a government that doesn't work for them. More reason not to pay attention to government. Amid that inattention, the plutocrats tighten their grip. Plutocracy by design and default.

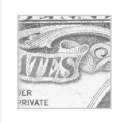
WE CANNOT AND SHOULD NOT, OF COURSE, *totally* reduce the problems of our democracy, our "inequalities of power," to "inequalities of wealth."[160] Unequal distributions of power, we have learned over the years, can certainly exist in societies not skewed dramatically by great differences in income and wealth. We saw that reality in the Soviet Union.

To function democratically, as Nobel Prize-winner Amartya Sen has noted, a modern state must have "established and protected forums of public criti-

cism" and "regular elections admitting rival parties." Without these democratic structures, small elite groups in a society may be able to do great "social harm," even without holding a personal level of wealth that can simply overwhelm their opposition.[161]

Greater equality, in short, may not always and absolutely ensure greater democracy.

But greater inequality, always and absolutely, ensures less democracy.



A Price Too High

Early in the twenty-first century, a distinguished CEO, Pepsi-Cola's Roger Enrico, made somewhat of an unexpected remark to author Jeffrey Garten.

"We have to care about the distribution of wealth," Enrico noted, "because the fact of the matter is if there's a shrinking middle class, that's not a good thing."[1]

Not a good thing. Four words that summed up decades of research into inequality by scholars from nearly every academic discipline, from economics to epidemiology. Societies that let wealth concentrate at the top, these scholars have shown, pay an incredibly high price. Societies that stand by idly as middle classes break apart and sink have no future, at least no future their people will ever rush to see.

Roger Enrico may not have read this research. He really didn't need to read it. He understood, at some gut level, that societies work best when most people live their lives at a level of abundance not outrageously higher or lower than their neighbors.

Our basic human common sense, as evolved over many millennia, has imprinted us with this understanding. Our best human societies recognize the common bonds we all share. Our worst frown on sharing — and honor, with power, those who share the least. In these distinctly unequal societies, concentrated wealth overpowers common sense and leaves us lusting for what the wealthy have and we do not. In our lust, we pay no attention to cost. We pay any price. We eventually bankrupt our societies and our souls.

Those who champion inequality, despite its cost, sometimes do acknowledge that inequality may not always be a "good thing." But inequality, they insist, is the only thing. The march of civilization demands it. We have no choice but to accept it.

They are wrong. Alternatives do exist. We have been less unequal in the past. We can be less unequal again.