Book Three

An End to Greed?

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ALTERNATIVES TO INEQUALITY

OF ALL THE AMERICANS alive today, only those retirees old enough to be receiving Social Security can remember a time when most Americans, even a President of the United States, considered concentrated wealth a clear and present danger.

The rest of us have lived our lives in an America that accepts the proliferation of grand fortunes as an inevitable fact of life, as natural as boredom on the job, as traffic at rush hour. We simply cannot envision an America without enormously rich people.

Earlier generations of Americans certainly could. In fact, over our nation's first century and beyond, no American political figure of any consequence ever openly and unabashedly welcomed the presence of great fortunes in our midst. We Americans, back in those days, considered concentrated wealth a menace to everything that made us special as a people. We would struggle, generation after generation, to limit the presence and the power of grand accumulations. That struggle, to a degree unimaginable today, would define our political life.

To move forward, to create an America where inequality no longer limits our lives, we today need to understand that historic struggle — and why that struggle failed. Only with that understanding can we compare and contrast more modern approaches to closing the enormous gaps that divide us. Only with that understanding can we set ourselves back on course to where we need to be.

HISTORIC STRUGGLES

ON APRIL 27, 1942, only months after Pearl Harbor, President Franklin D. Roosevelt presented to Congress a proposal to limit the income of any one American. At a time of "grave national danger," the President advised, "no American citizen ought to have a net income, after he has paid his taxes, of more than $25,000 a year."[1] The nation's "discrepancies between low personal incomes and very high personal incomes," FDR urged, "should be lessened."[2]

Not all Americans would agree. The *New York Herald Tribune* quickly labeled FDR's $25,000 limit — about $300,000 in current dollars — "a blatant piece of demagoguery."[3] Many wealthy Americans, adds historian Kenneth Davis, felt "angry outrage." But few newspapers across the country would, in the end, echo the *Herald Tribune*'s fury, and wealthy Americans, by and large, would keep their outrage "prudently muted."[4] Hardly any average Americans, the wealthy realized, shared their anger. The President, most Americans believed, was merely stating what needed to be said. At a time of national crisis, the rich needed to pay more in taxes, a great deal more.[5] No one in their right mind, most Americans agreed, could possibly object to that notion.

Sixty years later, another American President, George W. Bush, *would* object to that notion. Amid a new national crisis, a war against terror, this President would insist that America's wealthiest citizens should pay not more in taxes, but less, a great deal less.

In January 2003, President Bush would propose a $674 billion tax cut — and target 32 percent of that cut to America's richest 1 percent. Taxpayers in this top 1 percent, under the Bush proposal, would enjoy $66 billion more in savings than the entire bottom 80 percent of the American taxpaying public.[6]

Two Presidents, two eras, two strikingly different responses to national crisis. Franklin D. Roosevelt moved to soak the rich, George W. Bush to shower still more riches upon them. What explains the difference?

As individuals, interestingly, both FDR and George W. shared a great deal in common. Both were born into wealth. Both had names made familiar to the American people by previous Presidents. Both had made their way, without distinction, through elite private schools. Both had been governors. Both had experienced life, to a remarkable extent, in the same luxury lane. The two shared just about everything — except eras.

George W. Bush would take his oath of office in an America that celebrated men of fortune as the engines of our prosperity.

Franklin D. Roosevelt, by contrast, would enter the White House after an intense half-century of citizen struggle against the people his distant cousin, Theodore Roosevelt, had repeatedly blasted as the "malefactors of great wealth."

All those years of struggle against concentrated wealth had dramatically shaped Franklin Roosevelt's America, probably much more than he ever understood. Today, early in the twenty-first century, struggles against concentrated wealth no longer shape how we see the world. But they could. They should. To move forward, we need to look back.

AMERICA'S FOUNDING GENERATION, the generation of 1776, waged and won a war for independence. But the revolutionaries who led this war effort did not just seek to separate from England. They sought to establish an entirely new social order, a nation of citizens, not subjects, a republic, not an aristocracy. In their new nation, the people would rule.

This attempt at republic would not be the world's first. History had seen, in ancient and more recent times, a series of efforts to establish republican rule. Athens. Rome. Venice. Florence. All had failed. Why? America's founders carefully studied the historical record to find out. Republics, they concluded, require an equitable distribution of wealth.[7] Where wealth concentrates, political power can never be democratically shared.

"The balance of power in a society," John Adams would explain in 1776, "accompanies the balance of property in land. The only possible way, then, of preserving the balance of power on the side of equal liberty and public virtue, is to make the acquisition of land easy to every member of society; to make the division of the land into small quantities, so that the multitude may be possessed of landed estates."[8]

To America's revolutionary founders, equity seemed nature's way. Most of their fellow colonials lived on small, semisubsistence family farms. In this overwhelmingly agrarian setting, grand fortunes hardly ever accumulated. Some farmers did work harder than others, but the Earth could yield, no matter how much work was performed upon it, only so much wealth. That reality, notes historian James Huston, kept gaps in colonial income and wealth relatively limited. And those gaps would stay limited, the generation of 1776 believed, so long as all who labored were guaranteed the "fruits of their labor."[9] If those who toiled received their due, significant inequalities of wealth would never emerge in the new American republic. The new republic would prosper, in liberty, for all.

This catchphrase, "fruits of their labor," would pepper revolutionary era speeches and broadsides.[10] Republican liberty would surely fail, the revolutionaries agreed, if their new nation ever let elites expropriate what average Americans labored so hard to earn.

To prevent failure, the new nation would have to be vigilant. Fortunes would have to be divided at every opportunity. In Europe, the laws of primogeniture and entail enabled wealthy aristocrats to pass on their fortunes, undivided, to their firstborn male heirs. By ending these laws, America's founders believed, the young United States could prevent grand concentrations of wealth from accumulating — and threatening republican rule.[11] State by state, in the decades after the Revolution, advocates of republican virtue would press tirelessly to abolish entail and primogeniture. These dangerous principles, as Senator James Barbour from Virginia would argue in 1820, "concentrate the property of the country, and with it the power and influence of a few."[12]

But efforts to end aristocratic inheritance laws, America's early leaders believed, could not by themselves keep property and power dispersed. Good republicans, the revolutionaries agreed, must attack aristocratic wealth at its source — by keeping the economy free from government interference. America's revolutionaries subscribed, in effect, to the doctrine of *laissez-faire*. Egalitarians today, of course, consider *laissez-faire* an inherently conservative doctrine, a convenient fiction that those of wealth and power propagate to hoard what they have. But America's revolutionaries saw the matter in a quite different light. They believed that politics, not economics, concentrates wealth and power. Wide disparities in wealth could only result when an elite manipulates politics to extract from hard-working citizens the fruits of their labor.

If the economy were just let alone, America's original revolutionaries believed, equality would grow naturally. Nobody could become fabulously wealthy in an economy where labor, and labor alone, determined a man's worth.[13]

THIS BASIC WORLD VIEW — what James Huston calls the republican theory of wealth distribution — would hold clear sway in America's early years. A democratic republic, Americans agreed, must ever strive to avoid, in Thomas Jefferson's phrase, the "numberless instances of wretchedness" that inevitably arise whenever some hold far more property than others. Jefferson did acknowledge, notes historian Sean Wilentz, that a completely equal division of property would be "impracticable." But he believed deeply that "enormous inequality" had left humankind with "much misery." A republic, Jefferson would write, "cannot invent too many devices for subdividing property."[14]

Some early leaders of the American republic, to be sure, did not share Jefferson's apprehensions. Alexander Hamilton, the nation's first treasury secretary, considered significant income and wealth disparities inescapable — and even preferable. The more liberty men enjoyed, Hamilton felt, the more unequal in economic circumstance they would likely become.[15] Hamilton's sympathies lay with America's moneyed classes, with urban investors, not semi-subsistence farmers. Hamilton's policies, as treasury secretary, would be about "rousing America out of its semicommercial slumbers."[16]

Toward that end, Hamilton would urge the very first Congress, in 1789, to assume responsibility for redeeming, at face value, a broad array of national and state-level debts going back to the Revolutionary War. To get America moving, he believed, investors needed to be rewarded. Hamilton also asked Congress to charter a national bank, an institution that would be backed by the full faith and credit of the federal government but run by private investors. Hamilton would get what he wanted — and so would America's financiers. The more enterprising among them had been buying up Revolutionary War and state debt at rock-bottom prices. The new federal government's decision to redeem these debts, at their original value, guaranteed these enterprising speculators enormous windfall earnings on their investments. The new national bank, meanwhile, gave the nation's commercial interests control over a key lever of economic life. They would now have the power to privately determine the new nation's investment priorities, a power, critics feared, that could nurture a new moneyed aristocracy.[17]

The young American nation, once Hamilton's ambitious agenda had been adopted, would need revenue to foot the bill. That revenue would come largely from America's yeoman farmers. In 1790, on Hamilton's recommendation, Congress would levy an excise tax on the manufacture of distilled liquor. The tax amounted, in a young rural nation, to a tax on backwoods farmers, since these farmers did much of the nation's distilling. Farmers distilled because they had little economic choice. In America's interior, where they farmed, poor road systems made shipping wagons full of grain to market prohibitively expensive. Farmers, instead, would distill their excess grain into more easily transportable whiskey products. By taxing the stills the farmers used to manufacture these products, Hamilton's federal government was essentially shifting wealth out of farmer hands into the pockets of the financial speculators who held America's debt.

But Hamilton, in a nation still devoted to the spirit of 1776, had gone too far. His "use of government banking and debt to reward a wealthy elite," notes political analyst Kevin Phillips, had "trespassed on the Revolutionary credo."[18] Bitter disputes over Hamilton's economic policies would soon split America's political class into warring parties — and, in the 1800 elections, sweep Hamilton's party, the Federalists, out of power forever.

The sorry events of the 1790s, the victorious Jeffersonians believed, had confirmed the wisdom of 1776. If the people were not vigilant, if the people let elites manipulate politics, an aristocracy of wealth would re-emerge in their young republic and eventually destroy it. No republic, the Jeffersonians argued, can tolerate inequality and survive. The new United States, as James Madison had noted, needed to become more equal, through laws that, "without violating the rights of property, reduce extreme wealth towards a state of mediocrity, and raise extreme indigence toward a state of comfort."[19]

Aristocracy equals inequality, republicanism equals equality. In early nineteenth century America, no public figure would challenge these basic equations. Every actor on America's political stage, radicals and conservatives alike, took this egalitarian attitude toward property as a given. Aristocracy, pronounced the utopian-minded William Leggett in the 1830s, served to "concentrate all wealth and privilege in the hands of a few."[20] "In monarchies and aristocracies," pronounced a far more conservative New Jersey Whig, Congressman Joseph Fitz Randolph a few years later, "there are classes of the very wealthy and of the very poor; in a Republic both extremes are avoided."[21]

This conviction — that concentrated wealth endangers republican virtue — so dominated American political life before the Civil War that every side to every great political controversy would invariably justify its position by claiming that the opposition viewpoint, if followed, would leave America dangerously unequal. In 1832, for instance, President Andrew Jackson would place his opposition to rechartering a national bank squarely in the Jeffersonian tradition.

"It is to be regretted," Jackson opined, "that the rich and powerful too often bend the acts of government to their selfish purposes."[22]

National bank supporters in the 1830s, unlike Alexander Hamilton in the 1790s, would take pains to present their case through the same Jeffersonian prism. Bankers, financiers, and bondholders, they stressed, toiled at their trades just like everyone else. They deserved the "fruits of their labor," too.[23]

In early America, even defenders of slavery — the ultimate denial of the right to the fruits of your own labor — painted themselves as principled opponents of concentrated wealth. Slavery, the Virginian George Fitzhugh argued in 1857, made for a more equal society than social relations in the "free" North. Capitalists in the Northern states, he posited, expropriated value created by their workers and, in return, paid only subsistence wages. Under slavery, Fitzhugh asserted, masters willingly ensured slaves decent living standards. Slaveholding practices that kept slaves well-fed and healthy, Fitzhugh claimed, helped masters protect their capital investment.[24]

Slavery's critics, for their part, had little trouble demolishing these slaveholder claims. Slavery, they pointed out, had outrageously skewed the South's distribution of income and wealth. Nearly half the South's personal income flowed to a mere one thousand families.[25] Slavery, Senator William Seward from New York noted, had poisoned the Roman republic. The same fate, he warned, awaited a United States that tolerated slaveholding. In slavery, "the rich and great" grow "always richer and greater and the poor and low always poorer and more debased."[26]

A free republic, almost all Americans took as a matter of faith, wherever they stood on slavery, could not safely accept great gaps between rich and poor. Most Americans also believed that the young United States had so far prevented these gaps from developing. Throughout the nation's first century, historian James Huston notes, Americans continually celebrated "the egalitarian nature of the American distribution of wealth."[27] The United States, crowed the economist Theodore Sedgwick, had achieved an equal division of property "such as has never been known among mankind."[28] Equality, authors proudly proclaimed, made America different — and better. "Unlike the European States," Baltimore's John Pendleton Kennedy would note in 1845, "we have no piles of hoarded wealth destined to be transmitted in mass to our posterity."[29]

Visiting Europeans would echo the same sentiments. They continually marveled at the level of equality they found in the new American nation. American society, noted Michel Guillaume Jean de Crèvecoeur, "is not composed, as in Europe, of great lords who possess everything, and of a herd of people who have nothing." In the United States, the "rich and poor are not so far removed from each other as they are in Europe."[30]

Americans would see for themselves, when they visited Europe, the same stark distinctions. In 1859, for instance, an in-person glimpse at English inequality would leave one visiting American of substantial means, John Sherman, shocked and overwhelmed.

"The idea that all this stock and property belonged to a few, that the great mass of people merely labored for others, and that the whole government was conducted and a system of laws passed simply to continue and intensify this state of things, and that the favored class had the possession of all the powers of government," Sherman noted, "made me feel a rebel from the beginning."[31]

In mid-nineteenth century America, even an affluent American could feel like a rebel with a cause. That cause was equality.

CELEBRATIONS OF AMERICAN EQUALITY would be commonplace in America's earliest years — and preposterously premature. The young nation had not achieved an equal social order, or anything close. Millions of American families held no more personal property than Europe's most wretched households. But these families — slave families and Native American families — didn't count. Those who did the counting, historian James Huston notes, simply "did not factor into their calculations people whom they considered to be exceptions or insignificant."[32]

But even among white men, Americans who clearly did "count," wealth did not sit equally distributed, as working class orators would start pointing out in the late 1820s. Advocates for urban workers, in their books and journals, would actually publish the first figures on wealth distribution to ever appear in the United States.[33] Workers, these advocates argued, were not getting their due, the fruits of their labors.[34] America, urged one fledgling trade union in 1828, needed to do much more active battle against the "evils which result from an unequal and very excessive accumulation of wealth and power in the hands of a few."[35]

In pre-Civil War America, wealth and power were indeed accumulating, especially in urban areas. In New York City, the richest 4 percent would claim 63 percent of local wealth in 1828, 81 percent in 1845.[36] Still, despite this growing inequality, urban workers demanding their just due would not make, overall, much of an impact. Fourth of July orators would continue to celebrate, as indisputable fact, American equality. And their claim — that America had become a land of opportunity where all could enjoy the fruits of their labor —

would still ring true. Most Americans, after all, still lived on farms, not in cities. With so much cheap land readily available, a farmer struggling in the East could always reasonably expect to achieve commercial success in the West.[37]

Off the farm, in urban centers, new industrial enterprises were beginning to employ substantial numbers of Americans in wage labor. But in the United States, unlike England, these new industrial enterprises would typically remain small-scale operations.[38] In these smaller enterprises, gaps in income and wealth did grow, but not nearly as wide or as fast as they did in England. America, on the whole, would remain a land of small shops and farms, the original basis of the Jeffersonian equality ethic. If you worked hard, your labor would bear fruit. If you worked hard enough, you could even become wealthy, but not too wealthy, since one person's labor could only produce so much fruit.[39]

Only politics, good Jeffersonians reminded each other, could upset this natural economic equilibrium. So government needed to be kept small. A larger, more active government, along the lines of what America's commercial and financial interests periodically demanded, would only mean more patronage, more taxes, more opportunities for enlarging "the fortunes of the favored few at the expense of the laboring multitude."[40] Small governments amassed no great debts, levied no great taxes — and gave great fortunes no easy entry into American life.[41] In other words, to maintain the equality that republican life required, the government needed to do next to nothing.[42]

But republican equality had, of course, already been poisoned, by the most poisonous aristocratic seed imaginable. Slavery had left huge swatches of America "controlled by a small opulent elite that discouraged the wide diffusion of property among nonslaves."[43]

The United States would eventually stumble into war and, in the heat of that war, make the political choice to end slavery. But merely ending slavery, thoughtful Americans understood, would not end the inequality slavery had wrought. To guarantee freed slaves the fruits of *their* labor, America would have to do what the young nation had never done before. America would have to make a conscious political choice to redistribute wealth, in this case land, from those who had too much to those who had none at all. The slaves had been promised forty acres. America would either keep that promise or doom the South to deep and corrupting inequality for generations to come.

The promise would not be kept. America blinked, after the Civil War, and looked away. The former slaves would get no forty acres. The fruits of their labor would continue to be expropriated. Inequality in the South, nurtured over slavery's decades, would survive slavery's smashing.[44]

AMERICA WOULD NOT TAKE FROM THE WEALTHY to undo the legacy of slavery. But America would take from America's most privileged, albeit modestly, to win the war that ended slavery as an institution. During the Civil War, taxes on affluent incomes and inheritances would make their first appearance on America's national political stage.

In 1861, Congress would enact the first of several Civil War income tax levies. This initial measure placed a modest 3 percent tax on incomes over $800, then a considerable sum. Most Americans approved. If some among them were going to be asked to give up their lives for the union, the general feeling went, the least people of means could do was pay a little tax.[45] The 1861 revenue legislation also included America's first inheritance tax. Millionaires, the *New York Herald* approvingly noted, "will henceforth contribute a fair proportion of their wealth to the support of the national government."[46]

Actual income tax collections would not begin until 1862, after new legislation set a 3 percent tax on all income between $600 and $10,000 and a 5 percent tax on income over $10,000.[47] America's first commissioner of internal revenue, working "day and night in a small room in the Treasury building with three clerks borrowed from other departments," was soon pulling in revenue by the bucket. One clerk collected $37 million in just six months.[48] But the war was costing $2 million a day, and Congress quickly found itself upping the income tax ante. An act in 1864 raised the top tax rate to 10 percent.[49] That top 10 percent rate, the next year, would be applied to all income over $5,000.[50]

These new taxes did have some critics. Income taxes, charged Rep. Justin Morrill from Vermont in 1864, "were seizing the property of men for the crime of having too much."[51] But the grumblers, by and large, held their tongues — until the war ended. At that point, inside Congress and out, they would mince no words. Academic Goldwin Smith, in 1866, denounced the income tax's "socialistic tendency." The income tax, added Vermont's Morrill, "can only be defended on the same ground the highwayman defends his acts."[52]

Defenders of the income tax did their best to counterattack. A Pennsylvanian, Rep. Washington Townsend, charged that the "clamor in favor of the abolition of the income tax" had been cynically orchestrated by "men of colossal fortunes."[53] But postwar income tax advocates were fighting a losing battle. Congress would soon start reducing income tax rates.[54] By 1872, the year the Civil War era income tax expired, less than a fifth of 1 percent of the nation's population were paying any taxes at all on their incomes.[55]

IN 1873, THE YEAR AFTER AMERICA'S FIRST INCOME TAX DIED, Mark Twain published his first novel. His book, *The Gilded Age*, described an America where "the air is full of money, nothing but money, money floating through the air."[56] In this new America, grand fortune now held dominion. The United States, Twain's bestseller helped Americans understand, had been transformed.

Grand fortunes had, of course, existed before the Civil War. A decade before the war, at least two hundred millionaires called the United States home.[57] But these millionaires dominated neither politics nor the economy. In a proud republic, they seemed curiosities, not threats to the good and welfare of everyday life. The Civil War would change that, leaving in its wake a "cyclone-like realignment of wealth and power."[58]

No modern nation had ever waged, before 1861, a conflict as costly as America's Civil War. To pay the bill, a modest income tax would not suffice. By war's end, the North would borrow over $2.5 billion. Millions of these borrowed dollars, in turn, cascaded back into the American economy, as payments for war contracts. Bullets had to be manufactured, uniforms stitched, cannon balls shipped. An enterprising young gentleman could make a fortune. Enterprising young gentlemen did make fortunes. The men who would become the giants of American commerce — J. P. Morgan, John D. Rockefeller, Andrew Carnegie, Marshall Field — all started out, political analyst Kevin Phillips reminds us, as "young northerners who avoided military service, usually by buying substitutes, and used the war to take major steps up future fortune's ladder."[59] Between 1861 and 1865, federal officials let about $1 billion worth of contracts to private companies. Contractors, one historian suggests, pocketed nearly one-half that billion in pure profit. By war's end, the number of millionaires in New York City had tripled.[60]

Wealth would continue to concentrate after Appomattox, with ample help from the nation's lawmakers. The 1869 Public Credit Act guaranteed speculators gold for the government bonds they had bought, with far less valuable paper money, during the war. Financiers could end up making a 150 percent return on bonds that originally yielded only 6 percent interest.[61] For investors more interested in railroads, lawmakers would prove equally generous. By 1871, federal and state officials had dispensed to America's private railroads about $100 million in financial subsidies and 200 million acres in land grants.[62]

All these subsidies, in due course, would help fuel an enormous expansion of America's industrial might. The capital invested in American manufacturing would leap from $1 billion in 1860 to $10 billion in 1900.[63] An agrarian nation, in the span of a few short decades, would become the world's greatest industrial power. Giant corporations, led by America's railroads, now dominated the economic scene. These corporations, wherever possible, pooled their resources. They rigged cartels, fashioned "trusts," invented holding companies.[64] They created, in industry after industry, monopolies that simply overpowered any small businesses and farms that stood in their way. And they amassed the greatest fortunes the world had ever seen.

By 1896, America's largest individual family fortunes had tripled in value from 1873.[65] Americans of more limited means could not help but notice. The wealthy flaunted their good fortune at every opportunity, and the nation's newspapers chronicled the flaunting. At one party frequented by a host of swells, guests delighted to find cigarettes wrapped in $100 bills.[66] Wealthy matrons would routinely buy two seats at the opera, "one for them, and one for their day's purchases."[67] William K. Vanderbilt, for his "summer cottage" in Newport, spent a sum that would equal over $365 million in our modern dollars.[68]

In the great new mansions now emerging, Americans saw the moneyed aristocracy they had always feared. Commentators now filled books and journals with anguished descriptions of a democracy endangered. America, a new generation of reformers argued, needed to regain its egalitarian equilibrium. Economic inequality, orators like Henry George reminded their fellow citizens, violated nature's most eternal laws.

"No person, I think, ever saw a herd of buffalo, of which a few were fat and the great majority lean," George noted in one Iowa address. "No person ever saw a flock of birds, of which two or three were swimming in grease, and the others all skin and bone."[69]

America's men of wealth, and their admirers, would not let these attacks go unanswered. For the first time in the republic's history, gentlemen of substance openly celebrated the presence of concentrated wealth in America. Inequality, argued apologists for grand fortune, evolved naturally in human affairs, just as naturally as men from apes. In successful species and societies, the "Social Darwinists" posited, the strong survive — and prosper. Millionaires, famed Yale political scientist William Graham Sumner maintained, "are a product of natural selection."[70]

"The aggregation of large fortunes is not at all a thing to be regretted," Sumner assured Americans. "On the contrary, it is a necessary condition of social advance."[71] Americans needed to shunt aside, Sumner urged, the "old ecclesiastical prejudice in favor of the poor and against the rich."[72] Government "had no business interfering on behalf of the downtrodden."[73] No reason existed "to limit the property which any man may acquire."[74]

Many of Sumner's contemporaries, to the contrary, would see reason to limit the property "any man can acquire." Among them would be one of America's wealthiest men.

IN 1868, A YOUNG RISING BUSINESS TYCOON, Andrew Carnegie, wrote himself a memo. Carnegie had reason to feel elated. He had already organized his first successful company. But young Carnegie felt no cause for celebration. He felt soiled by his new wealth. No idol, he wrote, could be "more debasing than the worship of money."[75] Beyond $50,000, Carnegie urged himself, "never earn."[76]

Andrew Carnegie would not follow his own advice. By 1900 he would be taking home over $23 million a year.[77] Still, Carnegie would never feel comfortable with fortune. This son of Scottish social reformers would wrestle with wealth intellectually his entire life. In 1889, he would share his intellectual grappling in a widely read essay, *The Gospel of Wealth*.

In the past, Carnegie noted, small enterprises had ensured America a relatively equitable distribution of wealth. No one individual could amass a colossal fortune in a small-enterprise economy. But that smallness, Carnegie contended, was actually holding America back. Small enterprises could not achieve efficiencies of scale. Their goods cost too much. Large-scale enterprises, by contrast, could operate efficiently, and, through their efficiency, make goods available to consumers at reasonable cost.

Large-scale enterprises, Carnegie acknowledged, also exacted a price. Wealth could never be distributed equitably in a large-enterprise economy, since large-scale enterprise demanded "the concentration of business, industrial and commercial, in the hands of a few."[78] These fortunate few, Carnegie maintained, were, in effect, benefiting from economic necessity. To remain honorable, these fortunate must see themselves as merely the stewards, not the owners, of the great wealth that industrial concentration had enabled them to amass. As stewards, they have a responsibility to dispense their wealth for the benefit of society. If successful as stewards, by death they will have given their fortunes entirely away. "The man who dies rich," Carnegie proclaimed, "thus dies disgraced."

Carnegie himself actually would give away his fortune in the decades after *The Gospel of Wealth* appeared. But Carnegie would have little faith in the innate generosity of his fellow tycoons. They, he believed, needed to be nudged. Carnegie cheered America's "growing disposition to tax more and more heavily large estates left at death." No one should be allowed to inherit a fortune, he argued. A stiff tax on bequests, he believed, would give the wealthy an incentive to give away what they had while they still had it.[79]

Carnegie's musings had a powerful impact on American attitudes toward the great new fortunes, but not the impact Carnegie might have hoped. His hostility toward inherited fortunes left Americans more convinced than ever that enormous concentrations of wealth had no place in a free republic. Average Americans understood, with Carnegie, that the nation had evolved a new economy. But they refused to accept, notes historian James Huston, the "concentration of economic power in a few hands." Concentrated economic power meant monopoly, and monopoly denied workers the fruits of their labor.[80]

A *laissez-faire* approach to the economy, the heirs to America's Jeffersonian tradition now realized, no longer made sense. Unless government stepped in, unless government regulated the railroads, took on the trusts, taxed the wealthy, the monopolists would tighten their death grip ever more firmly upon the still fragile republic.[81] To ensure the equity so essential to a healthy republic, more and more Americans believed, the nation needed a new politics. The struggle against entail and primogeniture had done noble work against the aristocracy of old, observed journalist Henry Demarest Lloyd late in the nineteenth century. But new noble work demanded to be done.

"We have nearly finished democratizing kings," exclaimed Lloyd, "and now we are about to democratize the millionaire."[82]

AMERICA'S IMMENSELY WEALTHY, REFORMERS agreed by the 1890s, needed to be whittled down to democratic size. Their whittling instrument of choice: a federal income tax. A "graduated" levy that taxed high incomes at high rates, reformers believed, would be the key to redistributing America's wealth — and restoring America's democracy.

Congress had killed America's first income levy, the Civil War era income tax, in 1872. Almost immediately, reformers had started pressing to bring the tax back. Between 1873 and 1879, lawmakers introduced fourteen bills to reenact a national tax on incomes.[83] In 1883, crusading newspaper publisher Joseph Pulitzer made the demand for an income tax part of his *New York World*'s ten-plank platform for social reform.[84] In 1886, the Knights of Labor, then American labor's largest national organization, announced its support for a graduated income tax.[85] By the 1890s, the income tax had become part and parcel of every significant American reform agenda.

The advocates for these agendas — radical farmers from the South and West, labor activists, members of the Nationalist Clubs inspired by Edward Bellamy's best-selling novel *Looking Backward*, followers of Henry George — would join in 1891 to start taking serious steps toward creating a third party devoted to the income tax and other social reforms. In May, at a convention in Cincinnati, these activists would adopt a common platform that demanded, in phraseology that had become familiar to reformers the nation over, "a just and equitable system of graduated tax on income."[86]

The following February, an even broader assemblage of reformers would gather in St. Louis to launch the new "People's Party."

"The fruits of the toil of millions," the preamble to the party's St. Louis platform would read, "are boldly stolen to build up colossal fortunes, unprecedented in the history of the world, while their possessors despise the republic and endanger liberty."[87]

Over the next several years, "Populist" candidates from the new People's Party would run for offices high and low — and be elected, even in some gubernatorial races. The movement's leaders, men like the fiery Georgia lawyer Tom Watson, made the progressive income tax an ongoing centerpiece of their organizing. An income tax, Watson explained in 1893, "would discourage the accumulation of enormous fortunes and would afford a legal method of checking the growth of concentrated wealth."[88] The income tax, Watson believed, helped define the difference between the People's Party and America's old, corrupt parties of privilege. A Congress packed with Democrats and Republicans, he told his fellow People's Party activists, would never let a graduated income tax see the light of day.

"As long as the Old Parties are dominated by the influences which now control them," Watson charged, "the Income Tax will remain a dead issue — a monument to the servile party spirit which makes laws in the interest of plutocracy."[89]

But that "servile party spirit" was cracking. Young lawmakers in Congress like Nebraska's William Jennings Bryan were taking up the income tax call. In 1890s America, you didn't need to be a rabble-rousing radical like Tom Watson to worry what great fortunes were doing to your country. A tax on high incomes seemed, to many Americans, entirely appropriate — and long overdue.

"The most effective weapon against Plutocratic policy," as Charles H. Jones, the editor of the *St. Louis Republic*, would note in 1893, "is the graded income tax."[90]

That same graded income tax, some men of substance believed, could also be an "effective weapon" against rabble-rousing radicals. In the shadows cast by America's great fortunes, men of means saw fearsome anarchists lurking, "foreign" ideologies taking root. This would not do. America had lived through a Civil War. Now a class war loomed. A tax on wealthy incomes, many in Congress felt, could help avert that war, by denying rabble-rousers an exploitable issue. Passage of an income tax, declared Rep. Uriel Hall, a Missouri Democrat, would help "kill anarchy and keep down socialists."[91]

By 1894, income tax advocates on Capitol Hill had hit critical mass. They included determined critics of America's new corporate order, resolute defenders of republican virtue, and politicians sick of plutocrats one day, scared by anarchists the next. These lawmakers, Democrats and Populists, coalesced behind legislation that would tax the incomes of only the most affluent Americans. Their modest proposal, a 2 percent tax on incomes above $4,000, would immediately elicit cries of outrage from fortune's friends.

"In a republic like ours, where all men are equal," exclaimed Senator John Sherman, "this attempt to array the rich against the poor or the poor against the rich is socialism, communism, devilism."[92] Other opponents charged that taxing income would lower wages, dampen incentive, and generate corruption.[93] The income tax, they roared, would take from the "thrifty and enterprising" and give to the "shiftless and sluggard."[94]

Income tax advocates shrugged off the opposition's heated rhetoric. They had the votes. Their income tax proposal would pass as an amendment to the 1894 tariff bill, legislation that President Grover Cleveland, an income tax opponent, couldn't afford to veto. The Democratic hen, the *New York Tribune* roared, had "hatched a Populist chicken."[95] On August 28, 1894, the nation, for the first time since the Civil War era, had an income tax.

But not for long. On May 20, 1895, only nine months after the income tax became law, a five-to-four Supreme Court majority would rule the tax unconstitutional.

This ruling against the income tax, argued one anguished dissenter from the court's decision, Justice John Harlan, invited "the dominion of aggregated wealth."[96] Outside the high court's chambers, outraged Americans agreed. Indignant critics likened the income tax ruling to the infamous Dred Scott decision of 1857, the case that denied Congress the right to outlaw slavery anywhere within the United States.[97]

"Today's decision," noted an angry *St. Louis Post-Dispatch*, "shows that the corporations and plutocrats are as securely entrenched in the Supreme Court as in the lower courts which they take such pains to control."[98]

More fuel for the firestorm against the Supreme Court's income tax ruling would come from a widely circulated 1895 book, *The Present Distribution of Wealth in the United States.* Out of America's 63 million population, author Charles B. Spahr noted, only two hundred thousand families made over $5,000 a year. These affluent Americans, he noted, actually faced a tax burden four times *lower* than the tax burden on average Americans.[99]

The United States, millions of Americans firmly believed, needed a graduated income tax now more than ever. They would soon have a chance to express that opinion at the ballot box. Reform forces, in 1896, gained control over that year's Democratic National Convention. They chose as their candidate William Jennings Bryan, the leading congressional champion of the 1894 income tax. The Populists then cross-endorsed Bryan's candidacy. The reformers seemed united at last. The 1896 Presidential election, they exulted, would give Americans a clear choice, the people or the plutocrats.

The plutocrats would be ready.

BY 1896, AMERICA'S GREAT MEN OF WEALTH had become accustomed to treating elections as a recurring business expense. Eight years earlier, many of them had opened up their wallets to Republican Presidential candidate Benjamin Harrison. They feared, notes historian Michael Kazin, that the Democrats "might cut the steep tariffs that protected their firms from foreign competition."[100] In 1892, many men of wealth would switch horses and give the Democrats their financial support. The Democratic Presidential candidate that year, Grover Cleveland, seemed perfectly willing to be helpful.

Cleveland would go on to win the 1892 election, but the real triumph belonged to America's men of substance. In the Presidential race, they couldn't lose.

"I am very sorry for President Harrison," as industrialist Henry Clay Frick noted to his partner, Andrew Carnegie, "but I cannot see that our interests are going to be affected one way or the other by the change in administration."[101]

The 1896 Presidential race would be a different story. This time, all men of wealth agreed, a change of administration *would* matter. William Jennings Bryan posed a menace. He had to be stopped. Not because of silver, the centerpiece of Bryan's campaign. Bryan's call for the free and unlimited coinage of silver did indeed strike America's men of money as foolishly insane public policy. But this campaign, every politically aware American agreed, would be about much more than silver or gold.

"It is the people against the dollar, men against money, the public good against the privilege of accumulating wealth that others create," explained Frank Parsons, a leading contemporary academic.[102]

The privileged few essentially concurred with that assessment. Republican candidate William McKinley's campaign manager, Mark Hanna, would have no trouble dunning corporate leaders for whatever sums he needed.[103] The McKinley forces would eventually spend, notes historian Louis Koenig, close to $16 million, about $320 million in contemporary terms, or over $130 million more than George W. Bush spent to win the 2000 election.[104] Bush the younger outspent Al Gore by a three-to-two margin. McKinley would outspend William Jennings Bryan by twenty to one.[105]

With the McKinley campaign war chest overflowing, Republicans were able to circulate over 250 million flyers and pamphlets, send thousands of campaign speakers all across the nation, and, notes historian Michael Kazin, stage parades "in nearly every big city."[106] The industrialists bankrolling McKinley's campaign would keep up the pressure in other ways as well. Your job security, they warned their employees, would depend on the election results. The owner of one New England company even covered the front of his factory with giant placards: "This factory," the signs read, "will be closed on the morning after the November election if Bryan is elected."[107]

On Election Day, amid widespread charges of ballot box fraud, McKinley would capture a narrow victory, collecting just over half, 50.88 percent of the recorded vote. Bryan actually won more states, but McKinley swept all of America's industrial centers.[108] Reformers felt devastated. "The people" cried the widely revered Henry George, have "lost again."[109]

The people would lose still again the next year, in 1897, after the new President and Congress took office. America's huge "industrial combines," the trusts, now presented their bill for services rendered. They wanted tariffs on foreign goods raised, and raised high enough to help them consolidate their monopoly hold over America's domestic markets.[110] Congress would promptly enact and McKinley sign into law a new tax law that sent the tariffs on foreign imports to all-time record highs.

Wealth now sat firmly in the saddle. Even the outbreak of war, in 1898, would do little to discomfort America's affluent. This latest conflict, the Spanish-American War, would see no renewed push for an income tax. Congress, instead, would adopt a weak tax on inheritances, mainly because conservatives, as historian Sidney Ratner would later note, "felt that a concession on the inheritance tax was far less of a danger to the wealthy classes than one on the income tax."[111] The 1898 inheritance tax adopted by Congress applied only to those bequests over $1 million left to distant relatives or private bodies.[112] But even this modest attempt to limit wealth wouldn't outlast the war. In 1902, Congress repealed the war-time inheritance levy.

Corporate America, by the twentieth century, had essentially swept away all competitors, economic and political. Individual corporate entities were now free to conduct their business as they, and only they, saw fit. And these enterprises saw fit, between 1897 and 1904, to "concentrate" as never before. They unleashed a stunning merger wave that would turn 4,200 of America's largest companies into 257 corporate Goliaths.[113]

In the early 1900s, a new popular opposition would emerge to challenge these incredibly huge new concentrations of wealth and power. The great farmers' movements that had undergirded the People's Party may have been broken, and the dreams inspired by utopians like Edward Bellamy may have been dashed, but different players were now entering the fray. From the ranks of America's burgeoning immigrant communities would come skilled and savvy socialist agitators. From the mines and factory floors of America's industrial giants would come a more vibrant, aggressive labor movement. And from the ranks of America's middle class professionals would come a new, more determined reform spirit. The stage would once again be set for an epic battle between people and plutocrats. The people, this time, would have a champion in the White House.

THEODORE ROOSEVELT MADE A MOST UNLIKELY PEOPLE'S CHAMPION. But then again, he made a most unlikely President. Republican party bosses had never intended to make Roosevelt America's chief executive. They had plopped "TR" onto McKinley's 1900 re-election ticket to bury him politically. As governor of New York, TR had stepped on too many toes. He had refused to play patronage ball. He had pushed a tax on corporations. The local powerbrokers wanted him out of New York. The Vice Presidency seemed a safe enough place to stick him — until President McKinley was assassinated less than a year after he was re-elected. The hero of San Juan Hill now sat in the White House.

As President, Roosevelt would begin to grow on the American people. He brought suit, under the Sherman Antitrust Act, against a huge new railroad holding company that was trying to lock up effective control over transportation in the Northwest.[114] No President had ever before sought to break up a corporate giant. Roosevelt would go on to challenge dozens more. Rich and powerful people did not impress him. He would not be their lackey. But Roosevelt would not be impractical either. He needed to be renominated in 1904 to be able to continue on in the White House. He could, he knew, only go so far with his people's agenda. He could thunder on about trusts, but he would sidestep debates over tariffs and taxes.[115]

Meanwhile, out across the country, reform-minded journalists were rousing the reading public with alarming exposés of corporate power gone dangerously amuck. Angry voters, in response, would seed the Congress elected in 1904 with a new generation of progressives. Voters would also cast an unprecedented 400,000 votes for the Presidential candidate of the still fledgling Socialist Party, the veteran labor leader Eugene Victor Debs. The nation's political climate was clearly changing.

And Roosevelt, ever the savvy pol, was changing with the times. He began fulminating, first softly, then more loudly, against "malefactors of great wealth." He would call, in 1906, for a "progressive tax on all fortunes beyond a certain amount."[116] The nation needed, TR pronounced, "to put a constantly increasing burden on the inheritance of those swollen fortunes which it is certainly of no benefit to this country to perpetuate."[117]

Later that same year, Roosevelt would begin cautiously promoting a new stab at enacting an income tax. "The man of great wealth," said Roosevelt, "owes a peculiar obligation to the state because he derives special advantages from the mere existence of government." Roosevelt would keep this drumbeat going for the rest of his second term. The nation needed new taxes on income and wealth, he noted in 1907, because "most great civilized countries have an income tax and an inheritance tax."[118]

None of Roosevelt's tax-the-rich sentiments would, in the end, be written into law while TR remained in the White House. The friends of fortune still controlled both the House and Senate. Roosevelt, ever the practical pol, would not take them on. "The income tax," notes Steven Weisman's recent history of the period, "was clearly a cause for which he was prepared to take a stand, but not to stake his presidency."[119] Still, observes analyst Kevin Phillips, Roosevelt's rhetoric would help warm "the Progressive climate."[120]

By 1909, with Roosevelt's successor, William Howard Taft, in the White House, that climate would feel warm enough for progressives in Congress, both Republicans and Democrats, to make a move. The progressives would attach an income tax to the new tariff bill then working its way toward passage. Their maneuver would complicate life for conservatives. These conservatives wanted desperately to keep the nation's tariff laws rich people-friendly. But they could hardly expect to prevail with their latest tariff wish-list if they continued to oppose all moves to start taxing wealthy incomes. To prevail on tariffs, conservatives would have to take a more nuanced approach toward taxing incomes. And they did. Senate Finance Committee Chairman Nelson Aldrich, working with President Taft, agreed to endorse a proposed resolution calling for a constitutional amendment that would expressly allow Congress to levy an income tax.

This amendment, to be enacted into the Constitution, would have to be approved by three-quarters of the states. That, a confident Aldrich believed, would never happen.[121] By shunting the income tax question to the states, Aldrich and his allies figured, they could kill any prospect of an income tax for years to come and, as an added benefit, campaign credibly in 1910 as champions of the common man.[122] No conservative could challenge the wisdom of this political logic. The resolution to add an income tax amendment to the Constitution would pass the Senate 77-0 and the House 318-14.

But the old guard had misread the public mood. Americans had tired of the games rich people play. In the 1910 elections, in one state after another, voters opted to replace the old-line order.[123] State legislatures, now filled with more reform-minded lawmakers, soon started *ratifying* the income tax amendment that Congress had cynically enacted. In New York, John D. Rockefeller was aghast. The unthinkable — an income tax on the rich — could now actually become reality. Rockefeller rushed to mobilize opposition to the income tax ratification drive. "When a man has accumulated a sum of money within the law, that is to say, in the legally correct way," pronounced Rockefeller, "the people no longer have any right to share in the earnings resulting from the accumulation."[124]

The people disagreed. By 1913, enough states had ignored Rockefeller to make the right to levy an income tax the sixteenth amendment.[125] Woodrow Wilson, meanwhile, had been elected President in a 1912 election that saw three tax-the-rich candidates — Wilson himself, the "Bull Moose" Teddy Roosevelt, and the Socialist Eugene Debs — grab 74 percent of the vote.[126] The stage was now set, in Congress, for the passage of income tax legislation that would take advantage of the Constitution's newest amendment.

The congressional old guard, now a distinct minority, did make a last stand. Senator Henry Cabot Lodge from Massachusetts bitterly denounced one income tax proposal on the table — a plan that would have taxed incomes over $1 million at a 20 percent rate — as "confiscation of property under the guise of taxation" and "the pillage of a class."[127]

In the end, the old guard could not stop the enactment of the nation's first tax on incomes since the Civil War era. But Lodge and his friends could still hold their heads high in high-income circles. The income tax that would finally be enacted in 1913, thanks to their unrelenting protestations, would not place too heavy a burden on America's well-to-do. The 1913 legislation would subject income over $500,000 to just a 7 percent tax.[128]

AVERAGE AMERICANS, IN 1913, WOULD HAVE MUCH PREFERRED a considerably higher tax rate on wealthy incomes. Most Americans, by that year, had become acutely aware of the inequality all around them. Great strikes in the urban centers of the East had dramatized the massive gap between capital and labor — and blue-ribbon committees and commissions had documented that gap. In 1912, for instance, the House Banking Committee, chaired by Arsene Pujo from Louisiana, revealed that just two financial groupings, the Morgan and Rockefeller empires, controlled a tenth of the nation's wealth.[129] America, the Pujo Committee charged, faced "a vast and growing concentration of control of money and credit in the hands of comparatively few men."[130]

Between 1895 and 1910, a study by Dr. Willford Isbell King would note a few years later, the wealthiest 1.6 percent of Americans had essentially doubled their share of America's national income.[131] Most laborers in America, a government Industrial Relations Commission would add in 1915, earned less than $10 a week. America's top forty-four families, by contrast, were averaging well over two thousand times that.[132] The commission's research director, Basil Manly, felt that only a tax that limited inheritances from any estate to $1 million could make a dent on inequality so monstrous. The need for some sort of tax on great wealth, average Americans agreed, had become inescapable.

And urgent. The 1914 outbreak of war in Europe had sent the demand for U.S. products soaring. War profits were stuffing the pockets of America's corporate elites. Over a twenty-two month period, the shares of one industrial giant, Bethlehem Steel, jumped from just over $46 a share to $700.[133] The wealthy needed to be taxed, now more than ever, most Americans believed.

And America, more than ever, needed revenue, to prepare for a war that seemed day by day more likely. In 1916, the logic of these twin pressures would push Congress to levy, for the first time ever, a significant set of taxes on America's fortunes and those who held them. The 1916 tax act would more than double the tax on incomes over $1 million, to 15 percent, and would also include an estate tax of up to 10 percent on any bequest over $5 million.[134]

The legislation brought predictable jeers — the *New York Times*, for instance, declared the new estate tax a "frank project of confiscation" — but the momentum behind taxing the rich had never been stronger.[135] And that momentum would build still more after the United States entered the war in 1917. From Harvard, O.M.W. Sprague proposed that those enriched by wartime profits should have 95 percent of those profits taxed away. Taxing away excess earnings, Sprague argued, would keep rich people from wasting dollars on the luxuries that businesses, in war-time, had no business producing.[136]

In Congress, some lawmakers would introduce even stiffer tax-the-rich proposals. Rep. Edward Keating from Colorado proposed a 96 percent "surtax" on incomes over $150,000, on top of a 4 percent normal tax. The effect, he explained to his fellow lawmakers, would "be to tax all incomes above $150,000 100 percent."[137]

Out across the country, accomplished and distinguished Americans would enthusiastically endorse Keating's call for a 100 percent top tax rate. An "American Committee on War Finance" spent 1917 mobilizing public support for a "conscription of wealth" that would cap individual incomes at $100,000.[138] The committee's heavyweights would range from millionaire Amos Pinchot, who testified on the group's behalf before Congress, to newspaper magnate E. W. Scripps, who wired President Wilson his support for taxing away all incomes above $50,000.[139]

Pinchot's War Finance Committee took out ads in major newspapers to advocate the income cap notion and claimed endorsements from organizations representing millions of Americans. These organizations, Pinchot noted in his Senate testimony, "have expressed the belief that the war can not be either justly or efficiently carried on unless people who do not fight but have plenty of money are made to realize their responsibility."[140]

The income limits advanced by Pinchot's committee and Congressman Keating would not get enacted into law, but they did help create a climate of opinion that encouraged Congress to escalate, significantly, the top tax rates on America's richest taxpayers. The War Revenue Act of 1917, signed into law in October, would up the top tax rate on incomes over $2 million to 67 percent.[141] That same year, Congress would also raise the top estate tax rate up to 25 percent.[142] A year later, the 1918 Revenue Act would raise the maximum tax rate on top incomes still higher, to 77 percent.[143]

This 77 percent rate would apply to incomes over $1 million, and just sixty-seven taxpayers filed returns that placed them in that top bracket.[144] But these sixty-seven and their less but still staggeringly wealthy friends would make an enormous contribution to war finances. Between 1917 and 1919, less than 1 percent of the tax returns Americans filed reported incomes over $20,000. Yet this elite group would supply 70 percent of the nation's total income tax revenue.[145]

To most Americans, that share seemed about right. Young men were sacrificing their lives. The wealthy could afford to sacrifice some fortune.

THE END OF WORLD WAR I, in November 1918, would also end America's first great offensive against plutocracy. By 1920, in fact, apprehensions about "plutocracy" had almost totally vanished from mainstream political discourse. A new vocabulary now dominated American politics. Americans no longer worried about the wealthy. They feared "Bolsheviks." That fear, stoked into hysteria, would smother the egalitarian reform spirit — and usher in the most rich people-friendly years America had ever seen.

The hysteria that did the egalitarian spirit in had actually begun during the war. The struggle against the Kaiser's armies, President Wilson had proclaimed, would "make the world safe for democracy." The war, instead, would imperil democracy within the United States. Throughout the war years, lawmakers and judges would systematically trample basic civil liberties. Dissent would be treated as disloyalty. Agitators would be silenced, even lynched. By war's end, federal and state officials, egged on by national "loyalty" groups, had blanketed America's political landscape with a thick, stagnant smog of suspicion. In this foul atmosphere, social reformers could not see, or even breathe.

Trade union activists would try to persevere anyway. They had little choice. Workers were hurting. Millions had lost their jobs when the war ended. Those with jobs faced an inflation that had slashed purchasing power by over half since 1913.[146] Workers, in response, hit the bricks. The year 1919 saw one of the greatest strike waves in American history. Over 4 million workers walked off their jobs.[147]

Many never walked back. America's industrialists, notes historian Robert Murray, were "spoiling for a fight."[148] They had been on the defensive for years, scorned by muckraking journalists, reformers, and even Presidents of the United States. Now they would go on the attack. Striking trade unionists, they charged, were fomenting Russian-style Bolshevik revolution. America's wartime superpatriots, organized in groups like the new American Legion, would quickly pick up the theme, and the "Red Scare," as 1919 advanced, would start to feed heatedly upon itself. Teachers lost their jobs for not evincing appropriate levels of patriotic fervor.[149] The Methodist Church Federation for Social Services and other reform-minded religious agencies were denounced as "leaning toward Bolshevism."[150] In the South and Midwest, the Klan re-emerged as a major presence.[151] Race riots destroyed entire African American communities. In this atmosphere, wrote a visiting English journalist, no one could venture "the most innocent departure from conventional thought" without risking the "horrid" radical label.[152]

The "Red Scare" hysteria would eventually, by mid 1920, subside. But the forces of reaction, historian Robert Murray points out, could be pleased with the "normalcy" the hysteria had left in its wake. Labor had been "badly mauled," capital had been bolstered, and "complete antipathy toward reform" had been "enthroned" throughout the land.[153]

Amid this "antipathy toward reform," few mainstream lawmakers would dare defend the plutocrat-soaking taxes enacted during World War I. In Washington, a new Congress and a new President, elected in 1920, now began undoing the war-time taxes. They would be prodded on by the new treasury secretary, Andrew W. Mellon, a gentleman who just happened to be at least the third-richest man in the nation.[154] Mellon would serve as treasury secretary throughout the 1920s and guide one tax cut after another into law. The first, in 1921, reduced the maximum income surtax down to 40 percent.[155] That move saved Mellon's own family an estimated $1 million in taxes.[156] By the end of 1926, the top total rate on high incomes had dropped from 77 to 25 percent.[157] And many millionaires would pay taxes at rates well below that 25 percent.[158] Under Mellon's watch, special interest "loopholes" would for the first time start shredding the tax code. The oil and gas industries would be among the earliest beneficiaries.[159]

"Never had there been a better time to get rich," economist John Kenneth Galbraith would write thirty years later, "and people knew it."[160]

BY THE MID 1920S, NOTES HISTORIAN BEN SELIGMAN, "peace and prosperity everlasting" seemed to have "descended on America."[161] New whiz-bang technologies were changing how Americans lived their daily lives. They listened to radios and records. They ate frozen food. They took Sunday drives in Model T's. Life, for millions of Americans, seemed amazingly good. And the credit for the good times, America's political leaders claimed, belonged to business — and a government smart enough to leave business alone.

No other country in the world, President Calvin Coolidge told his fellow citizens, "ever approached ours in the equal and general distribution of prosperity." And the reason? Unlike other countries, Coolidge argued, the United States had stopped worrying about inequality. The nation had taken a much wiser course. We had stopped "penalizing" business leaders, Coolidge noted. We understood "that if production be encouraged and increased, then distribution fairly well takes care of itself."[162]

Production did increase in the 1920s, as all sorts of technological advances diffused through the economy. Between 1919 and 1929, the horsepower behind wage earners in manufacturing shot up 50 percent.[163] The output per hour of wage labor in manufacturing jumped, consequently, 72 percent.[164] But the fruits of that incredibly productive labor would not be shared. Workers would spend the "Roaring Twenties" struggling, not flapping, as 1929 Brookings Institution research would make clear. Over a fifth of American families, researchers revealed, were having to make do on less than $1,000 a year, 42 percent on less than $1,500.[165] And what could families afford on such incomes? Not much. One 1925 study had set $1,000 as the minimum subsistence level for a family of five. At that level, a family could meet daily physical needs but have "nothing left over for emergencies or pleasures." To meet "the American standard," that is, to partake in the good life of motorcars and radios, required at least $2,000.[166] For most Americans, the 1920s good life, even at minimal levels, remained a good bit beyond their grasp.

The twenties did roar, in other words, but mostly only at the top. Once again, as after the Civil War, the dismantling of a war-time tax structure had set the stage for a vast new concentration of wealth in the hands of America's most fortunate. In 1919, just sixty-five Americans registered at least $1 million in income. In 1929, over five hundred Americans would be making $1 million a year.[167] That same year, the nation's richest 2 percent would hold 60 percent of America's $362 billion in personal wealth.[168] The richest one-half of 1 percent would hold about a third of that $362 billion.[169] At the time, four of every five Americans could claim no savings at all.[170]

In the 1920s, as in the 1980s and 1990s, the vast sums amassing at the lofty upper reaches of American society would fuel an explosion of luxury spending. One well-heeled Philadelphia banking family, the Stotesburys, equipped its bathrooms with gold fixtures. "You don't have to polish them you know," a family spokesperson pointed out.[171]

Americans of modest means would do their best to keep up with this upsurge in luxury spending, mainly by going into debt or diverting money for necessities into the radios, automobiles, and other consumer goods that now defined the decent standard of life that every American ought to be living.[172] The economy, meanwhile, tottered precariously. The decade's tax cuts, by concentrating more of the nation's wealth in wealthy people's pockets, had helped spark a speculative boom in the stock market. Average Americans, meanwhile, were no longer earning enough to absorb the products rolling off the nation's assembly lines. This unequal, unstable state of affairs could not be sustained. In October 1929, Wall Street's bubble popped. The economy deflated. The United States, after a decade of the starkest inequality in American history, now slid into depression, the longest, deepest economic downturn Americans had ever experienced.

NEAR THE HEIGHT OF THE 1920S BOOM, one of America's most illustrious financiers, John J. Raskob, had penned an article for the *Ladies' Home Journal*. "Everybody Ought To Be Rich," the article's headline proclaimed.[173] By 1932, few Americans were daydreaming about becoming rich. The Great Depression had taken hold. The rich, more and more Americans believed, ought to be held responsible, not in awe.

The men who sought to be elected President that year, in 1932, openly acknowledged the new mood. Franklin Roosevelt, accepting the Democratic nomination, announced that Americans "look to us for guidance and for a more equitable opportunity to share in the distribution of the national wealth."[174] President Herbert Hoover, seeking re-election, told a rally at New York's Madison Square Garden that he longed for an America "where wealth is not concentrated in the hands of a few, but diffused among the lives of all."[175]

The 1932 Revenue Act represented a step in that more equitable direction. The measure upped the top tax rate on millionaire incomes to 63 percent.[176] That rate seemed high enough to most elected leaders. But one wanted to go further, much further. In the early Depression years, this particular politician, Huey P. Long, the governor of Louisiana, would stand up and speak out — and, in the process, electrify millions of Americans. Huey Long, a contemporary noted, "dared put his fingers into the real ulcer of social evil in American life," the nation's inequitable distribution of wealth.[177] He denounced that evil in a political language Depression America could readily understand.

"Unless you redistribute the wealth of a country into the hands of the people every fifty years, your country's got to go to ruination," Long warned. "Too many men running things that think they're smarter than the Lord."[178]

Long would enter the United States Senate in 1932 and immediately begin urging action to limit concentrated wealth. The tax laws, he proposed, ought to "be so revamped that no one man should be allowed to have an income of more than one million dollars a year" and "no one person should inherit in a lifetime more than five million dollars."[179]

Long's initial Senate proposals would collect only a handful of votes. One of that handful would come from Arkansas Senator Hattie Caraway, a political novice appointed, in 1931, to fill the term of her late husband. Hattie Caraway would have to run on her own in the 1932 elections, and no one gave her much of a chance. No woman, after all, had ever been elected to the United States Senate, and Caraway faced six other candidates. Huey Long endorsed her anyway, and, in the closing weeks of Hattie Caraway's campaign, he brought his tax-the-rich and share-the-wealth message into Arkansas.

"Think of it, my friends!" Long told one cheering Caraway rally. "In 1930 there were 540 men in Wall Street who made $100,000,000 more than all the wheat farmers and all the cotton farmers and all the cane farmers of this country put together." No wonder, the homespun Long thundered, "your belly's flat up against your backbone!"[180]

On Election Day, Hattie Caraway would pull off a political miracle. Her upset triumph put political Washington on notice. Huey P. Long had become a national phenomenon. After Caraway's victory, he would reintroduce his Senate share-the-wealth resolution. This time around, his proposal to cap wealth and income would receive twenty votes.[181]

The "Long Plan" for American economic renewal would go through several variations. But the plan's basic thrust remained constant. America, Long proclaimed, needed a ceiling on the income and wealth of the very rich to create a floor of decency for everyone else. One iteration of Long's plan proposed a 1 percent tax on all individual wealth between $1 million and $2 million, with the rate rising to 100 percent on all fortunes over $100 million. This same version featured a $1 million cap on annual income.[182]

Long, early after the 1932 elections, felt sure that America's newly elected President, Franklin Roosevelt, shared his tax-the-rich commitment. But the early New Deal made no significant moves toward wealth redistribution, and Long would quickly sour on FDR. In 1934, he would launch his own national opposition, the "Share-Our-Wealth" movement.

"In order to cure all of our woes," Long told the nation in a February 1934 radio address, "it is necessary to scale down the big fortunes, that we may scatter the wealth to be shared by all the people."[183]

Share-Our-Wealth took off as no grassroots movement in America ever had. By mid 1935, Share-Our-Wealth clubs claimed 7 million members. Even allowing for "considerable exaggeration," noted one critical journalist, this total "represented the largest active political organization ever put together in this country."[184] Secret polling by FDR's political strategists would confirm Long's growing influence. A Long candidacy in 1936, the polling found, might pull millions of votes away from Roosevelt.[185]

Long would make no secret of his Presidential ambitions. In mid 1935, he busied himself writing a novel later published as *My First Days in the White House*. Those first days, he pledged, would be momentous. After his inauguration, Long wrote, Congress would declare it "against the public policy of the United States for any one person to possess wealth in excess of one hundred times the average family fortune."[186]

Meanwhile, on Capitol Hill, Long's attacks on concentrated capital found growing company. Inequality, many lawmakers now believed, had ushered in the Depression. Only serious efforts to diminish that inequality would end it. The foundation of the nation "has collapsed," charged New York Congressman Fiorello LaGuardia, "and there will be nothing left unless we provide an economic readjustment, a better distribution, and that we can do by breaking up those fortunes."[187] Taxes on the fortunate, progressives urged, needed to rise substantially to subsidize relief programs for America's impoverished majority. Senator Robert La Follette Jr. of Wisconsin promised "to fight for increased inheritance and income taxes — the likes of which we have never heard of — so that those with huge incomes will have to cough up to help pay" for relief.[188]

By 1935, the heyday of Huey Long's Share-Our-Wealth movement, tax-the-rich sentiment seemed everywhere. "It did not require much deep thinking for the average person to deduct that there must be something drastically wrong when people are starving in the midst of plenty," noted Minnesota Governor Floyd B. Olson.[189] "If these fortunes are not broken up by law," a distraught Senator George Norris of Nebraska confided in a private letter, "the time will come when they will be broken up by the mob."[190]

By late spring 1935, FDR had come to share that sense of alarm. The previous January, the President had seen no need to introduce any new tax-the-rich legislation. By May, he had become convinced that he needed to take steps to steal Huey Long's thunder. Taxes on the wealthy, Roosevelt concluded, would have to be increased.

That spring, historian Arthur Schlesinger, Jr. relates, Roosevelt sat down with an emissary from William Randolph Hearst, the aging newspaper publishing magnate, to explain what he was about to propose to Congress. To combat Huey Longism, "to save our system, the capitalistic system," FDR told Hearst's agent, "I want to equalize the distribution of wealth."[191]

"The thinking men, the young men, who are disciples of this new world idea of fairer distribution of wealth," FDR added, "they are demanding that something be done to equalize this distribution."[192]

In June 1935, Roosevelt would move to realize that "fairer distribution." He would launch what historians have dubbed the "Second Hundred Days," the months that defined and enacted into law what we now think of as the New Deal.[193] For workers, FDR backed legislation to guarantee the right to join and build effective unions. For the elderly and those unable to work, the President called for a new system of "Social Security." And in the name of America's most basic democratic ideals, Roosevelt demanded the passage of stiff new taxes on the nation's greatest fortunes and incomes.

"The transmission from generation to generation of great fortunes by will, inheritance or gift is not consistent with the ideals and sentiments of the American people," the President explained. "Great accumulations of wealth cannot be justified on the basis of personal or family security. Such inherited economic power is as inconsistent with the ideals of this generation as inherited political power was inconsistent with the ideals of the generation which established our country."[194]

Wealthy Americans gagged. A furious William Randolph Hearst ordered his editors to start calling the New Deal the "Raw Deal." Roosevelt's tax proposals, Hearst papers began charging, would only "soak the successful." But lawmakers would pay Hearst and his fellow deep pockets little mind. These lawmakers, like Roosevelt, were far more concerned about Huey Long and the millions mobilizing behind him. Congress, in 1935, would end up hiking the highest estate tax rate to 70 percent, on bequested fortunes over $50 million.[195] On incomes, lawmakers upped the top marginal tax rate to 79 percent.

This new tax legislation, while a step forward, left most progressives in Congress distinctly underwhelmed. The new top tax rates, they noted, only applied to handfuls of wealthy taxpayers.[196] "As finally passed," many progressives believed, "the Wealth Tax Act of 1935 did little either to redistribute wealth or to raise revenue."[197]

The nation's strongest champion of a more equal America, in the meantime, would be unable to mobilize the public behind tougher tax measures. On September 8, 1935, Huey Long would be assassinated in Baton Rouge, one day after he boasted that only by enacting his Share-Our-Wealth program could they "keep me from being President — unless I die."[198] After Long's assassination, no politically potent attempt to up taxes on the wealthy would surface for the rest of the 1930s. It would take a new war, as the decade ended, to force the nation to confront the appalling inequality of wealth and income that Depression-era politics had failed to adequately address.

FRANKLIN ROOSEVELT, BEFORE WORLD WAR II, had never been particularly chummy with America's corporate leaders. FDR had never been able "to sympathize with the ambitions and drive of much of the American business fraternity," Secretary of Labor Frances Perkins would later note, mainly because he "couldn't see why a man making enough money should want to go scheming and plotting, sacrificing and living under nervous tension, just to make more money."[199]

In 1940, with Europe at war, the already cool relations between Roosevelt and America's business fraternity would become even cooler. The United States, FDR believed, needed to prepare for conflict. And that meant more than making armaments. That meant making sure that average Americans felt good about their country. To emerge victorious, Roosevelt felt fervently, America would have to do battle against both Nazism abroad and inequality at home.

"Not a single war millionaire," the President flatly pledged in 1940, "will be created in this country as a result of the war disaster."[200]

Corporate interests would have other ideas. They mobilized, in late spring 1940, to stop Roosevelt's proposal for a stiff excess profits tax on corporate earnings. That summer, business leaders would actually refuse to enter into defense contracts until Congress gave them a more business-friendly tax bill.[201] They would get their way. But the attack on Pearl Harbor, over a year later, would give Roosevelt the upper hand.

In April 1942, about twenty weeks into the war, the President would send Congress the most radical tax initiative in American history. Roosevelt proposed a "supertax" on affluent incomes. Under this proposal for a "100 percent" tax, single persons with before-tax incomes of $40,000 would be left with $25,000 after standard tax rates had been applied. Any income above $40,000 would be subject to FDR's new 100 percent tax. For married couples, the 100 percent supertax would kick in on all income over $110,000.[202]

On April 28, 1942, the day after FDR sent his tax plan, just one part of a broader economic plan, to Congress, the *New York Times* would make the President's $25,000 income limit the day's lead story. The idea for the limit, the *Times* reported, had come from the United Automobile Workers union.[203] Actually, the idea may have come from any number of sources. Roosevelt himself had probably not forgotten the campaign for an income cap during World War I. In the 1930s, various economists had resurrected the case for caps.[204] Roosevelt's own economic advisers, in the winter of 1942, had huddled for weeks and come back with an economic plan that included a $50,000 income limit.[205] Capping income had become an idea with broad appeal.

That appeal, to be sure, had its limits. On Wall Street, share prices would dip sharply after the President revealed his income-capping proposal.[206] But even some business leaders would rally to the President's proposal. "I think this will help to prevent the inflationary spiral," the president of the American Cotton Manufacturers Association, W. N. Banks, told the Associated Press.[207]

Business leaders less enthused by the President's call for an income cap generally clipped their comments. They didn't dare come out swinging against a proposal that enjoyed considerable public support.

"My first reaction to a $25,000 limit is that it would cause dislocations that would be most unfortunate," Albert Hawkes, the president of the U.S. Chamber of Commerce, told reporters. "But I would prefer to analyze the situation carefully before I could make a well considered and definite statement."[208]

The opposition to FDR's cap would go about its business behind the scenes. The key congressional panel with jurisdiction over the President's plan, the House Ways and Means Committee, would quietly refuse to give the supertax any serious consideration.

Roosevelt would not be deterred. Shortly after Labor Day, FDR repeated his call for a $25,000 maximum income, "the only practical way of preventing the incomes and profits of individuals and corporations from getting too high.'"[209] Congress would once again ignore the President's 100 percent supertax, but the Revenue Act of 1942 that Congress did pass would raise the rates on America's highest incomes to all-time record levels. The top surtax, which had been raised to 77 percent in 1941, jumped to 82 percent. High incomes were also subject to a 6 percent normal tax and a new 5 percent "Victory Tax." The combination meant, on all income over $200,000, a 93 percent tax rate.[210]

The new Victory Tax provision would also apply the income tax, for the first time ever, to average Americans.[211] All workers earning over $12 a week would now have income tax withheld from their paychecks.[212] Only 7.1 percent of Americans had been paying federal income taxes at the war's start. By war's end, nearly two-thirds of Americans, 64.1 percent, would be paying taxes on their incomes.[213]

But the new taxes on both wealthy and average Americans would come nowhere close to meeting the war's insatiable appetite for revenue. In fiscal 1943, the government still had to borrow $60 billion.[214] Congress would respond, in 1944, by upping the tax rate on the wealthy still again. The new rate schedule would place a 94 percent top rate on all income over $200,000, a rate that significantly exceeded the very highest rates in effect during World War I (77 percent on incomes over $1 million) and the Depression (81 percent on incomes over $5 million).[215] The years 1944 and 1945, concludes historian John Witte, would be "the most progressive tax years in U.S. history."[216]

These same years would bring millions of American families a sense of real prosperity. Between 1939 and 1945, wages in manufacturing soared nearly three times faster than the cost of living.[217] "At war's end, Americans were rolling in cash," notes political analyst Kevin Phillips. "Many families had their first discretionary income."[218]

The war had equalized incomes. Americans liked the result.

WHAT DO AMERICA'S CONSERVATIVES WANT? All we want, conservative religious activist Pat Robertson once noted, is "a return to the kind of government America had during the Eisenhower Administration in the 1950s."[219]

In reality, any sudden return to the Eisenhower era would leave Robertson, and every other contemporary conservative who has ever demanded lower taxes on wealthy incomes, absolutely appalled. Wealthy Americans spent the 1950s paying taxes at top rates that exceeded 90 percent. And Dwight D. Eisenhower, over the eight years of his Presidency, made not one political move to cut those rates. Ike knew better. He knew history. The history of the years right after World War II.

In 1946, with the war over, Republicans in Congress figured the time had come to roll back Roosevelt's war-time taxes. They didn't anticipate much problem, particularly after they won control over Congress in the November elections. GOP leaders interpreted that victory as a mandate to cut taxes. In rapid-fire order, they enacted one across-the-board tax cut after another. President Harry Truman, more interested in retiring the remaining war debt than tax relief for millionaires, would veto them all. In 1948, Republicans would enact still another tax cut. Truman would turn thumbs down once again, but this time Republicans had the votes to override his veto. The new Revenue Act they enacted over Truman's veto dropped the nation's top marginal tax rate, 94 percent at its war-time high, down to 82 percent.[220]

Truman would make the Republicans pay for their victory. In the 1948 Presidential election, he would make their tax cut a centerpiece of his campaign. The GOP, Truman would charge, "helps the rich and sticks a knife in the back of the poor."[221] In November, Truman would score a stunning victory, and not just for himself. Republicans would lose both the House and Senate, notes Kevin Phillips, "in a landslide repudiation influenced by Democratic charges of GOP favoritism to the rich." That whopping defeat, adds Phillips, would convince "the GOP to leave the nominal top rate alone through all eight years of the Eisenhower administration."[222]

Dwight Eisenhower would take office in 1953. By that time, Congress had already hiked the top marginal rate on high incomes back up over 90 percent. The rate would stick at 91 percent, on income over $200,000, throughout the 1950s. Stiff taxes on high incomes had become, for mainstream Democrats and Republicans alike, accepted public policy.[223]

Those who challenged this tax-the-wealthy consensus would come across as cranks. Their claim, that "confiscatory taxes" on high incomes undermined initiative and investment, rang hollow. America in the 1950s seemed to be working just fine. Throughout this tax-the-rich decade, Americans could see, almost everywhere they looked, nothing but good times.[224] Higher profits, higher wages. A more secure safety net.

America, in so many ways, appeared to be thriving as never before. America was becoming more equal, and equality was making America a better place, just as America's revolutionary founders had figured.

"American labor," the nation's most visible union leader, George Meany, would pronounce in 1955, "has never had it so good."[225]

And for once the good seemed to be extending, at least somewhat, to African Americans. Before World War II, black males took home 41 percent of white male wages and salaries. By 1960, black paychecks averaged 67 percent of white.[226] America, an emerging civil rights movement proclaimed, must do better. America, a growing number of Americans believed, could do better. Growing economic equality was working wonders on America's psyche.

AVERAGE AMERICANS, BY THE 1950S, had been struggling to reconcile Jeffersonian ideals with the realities of modern industrial life ever since the initial rise of corporate power after the Civil War. They would realize, early on in this struggle, that only concerted government action could prevent a new aristocracy of wealth from overwhelming American life. They would, in the 1890s, mobilize for that government action. They would be crushed, in 1896, by the sheer weight of wealth's reaction.

In the early twentieth century, a new offensive for a more equal America would arise and achieve, by the end of World War I, America's first significant limits on concentrated wealth. These limits would not stick. A burst of hysteria, after the war, would restore men of wealth to unquestioned economic and political power. The Depression would shake that power, and a new war would then subject great fortunes, and those who held them, to the stiffest limits on wealth America had ever seen. In the 1950s, with these limits still in place, a new, more equal America would finally flower. The American dream, for millions of average Americans, had finally come true.

But America's wealthy, in the middle class golden age that emerged in the 1950s, would never resign themselves to limits on their own personal fortunes. A frontal assault on high tax rates, the wealthy understood, would be politically impractical. So they worked the backdoor instead. They nibbled away at the egalitarian tax structure that the 1940s had bequeathed America. Throughout the Eisenhower years, notes Kevin Phillips, "the perfection and enactment of tax loopholes, credits, and exemptions became one of Washington's principal cottage industries."[227]

These new tax-avoiding subterfuges should have set alarm bells ringing. Tax avoidance maneuvers, if left free to multiply, could clearly undermine America's egalitarian tax structure. But few voices in American public life would jump up and make that point. America's traditional watchdogs, the nation's academics, journalists, and elected officials, would remain largely silent about the tax avoidance games America's most affluent were playing. These watchdogs had been scared silent, by a new hysteria, by "McCarthyism." This second Red Scare had begun in the late 1940s and would not taper off appreciably until the mid 1950s. By that time, the nation's most determined social critics — radical professors, progressive religious leaders, left labor activists — had either lost their voices or their audiences.

More moderate advocates of a more equal America, meanwhile, had ample reason not to make waves. This new Red Scare, unlike the first after World War I, did not turn into an all-out assault against the right of trade unions to exist. Nor did men of wealth and their minions, under cover of the scare, go directly after egalitarian tax rates. Both unions and progressive tax rates, the two most basic building blocks of mid-century American equality, had become too deeply entrenched to openly challenge in a frontal assault.

The international political dynamics of the Cold War only reinforced this reluctance. In the ongoing ideological competition with the Soviet bloc, America's most thoughtful political leaders understood, unions and progressive tax rates helped the United States win hearts and minds. Who could believe Soviet claims about the evils of capitalism when American workers, flush with the good wages made possible by good union contracts, were buying homes in the suburbs? Who could give much credence to Soviet rhetoric about "ruling classes" when high taxes on high incomes were relegating Rockefeller-sized fortunes to history's dust-bin?

Capitalism may have once meant child labor and plutocratic fortunes, commentators now enthused, but the United States had gone beyond all that. Robber Barons had become ancient history. America's class struggles had ended. America, liberal academics and policy makers agreed, now needed simply to concentrate on "growing" the economy. "Growth" would bring into America's prosperous, all-encompassing middle class anyone unfortunate enough to have been historically left out.

For mainstream politicians, particularly mainstream liberals, this emphasis on "growing" the economy had enormous appeal. Growth offered these liberals, notes historian Robert Collins, an easy way out of their Cold War box. By chanting the "growth" mantra, they could talk about progress without having to talk about inequality — and risk getting labeled a parlor pink or worse. By granting "growth" star billing, they could ride out the Cold War unpleasantness, "avoiding hard questions and evading tough decisions about the distribution of wealth and power in America."[228]

America's first new President of the 1960s, John F. Kennedy, would embrace "growth" with the same passion he brought to his secret private life. His administration would dare what the Eisenhower administration dared not. The Kennedy administration would seek to slash high tax rates on high incomes. These high taxes, Kennedy proclaimed, inhibited growth. An economy "hampered by restrictive tax rates," he told the prestigious Economic Club of New York in 1962, "will never produce enough revenue to balance our budget, just as it will never produce enough jobs or enough profits."[229]

Kennedy, in January 1963, would send Congress a proposal to cut America's income taxes across the board. The top rate on high incomes, 91 percent on income over $200,000, would drop to 65 percent under the Kennedy plan.[230] In February, Kennedy's secretary of commerce, Luther Hodges, would detail the administration's case. He heaped upon the House Ways and Means Committee heavy helpings of statistics to buttress his argument that the administration's proposed tax cuts for average taxpayers would increase consumer demand and employment. He would, interestingly, present no comparable statistics to buttress the administration's case for high-income tax cuts. Congress would just have to take the claimed benefits from these cuts on faith.[231]

Most lawmakers, in Kennedy's Cold War America, shared that faith. Levying heavy taxes on rich people, they had convinced themselves, no longer made sense. Only commies still wanted to "soak the rich."

Congress would eventually approve most of what Kennedy wanted. The nation's top tax rate on income would drop from 91 to 70 percent.[232] President Kennedy's successor, Lyndon B. Johnson, would sign the new rates into law early in 1964.

Over the next four years, Johnson would evince no further interest in cutting tax rates. LBJ, unlike Kennedy, had cut his political eyeteeth in New Deal Washington. He had grander dreams in mind than tax cuts. He saw a "Great Society," a "war on poverty." But these echoes of the New Deal, veteran Capitol Hill observers soon realized, were now reverberating in a fundamentally different political context. The nation's political elites, reformers included, no longer thought or talked like New Dealers.

"A generation ago," America's premiere political columnist, Walter Lippman, noted in 1964, "it would have been taken for granted that a war on poverty meant taxing money away from the haves." But America's current elected leaders had rejected that idea. They believed, Lippman observed, that social and economic progress no longer required high taxes on wealthy people, that the "size of the pie can be increased by invention, organization, capital investment, and fiscal policy."[233]

The 1960s would remain, nonetheless, a time of growing equality in the United States. The momentum from the 1940s and the 1950s would continue throughout the decade. Wealthy Americans still faced substantial high tax rates, even after the Kennedy tax cut. Collectively bargained union contracts still defined wage rates in much of the private sector. But the stage had been set for a grand reversal. By the 1970s, champions of equality no longer graced America's political scene. Apprehensions about plutocracy had vanished, as they had in the 1920s. America's top political leaders wanted growth. America's men of wealth assured these politicos they could deliver that growth — if the politicians did their best to help the process along. They would.

AMERICA'S LONG MARCH TOWARD GREATER ECONOMIC EQUALITY, the defining phenomenon of the nation's mid-century years, ended sometime between the late 1960s and the early 1970s. No elected leaders, in these transition years, ever asked Americans if they wanted their country to become more unequal. Elected leaders simply began pursuing policies that made greater inequality inevitable. Tax policies. Budget policies. Labor policies. Banking policies. Antitrust policies. Trade policies. Decision by decision, a new American economy started to evolve in the 1970s, an economy that privileged rich people and the grand enterprises that generated their fortunes. All in the name of growth. If the nation provided the privileged enough incentives to innovate and invest, the architects of the new inequality assured the nation, the economy would grow. All would be well.

But the economy didn't grow. The vibrant, job-generating, wage-enhancing economy of the 1950s and 1960s would fade away in the 1970s. Inflation, recession, and stagflation would define America at the start of the twentieth century's last quarter — and the "cures" advanced for these ailments just seemed to make everything worse, at least for average Americans. Inflation too high? Interest rates would have to be raised.[234] Wouldn't higher interest rates generate higher joblessness? That couldn't be helped. Investors couldn't be expected to invest if they were worried about inflation. Investors still not investing, even after interest rates had been raised? More tax breaks for investors would have to legislated. Wouldn't these tax breaks translate into fewer dollars for public services? Couldn't be helped. The nation couldn't afford to let investors get discouraged.

The discouraged, by the mid 1970s, would be average Americans. Some political leaders would notice. One of them, an obscure Southern governor named Jimmy Carter, promised a fresh start. In his 1976 campaign for the Presidency, Carter would blast away at America's loophole-ridden tax system. A "disgrace to the human race," he called it. A Carter administration, he vowed, would make taxes more progressive. The powerful would no longer sip their way through tax-deductible two-martini lunches.[235] In less than a year's time, Carter would move from obscurity into the White House.

But President Carter, once in office, could not deliver on his promises. Congress would continue to pander to the privileged. A new tax act, enacted in 1978, actually left the "disgrace to the human race" more disgraceful. This legislation would hand business and the affluent a host of new "incentives," including a hefty reduction in taxes on capital gains.[236] For average Americans, Congress had virtually nothing to offer.

Average Americans needed — and deserved — much more than that. Inflation had shoved millions of working families into higher tax brackets. These families were now paying taxes at higher rates at the same time they were earning, in real purchasing power, the same as before, or even less. That didn't seem fair.

This time, Republicans, not Democrats, would speak more convincingly to the frustrations average Americans felt. They would promise to fix the tax system, once and for all, by cutting everybody's taxes. What could be fairer?

In 1977, New York Congressman Jack Kemp and Delaware Senator William Roth would drop the first bombshell. They proposed an enormous, unprecedented 30 percent, across-the-board cut in personal income tax rates. Under their proposal, the top tax rate on America's highest incomes would fall, over three years, down to 50 percent.[237] Veteran political observers gasped. Tax rates on rich people hadn't been that low since the start of the Great Depression. Kemp and Roth, most observers agreed, couldn't possibly expect Democrats, even the most fervid fans of "growth" incentives, to go along.

Four years later, Democrats would go along. In 1981, America's newly elected President, Ronald Reagan, would win substantial Democratic support for a tax cut that took as its inspiration the 1977 Kemp-Roth initiative.

America's classical political discourse on wealth and inequality had, in effect, been turned upside down. Back in the early nineteenth century, notes historian Sean Wilentz, Americans had feared that their government might "unjustly transfer wealth from the middling classes to the wealthy."[238] The Ronald Reagan right, in the late twentieth century, convinced Americans that they needed to fear the exact opposite. The government, the right charged, was unjustly shifting wealth from the middle to the poor. America's good-for-nothings, with government help, were stealing the fruits average Americans had labored so hard to earn. That government help had to be ended and could be ended — by cutting taxes. If taxes were slashed, working Americans would be free from government programs that rewarded the shiftless, free to reap the rewards working Americans so richly deserved, free even to become rich.

With Ronald Reagan in the White House, a new vision now dominated American politics, a vision that unapologetically welcomed grand fortune.

"More than anything else," the newly elected Ronald Reagan announced, "I want to see the United States remain a country where someone can get rich."[239]

That would mean, above all else, ending high tax rates on high incomes, the heart and soul of America's progressive income tax. Reagan had despised progressive taxation ever since his years as a Hollywood star.[240] The progressive income tax, Reagan would charge earnestly and erroneously in the early 1960s, had descended on America "directly from Karl Marx who designed it as the prime essential of a socialist state."[241]

As President, Reagan would waste no time trying to undo what Karl had wrought. But average Americans, the administration understood, would never accept a tax cut that only benefited rich people. To slash tax rates on high incomes, consequently, the administration would have cut rates on all incomes, even if these cuts sent the government into record debt. That didn't matter. Only rates at the top mattered. The tax cutting on average incomes in the Reagan plan, administration budget director David Stockman would later confide, "was always a Trojan horse to bring down the top rate."[242]

Under the Reagan tax plan, the Economic Recovery Tax Act of 1981, the top rate on individual high incomes would sink from 70 to 50 percent.[243] Corporations, meanwhile, would receive a grab-bag of additional tax reduction goodies, ranging from higher tax credits for investments to new depreciation schedules that enabled companies to write off, much more quickly than ever before, their biggest purchases. The legislation even included a provision for "safe-harbor leasing," a neat trick that let corporations with tax deductions they couldn't use transfer these deductions to other corporations that could.[244]

"The hogs were really feeding," budget director Stockman would afterwards acknowledge. "The greed level, the level of opportunism just got out of control."[245]

For working Americans, the savings from the 1981 cut would soon be offset by hikes in the FICA payroll tax. The Social Security Amendments of 1983 would leave Americans paying more for Social Security protection — and receiving less.[246]

All these tax changes, taken together, would help engineer, within a decade, the single largest redistribution of wealth in American history. In 1983, the year the Reagan cuts took full effect, the 500,000 families that made up America's richest 0.5 percent held a combined $2.5 trillion in wealth. By 1989, these same families held over twice as much. The families in this elite echelon "could have paid off the entire national debt" and still have owned, noted Rep. David Obey, 10 percent more in 1989 "than they did in 1983."[247]

These wealthy families, of course, did not pay off the national debt. That debt would continue to mount and limit, for the rest of the century, the permissible in American politics. In a debt-ridden United States, few lawmakers would even consider bold new initiatives that might help average American families improve their life chances.

By the mid 1980s, no serious lawmaker could deny that the 1981 tax cut had created enormous fiscal chaos. But the Democrats, who still controlled the House of Representatives, were in no mood to raise taxes, on the wealthy or anybody else. Their 1984 Presidential candidate, Walter Mondale, had hinted he might, if elected, have to raise taxes — and had been crushed for his candor. Mondale's defeat would shove any proposals to tax the rich, or anybody else, totally off the table. Leading Democrats would now talk only about tax "simplification." In 1986, they would join with Republicans to advance a "simplification" agenda. Their joint venture, the Tax Reform Act of 1986, would reduce the number of basic tax brackets down to two. The top tax rate on high incomes, 70 percent as recently as 1980, would now fall to 28 percent.[248]

The 1986 act, to be sure, did boast some redeeming features. The act, for instance, ended the favorable tax treatment of capital gains income. Proceeds from the sale of property and stock would now be taxed at the same rates as ordinary income. Lawmakers celebrated this change as a grand step toward common sense tax reform. Reformers who read the fine print did no cheering. "Behind the facade of eliminating 'tax preferences for the rich and powerful,'" Kevin Phillips later pointed out, the 1986 act shoved into the tax code some 650 new provisions that benefited special interests.[249] Most incredibly of all, the legislation imposed the highest tax rate not on the wealthy, but on the upper middle class. Income between $70,000 and $170,000 would be taxed at a special "bubble" rate of 33 percent. Income above $170,000 would face only a 28 percent levy.

Two years later, in 1988, George Bush the elder would inherit the Republican nomination and campaign as the upholder of the Reagan tax cut orthodoxy. "Read my lips," Bush would tell America. "No new taxes." But Bush, as President, would soon have to abandon his macho pledge. By 1990, after a decade of tax cuts for the privileged, red ink had thoroughly soaked the federal government's budget books. Bush had no choice but to bless a bipartisan congressional compromise. Taxes on the affluent would be raised, ever so slightly, to reduce the budget deficit. The 28 percent top tax rate on earned income would nudge up to 31 percent, the first tax rate hike on top incomes in a generation.[250] The Reagan revolution, the new tax hike seemed to signify, had finally run its course.

That revolution, millions of average Americans had believed, had been waged on their behalf, to save them money. The revolution, by that measure, failed miserably. In 1980, American families at the exact middle of the nation's income distribution paid 23.7 percent of their incomes in income, Social Security, and other federal taxes. In 1990, middle-income families paid these taxes at a 24.6 percent rate.[251] The Reagan revolution had left the American middle class paying more, not less in federal taxes. Average Americans had been taken for a ride. The Reagan revolution had been a fraud.

GEORGE H. W. BUSH WOULD PAY POLITICALLY for the fraud of the Reagan years. In the 1992 election, maverick billionaire H. Ross Perot would spend a significant chunk of his significant fortune deriding the fiscal irresponsibility of the Reagan era. The Democratic nominee, Bill Clinton, would campaign on a pledge to reverse course and "put people first." This one-two punch knocked the Republicans flat. Bush would receive just 37 percent of the popular vote, a remarkably abysmal showing for a sitting President.

Clinton's emphasis on "putting people first" had been promoted, within his campaign, by some of the same progressives who had worked diligently throughout the 1980s to raise public consciousness about growing inequality. These progressives wanted to see a massive new program of "public investment" in America's dilapidated infrastructure — and higher taxes on the wealthy to help foot the bill for that investment.

Clinton, as President, would follow through, partially, on some of the policy initiatives these progressives proposed, but not in the spirit of "putting people first." The new President would instead put investors first, investors nervous about the mammoth federal budget deficits run up during the Reagan-Bush years. The annual federal budget deficit had nearly quadrupled between 1981 and 1992, from $79 billion to $290 billion.[252] To restore investor confidence, Wall Street insisted, these deficits would have to be reduced.

New public investment initiatives, outside of a few token efforts, would now be out of the question. In the plan President Clinton presented Congress in 1993, overall federal spending would be cut. Taxes on the affluent, at the same time, would be increased, from 31 to 39.6 percent on income over $250,000. The Clinton administration would package this increase as a budget-balancing move, nothing more, nothing less. The wealthy, under the Clinton plan, would see their income taxes rise, but they would still be paying less in taxes, much less, than they did before Ronald Reagan took office.

Republicans in Congress would erupt in outrage anyway. They mounted an all-out assault on Clinton's Omnibus Budget Reconciliation Act. If the Clinton economic plan were enacted, they charged, the economy would collapse. They almost prevailed. The Clinton plan passed the Senate by one vote.

The tax increases in the Clinton legislation, retroactive to the start of 1993, would only apply to households making more than $100,000, about 4 percent of the nation's total.[253] Even so, the new legislation would quickly begin to hike federal revenues substantially, mainly because, in late twentieth century America, the nation's most affluent households had become so affluent that any increase in the tax rate applied to their incomes could produce a fiscally staggering result. By 1998, the nation's enormous annual budget deficit had become a surplus. Analysts credited this surplus to the revenues generated from higher tax rates on America's highest incomes.[254]

These new revenues would not go into new programs to "put people first." Average Americans, in Clinton's first term, would continue to see their economic fortunes stagnate. In October 1994, new federal data would reveal that median household income had fallen for four straight years.[255]

Numbers like these left some top Clinton administration officials distinctly alarmed. They pleaded for a new commitment to fighting inequality.

"Unless we turn this situation around," Labor Secretary Robert Reich pronounced, "we're going to have a two-tiered society; we can't be a prosperous or stable society with a huge gap between the very rich and everyone else."[256]

But Reich was beating a drum few influentials in the Clinton White House wanted to hear. The administration would take no step to raise, as a national concern, America's widening maldistribution of wealth and income. And that unwillingness, historian James MacGregor Burns and political scientist Georgia Sorenson would charge at century's end, may have been the most avoidable tragedy of the Clinton years.

"Clinton failed to exhibit the moral outrage," noted Burns and Sorenson, "that could have put inequality at the top of the nation's agenda."[257]

And Clinton's disinterest in equality, adds historian Sean Wilentz, would set the 1990s tone for the entire rest of the Democratic Party mainstream.

"From time to time, liberal officials and office-seekers would rail against the monopolistic corporate special interests — Big Oil, the pharmaceutical companies — but with less consistency and conviction than their Progressive and New Deal predecessors," Wilentz observes. "Outside the liberal and left-wing margins, virtually no one seemed willing to make the case that even mild redistribution was essential to the health of our political system."[258]

In the meantime, the political right would regain the offensive. In the 1994 elections, Republicans led by House Minority Leader Newt Gingrich painted the 1993 Clinton tax hike on the wealthy as "the greatest tax increase of all time" and regained control of both the House and Senate for the first time in four decades. The Reagan boys were now back, ready for tax-scrapping bear. The entire federal progressive income tax, agreed the new House majority leader, Dick Armey of Texas, and the new chair of the House Ways and Means Committee, Bill Archer, another Texan, ought to be stomped into the dust.[259]

But first things first. The exuberant Republicans, bursting with ideas on how to end the oppression of America's rich people, needed to come to a consensus on where to start. Some wanted to slash the tax rate on capital gains income, a key proposal advanced by the GOP's 1994 campaign credo, the Contract with America.[260] Others, like Armey, wanted to push for a "flat tax," a single tax rate on all income, a neat little trick that would cut the tax bill of a $500,000-a-year household in half.[261] Lurking in the wings were still other tax-cutters who had their hearts set on going after the hated estate tax, America's only levy on grand fortunes. In 1995, to sort through all these options, Republicans would establish a special tax commission, chaired by Jack Kemp of Kemp-Roth fame.[262] A year later, in 1996, Kemp's National Commission on Economic Growth and Tax Reform would recommend the entire GOP tax-cutting smorgasbord, everything from a flat tax on regular income to the abolition of all taxes on dividends, capital gains, and estates.[263] The Republicans wanted it all. Piece by piece, they would start to get it.

In 1997, Congress would pass and President Clinton would sign a "Taxpayer Relief Act" that extended some Americans quite a bit more "relief" than others. Under the legislation, America's wealthiest 1 percent would receive $1,189 in tax savings for every $1 in tax savings that went to America's bottom 80 percent. The bulk of those savings for the wealthy would come from a Tax Relief Act provision that cut the tax rate on capital gains income from 28 to 20 percent. The households in America's richest 1 percent, at century's end, collected about two-thirds of the nation's capital gains income.[264]

With capital gains taxation now suitably "reformed, Republicans in Congress would now take aim at bigger prey, the estate tax. Few average Americans knew anything about the estate tax, for an understandable reason. The estate tax simply didn't impact middle class people. At century's end, only 2 percent of Americans were leaving behind, at death, estates large enough to incur any estate tax liability.[265]

For friends of fortune, that was 2 percent too many. Early in the 1990s, as Bill Gates Sr. and Chuck Collins would later show in their analysis of estate taxation, *Wealth and Commonwealth*, some of America's wealthiest families joined with conservative ideologues to orchestrate a crusade against what they would call, after appropriate focus group testing, "the death tax."[266] They would portray this "death tax" as an onerous levy that kept struggling farmers and small businesspeople from bequeathing their life's work to their deserving children. In reality, the federal estate tax statute gave farms and small businesses special treatment. Families that inherited farms and small businesses large enough to be subject to the estate tax — a distinct minority of all farms and small businesses — could pay off the tax owed in installment payments, over fourteen years, at below-market interest rates.[267]

The crusaders against the estate tax conveniently ignored these inconvenient details. In fact, when challenged, they could not produce a single case where the estate tax had forced heirs to unload a family farm or small business they wanted to keep.[268] They marched on with their repeal campaign anyway. By summer 2000, they had enough votes to drive repeal legislation through both the Senate and House. President Clinton would veto the repeal bill, and his veto would be narrowly upheld, but the repealers would not be terribly disappointed. They still had, they were convinced, history on their side. One year later, they would have a more tangible asset. A President.

AMERICANS, GEORGE W. BUSH DECLARED on the 2000 Presidential campaign trail, deserve a break. A tax break. "After eight years of Clinton-Gore," he declared early on in his campaign, "we have the highest tax burden since World War II."[269] A Bush administration, he pledged, would lighten that burden. Voters who wanted to see by just how much, Bush aides noted, could click their way to the Internet where the official Bush campaign Web site featured a "Bush Tax Calculator" that families could use to compute the tax savings they would realize if George W. were elected. This calculator, unfortunately, had a flaw: No family making over $100,000 could use it. The calculator couldn't compute tax savings for any high-income household.[270] If you earned $250,000 or $250 million, you would get no help from the official "Bush Tax Calculator."

Of course, if you were making $250,000 or $250 million, you didn't need a calculator to understand just how nicely the election of George W. Bush would enhance your personal bottom line. Bush's pledge to drop the top tax rate on income from 39.6 to 33 percent, coupled with his promise to repeal the estate tax, amounted to a gift that would keep on giving — to wealthy households — forever.[271]

Delivering this gift would become the new Bush administration's first priority. Less than a month after his inauguration, the new President would call for a $1.6 trillion tax cut. His tax cut plan, he announced, would save "the average family" some $1,600. Indeed it would — if the total tax cut were divided by the total number of America's taxpaying families. But the White House had no intention of dividing the benefits from his tax cut equally among all America's taxpayers. Under the Bush plan, analysts quickly noted, a taxpayer earning $31,100 would pocket a tax cut of $501, about 1.6 percent of income. A taxpayer making $915,000 would clear a $50,166 savings, 5.5 percent of income.[272]

The President and his millionaire advisers, charged critics like the Rev. Andrew Greeley, were proposing "to make the rich richer, to continue the steady growth of income inequality in our country — an inequality that is profoundly immoral."[273] Similar denunciations, some from unexpected sources, would multiply over the course of George W. Bush's first winter and spring as

President.[274] But President Bush would continue, despite the growing opposition, to stay "on message." In speech after speech, he would orate over the desperate need to cut income taxes to help hard-working Americans like the $22,000-a-year waitress trying to raise two kids. But $22,000-a-year single parents with two kids, the President never bothered to note, didn't owe any federal income taxes.[275] Struggling low-income waitresses paid federal payroll taxes, for Social Security and Medicare, not federal income taxes. The Bush tax plan offered low-income Americans not one cent of payroll tax relief.

Congress would pass the Bush plan anyway, late in spring 2001.[276] The legislation, as finally enacted, would prove to be the most bizarre, complex, and confusing tax legislation ever enacted. The estate tax would be repealed, but only for 2010, after which the 2001 estate tax rates would come back into effect, unless, of course, the estate tax was totally repealed in the meantime.[277] The already existing child tax credit would rise, then go back to its original level.[278] The alternate minimum tax, a tax code provision originally enacted to make sure everyone paid at least some taxes, would sink between 2001 and 2004, a move that would help upper middle class families. But this relief would end in 2005.[279] Meanwhile, the showcase of the Bush plan, a $600 tax rebate, evaporated into the fine print. Only families making at least $12,000 would get the full rebate. Half the bottom 60 percent of America's income earners would receive no rebate at all.

"The people who are excited about this rebate aren't going to get it," Robert McIntyre, the director of Citizens for Tax Justice, would note after the Bush plan's passage. "And the people who aren't excited about it are going to get it."[280]

McIntyre's group would complete, months later, a fuller analysis of the Bush 2001 tax cut. From 2001 to 2010, the group's study revealed, America's richest 1 percent would pocket "almost half a trillion dollars" from the tax cuts enacted in the Bush administration's first year. The Bush tax cut, over the course of the decade, would save the average family in the richest 1 percent $342,000, or $657.69 a week.[281]

By contrast, a family in the middle fifth of American income-earners would realize $5,402 in savings over that same period, an average of $10.38 a week. A family in the bottom 20 percent would see just $1.43 per week in tax relief.[282]

The controversies over the 2001 Bush tax cut would soon fade from the public mind, shoved off the political stage by the horrific September 11 assault on the Wall Trade Center and the Pentagon. But President Bush would reignite the controversy, less than two months after 9/11, by announcing his intention to ask Congress to speed up the income tax rate reductions scheduled by the 2001 tax cut legislation for later in the decade. The news astounded observers. The President had declared a war on terrorism, a war whose cost would surely be enormous. How could he possibly be asking for more tax cuts that would primarily benefit America's most comfortable?

In 2002, some Democrats would pick up on this theme. In the Senate, Edward Kennedy offered a plan to delay, not speed up, the tax cuts already in the works for the wealthy. In the House, a group of representatives urged that the top tax rate be restored to 39.6 percent, its year 2000 level.[283] "It's a choice between bailing out billionaires at Enron or providing unemployment benefits for laid-off workers," noted Bernie Sanders, the Independent congressman from Vermont. "If Democrats want to do anything this session, they have to have the guts to take on the tax cut."[284]

The Democrats, as a party, didn't want to do anything. In the 2002 congressional session, the top Democratic leaders in the House and Senate would not push to undo the tax relief for the wealthy enacted in 2001. The Democratic National Committee chair, Terry McAuliffe, declared taxing the wealthy "off the table."[285]

That fall, in the 2002 midterm election campaign, Democrats would make no sustained effort to challenge the President's upper crust priorities. They would suffer, on Election Day, embarrassing losses. President Bush, naturally, would quickly claim a mandate for pressing ahead with still another round of tax cuts. This new round of cuts, introduced early in 2003, would be configured to hand America's richest 1 percent, taxpayers making at least $374,000 a year, another $30,127 in tax savings in 2003 alone.[286] Overall, analysts noted, the new Bush plan would, if enacted, completely or substantially eliminate federal taxes on every revenue source that makes rich people rich, from inherited estates to interest, capital gains, and dividend income. The package, observed one *Washington Post* reporter, advanced "tax changes Ronald Reagan could only dream of."[287] President Bush and his friends were "going for broke," charged Rep. George Miller from California. "Their goal," he added, "is to force feed as much of the economic productivity of this country to the richest people of this country as fast as they possibly can before the nation catches up with them."[288]

Miller would oppose that force-feeding, but the majority of his colleagues would go along. The House and Senate would adopt a "compromise" that actually left the Bush tax plan *more* wealthy-people friendly. Under the tax cut, as finally enacted, households making over $1 million a year would average $93,500 in 2003 tax savings. At the other end of America's income ladder, over a third of America's households, 50 million in all, would see no savings at all from the Bush plan. Tax savings for households in the exact middle of America's income distribution, meanwhile, would average $217 in savings.[289]

Middle-income families with children would do somewhat better than that average, since the Bush plan did increase, by $400, the income tax child credit. But that $400 would be little consolation for families with kids in college. State budget cuts had already forced major tuition hikes at almost all America's public colleges and universities. In New York, for instance, a week before lawmakers in Congress gave the Bush tax cut their blessing, state lawmakers had adopted a budget that boosted annual tuition and fees by $950.[290]

More college tuition hikes, in New York and elsewhere, seemed inevitable. The new federal tax cut legislation did include $10 billion in emergency aid to hard-pressed state governments for each of the next two years. But that $10 billion didn't figure to help many states avoid new tuition hikes. State governments were facing an estimated $100 billion budget shortfall just for 2003 alone.[291] GOP leaders in Congress, some observers contended, weren't interested in helping fiscally squeezed states. The $10 billion in state aid, these observers pointed out, had only been added to the tax cut legislation at the last minute, as a desperate maneuver to win enough Senate votes to get the legislation passed.

"The new tax cut is about cutting taxes on the rich," University of Texas economist James Galbraith would note. "The tax bill throws peanuts at the fiscal crisis of the states."

And what could average folks expect after states get those peanuts? Galbraith saw not a pretty picture: "Sales taxes will keep going up. Poor people pay those. Property taxes will rise relentlessly, as they are doing down in Texas. Middle-class folk pay the property tax. Funds for schools, health care, transportation and the environment will be cut." The ultimate "train wreck," Galbraith predicted, would come after the 2004 election.[292]

"What I really want to know is this," an exasperated Congressman George Miller had asked a few months earlier, in February 2003. "What is it that the Bush Administration has against working middle class people? What the hell is it?"[293]

AMERICA'S EARLY LEADERS, NOTES HISTORIAN JAMES HUSTON, always "prided themselves on the difference between their republican, egalitarian society and the class-ridden aristocratic societies of Europe."[294]

"To find rampant crime, utter hopelessness, a permanent poverty class, and magnificent fortunes residing next to indescribable hovels," Huston points out, "Americans went to Europe."

Today, generations later, the roles have reversed. Europeans, Huston observes, now "come to the United States to witness the social distance between rich and poor, to observe homelessness and unendurable poverty, to see a political system of republicanism that elicits either apathy or outright hostility from the majority of its citizens, to research rampant crime and the world's largest population of prison inmates, to record the antics and frivolities of the inordinately wealthy." This may be, concludes Huston, the ultimate irony. The United States, not Europe, now "exhibits the traits that the revolutionists found loathsome in the eighteenth century." The United States, not Europe, has become "the aristocratic disgrace of western European civilization."

In America's political mainstream, a mainstream defined by politicians bought by the wealthy, by a media owned by the wealthy, by public policy think tanks bankrolled by the wealthy, hardly anyone acknowledges this disgrace — or worries much about it. But outside America's legislative halls and executive offices, off the front pages, many Americans *are* worrying. These Americans are discussing and debating alternatives to greed. They deserve our attention.

CONTEMPORARY OPTIONS

ADVOCATES FOR A MORE EQUITABLE AMERICA, a century ago, saw their campaign for social justice as essentially a two-front struggle. A good and honorable republic would emerge, these advocates believed, if more wealth accumulated at the bottom of America's social order, less at the top. Wise nations, James Madison had argued years earlier, seek to "reduce extreme wealth towards a state of mediocrity, and raise extreme indigence toward a state of comfort." Social justice activists one hundred years ago shared Madison's perspective. The fewer tycoons, the fewer paupers, the better the republic would most certainly be. For progressives, the task appeared straightforward. They needed to "level up" the lowly, "level down" the high and mighty.

Today, a century later, crusaders for social justice have largely given up on "leveling down." Contemporary social justice activists devote their energies, almost exclusively, to strategies that might help America "level up." And who can fault them? In today's political environment, thinking about "leveling down" can seem a colossally futile waste of time. The "extreme wealth" that so worried generations past now worries virtually no one of import in American public life. America once had Presidents who railed against "malefactors of wealth" and "economic royalists." In modern America, grand fortunes go unchallenged. No American under sixty has ever heard a prominent elected leader, in an important public forum, express a case, any case, against concentrated wealth.

Most people serious about social justice, as a consequence, don't think much about leveling down. They concentrate instead on "level up" activism, on advancing initiatives that can help poor people amass income and wealth. This single-minded attention to "leveling up," as a strategy for reducing inequality, can certainly be justified. "Leveling up" approaches, after all, *can* help close the gaps that separate the wealthy from everyone else. If poor people are improving their economic status faster than rich people are improving theirs, gaps between top and bottom will most assuredly narrow. Leveling up, as an approach to fighting inequality, also carries another attraction. No one prominent in American public life "supports" poverty. Everyone, all American political leaders agree, deserves an opportunity to get ahead.

Advocates for low-income families have worked diligently to translate this broad consensus for "equal opportunity" into political support for programs that give poor people a meaningful helping hand. But they have had, at best, limited success. Poor people, many influential American politicos believe, don't particularly need a helping hand. They need a kick in the butt. America, these influentials insist, remains *the* land of opportunity. In America, if you work hard enough, you will succeed. We have no "fixed" economic classes. Ours is a socially mobile society. You work, you climb. A lowly start does not condemn you to a lowly finish. That's what makes America great.

In truth, we are not today as mobile people as we think ourselves to be. Children from families in the nation's highest-income 10 percent, economists Samuel Bowles and Herbert Gintis documented midway through the 1990s, are twenty-seven times more likely, as adults, to end up in that top 10 percent than children from the bottom 10 percent. Out of every thousand children born into America's lowest-income tenth, their research revealed, only four will make it into the highest.[1]

"Individuals of all races and ethnicity are constantly moving from one class to another," a *Washington Post* survey of mobility research concluded in 1997. "But upward mobility is not automatic and is far less common, regardless of race, than is often assumed."[2]

Subsequent studies have only reinforced that conclusion. Annette Bernhardt, a researcher in Wisconsin, reviewed data that tracked 5,200 wage-earners over sixteen years. Increasing numbers of workers, she observed in 2002, "are permanently stuck in low-wage and dead-end careers, with little chance of entering the middle class."[3] Overall, the *New York Times* would add early in 2003, "experts report that mobility up and down the income ladder has diminished significantly recently in the United States."[4]

America's diminishing mobility has begun to alarm conservatives and liberals alike. Society, more academic analysts are proclaiming, needs to do something.

"Never has the accident of birth mattered more," Nobel Laureate economist James Heckman noted early in the new millennium. "I am a University of Chicago libertarian, but this is a case of market failure: children don't get to 'buy' their parents, and so there has to be some kind of intervention to make up for these environmental differences."[5]

"Many factors that lead to high or low incomes are beyond individuals' control," agreed a much more liberal Northwestern University political scientist, Benjamin Page. "We can and should help the unlucky."[6]

America's unlucky are still waiting for that help. Despite an overwhelming consensus in America that everyone deserves equal opportunity, despite growing evidence that obstacles are blocking that opportunity, despite growing support for "interventions" to increase opportunity, America has seen precious little "leveling up." People at America's economic bottom do not today enjoy any greater economic security than they did five, ten, or twenty years ago — or feel any less poor. The "practical" political approach to social justice — ignore concentrated wealth at the top of society, devote all possible political energy toward helping society's unfortunate — has not delivered. Leveling up, in the absence of any effort to "level down," seems to have failed.

In an unequal society, these pages will contend, any struggle for a more equal society that emphasizes "leveling up" over "leveling down" will always fail. The question is not whether we must level up or level down to fight inequality. We must do both. The real question is, how can we do both best?

AMERICANS HAVE BEQUEATHED TO WORLD CIVILIZATION two magnificent gifts fundamental to social progress. We have demonstrated that a nation can survive as a republic — and we invented free, universal public education.

These two gifts, we Americans once understood, work best in concert: Only an educated people can effectively govern themselves. But we have, over recent decades, tended to disregard this civic role of public education. We have emphasized instead education as an economic imperative. No one can succeed in the Information Age, we proclaim at every opportunity, without an adequate education. In high-tech times, we all agree, a poor education almost always guarantees economic failure, a life at the margins. Poor schools, seen in this light, constitute America's single biggest obstacle to equal opportunity. The obvious remedy: To make opportunity real for everyone in America, the schools poor kids attend simply must become better.

In the mid 1980s, this need to improve schools for poor kids became America's preferred response to growing inequality. Through better schools, experts and elected leaders agreed, America's unfortunate could be "leveled up" into middle class comfort.[7] A "better-trained workforce" would cure what ails low-income America. "One finds this mantra," economist Robert Kuttner would note midway through the 1990s, "in speeches of CEOs, declarations of business groups, White House pronouncements on the social role of corporations, and pleas by advocates of disadvantaged youth."[8]

Throughout the 1980s and 1990s, blue-ribbon commissions would swamp America with ambitious plans for improving the nation's most beleaguered public schools. But few of these plans, by century's end, had translated into significant achievement gains for disadvantaged students. Why so little progress? Schools by themselves, advocates for poor families did their best to explain, cannot undo the deficits that hold back children who live in or near poverty. Kids without a place at home to do homework will always have trouble keeping up. Kids in families always on the move from rental to rental, from school to school, will always keep falling further behind. To succeed in school, poor kids need a healthy learning environment, a stability, that a life in poverty cannot provide.

Kids who somehow beat the odds and make their way successfully through school, advocates added, face still another huge barrier to completing their education. Their families can't afford to send them to college.

Clearly, some analysts began arguing, poor kids need more than just good schools to get ahead. They need to live in families with “assets,” families with enough household wealth to provide everything from a stable home environment to a reasonable shot at a college education. “Asset building” would soon become an important new addition to the “leveling up” dialogue. By the mid 1990s, specific “asset building” proposals would be proliferating in academic and political circles all across the United States.[9]

One version, the Individual Development Account, or IDA, advanced by Washington University’s Michael Sherraden, took the already familiar Individual Retirement Account, or IRA, as a model, and proposed giving asset-poor families a tax incentive to save for their children’s futures.[10] The Clinton administration would contemplate creating “Universal Savings Accounts” that would give families earning less than $40,000 an annual $600 tax credit and a federal matching grant of up to $700 a year.[11] Nebraska Senator Bob Kerrey suggested that every newborn be awarded a $1,000 savings account and then $500 a year more until the child’s fifth birthday. At age twenty-one, after sixteen years of compounding interest, the grown child would have $20,000 — and a head start on life.[12] Republicans, meanwhile, advanced a “Savings for Working Families Act,” a bill that aimed to reward families that save with matching federal dollars.[13]

The most sweeping of the asset-building prescriptions would come from two Yale Law School professors. Bruce Ackerman and Anne Alstott. Their 1999 book, *The Stakeholder Society*, proposed that the federal government extend to all Americans, on their twenty-first birthday, a no-strings-attached $80,000 grant, a sum about equal to the cost of a quality four-year college education.[14]

No top politicians would rush to embrace this notion of a universal $80,000 grant. But a host of top politicos, in 2000, would maneuver to position themselves as asset-building advocates. In their 2000 election bids, both George W. Bush and Al Gore pledged to advance, if elected, bold new asset-building approaches.[15]

Bush and Gore, in their campaigns, would make even louder pledges around education. Both promised, in nearly every stump speech, to make America’s schools their highest priority. This matching campaign rhetoric reflected, in effect, an elite consensus on “leveling up,” a consensus that had been twenty years in the making. Government, America’s movers and shakers agreed, must bust down the barriers that block poor people from economic success. Schools must be improved. Nest-eggs must be nurtured.

But this elite consensus, in the early years of the twenty-first century, would not move anywhere beyond rhetoric. Low-performing schools would not be significantly improved. Millions of poor kids would continue to walk every morning into overcrowded, ill-equipped classrooms and find inexperienced, unqualified teachers. And nest-eggs would not be nurtured. More families would continue to drop out of America’s middle class than in. These outcomes could have been predicted. Schools for poor kids can indeed be improved, nest-eggs can be nurtured. But not on the cheap. "Leveling up" efforts, whenever *seriously* pursued, cost. A great deal. America's movers and shakers, in the opening years of the new century, would simply not be willing to foot the bill.

How big a bill would real "leveling up" demand? Michael Sherraden's original 1991 asset-building proposal would have cost $28 billion to implement in its first year alone. In 1998, Democrats and Republicans joined to enact a pilot program somewhat along the lines Sherraden suggested. The congressional appropriation for this initial asset-building effort: a grand total of $300 million *for five years.*[16]

In education, federal officials would need just look in their own backyard to see how much a real "leveling up" effort would cost, since the federal government itself is currently running the nation's most successful school system for kids from low-income backgrounds. This school system, the Department of Defense schools for kids from military families, boasts better test scores from low-income students than any other school system in the country. How do the DoD schools produce these outstanding results? Money, educators point out, certainly helps. In the 1990s, Department of Defense schools spent 23 percent more per pupil than the national per pupil average.[17]

In the 2000-2001 school year, local, state, and federal authorities spent nearly $400 billion overall on public elementary and secondary education. Bumping that figure up 23 percent, to match the per pupil investment in Defense Department schools, would require about another $100 billion a year.[18] And that $100 billion would still not guarantee equal educational opportunity. College would remain beyond the grasp of millions of students from low-income families. That added $100 billion would also do nothing to give poor children an equal opportunity in their early years, before school. How much more does the nation need to spend on quality preschool services? More, suggests Johns Hopkins University educator Robert Slavin, than America is even willing to consider.

Slavin came to that conclusion after examining results from an ambitious North Carolina experiment in quality preschool education that had begun in the 1970s. This experiment gave a randomly selected group of poor kids, from infancy to age eight, a comprehensive set of social supports. Later tested as teenagers, these poor kids "scored substantially higher on measures of IQ, reading, and mathematics" than kids who hadn't enjoyed the same support.[19] Good news? Not really. The project, Slavin observed, was "too expensive under current conditions to replicate widely."[20] How expensive? The program cost, on average, $13,000 per child, in 2002 dollars, about twice the per child cost of the federal government's existing Head Start program.[21] And Head Start, as funded in 2002, was only reaching three-fifths of the three- to five-year-old poor children eligible for it.[22]

In an America where a "leveling up" program as popular as Head Start could not gain full funding, Slavin understood, preschool programs robust enough to make a significant difference for all poor kids would remain sheer fantasy. And other interventions needed to guarantee equal opportunity — the programs to turn around low-performing schools, the assistance needed to make college affordable — would remain fantasies, too. They all cost too much. Lawmakers in turn-of-the-century America would only fund, at best, token efforts. To do otherwise, to raise the hundreds of billions necessary to provide real equal opportunity, lawmakers would have to take a step they have been unwilling to take. They would have to insist that America's wealthy ante up. A nation as wealthy as America can afford a leveling up agenda, but not without reaching into America's deepest pockets. To "level up," America first needs to level down.[23]

So note the authors of the *The Stakeholder Society*, the most ambitious text of the asset-building movement. The United States, Bruce Ackerman and Anne Alstott point out, could bankroll an $80,000 nest-egg for every twenty-one-year-old simply by enacting a 2 percent tax on the wealth of America's more comfortable households.

"The wealth of America is distributed so unequally," they observe, "that stakeholding can be financed by a tax that hits only the top 41 percent, with the top 20 percent contributing 93 percent of the total."[24]

America's elites, in the early years of the twenty-first century, would evince no interest in this sort of tax. They would evince no interest in any "leveling up" activity that required, to succeed, any sort of "leveling down." In an unequal America, the stakeholder society, any serious effort to level up people at America's economic bottom, would have to wait.

ANY SOCIETY THAT AIMS TO HELP POOR PEOPLE climb up life's economic ladder, up past the obstacles that have blocked their way in the past, must be willing to devote significant time and treasure to the effort. But time and treasure, even if adequately expended, can go for naught. Few will ever climb *up* life's ladder, even with help, if they live and labor in an economy that's constantly shoving *down* the people above them.

Our current economy does just that. In fact, our nation's movers and shakers have been shoving people down America's economic ladder ever since the 1970s. These movers and shakers have changed the rules that determine how our economy plays out. The old rules gave working people a shot at getting and keeping good jobs. The new rules reward those who snatch good jobs away.

Our corporate elites, not surprisingly, would rather we not pay much attention to the rule changes. They enjoy the new playing field. Under the new rules, they no longer have to bother with pesky government regulations that require them to protect workers and consumers. They can merge and purge their industries without suffering antitrust prosecution. They can deny workers the right to organize without getting prosecuted for violating labor laws. They can collect subsidies, financed by public tax dollars, for downsizing and sending jobs overseas. They can count, most of all, on government — as the economy's "referee" — to make sure every close call goes their way. Should taxes on the affluent be raised or public services cut and privatized? Should Medicare be extended or insurance companies guaranteed new markets? Should trade agreements respect environmental standards or give companies that exploit the environment the competitive edge? Under the new rules, the ultimate decisions always seem to tilt the same way.

Corporate America started demanding, and winning, these new rules for the economy over a quarter century ago, in the nation's "stagflation" years. If America's economic playing rules were changed, business leaders then assured lawmakers, the resulting prosperity would swoop working Americans up into a new era of good times. That didn't happen. The new rules shoved millions of Americans down, not up, and left dazed families wondering anxiously how they would ever get themselves back to where they had been.

To Americans who complained about this economic duress, corporate America had a two-part retort. Your problem, those in distress were informed, sits with your education. You aren't educated enough. Your problem is your bank account. You don't save enough. You haven't built up a big enough nest-egg. This clever spinning of the two "leveling up" strategies that came into vogue in the 1980s and 1990s — education and asset building — essentially transferred the responsibility for disappointing living standards off the economy and onto people living disappointing lives.

People like Christopher Audet. In 1999, a *Christian Science Monitor* article presented the story of Audet, a Florida man, as a cautionary tale about what inevitably happens whenever people don't take their life's choices seriously enough. Under the headline, "The Growing Cost of Skipping College," the piece noted that Audet had "tried college, but he couldn't stick with it." The result? Audet had become a toll-taker in Ft. Lauderdale making $5.75 an hour. Audet's fate, the article suggested, awaits any worker who gives school the straight-arm. Real wages for America's unskilled workers, the article noted, had actually dropped over the previous ten years.[25]

Articles like this *Christian Science Monitor* piece, the media watchdog group FAIR would later note, never seem to mention an equally telling fact. Real wages for unskilled males most certainly did fall over the course of the 1990s, but so did the entry-level wages of men with college degrees. If Christopher Audet had finished college, he would have stepped into a job market that paid college grads 8 percent less, in real dollars, at the end of the 1990s than they made at the decade's start.[26] In the boom years, if you worked for a living, you were making no leaps up the ladder — even if you had worked hard to get yourself an education.

Indeed, if education could drive people up the economic ladder all by itself, the last quarter of the twentieth century should have seen an unprecedented upward explosion in average American household incomes. In the three decades after 1973, the share of American workers with college degrees doubled.[27] But average Americans saw no income explosion. Between 1973 and 2001, the real hourly wages of Americans with college degrees rose all of 11 cents per year.[28]

People like Christopher Audet aren't rotting the American economy. Our economy is rotting from stagnating wages. And nothing will change so long as work does not pay. Assets will not accumulate in average households. Kids will not even do appreciably better in school. Raising incomes in America's poorest households, note sociologist Mike Miller and activist Chuck Collins, "would do more for raising educational performance than would the current nostrum of raising standards." Higher wages, they point out, "make it easier for families to keep their children in school for longer periods."[29] In the years right after World War II, the higher wages bargained by strong unions elevated millions of mass production workers into the middle class, "despite their blue-collar occupations," and, note Miller and Collins, "propelled many of their offspring into higher education."[30] Between 1945 and 1970, years of rising wages, college enrollment in the United States more than quadrupled, from 1.5 to 8 million students.[31]

Over the course of those years, from 1945 to 1970, our nation's basic economic rules kept us on what progressive economists have labeled the "high road." Lawmakers, prodded by strong unions, anxious to score Cold War debating points in the struggle with the Soviet Union, insisted on rules for the economy that really did "put people first." Employers were expected to bargain with their employees. Affluent people were expected to pay their fair share of taxes, and these tax dollars would help fund investments in schools, in housing, in roads and bridges, in research that developed new technologies and created new industries and jobs. Under these postwar rules, the minimum wage would regularly rise. Under these rules, working people would prosper. They would rush up America's economic ladder.

The United States, progressive economists advise, needs to get back on this "high road" — and start once again following policies that privilege average people. If we could set ourselves back on the "high road," economists Barry Bluestone and Bennett Harrison have estimated, we might as a nation be able to "regain the more equal income distribution that existed in the 1960s" within a dozen years.[32]

America's top economic decision makers have ignored this "high road" counsel. They have kept America, with only an occasional detour, rolling down the "low road," the road that privileges the powerful and leaves the rest of us to fend for ourselves. They justify this low-road course, year after year, with the same numbing, lifeless prose.

"We must pursue monetary conditions in which stable prices contribute to maximizing sustainable long-run growth," Federal Reserve Chairman Alan Greenspan tells us. "Such disciplined policies will offer the best underpinnings for identifying opportunities to channel growing knowledge, innovation, and capital investment into the creation of wealth that, in turn, will lift living standards as broadly as possible."[33]

America's average living standards, after over a generation of such "disciplined policies," remain unlifted. So why do we, as a nation, stick to the low road? We stick because the low road can be comfortable — for those who ride down it in limos. The low road has carried America's wealthy wherever they have wanted to go. Not surprisingly, they have resisted, with gripping determination, any national change of direction.

Back before the 1970s, by contrast, the wealthy and powerful did not resist the high road. Corporate leaders played along, under "high road" rules, and they actually did quite well. The gap between the wealthy and everybody else did narrow substantially in the quarter century after World War II, but not because wealthy people stopped making more money. The incomes of the affluent actually rose during the "high road" years, just not as rapidly as the incomes of average people.[34]

So why do today's corporate leaders fiercely oppose the same "high road" policies that yesterday's corporate leaders accepted so readily?

No great mystery here. Yesterday's corporate leaders could afford to be accepting. In the postwar years, decades of rebuilding in war-torn Europe and Asia, American businesses enjoyed little competition. Executives could amble along, pay decent wages, abide by regulations meant to protect the public interest, meet their tax responsibilities, and still, at the end of the day, tally handsome profits. But that world of easy earnings started crumbling in the 1970s. Corporate America could no longer effortlessly dominate markets, either in the United States or across the world. Corporate leaders now faced real competitors — and a choice. They could sit down with government and labor and jointly rethink and retool to meet the challenges of a new world economy. Or corporate leaders could keep their own good times going by ending good times for everybody else. They would choose the latter course. They would press for and win new "rules" for the economy. They would gain everything from a "union-free" environment to deregulation, everything from "free trade" agreements to lower tax rates.

Under these new rules, wealth — and power — would concentrate ever more grandly at the top of America's economic ladder. And that power would keep the new rules firmly in place, despite clear and mounting evidence that these new rules had created an America that was failing most Americans.

We as a nation cannot hope to steer America back onto our abandoned "high road," cannot begin creating an America that works for most Americans, unless we confront and reduce this power of concentrated wealth, the power that keeps America on the "low road." To put into place the policies necessary to create an economy that works for everyone, we need, in short, to "level down."

Down through history, in the United States and elsewhere as well, average people have at times been able to "level down" severe inequalities. But those times, history shows us, have almost always come amid intense social crises, amid wars and depressions that have left societies — and their upper crusts — deeply shaken. Must we today wait for war and depression before we can make any serious inroads against concentrated wealth? Or can we level down, seriously and significantly, without having to first undergo cataclysmic social dislocation?

That just may be, in the century ahead, the most important question we all face.

WISE PEOPLE HAVE BEEN THINKING ABOUT how best to "level down" concentrated wealth ever since the dawn of recorded history. How do we know? The Bible tells us so. The giants of our biblical narratives, the great prophets from Moses to Jesus, obsessed about the need to keep wealth from concentrating — and poisoning the good and just societies they hoped to hasten into reality.

Moses and the Israelites, after escaping Egypt and bondage, faced the challenge of sustaining themselves as a new nation. How would they choose to structure their new society? Would they recreate the hierarchies they had fled? Moses, notes theologian Ched Myers, urged his people to think anew.[35] Gather for your needs, Moses advised, and no more. Strive not to endlessly accumulate. Pharaoh had accumulated. The Israelites, Moses insisted, must not go down that road. Future prophets would echo Moses. They understood, as Ched Myers explains, that oppressive regimes draw "labor, resources, and wealth into greater and greater concentrations of idolatrous power." They urged Israel "to keep wealth circulating through strategies of redistribution, not concentrating through strategies of accumulation."[36]

And how could a just society keep wealth from accumulating? The Bible offers a course of action Myers has termed "sabbath economics." All who do honor to God, the Bible advises, should regularly rest from their labors, from their accumulating. "Six days you shall gather," Exodus tells us, "but on the seventh, which is a Sabbath, there will be none."[37] Those who observe the Sabbath must rest from accumulating not just every seventh day, but every seventh year. In this Sabbath year, Exodus advises, "You shall let the land rest and lie fallow, so that the poor of your people may eat."[38] All debtors, insists Deuteronomy, must be released from their burdens in this same Sabbath year.

Ancient prophets, Ched Myers explains, saw debt release as "a hedge against the inevitable tendency of human societies to concentrate power and wealth in the hands of a few." In ancient societies, wealth would often first start concentrating in significant accumulations when deeply indebted families had to sell off their lands to service their debts. The creditors, landowners themselves, would add the lands of indebted families to their own personal holdings, creating ever larger fortunes. For shame, prophets like Isaiah would thunder in response, as they berated wealthy creditors who had added "house to house and field to field, until there is room for no one but you."[39]

The Bible's Sabbath logic, notes theologian Ched Myers, would reach its "fullest expression" in the "Jubilee," the grand remission that marked the year after every seventh Sabbath year, or the fiftieth year of the biblical cycle. In the Jubilee year, the Book of Leviticus proclaims, all shall be released from their debts, all lands shall be returned to their original owners, and all slaves shall be freed. A leveling down, a leveling up.[40]

This Jubilee vision, Myers suggests, can help us understand the clashes between Jesus and the authorities of his day.[41] Jesus claimed "the authority to cancel debts and restore the Sabbath." This "revisioning of Sabbath economics," notes Myers, "lay at the heart of his teaching — and stood at the center of his conflict with the Judean public order."[42] "Many who are first will be last," preached Jesus, in wisdom inspired by the Jubilee tradition, "and the last first."[43]

Those uncomfortable with this tradition, down through the years, have argued that biblical urgings for Sabbath years and Jubilees were never taken seriously, even in biblical times. But the Bible, Ched Myers notes, presents ample evidence to the contrary. The Bible's prophets — Isaiah, Amos, Hosea, Jeremiah — repeatedly rail against violations of the Sabbath spirit.

"If we are going to dismiss the Jubilee because Israel practiced it only inconsistently," adds Myers, "we should also ignore the Sermon on the Mount because Christians have rarely embodied Jesus' instruction to love our enemies."[44]

In ancient Israel, a simple agrarian society, the Sabbath economics of rest, relief, and remission could and did provide a standard for realizing a just and good society, a "leveling" frame of reference. In our more complex times, Sabbath economics can still offer us inspiration. But we need to look elsewhere for an operational leveling plan. The agrarian Jubilee does not fit our modern age. Those who would do honor to the Jubilee spirit, notes Ched Myers, "have hard work to do."[45] We have an obligation to develop a leveling approach that does fit our times.

What might that leveling approach be?

WE HAVE NO THUNDERING PROPHETS TODAY. We do have thoughtful theologians. Many of these theologians believe that our age can lay claim to a leveling instrument worthy of our biblical heritage. They see in "progressive taxation" — tax systems that pinch the wealthy at higher rates than everyone else — a modern match for the Jubilee spirit.

"In a just society, those with more have an obligation toward those who have less," notes Patricia Ann Lamoureux, a Baltimore-based professor of moral theology. "This outlook supports a proportional and progressive tax structure."[46]

Progressivity, America's Catholic bishops agreed in their landmark 1986 pastoral letter on economic justice, brings to tax policy "an important means of reducing the severe inequalities of income and wealth."[47]

Our age's most important progressive tax levy, the federal income tax, boasts roots that run deep in both secular and religious thought. Karl Marx certainly did, as Ronald Reagan used to complain, support the progressive income tax. But he was merely following in the footsteps of the most celebrated hero of Ronald Reagan's conservative movement, the eighteenth century thinker Adam Smith.

"It is not very unreasonable," wrote Smith in his most famous work, *The Wealth of Nations*, "that the rich should contribute to the public expense not only in proportion to their revenue, but something more than in that proportion."[48]

Social justice crusaders have been echoing that idea ever since.

"The progressive income tax," as commentator Molly Ivins summed up in 2001, "is the single fairest form of taxation ever invented."[49]

This cheering, to be sure, has dimmed somewhat in recent decades. The federal income tax, many observers charge, no longer makes much of a progressive impact. Loopholes have become so large, tax rates on high incomes have fallen so low, that income taxes no longer tend to even out America's income inequalities. These inequalities, Joseph Pechman lamented in his 1989 American Economic Association presidential address, have become "even more pronounced after tax than before tax."[50] The wealthy, liberal commentator Mickey Kaus has argued, have never paid income taxes at the high progressive rates the tax laws say they should. They simply exploit loopholes to slash their tax bills.[51]

Conservatives have welcomed these liberal critiques. High tax rates on high incomes, they cheerfully chime in, will always backfire. "History shows that the ability to extract higher revenues from the rich is extremely limited," Bruce Bartlett, a former Treasury Department official, contended in 1993. "Higher rates simply cause the rich to shift their income from taxable forms to nontaxable forms or to forms that are taxed at a lower rate."[52] If the wealthy can accumulate fortunes with or without high tax rates in effect, conservatives ask, why bother taxing progressively?

Attacks on tax progressivity gained wide currency in the late twentieth century. But these attacks misread history. The federal progressive income tax, until neutered by the Reagan administration, *did* impact the concentration of wealth in the United States, and enormously so. That became undeniably obvious in 1998, after researchers Michael Klepper and Robert Gunther calculated an inflation-adjusted list of the forty richest Americans of all time.[53] The four fortunes Klepper and Gunther found at the top of their list wound up belonging to John D. Rockefeller (1839-1937), Andrew Carnegie (1835-1919), Cornelius Vanderbilt (1794-1877), and John Jacob Astor (1763-1848). All four of these tycoons made their fortunes *before* the heyday of high progressive tax rates on high incomes, a heyday that began in the 1930s and gamely hung on into the 1970s.

The list's fifth richest American of all time, Microsoft's Bill Gates, made his fortune *after* the demise of the stiffest progressive rates on high incomes, as did the eleventh richest on the list, Wal-Mart's Sam Walton, the thirteenth richest, investor Warren Buffet, and the twenty-second richest, Microsoft's Paul Allen.

Of the forty richest men in American history, not one made the bulk of his fortune during America's half century of high progressive tax rates. In effect, over the course of this half century, the American economy almost entirely stopped generating colossal concentrations of wealth and power. Awesome fortunes emerged in the United States *before* the 1930s and the onset of high progressive taxes. Awesome fortunes emerged *after* the Reagan administration eliminated high progressive rates in 1981. But no colossally grand fortunes emerged *during* the years the U.S. tax code subjected high incomes to progressive high rates.

Must we attribute the absence of colossal fortunes in the mid twentieth century to the progressive income tax? Alternate explanations could certainly be feasible. Maybe entrepreneurs in mid-twentieth century America simply gave up trying to make money, because Uncle Sam was snatching so much of it away. Maybe high tax rates drained the incentive to succeed out of the business world. Maybe entrepreneurs, lacking "incentive," just became lazy and stopped behaving entrepreneurially, stopped working hard to excite American consumers with new products and new technologies. That would explain, some might argue, why the computer industry didn't start generating excitement — and billionaires — until the Reagan years ripped progressivity out of the U.S. tax code.

Actually, these alternate explanations explain nothing. Entrepreneurs did not "give up" during the high tax years. They innovated on a grand scale throughout the high tax era. Indeed, they brought to market, right in the heart of that era, the single most exciting product in consumer history, the product that became the single "greatest form of mass entertainment" ever.[54] That product? Television. In 1948, only 1 percent of American households owned a TV. Within seven years, televisions graced the homes of 75 percent of the American people.[55] Those TV sets didn't just drop into those homes. They had to be designed, manufactured, packaged, distributed, marketed. An entire new broadcasting industry had to be invented. Programming had to be produced. Imaginations had to be captured. All of this demanded an enormous outlay of entrepreneurial effort. And that effort was made, despite progressive tax rates that taxed away income over $200,000 at a 91 percent rate. The progressive income tax in the early 1950s didn't prevent innovation and entrepreneurship. The progressive income tax simply prevented that innovation and entrepreneurship from generating dynasties of gargantuan wealth and power.

We must acknowledge, at this point, that some great fortunes did emerge in the heyday years of progressive tax rates. None of these fortunes would grow large enough to rank among America's forty richest of all time. But some did reach grand proportions. Do these fortunes prove that high progressive tax rates cannot prevent great wealth from concentrating? Not in the least. These fortunes amount to the exception that proves the rule. Some Americans did indeed become fabulously wealthy during the high tax years. But they only became fabulously wealthy because America's lawmakers essentially exempted them from high taxes. The great fortunes that emerged over the course of the high tax years almost all arose in one industry. The oil industry. Oil men, over the mid-century years, led a charmed political existence. They had what no one else had, a special tax code preference that amounted to a "get out of jail free" card. That preference, the "oil depletion allowance," would give oil men the single most lucrative tax loophole ever.

The oil depletion allowance, first introduced in the 1920s, would be institutionalized and expanded in the 1930s.[56] Over the next half century, oil tycoons essentially escaped the tax rates that applied to every other industry.[57] By the 1980s, the end of the progressive tax era, America's wealthiest individuals had either inherited their wealth, from fortunes originally amassed before high progressive tax rates went into effect, or made their fortunes in and around the oil business. *Forbes* magazine began its annual "400 richest Americans" calculations in 1982. Of the thirteen billionaires on that first 1982 list, five owed their fortunes to one daddy, oil man H. L. Hunt.[58] The very richest Americans, besides little Hunts, also included oil offspring from Sid Bass and John Paul Getty.[59]

In the years after that initial *Forbes* annual list, oil would lose its special status. The 1981 tax cut that slashed the top tax rate from 70 to 50 percent, followed by the 1986 cut that dropped the top rate to 28 percent, cleared the decks for super fortunes across the entire economy. America's early computer entrepreneurs would take full advantage of that opportunity. In the 1950s, with progressive tax rates in effect, the introduction of television into American homes had created no megafortunes. In the 1980s and 1990s, with progressive tax rates no longer in effect, the introduction of computers into American homes would create one new megafortune after another.

Elsewhere in the industrial world, progressive tax rates did not disappear in the 1980s. In Europe and Japan, tax rates on top incomes would remain relatively high. Megafortunes in these nations would remain rare. America's four hundred richest, *Forbes* would note in 1997, "are clearly lucky to be Americans." The richest of the rich in the United States, the magazine explained, pay taxes at "nowhere near" the rates applied to the wealthy in other developed nations.[60] "You don't have to be a rocket scientist," *Washington Post* political analyst David Broder would agree, "to know that the U.S. tax system has helped the top brackets amass their wealth."[61]

Progressive income tax rates, Broder understood, clearly do make a difference. They can prevent huge concentrations of wealth from amassing. But do progressive tax rates make enough of a difference? Can progressive rates be sustained, over time, at high enough levels to keep a democratic society free from immense pockets of wealth and power? For egalitarians, unfortunately, history cannot offer a comforting answer.

"A PROGRESSIVE TAX CODE," notes *Los Angeles Times* columnist John Balzar, "dampens greed."[62] But high tax rates on high incomes also have another inevitable impact. They make rich people see red.

Wealthy people, as a group, have never accepted the basic principle behind tax progressivity, the notion that all citizens should be taxed according to their ability to pay. Wealthy individuals, by and large, have always seen progressive tax rates as intolerable sanctions on success, vile nuisances to be hated, avoided, and, God willing, ultimately eliminated. Not all rich people, of course, have shared this embittered attitude. In every progressive tax era, a few brave affluent souls have spoken out *for* progressive taxation — and risked "class traitor" stares from their wealthy peers.

"Why shouldn't the American people take half my money from me?" as Edward Filene, the department store merchandising giant, once quipped. "I took all of it from them."[63]

Edward Filene and his ideological heirs have never set the tone for America's upper crust. In the United States, and elsewhere as well, efforts to initiate seriously progressive income tax systems have always met relentless resistance from wealthy people and the politicians in their pockets. In these standoffs, the wealthy usually prevail. But not always. Not during times of national crisis. Wars and economic catastrophes tend to upset politics as usual. They make the previously unthinkable — high taxes on high incomes — suddenly achievable. Still, crises never last forever. The wealthy eventually regain their political footing. They then, typically, take dead aim against any progressive tax rates the previous crisis may have left behind. They struggle, with all their might, to ax these rates. After World War I, they succeeded. In the 1920s, in the United States and most other industrial nations, the wealthy seized back the ground they had lost during the war.

With the wealthy back in the saddle, the world would stumble backwards, back toward inequality, to depression, to another world war. After World War II, notes University of Colorado political scientist Sven Steinmo, most observers expected more of the same. They felt sure that governments would "roll back taxes to somewhere near prewar levels." That didn't happen. Western governments proved able to hold "on to the high levels of taxation that the war had made politically possible."[64] That achievement would subsequently reshape the entire postwar world. In the years right after World War II, revenues from high progressive taxes would bankroll the initiatives, in everything from education to housing, that created the modern middle class — and the most equal societies the developed world had ever seen.

This progressive tax momentum, unfortunately, could not be sustained. In the United States, as we have seen, elites during the Eisenhower years didn't have the political strength to confront tax progressivity directly. They would work behind the scenes instead, trying to carve loopholes in the tax code. The Kennedy years would see the beginnings of actual rollbacks in tax rates. Still, despite the new loopholes, despite the Kennedy rate reductions, America's tax code would retain considerable progressivity until the Reagan years essentially ended tax progressivity in the United States.

The rest of the world would soon start following suit, slowly at first, then more rapidly in the late 1990s. Most governments in Europe and Asia felt they had no choice, not in a tightly globalized world economy. In this economy, dominated by a low-tax United States, political leaders feared that capital would abandon their countries if they dared try to maintain tax rates at high progressive levels. They found themselves, consequently, "forced to redesign their tax systems — largely irrespective of the preferences or desires of the majority of citizens."[65]

By 2000, every major European nation had reduced taxes on the wealthy.[66] Tax rates on wealthy incomes in these nations still remained higher than tax rates on wealthy incomes in the United States. But the gap, by century's end, had shrunk. Progressive income tax systems, throughout the world, were now no longer making the equalizing impact they once had. They no longer functioned as much of a brake on concentrated wealth.

In the 1990s, especially in the United States, egalitarians would begin searching for alternatives. Their exploration would come to focus on another longstanding, but sparingly practiced, leveling down option, the "wealth tax."

AMERICANS HAVE BEEN PAYING TAXES on "wealth," or property, ever since colonial days. But we have, down through the years, defined "property" rather narrowly. Our contemporary "property tax," in fact, only taxes one category of property, real estate. This narrow definition tends to generate a fundamental unfairness. Average families must pay taxes on the value of their homes, the chief source of their household wealth, but more affluent families pay no tax on the value of their stocks and bonds, the chief source of their wealth. Our current "property tax," in effect, privileges the property of wealthy people — and, in the process, serves to concentrate still more wealth in wealthy people's pockets. This property tax special privilege could be swiftly ended, many egalitarians have argued, simply by imposing a "wealth tax," an annual levy on all property, not just real estate.

If a wealth tax were enacted in the United States, each household would simply tally up assets and liabilities to compute a "net worth." Households with little net worth would pay no "wealth tax." Households with a modest net worth would pay a tiny percentage of that net worth in tax. Households with hefty net worth would pay considerably more.

Wealth taxes already exist elsewhere in the world, mostly in Western Europe. These levies subject appreciable accumulations of wealth to a small annual tax rate, typically around 1 or 1.5 percent. Switzerland taxes its largest wealth accumulations at an even lower rate, just one third of 1 percent.[67] In the United States, notes New York University economist Edward Wolff, even rates as low as these could generate quite substantial annual revenues. In 1995, Wolff proposed a wealth tax that would exempt every family's first $100,000 in assets, then tax wealth above that level at rates that ranged from a miniscule 0.05 percent to a still tiny 0.3 percent on the highest accumulations. An annual wealth tax so configured, Wolff calculated, would have then raised $50 billion.[68]

In the 1990s, Wolff's new research on America's increasing maldistribution of wealth would help build support for his wealth tax notion, some from important quarters. Midway through the decade, AFL-CIO secretary-treasurer Tom Donahue would call for a tax on all fortunes worth over $10 million.[69] "A progressive tax on wealth," former U.S. labor secretary Robert Reich would argue in 1998, "should not be beyond imagination."[70]

Support for a wealth tax even came from unexpected quarters. In 1999, multimillionaire developer Donald Trump suggested a wealth tax that would subject every fortune worth at least $10 million to a one-time 14.25 percent tax. If that tax were imposed, Trump asserted, the resulting revenue would be enough to retire America's entire national debt.[71]

No modern nations have ever seriously contemplated taxing wealth at a level anywhere near that 14.25 percent. The wealth tax, in practice, has remained a modest levy, a levy so modest that no contemporary wealth tax actually does much to level down inequality. A $100 million fortune averaging a 10 percent annual return on investments will, if subjected to a 1 percent annual wealth tax, continue to amass in size at quite a steady clip.

Why have wealth taxes, where they exist, remained so modest? Why do wealth taxes exist in so few nations? One reason may be the administrative headaches that inevitably accompany any effort to tax property. To be taxed, property must first be assigned a dollar value. Some forms of property — stocks and bonds, for instance — carry a regularly updated dollar value. These create few assessment problems. But other forms of wealth, from fine art to expensive jewelry, can take considerable effort to assess fairly. That reality poses a dilemma for lawmakers. If they choose to tax only those forms of wealth that can be easily assessed, then rich people will have an incentive to shift their fortunes into forms of wealth not easily assessed. If lawmakers choose to apply a wealth tax to all forms of wealth, including the difficult to assess, then a new assessment bureaucracy would have to be created, to keep rich people honest.

None of these administrative headaches make wealth taxes unworkable. But these headaches must be addressed, and that can take time. In moments of national crisis, the only moments when nations have historically contemplated placing new tax burdens on wealthy people, time cannot be wasted. Governments at crisis moments need revenues immediately. They can, almost always, collect these revenues more quickly and efficiently from taxes on income than taxes on wealth.

Still another reason, a perhaps more consequential reason, helps explain why wealth taxes have not advanced much beyond the curiosity stage. Any effort to establish and maintain a progressive *wealth* tax faces the same challenge as any effort to establish and maintain a progressive *income* tax: Rich people will always fight more forcefully to stop the taxation of excess wealth — or income — than average people will fight to make sure that excess wealth, or income, is taxed. Rich people, whenever taxes on excessive wealth or income are proposed, have a direct stake in the decision to be made. That's *their* money at issue. A tax on excessive wealth takes money directly *out* of wealthy pockets.

For the nonrich majority, by contrast, the benefits from progressive taxation, on either wealth or income, will always seem less tangible. A tax on excessive wealth never places dollars directly *into* the pockets of the nonrich majority. The most obvious benefits from taxing excessive income — more revenue dollars for programs that improve the quality of the lives that nonrich people live — can certainly be concrete. But these benefits are never immediate, and average people, as a result, seldom feel an urgent need to press for them, *except* during wars and other moments of national crisis.

These crisis moments totally transform the political environment. Everyone in society suddenly feels a sense of engagement, of urgency. Revenues, people understand, must be raised to win the war or solve whatever the crisis may be. And these revenues, average people also see clearly, will only be raised at adequate levels if all people contribute what they can, especially those who can afford to contribute the most. Wealthy people, in this atmosphere, can seldom prevail politically. Progressive tax proposals they could have swatted away with ease in more "normal" times — and perhaps did — now become law. The wealthy grit their teeth and pay their taxes. Their time will come. After the crisis.

The crisis over, the wealthy make their move. They launch aggressive struggles to render progressive tax systems ineffectual. Eventually, history shows, they prevail, unless and until some new crisis restores urgency and passion to the case for progressive taxation.

We now have, in the United States, nearly a century of experience with the progressive income tax. In all that time, non-rich majorities have never been able to sustain tax progressivity, absent war or depression, for more than a few decades. Could some other approach to progressive taxation prove more lasting, over the long term, than the progressive income tax? Could some other approach give non-rich majorities as much incentive to fight *for* "leveling down" as rich people have to fight against it? Perhaps. Wealth taxes weren't the only unusual "leveling down" idea championed in the 1990s.

FEW SCHOLARS HAVE DONE MORE TO HELP us understand how inequality limits our lives than Cornell University economist Robert Frank. Wealth that concentrates at excessive levels, Frank has shown, invariably fuels a wasteful conspicuous consumption that leaves average people gasping for breath on a never-ending "hedonic treadmill." In his 1999 book, *Luxury Fever*, Frank suggests a tax strategy that could slow that treadmill — and channel concentrated wealth into spending for the public good.

Frank's strategic suggestion, the "progressive consumption tax," essentially calls rich people's bluff. High taxes on high incomes, the wealthy have always claimed, sap a nation's economic vitality. If rich people are taxed heavily, the argument goes, they can't save and invest as much as they otherwise would. That's bad news, the argument continues, for entrepreneurs looking for investment capital. If these entrepreneurs can't find capital, they can't expand existing operations or create new ones. Everyone loses.

Advocates for tax progressivity have always considered this argument basically bogus. If wealthy people were taxed at lower levels, they note, the resulting dollars that would stay in wealthy pockets would not all be responsibly "invested." Many of these dollars would be wasted, on speculation or luxury spending. But let's assume, for argument's sake, that wealthy people really would save and invest, at significantly higher levels, if tax collectors would only give them a break. These eager-to-invest wealthy people, Robert Frank suggests, ought to welcome enthusiastically the prospect of a progressive consumption tax. Such a tax, he posits, would reward savers and investors — and penalize only those self-absorbed rich who squander their treasure on luxury baubles.

A progressive consumption tax, Frank notes, could work simply. If a progressive consumption tax replaced the traditional progressive income tax, Americans would still report to the IRS how much they earn every year, but they would also report how much they save every year — in everything from bank accounts to mutual funds. The difference between income and savings would represent a family's consumption. Each family would be able to claim a standard deduction, for basic living expenses, off that consumption total. The remaining consumption would be taxed, at low rates for low amounts, at high rates for high amounts.[72]

Under a progressive consumption tax system, wealthy people who save and invest their excess cash would pay far less in taxes than wealthy people who spend lavishly. This penalty on luxury, Frank believes, would encourage wealthy people to spend less and save more.[73] Less luxury spending by the wealthy would, in turn, reorient the economy. Carpenters, Frank predicts, would "spend less of their time building mansions for the superrich" and more time building homes for regular people. Fewer dollars would be "spent on liposuction and tummy tucks," more on "people who actually have illnesses."[74]

The rates for a progressive consumption tax, Frank adds, could be calibrated at levels that raise the same revenue from people at different income levels that the federal income tax does now. But if consumption tax rates were set more progressively than the current federal income tax, a course Frank favors, a progressive consumption tax could raise more revenue than the income tax does now. Tax rates on consumption, notes Frank, ought to go as high as income tax rates went before the Reagan revolution, to 70 percent.[75] Rates this high, he believes, could raise enough revenue to fund a renaissance in America's long-neglected "inconspicuous consumption," our nation's outlays for transportation, health, and other public goods that ease life's daily aggravations.

Consumption taxes amount to an indirect tax on luxuries, and taxes on luxuries, Frank acknowledges, generally have an abysmal track record. Taxes on jewelry, yachts, fancy sedans, and other luxuries typically raise much less revenue than expected, mainly because affluent people merely shift their spending from goods taxed as "luxuries" to goods not yet subject to a luxury tax.[76] And traditional luxury taxes, Frank adds, seldom stay in effect particularly long. Taxpayers quite naturally disagree, sometimes emotionally so, on whose luxuries ought to be gored.

"Is a $300 ticket to an evening performance by the Metropolitan Opera a frivolous luxury?" the Cornell economist explains. "Perhaps for some people, but what about the Des Moines school teacher who has saved 20 years for the thrill of a lifetime? No two of us are alike, and what is one person's luxury is another's necessity."[77]

A progressive consumption tax, Frank argues, avoids the problems inherent in taxing individual luxuries. A consumption tax would apply to spending on *all* goods and services. A consumption tax can operate, as a result, without any lawmaker having "to define and tax specific luxury goods on a case-by-case basis."[78] In other words, in theory at least, a consumption tax can do what a luxury tax cannot, actually discourage spending on luxuries and raise revenue at the same time. But to have this impact, to raise revenue and slow the consumption "arms race," consumption tax rates must be configured progressively. Rich people who consume lavishly, Frank emphasizes, must be taxed at far higher rates than average people who consume at much more modest levels.

"If a progressive consumption tax is to curb the waste that springs from excessive spending on conspicuous consumption," he notes, "its rates at the highest levels must be sufficiently steep to provide meaningful incentives for the people atop the consumption pyramid. For unless their spending changes, the spending of those just below them is unlikely to change either, and so on all the way down."[79]

Would lawmakers in the United States actually consider enacting a progressive consumption tax? They actually already have. During World War II, Treasury Secretary Henry Morgenthau advanced a proposal for a graduated "spendings tax." The proposal anticipated, in all major particulars, the progressive consumption tax Robert Frank would propose over a half-century later. All families would pay a tax on the amount of money they spent during the year, after deducting the cost of necessities. Rich families would pay this "spendings tax" at far higher rates than anyone else.[80]

Congress, in the end, would give Morgenthau's proposal only cursory attention, but modern lawmakers, Frank believes, might be more open to the notion. Indeed, he notes, "the progressive consumption tax is hardly a fringe idea." The evidence: In 1995, Senators Pete Domenici, a New Mexico Republican, and Sam Nunn, a Georgia Democrat, introduced legislation — the Unlimited Savings Allowance Tax Act — that would have exempted all personal savings from tax.[81] This bill's introduction, to Frank, signals that progressive consumption taxes have finally become politically viable.[82] But the "USA tax" proposal advanced by Domenici and Nunn amounted to only a pale reflection of Frank's progressive approach to consumption taxation, as Frank himself notes. "For the USA tax to stimulate significant alterations in our consumption patterns," he notes, "its rate structure would have to be much more steeply progressive."[83]

Indeed, in 1995, many progressive tax reformers would see absolutely no redeeming social value in the Domenici-Nunn proposal. If enacted, charged Robert McIntyre of Citizens for Tax Justice, the "USA tax" would have merely amassed existing tax loopholes for the rich and powerful "into one giant, all-encompassing loophole."[84]

The consumption tax notions advanced by Senators Nunn and Domenici in their USA tax proposal would find a more hospitable welcome among conservatives opposed to high taxes on the wealthy in any way, shape, or form. In its 1996 final report, the Republican National Commission on Economic Growth and Tax Reform, chaired by Jack Kemp, concluded that America needed a new tax system that "either let savers deduct their savings or exclude the returns on the savings from their taxable income."[85] Seven years later, in his proposed budget for the 2004 fiscal year, George W. Bush would advance a series of initiatives to accomplish that same goal. Conservatives had, in effect, squeezed out of the USA tax proposal just what they needed — a bipartisan justification for making all investment income tax-free — and discarded the rest.

Must all "progressive consumption tax" proposals face the same fate? Probably. Affluent taxpayers are not likely to embrace the sort of steeply progressive rates on their consumption that Robert Frank advocates, concludes Aaron Bernstein, a veteran *Business Week* observer of economic inequality. Advocates of truly progressive consumption taxes like Robert Frank, Bernstein notes, expect America's most affluent "to consume less so that all of us can live better lives."[86] America's most affluent, Bernstein argues, would be more likely to take the same attitude toward steeply progressive consumption tax rates that they have taken toward steeply progressive income tax rates. They would oppose these rates with every ounce of their being.

"People of privilege," as John Kenneth Galbraith once quipped, "will always risk their complete destruction rather than surrender any material part of their advantage."[87]

And that brings us back to the essence of our leveling down dilemma. Leveling down proposals will always face stiff and fervent opposition from the wealthy. This opposition from the wealthy will always prevail, eventually if not at first, unless average working people demonstrate an even greater fervor on behalf of leveling down than wealthy people demonstrate against it. Average people would indeed have reasons to support a steeply progressive consumption tax — more revenues for public goods and services, a possible slowdown in the consumption "arms race" — but these reasons don't seem more likely to energize Americans into action than proposals for a steeply progressive income or a steeply progressive wealth tax.

To move forward to a less unequal America, we need a new approach to leveling down, a new approach on two levels. We need, first, an approach that offers America's nonrich majority a tangible, direct, personal stake in leveling down. With a personal stake in the outcome of leveling down debates, working Americans might finally be able to mobilize the political determination necessary to cut concentrated wealth down to democratic size.

But to maintain wealth accumulations at democratic proportions, we would need an approach to leveling down that does more than just inspire the nonrich majority to noble struggle. We would need an approach that gives our wealthy a reason to care more about "leveling up" the bottom of society than ending "leveling down" limits on the top, a reason to believe that even they, as wealthy people, would be better off in a society with a more modest gap between top and bottom. We would need, in effect, an approach to fighting inequality that directly links leveling up and leveling down.

Creating this link would, of course, demand an ambitious new set of rules for our economy. Or maybe just one rule. The Ten Times Rule.

A Maximum Wage?

ON SEPTEMBER 11, 2002, exactly one year after history's most deadly assault on American civilians, a distinguished gentleman stepped to a simple podium at the front of Trinity Church, a grand old edifice that sits along New York's fabled Wall Street. The gentleman, William J. McDonough, would be the featured speaker in a ceremony to commemorate the tragedy that had shaken New York and the world.

McDonough had not been a 9/11 rescue worker, nor a near victim, and his remarks would not speak directly to the horror and heroism of that awful day. McDonough, the president of the Federal Reserve Bank of New York, would note instead the challenges ahead, the need to rally the wounded, to comfort the grieving, to rebuild the city, all endeavors that require us, at a basic moral level, to love each other as we would have others love us.

"Loving our neighbor as ourselves," the New York Fed president would then contend, "requires that the remaining imperfections in our democracy be corrected."[1]

McDonough asked his Trinity Church listeners to devote their attention to one imperfection "in particular": the gap between America's most privileged and everyone else. Two decades ago, he observed, top American corporate executives earned forty-two times more than average production workers. Today's top executives, he pointed out, earn over four hundred times the income of average workers.

"I am old enough to have known both the CEOs of 20 years ago and those of today," McDonough told the memorial assemblage. "I can assure you that we CEOs of today are not 10 times better than those of 20 years ago."

The vast increases in executive compensation over recent years, McDonough continued, have been "terribly bad social policy and perhaps even bad morals." Amid gaps as wide as these, he noted, how can the privileged purport to be loving thy neighbor as thyself?

"Is not my fellow worker," McDonough wondered, "my neighbor?"

Those of us who lead "lives of great comfort and success," the New York Fed president would go on, need to acknowledge that "our good fortune" has "very little to do with our own virtue." We have been lucky, he added. We have had fine genes, good health, loving parents, great teachers —"any and all of these got us where we are." Yes, McDonough noted, a market economy does require that some people "be rewarded more than others." But, he appealed, "should there not be both economic and moral limitations on the gap created by the market-driven reward system?"

America's economy, McDonough concluded, does need limits. Business leaders, he advised, "should simply reach the conclusion that executive pay is excessive and adjust it to more reasonable and justifiable levels."

In Trinity Church, on that day of commemoration, William J. McDonough did not speak on behalf of his fellow movers and shakers in American business. These movers and shakers do not share, not in public at least, McDonough's conviction that market-driven rewards can be economically and morally unjustifiable. But McDonough did give voice, on that solemn day in Trinity Church, to many millions of other Americans, fellow citizens who share his revulsion at our nation's "recent explosion of claimed privilege," and who believe, with him, that we must regain our "moral balance." These millions of Americans are ready — and willing — to limit "the gap created by the market-driven reward system." But they don't know how. Maybe these pages can help.

AMERICA'S BUSINESS LEADERS, William J. McDonough believes, have a moral responsibility to end compensation excess. If society appeals to this moral responsibility, he also believes, business leaders will see the light and take steps to limit the gaps that divide us. Society, in other words, need not legislate specific limits on excessive incomes. We can trust those who sit in executive suites to do, eventually, the right thing. The market, McDonough has faith, will in the end produce just outcomes.

Most Americans, over the last century, have not shared this faith. The marketplace, we concluded long ago, cannot separate right from wrong, cannot guarantee fairness and justice. Markets, experience had taught us, mix the weak and the strong. Without limits in place, the strong define what "fairness" should be — on wages and everything else — and then impose their decision.

We Americans did not want to live in that world. We insisted instead on new rules for the economy. We demanded legal protections for workers, for consumers, for the environment. In 1938, in one early rule-making triumph, we established a national minimum wage, a mandatory floor under wages.

A floor under wages made sense in the 1930s. That floor makes equal sense today. Markets simply cannot be trusted to determine how much constitutes too little. But what about too much? Can any marketplace where some have far more power than others be trusted to determine at what point rewards become excessive? If the strong, in the absence of limits, have the power to deny minimal wage decency to the weak, don't they also have the power to exceed decency for themselves, to accumulate income and wealth at inappropriate levels? Over recent decades, with income and wealth concentrating at unprecedented rates, this thought has troubled more than a few observers.

"Something seems wrong to me," as Lynn Shellenberger, a Minnesota community activist, noted deep in the boom years, "when we have a minimum wage and not a maximum wage for executives who make so much money."[2]

"Why have a floor," asked *St. Louis Post-Dispatch* columnist Bill McClellan about the same time, "and not a ceiling?"[3]

The notion of a maximum wage, a national income cap, actually first surfaced in the original Gilded Age. Back in 1880, amid the starkest inequality America had up until then ever seen, moral philosopher Felix Adler called for "an income tax graduated up to 100 percent on all income above that needed to supply all the comforts and refinements of life."[4] Adler, the founder of the Ethical Culture movement, would be a leading crusader for social justice in New York and the nation for the next fifty years. A young Franklin D. Roosevelt may have heard him speak, or read his work. In any case, as we have seen, FDR would propose his own maximum, a 100 percent tax on all income over $25,000.

Roosevelt, the greatest politician of his time, would prove unable to assemble much of a political coalition behind his income cap proposal. His allies likely saw FDR's "supertax" as a politically impractical declaration of war against the rich, a war that Roosevelt could not win. If income were capped at FDR's $25,000, after all, the wealthy would have felt themselves locked in place, fiscally frozen, left with no prospect of improving their material well-being. In that situation, the wealthy would have had but one choice: to battle against Roosevelt's cap by any means fair or foul. No cap would have been able to withstand their subsequent pressure.

But suppose FDR had proposed a cap, a maximum allowable income, *not* fixed at a particular dollar amount. Suppose FDR had asked Congress to set this cap, this maximum, not as a set amount, but as a multiple of the nation's minimum wage. If that approach had been proposed and adopted, if we had an income ceiling tied to an income floor, a maximum tied to a minimum, then the wealthy, to increase their earnings, would not have had to subvert or sidestep the 100 percent tax. They would have needed only to convince Congress to raise the minimum wage. By working to help others, they would have helped themselves. America's income tax system, if all this had taken place, would have become reciprocal, not just progressive. Wealthy people, by playing within this tax system's rules, would have been able to see their own individual income status improve.

Systems where all people can see themselves benefiting, at some level, are systems that can stand the test of time. An approach to leveling down that combined both progressivity and reciprocity just might have a fighting chance.

IF WE WERE, AS A SOCIETY, TO ACCEPT THIS NOTION that a maximum linked to a minimum might indeed help us, in James Madison's words, to "reduce extreme wealth towards a state of mediocrity, and raise extreme indigence toward a state of comfort," we would immediately face an obvious question. How wide a gap between top and bottom makes sense? How much income is enough? How much is too much?

Many economic analysts deem these questions inherently silly. As a society, they note, we cannot agree on what works of art ought to be labeled obscene. How could we possibly agree on the level of income we ought to label as obscenely excessive?

"Obscene," pay expert Graef Crystal has quipped, "is $1,000 more than I am making."[5]

But some denizens of the business world have been willing to take a stab at defining too much. In 1998, *Fortune* magazine asked a sampling of people in and around American business to pinpoint where they believe excess begins. The answers, predictably, varied.[6]

"Above $5 million I have serious questions," the Harvard Business School's Howard Stevenson responded. "That's the equivalent of earnings on between $50 million and $100 million in capital. That's $13,000 a day."

"One million dollars per year," Katie Herbert Douglass, a former CEO, opined, "is more than any person can spend."

To Stevenson and Douglass, anything more than $13,000 a day or $1 million a year simply *felt* too much. Do judgments as subjective as these have any value? Indeed they do, suggests ethicist Michael Josephson, a successful entrepreneur who left the business world to lead a national character-building campaign. The "ethical concept of too much," Josephson argues, derives from two sources. The first involves proportion. Income that *feels* unfair, that *seems* disproportionate, can legitimately be considered excessive. The second source involves economic markets. We can label as "too much," Josephson notes, any income "no longer driven by the marketplace but by artificial escalation."[7]

And what constitutes "artificial escalation"? Scholars have been wrestling with that question for years. They have poured over data, from all over the world, to discover whether any natural laws determine the distribution of income and wealth. This research carries enormous implications. If certain distributions do prove to be "natural," then concentrations of income and wealth beyond these natural distributions would be "artificial" — and in the interest of healthy societies to level down.

In 1988, a British economist, Sir Henry Phelps Brown, offered up a magisterial summary of much of this scholarly research.[8] Four years later, two Americans, economist Sidney Carroll and physicist Herbert Inhaber, jointly delved even deeper into the data.[9] The work of these scholars, taken together, may not prove *the* final word on income distribution. But their work does suggest a useful standard for determining where excess begins.

Henry Phelps Brown and the Carroll-Inhaber team, to help us understand how societies distribute income, both invoke the "parade" imagery of the Dutch economist Jan Pen. In a "Pen parade," every income earner in a society marches past us, in income order, lowest to highest, each person shrunk or stretched in height in proportion to the person's income. In these imaginary Pen parades, average income-earners march past us at what we would consider average height. The poor, proportionately sized, parade across as dwarfs, the rich, also proportionately sized, as monstrously tall giants.

Statisticians can reduce this dramatic Pen parade imagery to paper by charting what they call "cumulative frequency functions."[10] But we can create the same effect, more simply, by imagining all our society's income-earners lined up as marchers on a wide sheet of graph paper, the poorest and shortest to the left, the richest and tallest to the right. If we were to mark a dot above each marcher's head, then connect our dots, we would have a chart that tells the same story as a set of cumulative frequency figures.

Our chart, by connecting the dots from the short and poor on the left to the tall and rich on the right, would, of course, display a line that slopes upward. But here's the fascinating part. This line will always slope upwards at the same angle, no matter what existing society we choose to chart. Societies, in effect, all parade alike.

Up to a point, that is. In all societies, our parade chart line would slope gently upwards — until nearing the parade's richer end. At that point, the line would no longer maintain anything close to "a steady and gentle gradation."[11] The slope, at the rich end, would suddenly steepen. What had been a line gently sloping up would suddenly "kink" up dramatically.[12] This kink can vary, in the angle of incline, from society to society. But in all societies this sudden kink upwards amounts to a striking departure from the gentle slope that tracks the incomes of everyone except the very rich.

Below the kink, no income gaps of any consequence separate people at different income levels. People at the twentieth percentile level of income — that is, people who make more than 19 percent of a society's income-earners but less than the rest — always earn just slightly more than people at the nineteenth level, people at the fiftieth percentile level just slightly more than people at the forty-ninth. Everyone below the kink, notes Henry Phelps Brown, "rubs elbows with others who are a little better or worse off than he or she is."[13] Income gaps, Brown notes, do start to widen a bit at the eighty-fifth percentile, as incomes start reflecting not just wages and salaries from work, but return from property — dividends, interest, rents, profits from a business. But the gaps do not become terribly significant, do not widen precipitously, until much higher up the income distribution, at the ninety-seventh percentile. In the United States, Herbert Inhaber and Sidney Carroll have found, people at the ninety-seventh percentile level don't just make slightly more than people at the ninety-sixth percentile, they make enormously more.[14] Above the ninety-seventh percentile, these scholars show clearly, "the concentration of income rises at an exceedingly fast pace."[15]

Modern societies have, in effect, "two patterns of income distribution."[16] The first covers just about everybody, the second only the rich. If the first pattern covered everyone, if incomes above the ninety-seventh percentile only increased at the same gradual pace as incomes below, the rich would collect far less income than they actually do, particularly in the world's most unequal rich nation, the United States. The difference between what wealthy Americans would receive in income, if the first pattern of income distribution applied to everyone, and what they actually do receive constitutes what Inhaber and Carroll define as "too much," what we might call an "artificial escalation."[17]

A wise society, these two scholars suggest, would not tolerate this "too much." Nor would a wise society tolerate "too little" at the other end of the income scale. A wise, decent society would accept only that range of income inequality that seems to unfold, naturally in all societies, between too little and too much. And how wide is this "natural" range of inequality? Inhaber and Carroll offer some clues. In their 1992 book, *How Rich Is Too Rich?*, these two researchers focus their calculations on the 1987 tax year in the United States. The 1987 "too much" kink, they found, began at about the $112,000 income level. In that same year, the official poverty rate, for a family of four, stood at $11,611. The gap that year between the official federal figure for "too little" income and the Inhaber-Carroll estimate for "too much"? About ten to one.

That same ten-to-one ratio jumps out from the Pen parade analyses of Henry Phelps Brown. Indeed, before inequality in the United States started exploding in the 1980s, this same ten times ratio defined income distribution patterns in nearly every major American workplace, as Yale law professor Boris Bittker pointed out in 1977. Noted Bittker: "In virtually all institutions of our society — the universities with which we are especially familiar, the federal civil service, and business organizations save at the very top — the salary scale from bottom to top is confined to a ratio of 1 to 10 or thereabouts."[18]

In the ancient world, interestingly, philosophers defined a much narrower ratio as natural and appropriate. Plato pronounced the ideal ratio between the wealth of the richest and the wealth of the poorest to be four to one. Aristotle deemed the ideal ratio five to one.[19] But let's assume, for the moment, that a ten times ratio fits our modern world more appropriately. Could we ever apply a "Ten Times Rule," efficiently and simply, to incomes in a complex modern economy? Most certainly — if we keyed our Ten Times Rule to an already existing and widely accepted given of modern American economic life, the minimum wage. Ten times this minimum, if we took this approach, would become our maximum. All income above this maximum would then be subjected to federal income tax at a 100 percent rate. No American would have, after paying federal income tax, more than ten times the annual income of a minimum wage worker.

What about people earning incomes *below* the maximum but *above* the minimum?

A Ten Times Rule society could easily key *all* tax rates to the minimum wage, not just the tax rate applied to the wealthiest incomes. A maximum tied to a minimum, we have noted, would give rich people a vested interest in improving the well-being of poor people. Creating tax tables that linked all tax rates to the minimum wage would give everyone else in society that same vested interest.

In such a Ten Times Rule America, if you earned exactly ten times the minimum, you would pay 10 percent of your income in taxes. If you earned five times the minimum, you would pay a 5 percent tax. And if you made exactly the minimum wage, you would pay 1 percent of your income in taxes. The ultimate in tax simplicity. And also the ultimate in reciprocity. If you earned five times the minimum wage, you would do better personally — your tax rate would go *down* — if the minimum wage went *up*.

Do the math. Suppose the federal minimum wage stood at $6 an hour. Over a year's time, a minimum wage worker working full-time would earn $12,480. Let's round that off to $12,500, to keep our calculations simple. A couple working at minimum wage jobs would make twice $12,500, or $25,000 a year. Our "maximum" income would then be $250,000 for a couple filing jointly. A couple making half that, or five times the minimum wage, would be earning $125,000 a year. This couple would pay 5 percent of that $125,000 in federal income tax if the Ten Times Rule were the law of the land.

Now suppose a year passes. Congress raises the minimum wage, to just over $7 an hour. A minimum wage couple would then be earning $30,000 a year, and the 5 percent tax rate would, at this point, only apply to annual incomes five times the *new* minimum wage. That five times point would start at $150,000.

What would this mean for our couple that made $125,000 the previous year? That couple could see its income *increase* and its tax rate *decrease* all at the same time. If, for instance, the couple registered a 10 percent pay increase in the new year, bringing its income to $137,500, the tax rate applicable to that income would be just 4 percent, since the couple would no longer be making five times the minimum. Thanks to a higher minimum, this family would be paying taxes at a lower rate, despite a higher income.

In a Ten Times Rule America, all families would have reason to cheer higher minimum wages. For the poorest, a higher minimum would mean more income. For middle class people, a lower tax rate. For the rich, a higher permissible income. The better poor people would do, the better middle class people would do. The better the poor would do, the better the rich would do. Trickle down in reverse.

CAN WE ACTUALLY BE SERIOUS ABOUT setting a limit on annual income? Wouldn't an income limit be against the Constitution or something? Don't we live in a "free" country? Wouldn't a limit on our individual incomes amount to an attack on our individual freedoms?

Actually, in our modern world, no "free" people live without limits, not even in the United States. On our interstate highways, for instance, we enforce limits right and left. We limit who can use an interstate. No bicycles allowed. We limit how fast people can drive. We even limit the size of the signs that merchants can set aside the road. These limits all curb the "freedom" of individuals to engage in perfectly legitimate activities — to ride bikes, to accelerate cars, to advertise wares. But we accept these limits. Unlimited individual "freedom," we understand, can undermine our overall well-being.

Over recent decades, in our economy, we have operated on a contrary assumption. We have assumed, in economic matters, that all will turn out perfectly well if all of us just follow our own individual self-interest. Within our economy, consequently, we have relaxed limits on what individuals can do. We have reduced taxes on high incomes to encourage rich people to accumulate as much as they possibly can. A society where people are vigorously pursuing their own individual self-interests, our leaders preach, will ultimately evolve into a good and noble place. Greed, we assume, creates good.

But in real life, as opposed to market theory, greed — the single-minded pursuit of individual self-interest — creates more social chaos than social good. Behavior that may seem smart for an individual can prove incredibly dumb for society, or any social grouping, as economist Robert Frank has vividly noted.

"The individual who stands up at a concert achieves a better view, until everyone else stands," he points out, "then no one can see very well, and everyone pays the price of tired legs. Those who can't hear at a cocktail party raise their voices; soon all ears are ringing and everyone is hoarse."[20]

The unbridled pursuit of individual self-interest, thoughtful societies acknowledge, will always perversely impact community well-being. To protect this well-being, wise societies set limits. In our everyday lives, we take these limits, on everything from highways to hunting, for granted. We do not feel "less free" with these everyday limits in place. Would we somehow feel "less free" if *incomes* were limited?

Certain Americans, interestingly, already face income limits of sorts. In the United States, poor people confront income limits all the time. Medicaid recipients, for instance, are only allowed to earn so much. If they earn "too much," they lose their health insurance coverage and end up worse off. We also impose limits on certain incomes that sit further up the income distribution. Under IRS rules, for instance, nonprofits that compensate their executives at "excessive" levels can face stiff penalties.[21] The IRS even watches out for "excessive compensation" in the private sector. The owners of a small company, for instance, cannot pay themselves exorbitant salaries as a scheme to avoid paying out dividends to their fellow shareholders.[22]

Of late, some public officials have even dared set income limits at the summit of corporate America. Midway through 2002, in a highly unusual move, the Securities and Exchange Commission asked the federal judge overseeing the WorldCom bankruptcy to limit executive pay at the company. U.S. District Judge Jed Rakoff went along with that request. He directed an independent monitor to prevent WorldCom executives from raking in "unjust enrichment"— and barred WorldCom from paying any executive more than $100,000 until the monitor was able to set up operations.[23]

All these "limits," to be sure, have remained largely invisible in American society at large. But one facet of American life does boast limits on income that have become familiar to tens of millions of Americans. Those tens of millions are America's sports fans. The professional football and basketball players these fans avidly follow all labor in a marketplace that has set rigid limits on incomes.[24]

These limits on pro athlete incomes enjoy the full support of football and basketball team owners. These incredibly rich men battled long and hard to impose salary caps on their players. They did not consider that battle an offensive against "freedom." They were merely trying, they explained, to save their sports from the chaos of compensation that had spun out of control. Sports would be more enjoyable for everyone, the owners argued, if owners and players operated in a marketplace where incomes were capped. Sports fans today accept this case for caps. For the sake of the game, most fans see absolutely nothing wrong with limiting player pay. Income limits in sports have become the American way.

Some nationally syndicated commentators would like to see this new American way extended into other areas of American life. Economist Robert Samuelson, for instance, feels America would be better off if we placed a cap on attorneys' fees. Lawyers, the conservative Samuelson argues, have come to care more about making fortunes than justice. "Every trial lawyer now dreams of a pot of gold," he asserts. To mine that goal, attorneys search high and low "to discover some 'deep pocket' from which immense damages — and legal fees — can be extracted."[25] The lawsuits these attorneys are filing, Samuelson charges, are squeezing billions of dollars out of law-abiding corporations, disrupting, in the process, the normal ebb and flow of commerce.

"The best way to stop the spread of self-enriching suits," he concludes, "is to remove the pot of gold or, at least, reduce it to a small pile."

Samuelson's solution?

"Let's put a cap on lawyers' pay," he impishly suggests. "If you're an attorney, you can make $1 million a year from lawyering or, perhaps, $2 million. Above that, the tax rate is 100 percent."

A $1 million or $2 million ceiling, says Samuelson, "would be high enough to attract bright, hard-working and even greedy people into the law." At the same time, that ceiling would be low enough to "curb predatory lawyering, which uses the law to amass personal fortunes of hundreds of millions of dollars."

How can Samuelson, a champion of free markets, justify *not* leaving attorney compensation to whatever the market will bear? The compensation lawyers receive, he explains, must "rightly yield to a larger public interest."

"The court system is not a proper arena for capitalist ambition," he notes. "Its integrity should not be mortgaged to the quest for personal riches."

Besides, adds Samuelson, only a relatively few people would be affected by a $1 million cap on attorney pay. If a $1 million cap were in place, lawyers "could still sue wayward companies and could still ask for huge awards for deserving victims." Only one thing would change: "Lawyers simply couldn't collect as much for themselves. They could become rich but not stupendously wealthy. There would be ample incentive for justice — and less for plunder."

Samuelson's case for limiting attorney pay makes some powerful points. And almost all these points could be applied, just as compellingly, to the business sectors that Samuelson so desperately wants to protect from greedy lawyers.

Is the health system, after all, a "proper arena for capitalist ambition"? The judicial system is supposed to do justice. The health system, America's biggest industry, is supposed to keep people well. Isn't there a "larger public interest" in keeping people well? Should the executives of America's HMOs and for-profit hospital chains and pharmaceutical companies be allowed to amass huge fortunes, as they do, by taking advantage of sick and vulnerable Americans? In health as in law, wouldn't there be more "incentive" to provide quality care — and less incentive "for plunder" — if the kingpins of America's health care corporations could only make so much and no more?

And don't Samuelson's arguments for income limits apply equally well to the communications industry? After all, don't we have a "larger public interest" in making sure Americans receive the news and information they need to govern themselves effectively in a democracy? And what about the transportation industry? Don't we have a "larger public interest" in making sure people can move safely from place to place?

Don't we, in fact, have a "larger public interest" in all industries? Doesn't every industry, at some level, exist to meet the needs of real individuals? Don't we, as a society, have an interest in making sure that these real needs, and not possibilities for plunder, remain uppermost in the minds of all industry executives? And if we do have this "public interest" in discouraging plunder everywhere in our economy, how can we justify subjecting only some people to income limits, be they athletes or attorneys?

SALARY LIMITS ON PROFESSIONAL ATHLETES, and professional athletes alone, may not be particularly fair, but they have become a fixture on the sports scene, as routine as layups. Modern-day sports fans see salary caps as good for the games they love. Could sports fans — and everybody else in America — someday come to see income limits on all high incomes as equally routine and necessary?

That could happen, but only if a broad American public first came to see grand concentrations of income and wealth as not a good to be encouraged but a danger to be avoided. The amassing of unlimited fortune, notes physicist Alan Cottey, would have to become "socially unacceptable, in much the same way that having an unlimited number of spouses is socially unacceptable."[26]

Naturally, if the idea of a "Ten Times Rule" ever began to capture public attention, many of our society's most wealthy would do whatever they could to make sure the rest of us considered limits on income — and not unlimited wealth — "socially unacceptable." The wealthy and their hired help would immediately and incessantly raise exactly three basic objections to the prospect of a "Ten Times America."

How can we be so sure? The eminently comfortable, whenever they face a challenge to their comfort, *always* raise three basic objections. So notes economist Albert Hirschman, a veteran analyst of the word games powerful people play. Apologists for an unjust status quo, Hirschman points out, invariably trot out three dire alarms the moment any serious proposal for social change surfaces.[27]

Bold attempts to transform society, influentials will first argue, are futile. These bold moves never really "alter the natural order of things." Second, influentials continue, those who persist in these futile exercises will come to see their handiwork "actually backfire and have the opposite of their intended effect." Third, influentials assert, campaigns to change society radically endanger the progress we have already achieved. Hirschman labels these "three staple claims of reactionary rhetoric" the *futility*, *perversity*, and *jeopardy* theses. Down through the ages, friends of fortune have regularly invoked variations on these themes to denounce any proposals that smack of "leveling down." Attempts at redistribution, they have argued repeatedly, amount to futile gestures that will, if pursued, only leave the poor poorer and civilization in shambles.

Apologists for greed particularly enjoy invoking the first of Hirschman's three theses, the futility thesis. Efforts to redistribute wealth, to help the poor by taking from the rich, make no sense, influentials for injustice relish arguing, because the wealthy simply don't own large enough fortunes. Billionaire oilman J. Paul Getty, the story goes, once received a letter that asked him to make the world a better place by sharing his wealth with every man, woman, and child on Earth. Old J. Paul sent back a check for 30 cents.

"Here's your share," read his cover letter.[28]

In 1997, one of America's most admired business leaders, Charles S. Sanford, Jr., made the same point, a bit less smugly, in an address to future business leaders. Sanford, the retired CEO of Bankers Trust, acknowledged the depth of America's unmet needs, then shifted to an offensive against leveling down.

"Could these immense social needs be satisfied by redistribution of existing or even foreseeable wealth?" he asked. "The answer is no. To totally redistribute all that we have now would simply result in poverty for all."[29]

That's not quite true. In fact, that's not true at all. By the mid 1990s, wealth in the United States had become so concentrated that a serious bit of redistribution could have actually made quite a sizable dent on poverty. Indeed, by the mid 1990s, a bit of redistribution could have eliminated poverty, as political scientist Andrew Hacker revealed in a book published the same year Charles Sanford dismissed redistribution as an exercise in futility. Hacker performed a series of calculations on income figures from 1994, then the most current year with data available.[30] In 1994, 1.1 million households in the United States made over $200,000, more money than the President of the United States. These 1.1 million households averaged, *after* taxes, $340,000 each.

Suppose, Hacker asked, people in 1994 had paid their normal taxes. Then suppose that the incomes remaining had been capped at $200,000, with all the dollars above that amount handed to the IRS and applied to redistribution. How much of a difference could those special redistribution dollars have made? Quite a difference. If incomes in 1994 had been capped in this fashion, the IRS would have collected, above and beyond normal tax collections, enough money to *double* the average income of America's poorest 19.8 million households, the households that then constituted the bottom fifth of America's income distribution. With this doubling, these households would have escaped poverty. Their average incomes would have jumped from $7,760 per household to $15,530.

In 1994, before taxes, households making over $200,000 averaged sixty-one times more income than households in the bottom 20 percent averaged. If Hacker's redistribution exercise had actually been conducted, that gap from top to bottom would have shrunk dramatically, down to thirteen to one.

Andrew Hacker did not have a Ten Times Rule in mind when he conducted his income-capping thought experiment. But what if we updated his exercise, on incomes from a more recent year, and keyed our calculations to the notion that no American, after paying taxes, should earn more than ten times any other? How significant an impact would Ten Times tax rates make on America?

We'll use as our reference year 2003.[31] Over the course of this year, a full-time worker making the federal minimum wage — $5.15 an hour — earned $10,712. A couple, with each spouse earning the minimum wage, would have earned twice that, or $21,424. If the Ten Times Rule had been in effect in 2003, our "maximum wage" for the year would have been ten times this annual minimum, or $214,240, for a couple filing jointly.

In 2003, America's richest 1 percent took home a great deal more than $214,240. These top income-earners averaged $1,082,000 for the year. If the Ten Times Rule had been the law of the land in 2003, households in this richest 1 percent would have paid a 10 percent tax on their first $214,240 of income and a 100 percent tax on all income above that $214,240.[32] The total federal tax due: $889,184, an amount that would have equaled 82 percent of the total income of the average top 1 percent household.

America's next richest 4 percent of households, in 2003, averaged $217,000 for the year, just a hair more than the $214,240 that would have been the 2003 maximum income. In a Ten Times Rule America, the average household in the next richest 4 percent would have paid $24,184 in federal income tax, a sum that would have equaled 10 percent of $214,240 and 100 percent of the tiny excess over that. These households would have paid 11 percent of their total incomes in federal income tax.

In 2003, the next most affluent 15 percent of America's households averaged $103,000, not quite five times the minimum wage for couples. These taxpayers would have, consequently, paid only 4 percent of their incomes, or

$4,120, in federal income tax under the Ten Times Rule. Down a rung, in the second most affluent 20 percent of Americans, households averaged $59,800 in 2003, a bit more than twice the annual minimum wage for couples. These households would have paid 2 percent of their incomes in federal income tax, or $1,196, in a Ten Times Rule America.

Our next 20 percent of Americans — the statistical "middle class" — averaged $36,600 per household in 2003, less than twice the annual income for a minimum wage couple. Middle-bracket taxpayers, under the Ten Times Rule, would have paid federal income taxes at just a 1 percent rate in 2003. They would have owed $366 in income tax.

The 20 percent of Americans below this middle fifth averaged $22,000 in 2003. They also would have been subject to just a 1 percent federal income tax in 2003. Their total Ten Times Rule tax bill would have come to $220.

Finally, households in America's poorest 20 percent averaged only $9,900 in income in 2003. Average households in this group made less, over the year, than the annual income of a full-time minimum wage worker. Under the Ten Times Rule, they would have owed no federal income tax at all.

Let's step back a moment. Let's compare these Ten Times Rule tax bills with the actual taxes due, in 2003, from Americans in these same income categories. An interesting pattern emerges. If the Ten Times Rule had been in effect in 2003, all households in the United States would have paid fewer dollars in federal income taxes than they actually did — all except the households in the richest 1 percent.

The tax savings for most households, under the Ten Times Rule, would have been substantial. Households at the exact middle of America's income distribution would have paid, in a Ten Times Rule America, 1 percent of their income in federal income taxes. They actually paid taxes in 2003, *after* the year's Bush administration tax cut, at a rate over three times as high, 3.6 percent.[33]

In a Ten Times Rule America, even affluent households just below America's economic summit would have seen a tax break in 2003. Households in America's ninety-sixth through ninety-ninth richest percentiles would have paid 11 percent of their average $217,000 incomes in Ten Times Rule income tax. These households actually paid federal income taxes in 2003 at a 16.9 percent rate.

In other words, if the Ten Times Rule had been in effect in 2003, average families would have seen their federal income taxes cut by almost three-quarters and families making around $200,000 would have seen their taxes cut by over a third.

Must be a catch, right? Wouldn't the federal government simply have gone broke if the Ten Times Rule had been effect in 2003? You couldn't cut taxes for 99 percent of Americans, increase them for just 1 percent, and expect the government to do everything it did before, could you? Actually, you could. If the Ten Times Rule had been applied to American incomes in 2003, the *increase* in revenues the government would have collected from the richest 1 percent of

Americans would have offset, and then some, the *decrease* in revenues from the bottom 99 percent of America's taxpayers.

In 2003, if all income over the $214,240 Ten Times annual maximum had been subject to a 100 percent tax, the richest 1 percent of Americans would have paid $1,200 billion in federal income taxes.[34] The rest of American taxpayers, under the Ten Times Rule, would have paid a bit over a fifth of that, bringing total Ten Times Rule federal income tax revenues to $1,463 billion.

For 2003, under our existing individual income tax rates, the federal government will actually end up collecting about $1,006 billion in revenues, *over $450 billion less* than the government would have collected had the Ten Times Rule been in effect.[35]

In budget terms, how significant could this added $450 billion have been? Consider this: In 2003, the entire federal budget, outside of spending for the military, Social Security, and Medicare, only amounted to $388.7 billion.[36] Adding $450 billion to the federal budget in 2003 would have more than doubled the federal government's capacity to provide services to the American people.

And what could the federal government have done with all this new budget capacity? Those additional hundreds of billions could have guaranteed all working parents safe, quality, low-cost child care. Those billions, shared with local governments, could have rehabilitated old housing stock and expanded the availability of affordable places to live. Those billions could have funded afterschool programs that keep teenagers out of trouble. Or lowered the cost of bus fares. Or placed reading aides in every first grade classroom. Or halved tuitions at America's public universities. Or bankrolled health insurance for every American family. In fact, with nearly a half trillion new dollars, our nation would have had the resources to do, in some variation, all of the above. In 2003, if the Ten Times Rule had been in effect, we could have begun renewing the American dream.

IN A TEN TIMES RULE AMERICA, on paper at least, we could raise enough new revenue to make an incredible difference in the lives of every working family. But what about the real world, not the paper version? In real life, would the Ten Times Rule actually raise the revenue our calculations suggest? That would depend — on America's rich people.

The Ten Times Rule would only be able to renew America if the IRS successfully collected hundreds of billions of new tax dollars out of the incomes of America's richest 1 percent. And the IRS, in turn, would only be able to collect those hundreds of billions if America's rich continued earning annual incomes far above the Ten Times maximum. But why, if the Ten Times Rule ever became law, would rich Americans bother earning money above the Ten Times maximum? Why would they work to earn income that would be completely taxed away? What sense would that make?

Friends of fortune would immediately, and gleefully, raise questions like these if the Ten Times Rule were ever to become a matter of serious public debate. If the wealthy behaved rationally and stopped working once they hit the maximum income threshold, the skeptics would note, the IRS would have no "excess" income to tax. Tax collections overall would not rise. They would sink. New government programs would be out of the question. With a Ten Times Rule in effect, friends of fortune would insist, the government wouldn't even be able to afford old programs!

In other words, the classic perversity thesis: A cap on our highest incomes wouldn't raise government revenues. A cap would lower them. Slicing the economic pie to give rich people smaller pieces would merely guarantee smaller pieces for everyone!

In the 1990s, apologists for inequality invoked this perversity thesis whenever they felt a need to swat away talk about capping incomes. In 1998, for instance, *Barron's*, a business journal, cast a skeptical eye at Andrew Hacker's what-if experiment with a $200,000 income cap. A 100 percent tax on all income over $200,000, *Barron's* commentator Gene Epstein pronounced, would never raise much revenue. A cap on income over $200,000 would instead "impose crippling disincentives on risk-taking and work effort" — and "soon diminish the size of the pie the redistributionists so enjoy slicing."[37]

"Why struggle to become the CEO," Epstein added, "when you won't be compensated for taking on his headaches?"[38]

Income caps, agreed conservative columnist George Will a year later, will always perversely impact the public purse. Consider the likely outcome, Will asked in a 1999 column, if incomes above $1 million were subject to a 100 percent tax.

"No one would earn the one-millionth dollar, thereby triggering the confiscation," Will predicted, "so the revenue yield from the 100 percent rate on millionaires would be zero."[39]

Zero? George Will's "zero" prediction would certainly be right on the mark if rich people, like average people, actually *worked* for their income. No rational person is ever going to labor for dollars that will all be funneled to a tax collector. But America's highest incomes don't come from labor, from work, from sweat, from personal effort. America's highest incomes come, overwhelmingly, from the ownership of property.

Wealthy Americans, unlike average Americans, owe most of their incomes to their fortunes. Wealthy people don't have to punch time clocks or fill out timesheets to earn a living. They can live quite luxuriously without ever having to move a muscle, "except, perhaps," as Robert Reich quips, "to speed-dial their brokers."[40]

Indeed, in America today, the higher your income, the less you rely on actual "work" to make ends meet. In 2000, for instance, Americans making between $200,000 and $500,000 received 58 percent of their incomes from wages and salaries. Americans who made $1 million or more that same year received just a third of their incomes, 33 percent, from wages and salaries. Most of their income came from other sources — everything from dividends and interest to capital gains and business profits. Taxpayers who reported at least $10 million in 2000 received even less of their incomes from paychecks, just 25 percent.[41] And the very richest Americans? In 2000, wages and salaries accounted for only 16.7 percent of the income of America's 400 richest taxpayers.[42]

What do these figures mean for our Ten Times Rule? A great deal. Income from labor can be turned off, like water out of a spigot. Income from wealth never stops flowing. In a Ten Times Rule America, wealthy people angry about paying taxes at a 100 percent rate could certainly choose to stop working. But they could not stop their wealth from working. That wealth would continue to generate income. And that income, above the Ten Times maximum, would be taxed 100 percent.

OVER RECENT YEARS, MORE SOPHISTICATED PURVEYORS of the perversity thesis have given the classic arguments against high taxes on high incomes a new twist. These more sophisticated apologists for inequality do not prattle on about wealthy people losing their incentive to work.[43] High taxes on high incomes, this new perversity school argues, will always fail to raise revenue for a different reason. Wealthy people taxed at high levels, the argument goes, merely maneuver to take their income in less taxable forms, as nontaxed perks, for instance. These maneuvers reduce the total amount of income a government can tax. The government, as a result, collects fewer overall tax dollars.

As proof, these new perversity theorists point to the 1993 federal legislation that raised the top individual income tax rate from 31 to 39.6 percent. Despite a growing economy, they note, taxpayers in America's top income brackets reported less taxable income in 1993, after the increase, than they had reported in 1992.[44] The conclusion: The rich, in the face of higher tax rates, will rearrange their personal finances to deny tax collectors the increased revenues they expect to receive from higher tax rates on high incomes.

But the data from 1992 and 1993, University of Chicago economist Austan Goolsbee later demonstrated, prove nothing of the sort. Upper bracket taxable income, Goolsbee's work would show, did drop off dramatically in 1993, but largely because corporate executives, at the end of 1992, had rushed to cash out stock option windfalls before the newly elected Clinton administration could take office and raise tax rates.[45] Taxable income did not disappear. Instead, this income merely showed up in a different year.

Hiking tax rates on the wealthy, Goolsbee would go on to note, "can lead to dramatic shifting of taxable income in the years immediately surrounding a tax change," and that shifting may allow many wealthy people "to avoid taxation for a short period of time." But, over a longer span, taxable income totals don't change much. The taxable incomes of the rich, Goolsbee concluded after analyzing upper-bracket incomes throughout the twentieth century, do not increase when tax rates become less progressive and do not diminish when tax rates become more progressive.

Would that same finding hold true if America's wealthy faced, at tax time, a tax as drastic as a 100 percent levy on all income above a Ten Times maximum? Or would the wealthy feel impelled, in the face of a tax this drastic, to take drastic action of their own, action that might indeed significantly diminish America's sum total of taxable income? Might rich people simply flee a Ten Times Rule America — and take their fortunes with them?

Wealthy people have, to be sure, threatened to flee America in the past. Over a century ago, in the 1894 debate over whether America needed an income tax, high society doyen Ward McAllister made that threat explicit. If members of Congress levied a 2 percent income tax, he declared, they would drive "rich men to go abroad and live."[46]

The wealthy today still play McAllister's exit card. In fact, suggests British philosopher Alex Callinicos, the exit threats of the rich have come to dominate our global political and economic life. We live, he notes, "in the shadow of the blackmail of capital."[47]

"A small group of corporate rich," Callinicos explains, "move their money from country to country in the search of the highest return. They are able, with a large degree of success, to demand that public policy is tailored to suit their needs."

If their demands are not met, if they are subjected to taxes they deem too high or any other inconvenience, these wealthy power brokers threaten to invest their dollars elsewhere. Don't let that happen, they urge governments. If we and our dollars exit, they predict, your poor will lose jobs and opportunity. This "prediction," notes Callinicos, amounts morally to extortion. Corporate leaders who predict the pain they have the power to inflict, he points out, occupy the same moral plane as the "kidnapper who predicts that the child he has taken will suffer unless his parents come up with the ransom money."

In a Ten Times Rule America, or an America about to enact a Ten Times Rule, would the wealthy resort to this sort of extortion? Would they threaten to leave? And would they actually make good on that threat? Would they exit the United States en masse, fortunes in hand, if America's lawmakers ever enacted any measure that resembled the Ten Times Rule? Almost certainly not. In a Ten Times Rule America, a mass exodus of the wealthy would be about as unlikely as a mad rush by CEOs to take jobs in mailrooms.

WE LIVE IN A WORLD WHERE FEW RICH PEOPLE keep their fortunes under mattresses. In the United States, as elsewhere around the globe, wealthy people have their fortunes invested in marketable assets, everything from stocks and bonds to real estate. America's wealthy hold staggeringly enormous quantities of these assets, several trillions of dollars worth.

The passage of a Ten Times Rule — a tax on *income*, not wealth — would actually leave all these assets completely untouched. A Dallas real estate magnate who owned ten square blocks worth of downtown Dallas on the day a Ten Times Rule first became law would still own those same ten square blocks one year later — unless, of course, that Dallas real estate magnate had decided, in the meantime, to get out of the Dallas real estate business. Would our office building king, in a Ten Times Rule America, make that decision? To avoid paying Ten Times tax, would he pull up stakes and relocate himself and his fortune somewhere else?

Exiting Dallas whole hog might strike our real estate tycoon, at first blush, as an eminently sensible option. If he stayed put in Dallas, all those millions in rents he had been making, all his income above ten times the minimum wage, would be taxed away. And that income would be taxed away even if he moved his personal home address to another country. Governments tax income where income is earned. Our magnate, if he wanted to hold on to his Dallas office buildings, would have to pay a Ten Times tax on the income from them, even if he went off to live in a country without a Ten Times Rule.

So our Dallas deep pocket wistfully concludes he has no choice. He starts making plans to pull out of town entirely. He will sell his office buildings, pocket the profits, and reinvest his fortune in some convivial, less taxing nation. That won't be so bad, he tells himself. He can always watch his beloved Cowboys on satellite TV.

Hold on a minute. Our magnate suddenly realizes that leaving might not be such a good idea after all. If he sells his buildings, his profits from that sale, his capital gains, would count as income and be subject to the Ten Times tax. Those millions in profits he planned to invest abroad would almost all be taxed away. He might as well stay put in Dallas.

But hold on just another minute. If our real estate magnate had done some thinking in advance, couldn't he have avoided the Ten Times tax on his capital gains — by unloading his assets as soon as he realized that a Ten Times Rule was about to be enacted? If he went that route, if he sold his buildings before the Ten Times Rule actually went into effect, he would have paid taxes on his capital gains at pre-Ten Times Rule tax rates. Our magnate then could have left the United States with suitcases stuffed with cash, invested his bundle overseas, and lived happily ever after.

Nice try. But that dog won't hunt either. In an America about to implement a Ten Times Rule, all wealthy people, not just our clever Dallas office king, would be thinking about selling off their assets to avoid Ten Times taxes. But if all these wealthy went ahead and tried to cash out, or even if just a good many of them went ahead, the marketplace would be awash with the assets of the wealthy — office buildings, shares of stock, mansions, fancy cars, whatever. A marketplace awash with these assets would be a buyer's market, and in that buyer's market the assets of the wealthy would plummet in value. America would see a veritable fire sale on grand fortunes. Wealthy refugees from a Ten Times Rule America, after selling off their assets at fire-sale prices, would have to start their new lives on foreign soil with only a fraction of their former net worth.

And these wealthy refugees would face, in their new homes, one inevitable final insult. They would have escaped the Ten Times Rule. But they would not have escaped high taxes on high incomes. The nations where Americans fleeing the Ten Times Rule would most likely want to relocate — nations where they could invest their pared-down fortunes safely and securely — would be the nations least likely to give wealthy Americans a significant tax break. The safest and most stable havens for investment, outside the United States, have been and will be, for years to come, the developed nations of Western Europe and Japan. All these nations have, over the last quarter century, levied higher taxes on the wealthy than the United States. These higher taxes did, to be sure, drop some in the late 1990s, but only because, in a globalized economy, European and Japanese lawmakers could not maintain high taxes on high incomes at the same time the world's greatest economic power, the United States, was taxing the wealthy at rock-bottom rates.

If the United States were to change course and adopt a Ten Times Rule, Western Europe and Japan would no longer feel pressured to lower taxes on their own wealthy. Their tax rates on high incomes would likely rise, at least back to their previous levels. Wealthy refugees from a Ten Times Rule America would face, in Europe and Japan, tax rates considerably stiffer than the rates they once enjoyed back in the United States.

Some nations, of course, *would* lay out a low-tax welcome mat for refugees from a Ten Times Rule America. But these would be the nations where wealthy Americans would be least likely to want to settle and invest. These would be economically and politically unstable nations, with little to make themselves attractive outside puny tax rates on wealthy people's incomes. More stable nations would see no need to lower tax rates to attract wealthy Americans, not in a world where the United States had enacted a Ten Times Rule.

All this would no doubt eventually become clear to our Dallas real estate magnate, clever man that he is. In a Ten Times Rule America, Dallas would remain his home. No other choice would make sense. If he moved overseas, but left his assets back in Dallas, the income from those assets would still be taxed at Ten Times rates. If he sold his assets, he would pay Ten Times rates on his capital gains — and then have to pay lots of taxes on his new real estate empire in downtown Düsseldorf. And if he tried to outsmart the Ten Times Rule, by selling off his assets before Ten Times taxes went into effect, he would take a bath on the sale. But if our magnate stayed put in the Big D, he'd be making as much money as anybody else in town. And he'd still have his Cowboys.

This Ten Times Rule America, our clever magnate might just conclude, may not be such a bad place after all.

ALL AMERICA'S WEALTHY PEOPLE might not prove as reasonable as our Dallas real estate magnate should the Ten Times Rule ever become the law of the land. Some might even try to dupe the IRS. In fact, many might try to dupe the IRS, especially at first.

How many would succeed? Those wealthy tax avoiders who tried garden-variety tax fraud — padding executive expense accounts, for instance — would likely soon see the error of their ways. In a Ten Times Rule America, the IRS would be able to concentrate enforcement resources almost entirely on wealthy people. In a Ten Times America, these would be the only people with tax liabilities large enough to risk cheating to avoid.

Most families, in a Ten Times America, would be paying only 1 or 2 percent of their incomes in federal income taxes. Even more affluent families, those earning $200,000 a year, would be paying taxes at rates far below what they currently pay. Few of these families would see Ten Times tax rates as unfair abominations that deserve to be flouted. Most Americans, in this environment, would honestly pay their taxes. IRS tax fraud investigators would be free to devote their attention almost totally to taxpayers at the top.

Still, even with this focus, IRS investigators would not have an easy time of it. In our wired world economy, with currency constantly flowing in and out of countries as bits and bytes, IRS agents would face a bewildering array of subtle subterfuges. These maneuvers would pose a significant danger to a Ten Times Rule America, a danger historically known as "capital flight," the shady transfer of financial assets out of a country to avoid taxes, instability, or any other unpleasantness that might spook people with appreciable asset holdings.

"Capital flight" typically afflicts deeply troubled and deeply unequal economies. Russia, for instance, saw enormous capital flight in the 1990s, as suddenly wealthy entrepreneurs schemed to conceal their new fortunes. Various nations have, at times, tried to crack down on capital flight. Some have placed controls on short-term transfers of financial assets. Others have limited foreign currency purchases. But such measures, no matter how carefully drawn, seldom completely eliminate capital flight.[48]

A Ten Times Rule America, given these realities, would be foolish to expect too much from capital flight controls. Some wealthy income *would* escape the IRS. Some wealthy people *would* be able to cheat the Ten Times Rule. If that *some* became *many*, of course, the Ten Times Rule would collapse.

Would that some become too many?

If wealthy people want to avoid taxes *intensely* enough, history warns us, they will ultimately find a way. They will commit fraud. They will carve loopholes into the tax laws they detest. They will pound on politicians until they undo the laws that impose high rates on high incomes. No democracy on earth, over the long haul, has ever been able to buck this sort of pressure. No democracy has ever been able to maintain, generation after generation, tax rates progressive enough to keep income equitably distributed, tax rates effective enough to prevent dangerous concentrations of wealth and power.

So why should we expect things to be any different in a Ten Times Rule America? For one reason and one reason alone: The Ten Times Rule would add a new incentive into the political mix, an incentive that would give high-income people a reason to work *within* a progressive tax system, not just *against* it. In a Ten Times Rule America, society's most affluent wouldn't have to carve loopholes, pound on politicians, or sneak their wealth overseas to enhance their own personal financial well-being. In a Ten Times Rule America, society's most fortunate would always be able to enhance their own well-being simply by enhancing the well-being of society's least fortunate.

The numbers tell the story. Under the Ten Times Rule, every $1 of increase in the hourly minimum wage would immediately translate into an extra $41,600 a year into the pockets of America's most affluent.[49] In a Ten Times Rule America, wealthy people would have a powerful incentive to do good, not just well.

And how much good would they do? How high would the minimum wage climb in a Ten Times Rule America? We cannot say for sure. We do know that millions of affluent families would have ample reason to keep the minimum wage rising. At $7 an hour, a minimum wage would generate a $291,200 maximum for a couple filing jointly. An $8 minimum would generate a $332,800 maximum. Families currently making $332,800 pay about a quarter of that in federal income tax. In a Ten Times America, if the minimum wage were $8, they would pay just a tenth of their income in federal tax. In a Ten Times America, might not these families work, until they drop, for an $8 minimum?

AN $8 HOURLY MINIMUM WAGE. In an America debating the pluses and minuses of adopting a Ten Times Rule, that prospect would certainly cheer advocates for poor families — and immediately be denounced by friends of fortune. An $8 minimum, these friends of fortune would argue, would irresponsibly place America's entire economy in jeopardy. Yes, they would acknowledge, a "maximum" income tied to the minimum wage might increase the pressure for a significantly higher minimum. But that significantly higher minimum would jeopardize the job security of low-income people. Employers would never be able to afford an $8 minimum. America's lowliest workers would find themselves jobless. The economy, in a Ten Times America, would lurch into recession.

This, of course, is the "jeopardy" thesis, the third and final classic argument against bold attempts at social change. The higher minimum wages that would accompany a Ten Times Rule, apologists of privilege would argue, would inevitably place our nation's very economic foundation at intolerable risk.

Nonsense. Our nation has actually survived, quite nicely, with an hourly minimum wage worth *more* than $8. In 1968, in fact, the federal hourly minimum stood at $1.60 an hour. That $1.60 would have equaled in 2003, after adjusting for inflation, over $8.25 an hour.[50] What economic "damage" did this minimum worth over $8.25 wreak? None. The American economy sparkled throughout the 1960s, 1968 included. The decade saw jobs proliferate, poverty shrink, and average wages soar. All with a minimum wage that ran, in real value, about 50 percent higher than the $5.15 minimum wage on the books in 2003.

Our current lowly minimum wage would, in a Ten Times America, almost certainly rocket up quickly. How could it not? In a Ten Times America, the traditional advocates for higher minimum wages would suddenly be joined by legions of affluent people who never before had any reason to give the minimum wage a second thought. And if the minimum wage did jump to $8.25, society's maximum income would leap to $343,200. At that maximum, *fewer* than 1 percent of America's households would be paying more in federal income taxes under the Ten Times Rule than they actually paid in 2003.[51]

Indeed, with a minimum wage at $8.25, families in a Ten Times Rule America could earn $100,000 *over* the $343,200 max and still wind up at the end of the year with a tax bill no higher than their actual bill in 2003. The result: In a Ten Times America, only the top half of America's richest 1 percent would pay appreciably higher taxes. The income tax burden would fall, almost exclusively, on those who make fortunes from their fortunes.

These fortunes, under America's current tax laws, are constantly compounding, year after year, creating colossal concentrations of wealth and power that endanger almost everything we hold dear. In a Ten Times America, new colossal concentrations of wealth would no longer rise up. And already existing concentrations of wealth, in an America that adopted the Ten Times Rule, would grow no larger. All income from these concentrations, above the Ten Times maximum, would be taxed away.

Over time, all concentrations of wealth that existed at the adoption of the Ten Times Rule would begin cracking and splitting. At the death of their owners, these concentrations would be divided up among family members, becoming smaller with each successive division. Eventually, several generations down the line, *no* colossal private fortunes would cast a shadow across America's economic and political landscape.

But what about the years until then? In these intervening years, immensely wealthy people would still control great fortunes. Wouldn't these wealthy individuals still be free, in a Ten Times America, to invest their fortunes wastefully and irresponsibly? And wouldn't any wasteful, irresponsible decisions they might make negatively impact the sort of society the Ten Times Rule would have been adopted to help create?

In a Ten Times Rule America, some wealthy people would most definitely still control dynastic fortunes, for many decades. A Ten Times Rule would not be able to dictate the investment choices these wealthy individuals choose to make. But a Ten Times Rule could influence these choices — and give America's wealthy an incentive to build America up, not waste America away. The key to this building-up process would be a rather prosaic category of income that most Americans never encounter, the income from state and municipal bonds.

In the United States today, states and cities, sewer and school districts, and various other taxing authorities regularly issue bonds to raise funds for costly special projects. Bonds amount to loans. Someone who buys a $5,000 ten-year municipal bond is lending the city that sells that bond $5,000. In return, the city pays the lender interest. The lower the interest rate that needs to be paid to attract the lender, the better, of course, for the city.

State and local governments have, historically, counted on federal help to keep their interest costs low. That help comes through the tax code. The federal government levies no federal income tax on the interest income that state and local governments pay to people who buy their bonds. This "tax-free" feature makes state and local bonds most attractive to investors in upper-income brackets. For investors in these top brackets, tax-free municipal bonds can be better buys than taxable bonds that offer higher interest rates.

In 2002, for instance, affluent Americans in the top tax bracket paid a 38.6 percent tax on income over $307,051. For these Americans, a tax-free bond yielding just 4 percent interest would have been a better buy than a taxable bond yielding 6.5 percent interest.

Every so often, usually at times of intense budget crunch, some senator or White House official will make noises about ending the tax-free status of state and local bonds. State and local officials immediately raise holy hell. Without tax-free status for the bonds, they exclaim, state and localities would have to offer higher interest rates to attract investors. Countless important projects would quickly become far too expensive to afford.

These arguments always carry the day. The tax-free status of state and municipal bonds has become, in modern American politics, as sacred a cow as a cow can be.

How would a Ten Times Rule America — how should a Ten Times Rule America — treat income from state and local bonds? Should a Ten Times Rule continue to grant special treatment to state and local bond income?

That would be a tough call. Part of the appeal of the Ten Times Rule would be its simplicity. You make five times the minimum wage, you pay 5 percent of your income in federal income tax. You make ten times the minimum, you pay 10 percent. You make more than ten times, you pay a 100 percent tax on the excess.

That's it. No loopholes. No special deductions that privilege one group of taxpayers over another. Granting state and local bond income tax-free status would, of course, upset this basic simplicity. If municipal bond income were declared tax-free, affluent individuals would be able to sidestep the standard Ten Times income limit. But a Ten Times Rule America would have good reason, despite all this, to keep state and local bond income tax-free anyway. Keeping municipal bond income exempt from federal taxes would enable a Ten Times Rule America to steer the fortunes of the super rich into investments that directly benefit working Americans.

Imagine, for a moment, the dynamic that would be created if state and local bond income amounted to the only "loophole" to the Ten Times Rule. America's wealthy would rush to buy as many bonds as they could possibly afford. The income from these bonds, after all, wouldn't be taxed away, even if that income fell above the Ten Times maximum. The demand for tax-exempt state and local bonds would quickly soar to record levels.

This rising demand would place state and local governments squarely in the driver's seat. They would be able to offer miniscule interest rates and still find wealthy people eager to buy their bonds. Their bonds would be the only show in town, the only way wealthy people could make and keep money, above the maximum wage, inside the United States.

How low could interest rates go in this sort of investing environment? In 2002, with the top tax rate on high incomes at 38.6 percent, municipal bonds were yielding as low as 2 and 3 percent. In a Ten Times Rule America, with a 100 percent top tax rate, states and localities would likely find eager investors for bonds that yielded only a small fraction of 1 percent. These states and localities would, at that point, have hundreds of billions of dollars of rich people's money at their beck and call — at virtually no cost.

Those billions could be invested, in a thousand different ways, to restore and renew America's long-neglected infrastructure. New schools could be built. New water purification plants. New bridges. New transit lines. Each of these new projects would mean new jobs, more income for working people, more tax revenues to support public services. We would see, in effect, a Ten Times Rule chain reaction that would leave America stronger, healthier, cleaner, safer.

And what about our rich people? Would their tax-exempt income from state and local bonds undermine the Ten Times maximum limit? Not much. At a 0.25 percent rate of return, tax-free municipal bonds would generate little excessive income in a Ten Times Rule America. A wealthy individual over the maximum would have to buy $10 million dollars worth of municipal bonds to earn $25,000 worth of annual tax-free income. Fine. This $25,000 would be a small price to pay to access, for the public good, $10 million.

The municipal bond "loophole," in a Ten Times Rule America, would benefit average Americans in other ways as well. Low yields on state and local bonds would dampen interest rate levels throughout the economy. Mortgage rates would fall. Housing would become more affordable. More chain reaction. More reason to cheer a Ten Times Rule.

OVER A CENTURY AGO, A TRADE UNION editor, an immigrant named Karl Dovai, made what may be the first recorded case for a Ten Times Rule in America. Dovai had emigrated to the United States from Germany in 1848. In 1883, with the original Gilded Age in full bloom, he testified before the U.S. Senate Committee on Education and Labor. Sewing women, Karl Dovai told the Senate hearing, are currently earning 9 to 11 cents a day, tycoons like Jay Gould $10,000 an hour.[52]

"Suppose the difference between the highest and lowest wages will be as one to ten — that will perhaps be the most that will occur — would not that be better than it is now?" Dovai asked the assembled senators.

Life would have been better then, with a ten times income differential. Life would be better now. We turn now to better understand how.

LIFE IN A TEN TIMES RULE AMERICA

MOST OF US CAN GO YEARS, even lifetimes, without ever coming face to face with grand fortunes. We know, of course, that great concentrations of wealth exist. But we pay them no mind. We have more important things to think about. Our families. Our work. Our homes. Our health. These matter to us, enormously. We worry about them all the time.

About everything else, about matters unrelated to how we go about our daily lives, we have little time to worry. And what could be more unrelated to our daily struggles than the unreal world of those who can earn more in a day than we can earn in a year, more in a month than we can earn in a lifetime. We might sometimes daydream about how nice life could be if we lived in that luxurious world. But we seldom, in our thinking about wealth and the wealthy, go any deeper. Why bother? That world doesn't concern us.

These pages have endeavored to argue otherwise, to make the case that huge concentrations of wealth weigh down heavily on nearly every aspect of our daily existence, in the process squeezing joy from our jobs, hope from our dreams, sometimes even love from our lives. A Ten Times Rule, a limit on the accumulation of grand fortune, would lift this heavy burden. Not immediately. Not completely. But enough to improve, fundamentally, the quality of our lives.

We Americans have spent these lives, for some time now, in a land of trickle down. Let wealth accumulate at the top, we have been assured, and significant benefits will trickle down to the rest of us. We're still waiting.

A Ten Times Rule would end that wait. In a Ten Times America, an America that ended the unlimited accumulation of wealth, benefits wouldn't just trickle down. They would pour. An America where the wealthy could no longer amass ever larger fortunes would be a thoroughly different America. Average Americans would feel that difference every day.

So would, of course, America's wealthy. We need to start our survey of life in Ten Times Rule America with them. Trickle down, after all, always starts at the top.

YOU'RE A CEO. YOU'VE BEEN SUCCESSFUL all your life. You went to the best schools, rushed up the job ladder, became a hot commodity, and eventually won the keys to a chief executive's suite. You make millions of dollars a year. Your life couldn't be sweeter. And then America adopts the Ten Times Rule. What happens next?

Would you choose to stay on as your company's chief executive? If you do, you will almost certainly have to swallow a pay cut. An enormous pay cut. Your company's board of directors, with a Ten Times Rule in effect, is no longer going to shower you with millions. That would make no sense, since the IRS would simply tax away any millions you receive over the ten times maximum.[1]

Would you look for a CEO position elsewhere, in some nation without a Ten Times Rule? You could, but corporations everywhere else in the world all pay their top executives considerably less than what CEOs have been receiving in the United States. These foreign corporations have had no trouble finding qualified executive candidates locally. Why would these corporations now consider hiring an American, especially an American accustomed to making much more money than they have ever had to pay?

Would you simply retire, fly off into the sunset? You could, of course, easily afford to go that route. You could, if you so choose, spend the rest of your days napping on a beach, dangling your toes in the surf.

So what, in the end, would you do? And what would your fellow CEOs be likely to do if they suddenly woke up in a Ten Times America? Some no doubt would simply take their money and run — and be content to sun on the sand. But most top executives, particularly those with real talents, could never be content doing nothing. They might exit their executive suites, but not to fly off to some tropical isle. These "high-achievers," if they ever left their executive suites, would likely only exit to take on some other endeavor they had always wanted to try their hand at. These executives just might see the Ten Times Rule as a liberating opportunity, a chance to follow their dreams.

Just like Anthony Grassi followed his.

In 1990, at the age of 46, Anthony Grassi did what countless high-achievers only fantasize about. He walked away. Grassi, a top First Boston investment banker, had become, after several years of beneficent bonuses, "comfortably rich" and suddenly realized that he and his family simply didn't need any more money. At that point, Grassi started planning his exit from corporate America. Piece by piece, he parceled out his wealth: so much for his children's college education, so much for a new home in the country, the rest for a savings plan that would return him $250,000 a year tax-free for the rest of his life. Grassi figured he could afford to give away half that $250,000 to charity and still have more than enough to live on quite pleasantly.

Grassi's time, after his exit, became his own. He chose to devote it to volunteering. He would go on to serve as the board chairman of two important environmental groups.

"Working for something bigger than just you and your pocketbook gives rewards that are just bigger," Grassi would later tell the *Wall Street Journal.* "I regret I wasn't able to do this when my children were younger."[2]

In our current world, talented, hard-charging executives are constantly daydreaming about walking down the same path that people like Anthony Grassi have so boldly blazed. Many of these executives talk incessantly, among themselves, about hitting the "number," about amassing a fortune large enough to let them leave their high-pressure careers behind and live the sort of human life they have always, deep down, wanted to live.[3]

But the hard-chargers, in today's corporate world, hardly ever walk away. If they did, no matter how wealthy they might remain, they would be *less* wealthy than their colleagues who kept racing ahead, kept racking up additional millions. They would be second-rate. That prospect, deep down in their competitive souls, they cannot abide.

In a Ten Times Rule America, this sort of status tension would melt away. High-powered executives who walked away would be able to spend their time doing whatever work they wanted to do and still, if they configured their wealth carefully, have incomes every bit as high as anyone else. They could make the leap and remain "winners."

Not every top executive in an America that adopted the Ten Times Rule would want to make a leap into another life. Some would be quite content to stay put, to continue on as before, even at a reduced level of compensation. These non-leapers would be executives who actually enjoy their executive work, who feel they have unfinished business to complete. But these executives, in a Ten Times Rule America, would face a daunting challenge. In a deeply unequal America, they knew how to function. To grab the help they needed, they merely waved money. To the talent they wanted on their team, by their side, they held out the prospect of becoming phenomenally wealthy. Work here, work hard, they told the talent, and someday great fortune will be yours.

In a Ten Times Rule America, that promise would fall flat. In a Ten Times America, no one would be gaining great fortune. Given that reality, chief executives would have to offer top talent something more than money. They would have to offer the talented a quality work environment, a comfortable yet challenging place to labor.

In our current business workplaces, top executives need only pay lip service to the quality of corporate life. They know full well that talented people, if promised a shot at vast fortune, will put up with most anything — with eighty-hour workweeks, abusive bosses, arbitrary decision making, even outright thievery. In a Ten Times Rule America, by contrast, talented people would no longer be chasing after windfalls. They would be searching for satisfying places to work. Corporate leaders would either have to make their workplaces more satisfying or find themselves surrounded by second-rate people.

Workplaces become more satisfying, researchers tell us, when companies give employees more autonomy, when they offer staff more opportunity to shape decisions, when they ensure everyone enough time off to restore creative juices, when they distribute rewards fairly. In a Ten Times Rule America, top executives would finally have to start paying attention to all these elements that make workplaces more satisfying. They would have no choice, not if they wanted to attract and retain talented people.

To move down this road, to seriously involve staff in decision making, to share rewards fairly, to ensure people a "life" off the job, most enterprises in America would have to totally revamp how their corporate offices operate. They would have to reject expectations that top staff work twelve-hour days, reject the myths of CEO omnipotence that justify top-heavy reward systems, reject the traditional mindsets that encourage corporate intellectual conformity. In a Ten Times Rule America, those firms that took on these changes, that became serious about creating new corporate cultures, would be the firms that thrive. In these firms, even executives might enjoy coming to work.

OVER TIME, IN A TEN TIMES AMERICA, the environments where the wealthy work would begin to change. So would the environments where the wealthy, and the rest of us, live.

We live today, all of us, within a housing market split dramatically in two. At the one end, America's most affluent routinely enjoy not just one home, but two or three. At the other, average families sweat to meet their mortgages. The adoption of a Ten Times Rule would turn this split housing market upside-down. In an instant, America's largest, most lavish, most desired homes would become burdens, not trophies.

Consider the dilemma, in a Ten Times Rule America, that would face an extravagantly affluent couple with a condo in Manhattan, a stately summer home in Southampton, and a cute winter getaway in the Bahamas. All these residences carry costs. Condo fees, property taxes, insurance, utilities, gardeners, plumbers, not to mention a mortgage or two. How much might these costs total? A half-million a year? A million? No big deal. What's a million or so out of an annual income of $5 or $10 million?

That same million, in a Ten Times Rule America, would suddenly loom large. With a Ten Times income ceiling in place, our extravagantly affluent couple might suddenly find the upkeep of three wonderful homes a bit too much to bear. Our wealthy couple might even decide, with a heavy heart, to place one of its multiple abodes on the market. But our couple wouldn't be alone. In a Ten Times America, thousands of other wealthy households would face the same squeeze. They would likely make the same choice. They would rush to unload the residences they could no longer comfortably afford to maintain.

Here's where things would start to get interesting. With all these excess luxury homes on the market, prices on top-end residences would inevitably start to fall. These falling prices on luxury homes would quickly ricochet throughout the rest of the housing market. With a home that had been worth $1 million now selling for $750,000, a less luxurious home that would have sold for $750,000, before the Ten Times Rule, might now sell for $500,000. A home that would have sold for $500,000 might now fetch only $400,000. Down, across the board, would go prices on America's most expensive homes.

This downpricing would immediately impact how homebuilders see the world. In our current unequal America, developers quite logically concentrate on concentrated wealth. They erect edifices for America's affluent. They ignore America's middle. In a Ten Times Rule America, that course would no longer make sense. Why build *new* luxury homes in a housing market flooded by existing luxury homes for sale at attractively reduced prices? Nimble developers, in this housing market, would look elsewhere for homebuyers. And they would find them in the middle class. Middle class households, in a Ten Times Rule America, would once again appear attractive. In a more equal America, these households would have a greater share of the nation's income and wealth. Year by year, in a Ten Times America, developers would seek to serve this growing middle class market. Year by year, the stock of affordable housing would swell. More families would be able to find — and afford — decent homes of their own.

Not all wealthy families, to be sure, would rush to sell their surplus housing in a Ten Times Rule America. Those families with immense fortunes would still be able to afford to maintain multiple luxury homes *if* they were willing to spend their fortunes down. Fine. The more homes they try to maintain, the quicker their fortunes would shrink.

Affluent families earning just under the Ten Times maximum would find themselves in a somewhat different position. Suppose a couple with an excess luxury home had an annual income of $250,000. This family, if the Ten Times maximum stood at $300,000, could still report another $50,000 in income before any 100 percent tax would kick in. Let's assume this family could clear a $250,000 capital gain by selling off one of its homes. Would the family sell? And what would happen to that $250,000 profit if the family did sell? Would $200,000 of that profit be taxed away immediately, as excess over the $300,000 annual maximum?

In a Ten Times Rule America, this would become an important question because many households might find themselves in a similar situation — that is, many households earning less than the Ten Times maximum might have a one-year spurt of income that places them above the maximum for only one year. It won't seem fair to these families to have most of this one-year spurt subject to a 100 percent tax, not when that same spurt if received over several years in smaller chunks would have avoided the 100 percent rate.

What would a Ten Times Rule America do in these one-year-spurt situations? A Ten Times America would restore into the tax code the same special treatment for sudden and dramatic increases in annual income that existed years ago, in an era when the United States taxed incomes more progressively than our nation does now. That special treatment went by the name of "income averaging."[4] In "income averaging" days gone by, households with income spurts could average their incomes over a multi-year period. A Ten Times Rule America would follow the same tax logic.

How would this income averaging work? Let's return to our household earning $250,000 a year. If this household sold one of its homes and cleared $250,000, its annual income would jump, for one year, to $500,000, well above the $300,000 maximum. Suppose this household had earned $250,000 in each of the four years before the sale. This family, under income averaging, would be able to average out the five years, four years of $250,000 income and one of $500,000. The average, in this case, would come to $300,000 a year. The household would then owe a Ten Times Rule total tax for the five years of just $150,000, a sum that would equal 10 percent of the $300,000 annual average for the five years.[5] Households in this situation would have ample reason to sell off any excess housing they might own.

Still other wealthy households might choose, instead, to hang on to their excess properties and rent them out, not necessarily for profit, because whatever income they might make beyond the Ten Times maximum would be taxed away, but just to meet their maintenance expenses. The wealthy households that went this route would retain title to their property. Later, in retirement, if their income dipped below the Ten Times limit, they could sell the excess property and use the income from the sale to augment their retirement income.

Wealthy families would have another option as well. They could choose to donate their excess properties to some local charity — and claim the donation as a tax deduction.

Current tax rules allow taxpayers to claim charitable deductions that equal no more than half their annual incomes. A Ten Times Rule America would be wise to continue this practice, for the same reason a Ten Times America would be wise to allow income from state and municipal bonds to remain tax-free. Letting taxpayers deduct charitable contributions, as they do now, would help leverage *private* fortune for *public* benefit.

Take, for example, a couple with a fortune worth $10 million that reports $500,000 a year in income. With a $300,000 maximum in effect, this couple would pay $230,000 in federal income tax on its $500,000 income, a sum that would equal 10 percent of the couple's first $300,000 in income and the $200,000 the couple took in over the $300,000 ceiling. But if this couple chose to carve $150,000 off its $10 million fortune and donate this $150,000 to charity, its tax bill would shrink. Only $150,000 of the couple's first $300,000 in income would now be taxable. On this $150,000, a sum five times the minimum, the couple would pay only a 5 percent tax, or $7,500. The new total tax bill for our wealthy couple: $207,500. The bottom line: By making a $150,000 charitable contribution, our wealthy couple would save $22,500 in Ten Times taxes.

How might this dynamic work with the donation of an excess home? Let's assume that our wealthy couple has a spare home worth $750,000. Under current tax law, taxpayers can divide, for tax purposes, a large charitable contribution made in one year into pieces and then claim, over a several year period, each individual piece as an annual deduction. If this practice continued under the Ten Times Rule, our wealthy couple would be able to donate a $750,000 home to charity, then claim a $150,000 charitable deduction for each of five years. The couple, over the five years, would realize $112,500 in tax savings.

Tax savings this robust would help inspire a significant transformation in the housing market of a Ten Times America. Year after year, to be able to claim charitable tax deductions, wealthy households would be donating excess high-end homes to nonprofit organizations. Grand old homes of the wealthy would be reborn as college dormitories and halfway houses. Or nonprofits might simply sell or rent the homes donated to them as a means to raise operating revenues. In any case, the end result — an increase in America's stock of affordable housing — would be the same. The more excess luxury homes sold, the lower the sale prices on homes overall. The more excess luxury homes rented, the lower rentals overall.

Housing heaven? Not entirely. Some middle-income households, those counting on big profits from selling homes they've owned for years, might grumble at first as overall home prices, in a Ten Times Rule America, began deflating. Homes that these households had expected to sell for $400,000 might, in a Ten Times America, only return $250,000. But the grumbling wouldn't last. Middle class households that sell their homes, after all, have to find new places to live, and these new places, in a Ten Times Rule America, would cost them less. What these middle class households might lose on the sale of an old house they would gain on the purchase of a new one.

Professional housing speculators, to be sure, might not enjoy the housing market in a Ten Times America. The vast majority of everyone else would have abundant reason to cheer.

IN A TEN TIMES RULE AMERICA, average consumers would find more products, at lower prices, in all big-ticket consumption categories, not just housing.

The reason? In a Ten Times America, marketers would no longer have any incentive to target the top end of America's income and wealth distribution — and ignore everybody else. That top end would no longer have enough income and wealth to make targeting worthwhile. Marketers, instead, would reorient themselves to America's middle class. They would start flooding America's marketplace with products and services specifically geared for average-income families, just as they did in the 1950s and 1960s, the twentieth century's golden age of American income equality.

But the shrinking importance of the luxury market, in a Ten Times Rule America, would almost certainly prompt an even more fundamental sea change in consumption. The end of luxury's dominance over American retailing would lower, significantly, the level of spending that signifies the "good life."

In America today, as in all societies where wealth concentrates, the affluent define the good life. They set the consumption standard. Those who want to be seen as successful do their best to meet this standard. We all, of course, want to be seen as successful. So we do whatever it takes to reach whatever consumption bar the affluent set. We work extra hours. We max out our credit cards. But that bar never seems to get any closer — and never will, not in societies where deep divides separate the most affluent from everyone else. The affluent, in unequal societies becoming more unequal, just keep raising the bar.

In a Ten Times America, by contrast, the gaps that separate the affluent from America's middle class would be narrowing, not expanding. The bar would be more reachable. More people, many more people, would be able to afford the consumer goods that signify the good life. These goods, in this more equal environment, would soon start to lose their "must-have" significance. In societies where most people can afford the same consumer goods, these consumer goods eventually — and always — become less important to have.

Old habits, of course, die hard. In a Ten Times Rule America, some people would continue to obsess over what they buy and own. But fewer people, in a Ten Times America, would crave consumer goods they can barely afford. In a Ten Times America, the middle class, not the wealthy, would come to set the consumption standard — and most families would be able to meet that standard, without working themselves to exhaustion, even most families at the lower end of America's income ladder.

These bottom-rung families, in a Ten Times America, would have more income at their disposal. Under the Ten Times Rule, the minimum wage would regularly be rising, and each hike in the minimum wage would trigger wage increases in jobs paying just above the minimum. All lower-wage work, in short order, would begin to pay more. At the same time, the most basic costs of the good life would be sinking, as the luxury market became less dominant. These twin trends — higher wage income, a lower entry fee into the good life — would give millions of low-income families financial breathing space, their first ever. These families would find themselves able to afford lifestyles that bring them self-respect without having to work second jobs or endless and exhausting overtime.

And if fewer people felt compelled to work beyond the standard work week, more jobs would become available. If ten people working forty-eight hours a week, for instance, were to feel comfortable working just forty hours a week, full-time jobs for two other workers would suddenly become open. In a Ten Times Rule America, given dynamics like these, jobless rates would start dropping. More people would be working. Fewer would require support from the social safety net.

Those workers in a Ten Times America who felt comfortable reducing the time they devote to work would have more time — after work — for activities they find personally rewarding. This added time might prove the greatest blessing of all. The Ten Times Rule could not guarantee everyone a fulfilling job.

But a Ten Times America would leave people with more time to find fulfillment outside work, to engage in pastimes that satisfy our primal urges to learn, to create, to master new skills.

Today, in our unequal America, far too few of us have this opportunity to devote significant time to the pastimes we truly enjoy. We spend our days, instead, on our hedonic treadmills, racing to meet a standard for the "good life" that inequality keeps driving ever further beyond our reach. In a Ten Times Rule America, this treadmill would slow. We would no longer spend our time, waste our time, getting nowhere fast.

IN A TEN TIMES RULE AMERICA, our workplaces would be more humane, our home lives less hedonically hectic. But what of the third great sphere of our daily existences, that space outside work and home, the realm we usually call "community"? How would our communities fare in a Ten Times America?

Community life in America is currently languishing almost everywhere. In our rush to "catch up" to society's affluent pacesetters, in our frenzy to keep from falling further behind, we have little patience, or energy, for activities that seem to make no contribution to our personal financial bottom-lines. We neglect those aspects of our lives that don't translate into dollars. We neglect, most of all, our communities.

In a Ten Times America, a more equal America, we would feel *less* pressure to make every moment financially rewarding. We would have *more* time to devote to community — to joshing with neighbors or bowling with friends, to joining organizations and serving on committees, to writing letters to the editor or even running for office ourselves.

But would we actually devote this additional time, in a Ten Times America, to our communities? Or would we just look inward and devote all our new time to ourselves?

Some commentators actually see looking inward as a logical — and perhaps inevitable —response to the unavoidable tensions of modern life. Information Age stresses and strains, the argument goes, drive us inexorably into "cocooning." In a tense, high-speed world, we retreat from community. We turn our homes into safe, secure, self-contained family redoubts. Would the adoption of a Ten Times Rule override this cocooning impulse? Maybe not. In a Ten Times Rule America, after all, home theaters, pizza delivery vans, broadband Internet, and all the other devices we can use to cut ourselves off from having to rub shoulders with other people would still surround us. So why should we expect our community lives to flower under the Ten Times Rule? Why should we expect people in a Ten Times America to invest time in their communities, not just themselves, to pursue public, not just private, solutions to life's problems?

We should expect this investment in community, this interest in public solutions, for one compelling reason. In a Ten Times Rule America, a more equal America, public solutions will make more sense.

Private solutions can indeed always "solve" life's problems, but only at a significant cost. Your family need a place to go for fun? Your children need good schools? You want to read all the latest bestsellers? Or feel safe when you lock your door at night? Or commute without aggravation? If you have enough wealth, you can get what you want by yourself, without joining in community with others. You can jet off to an exclusive resort. You can send your kids to an elite private school. You can buy every new book that tickles your fancy. You can hire a security service to guard your home — or a limo service to take you to work. If you have enough wealth, you have no need to engage in your community, no need to press for better public parks or better public schools or better public libraries or better public law enforcement or better public transportation.

Inequality encourages people to seek private solutions. The more wealth concentrates, the more affordable — for society's affluent — private solutions become. And the more eagerly a society's elites invest in private solutions, the less diligently that society will pursue public solutions. These public solutions, over time, come to atrophy. Public parks get dangerous. Public schools get crowded. Public libraries are open less often. More families, in response, abandon community-minded approaches to problem solving. They come to feel they have little choice.

In a Ten Times Rule America, the pressures would reverse. The wealthiest households in a Ten Times America would still, of course, be able to afford tuition at elite private schools. But private tuition on top of country club dues on top of private security service fees on top of chauffeur salaries would quickly add up and overwhelm any income capped at a ten times maximum. In a Ten Times America, wealthy families would have to be willing to spend down their accumulated wealth, year after year, to be able to solve their problems privately. Some would do that. Others, especially those with less robust fortunes, would not. And the fewer people who sought private solutions, the more expensive those solutions would become.

Most affluent people, under the Ten Times Rule, would no longer be able to comfortably afford, all at once, the private schools, the country clubs, and the assorted other private amenities that currently fill their lives. These affluent families would have to start *caring* about public amenities. The quality of these amenities would suddenly start to matter to them. The local public school can't afford an art teacher? A guidance counselor? Uniforms for the girls' softball team? These "frills" become outrages when they impact your own child. The affluent, in a Ten Times America, would not tolerate these outrages. Their caring, their unwillingness to settle for second-best, could not but help to improve the quality of public amenities, be they schools or parks or libraries, for all Americans.

PUBLIC SERVICES PROVIDE ONE ESSENTIAL SUPPORT for vital, vibrant communities, independent nonprofit organizations another. Nonprofits — the clubs for boys and girls and runners and gardeners, the centers for seniors, the councils for the arts, the societies for historic preservation — abound in healthy communities. In a Ten Times America, these nonprofits would flourish. Volunteers would be plentiful. Average-income people, off the hedonic treadmill at last, would have more time for engaging in the volunteer pursuits that interest them. Affluent people, with no more incentive to keep piling up millions, would increasingly choose to devote their careers to the nonprofits they most admire.

If the Ten Times Rule were to become the law of the land, nonprofits would also be able to count on generous flows of charitable contributions, from families both above *and* below the ten times ceiling. In a Ten Times America, with lower taxes on their incomes, average families would have more income to donate. Wealthy families, for their part, would have a strong incentive to donate regularly at high levels. By donating away hefty slices of their accumulated wealth, as we have seen, families with income *above* the ten times maximum would be able to hang on to more of their income *below* that maximum.

Bequests at death, in a Ten Times Rule America, would add considerably to the nonprofit revenue stream. Wealthy Americans do already, of course, leave sizable sums to charities, mainly to limit their estate tax liabilities.[6] The more money that wealthy people earmark for charities in their wills, the less their estates will pay in tax. But wealthy people also have another important deduction they can claim under current estate tax law, a deduction that steers bequests *away* from charities. Wealthy individuals can currently have deducted from their estates however much they choose to leave their surviving spouse. In 1997, America's biggest taxable estates, those worth $20 million or more, left $7.47 billion to charity but even more, $7.57 billion, to surviving spouses.[7]

Under current law, the more a departing wealthy individual leaves a spouse, the better off that individual's estate will be. Surviving spouses can take a generous bequest, invest it, and end up with an even more generous fortune to bestow upon their sons and daughters. In a Ten Times Rule America, this fortune compounding would cease. A surviving spouse would not be able to grow an inherited fortune, since any income from an inherited fortune above the ten times ceiling would be taxed away.

The fortune itself, meanwhile, would shrink, not grow, as the expenses of maintaining it — annual security fees to safeguard the family fine art collection, insurance for the family fleet of luxury cars — eat away at the size of the fortune. In a Ten Times America, in short, a huge bequest to a surviving spouse might often prove more burden than benefit.

So why would a mogul, in a Ten Times America, ever leave a huge fortune to a surviving spouse? Why leave a spouse a couple hundred million when a far smaller bequest would be enough to guarantee any spouse a life-long annual income at the ten times maximum? Wealthy people living under the Ten Times Rule would almost certainly leave their spouses considerably less fortune than they leave them now. And who would get that money that would have gone to spouses? Most likely the charitable sector. Charitable organizations, in a Ten Times America, would be among the biggest winners.

But what about the offspring of the wealthy? Wouldn't the wealthy be far more likely to leave fortune to offspring than charities? Not at all. What would be the point? In a Ten Times Rule America, wealthy offspring with incomes already above the maximum would have little to gain from inheriting additional assets. Wealthy people sitting down to do their wills would surely recognize this reality. They would be less likely, as a result, to leave their assets to their already wealthy offspring and more likely to leave these assets to charity — or to people who aren't already wealthy, people earning under the ten times maximum, people who would be able to retain any income these assets might generate. Who would these lucky people be? They might be long-lost cousins. They might be trusted chauffeurs. They might even be beloved, never-forgotten third grade teachers. They could be anybody — anybody not already wealthy. Only the most perverse wealthy, in a Ten Times Rule America, would leave significant fortune to the already fortunate.

Over time, this steady asset transfer from the highly privileged to the less privileged would inexorably narrow the gap between our most fortunate and everyone else. The Ten Times Rule, a tax on *income*, would help end the concentration of America's *wealth.*

IF A TEN TIMES RULE WERE EVER TO BECOME a matter of national political debate, friends of fortune would readily acknowledge, right at the outset, the capacity of an income maximum to *break up* wealth. But societies, these skeptics would argue, only advance when they *create* wealth. To serve as a vehicle for progress, a Ten Times Rule would have to build up wealth, not just break it down.

A point well-taken. Societies do need to create wealth to advance. Would a Ten Times Rule help create wealth? More specifically, would enterprises, our modern world's engines of wealth creation, become more productive and efficient under a Ten Times Rule? No question, for a nation considering whether to adopt a ten times ceiling, would be more important. For wealth to build in a Ten Times America, a Ten Times Rule would have to help enterprises become more effective and efficient.

What makes enterprises effective and efficient? The same sorts of qualities, researchers tell us, that make workplaces satisfying places to work. High-performing enterprises empower workers with decision-making authority. They help staff collaborate. They reward workers fairly. In effective enterprises, executives respect workers and, in turn, are respected by them.

American business leaders pay homage to these noble ideals at every opportunity. They spend tens of millions of dollars every year on conferences and courses designed to instill these ideals into managers and workers alike. But these investments, we have seen, have failed to pay off. America's most important enterprises have not become more effective over recent years. They have, if anything, become more deeply defective, as America's executives, in their rush for riches, have merged and purged their way to fortunes, blathered about synergy while shoving companies into bankruptcy, and mouthed commitments to quality while committing criminal conspiracies. The antics of our executives have left workers demoralized, not empowered, consumers suspicious, not satisfied. Our executives have not created wealth. They have expropriated it. The resulting inequality, within the workplace, has subverted and perverted enterprise success.

A Ten Times Rule would set off a quite different set of organizational dynamics. A Ten Times Rule would, almost immediately, end the incentives for executive behaviors that sap enterprise vitality. With an income ceiling in place, top-ranking executives would be less likely to rush into silly mergers, less likely to downsize away employee loyalty, less likely to shortchange consumers, less likely to hopscotch from one company to another, less likely to spend more time managing their company's share price than their company's operations. These behaviors have all proliferated, in our current deeply unequal America, because these behaviors all promise jackpot payoffs. In a Ten Times America, jackpots would no longer juice executive behavior. A Ten Times Rule economic landscape would be a jackpot-free economic landscape.

In a Ten Times Rule America, top executives would make, at most, ten times more than their lowliest employees. With only a ten times spread between top and bottom, enterprises would no longer be able to sustain corporate America's current abundance of hierarchical levels. Enterprise hierarchies would flatten. And with that flattening would come behaviors that nurture enterprise effectiveness. "Flatter" hierarchies would encourage the free and candid exchange of information that steep hierarchies stifle.[8] The more modest the compensation of "higher-ups," the less pressure on workers to defer to higher-up opinion. The less deference, the more dialogue, the more sharing of ideas, the more seizing of opportunities that employees closest to customers — or production — so often see first. The end result? Better enterprises. More productive enterprises.

Compensation compression, the smaller gap between top and bottom, would not just compress hierarchies. Compensation compression would shrink overall enterprise size. Oversized, sprawling corporate empires, with imperial CEOs lording over complex webs of divisions and branches, would almost inevitably start to subdivide once a Ten Times Rule reset the economic rules. Corporate emperors, in a Ten Times America, would lose their coin of the realm, their ability to dish out rewards large enough to keep the executives of subsidiaries content in subordinate roles. In a Ten Times America, these subordinates would likely chafe at taking orders from CEOs now earning not much more, if any more, than what they would be earning. Imperial CEOs, for their part, would have nothing to gain from struggling to hold their corporate empires together. They would earn just as much — the ten times income maximum — overseeing two subsidiaries as twenty.

Over time, under a Ten Times Rule, these new institutional realities would "splinter" America's corporate empires. More modestly sized business operations would come to dot the nation's economic landscape.[9] In these smaller companies, strategies that involve and empower workers in decision making have a much better shot at taking root. These smaller enterprises would be more likely to be effective enterprises.

The benefits from this corporate empire shrinkage, in a Ten Times Rule America, would spill even beyond this increased enterprise efficiency. Smaller enterprises would be less politically powerful enterprises. Smaller enterprises would not have the clout to extort tax subsidies — "pay us what we want or we'll take our ten thousand jobs elsewhere" — from overmatched state and municipal governments. Smaller enterprises would not have the political punch to ram through state legislatures statutes that exempt their operations from environmental safeguards. Smaller enterprises would not have the wherewithal to fix and rig marketplace prices. Smaller enterprises, most important of all, would be closer to the communities where they do business. Their executives would be more aware of the impact their decisions might have — and more accountable for those decisions.

What could America do, a young Ralph Nader once asked, "to direct corporate resources toward respecting the values and pleas that are beyond the balance sheet morality?"[10] America could enact the Ten Times Rule. No other single step would do more to make corporations more responsible organizations. Or more productive. The Ten Times Rule would unleash a corporate chain-reaction that would significantly level America's economic playing field. On that new field, we could create the wealth America needs.

A TEN TIMES CHAIN-REACTION might actually produce workaday changes far more fundamental than enterprises that are flatter and smaller. A Ten Times Rule might even help us address some of America's most intractable problems, among them the subordinate roles that people of color and women continue to play, despite years of law making and court decisions that have ruled discrimination against the law.

People of color and women in America already labor under an income ceiling of sorts, a "glass ceiling." The upper reaches of America's economy remain, a generation after the historic rights struggles of the 1960s and 1970s, overwhelmingly male and white. In 2002, of the top five hundred chief executives in America, only six weren't men. Women in corporate management started the new century earning 65 percent of what their male counterparts earned. During the biggest of the boom years, between 1995 and 2000, the earnings gap between men and women in corporate management actually widened.[11]

The statistics for people of color fit a similar pattern. Minority men and women, a federal Glass Ceiling Commission reported midway through the 1990s, make up just 3 percent of American corporate senior management. They earn 21 percent less than white senior managers doing the same work.[12]

The adoption of a Ten Times Rule would shatter this glass ceiling — from above.

At century's end, women overall constituted just over 9 percent of income-earners making between $500,000 and $1 million and just under 7 percent of income-earners making over $1 million.[13] In a Ten Times Rule America, corporations would no longer be compensating anyone over $500,000. High-ranking executives, over 90 percent of them male and white, would suddenly find themselves tumbling from the tops of flattening corporate hierarchies. They would smash, on the way down, into corporate America's glass ceilings. With hierarchies compressing, with income gaps between people of different genders and colors suddenly narrowing, women and people of color would likely feel less demoralized, and more willing to give their all for enterprise success. Enormous gaps in rewards, in a Ten Times America, would no longer "rub in" — or cement — their socially subordinate status. At the same time, throughout America, opportunities for executive leadership would be increasing. The proliferation of enterprises in a Ten Times America, as large enterprises subdivided into smaller operations, would give women and people of color many more chances to play leadership roles.

The Ten Times Rule, to be sure, would not magically wave away deeply ingrained biases. But the Ten Times Rule would erode the economic privilege that arbitrarily empowers some Americans over others. Toward justice, we could take few more significant steps.

NO ENTERPRISE, NOT EVEN an incredibly efficient and effective enterprise, can ever succeed solely on its own initiative. An enterprise can boast an enlightened management, a committed workforce, a wonderful product and still experience sheer, sad, and even sudden failure. Effective enterprises, to become and stay effective, need to do business in effective economies.

In effective economies, enterprises can count on obtaining the capital they need to start up and expand, the technology they need to operate efficiently, the qualified employees they need to get their work done, and the safe and secure business environment they need to produce and distribute their goods and services. Most of all, in an economy working effectively, enterprises can count on having a market, customers able to afford the goods and services they produce. Enterprises trapped in an economy that cannot supply these needed supports will not create wealth. Enterprises so trapped will likely not even survive. Healthy enterprises, in short, require a healthy economy.

Would a Ten Times Rule help create this economic health?

In any national debate about the viability of a Ten Times Rule, skeptics would delightedly seize upon this question. A Ten Times Rule, they would charge, would collapse the economy of any nation foolish enough to adopt it. That collapse, they would argue, would begin with the disappearance of the capital enterprises need for investment, since wealthy people save and invest a greater share of their income than average people. If the incomes of the wealthy were leveled down, where would investments for innovation come from?

The somewhat surprising answer: In a Ten Times Rule America, enterprises would find investment capital from essentially the same places they find capital today.

In our current economy, only a small share of investment capital actually comes directly out of the pockets of wealthy people. Investment capital comes, in large part, from the collective savings of average people, savings that have been institutionalized through pension funds and other retirement vehicles. Huge amounts of investment capital also come from the endowments of universities and other nonprofit institutions.

What about all those venture capitalists? Don't they play an essential investment role? They certainly do, but the venture capital companies these venture capitalists run get most of the dollars they funnel to entrepreneurs from retirement funds and large nonprofit endowments, not from private wealthy individuals. "Private equity," as business journalist Michael Peltz notes, "is largely an institutional market."[14] In the boom years, America's most celebrated venture capital company, Silicon Valley's Kleiner Perkins Caufield & Byers, annually handed entrepreneurs $100 billion a year. Those dollars came, in overwhelmingly numbers, from "university endowments and other institutions."[15]

In a Ten Times America, pension funds and other institutional sources of investment capital would have more, not less, to invest.

Consider, as an example, the pension funds that cover America's public employees. In a Ten Times America, public employment would enjoy a remarkable renaissance. A 100 percent tax on incomes over the ten times maximum would generate hundreds of billions of new federal revenue dollars. These dollars would likely fund a massive upgrade of education and other public services. More teachers would be staffing America's schools, more highway workers would be filling potholes, more rangers would be protecting parks. More public sector workers would be receiving paychecks, and more paychecks would translate into more pension fund contributions from public sector workers.

Private sector pension funds would keep pace. In a Ten Times Rule America, the redistribution of income *within* private enterprises — lower pay packages at the top, higher pay packages at the bottom — would leave average employees significantly more able to up their retirement contributions. And top executives, under the ten times income ceiling, would no longer have any powerful incentive to play games with employee pension fund dollars. Top executives currently can and do steer dollars out of pension funds to jack up corporate quarterly earnings — and their own personal option windfalls. The windfalls would disappear in a Ten Times America, and so would the incentive to deny pension funds the dollars they ought to be holding. Retirement funds, in a Ten Times America, would be exceptionally robust sources of needed investment capital.

But what about our other key institutional sources of investment capital, particularly foundation and university endowments? Don't these endowments get most of their dollars from wealthy people? If the Ten Times Rule leveled down the incomes of the wealthy, wouldn't these endowments suffer financially? Not really. In fact, probably not at all.

Under the Ten Times Rule, foundations and universities would continue to collect significant contributions from America's deepest pockets. Wealthy Americans earning income above a ten times ceiling, earlier pages have noted, would be able to reduce taxes on their income *under* the ceiling by making large charitable contributions. Foundation and university endowments would no doubt benefit from these contributions. Foundation and university endowments would likely benefit even more, under the Ten Times Rule, every time a wealthy person passes on. In a Ten Times America, we have seen, wealthy people would be writing out wills that leave more dollars to charities and fewer to already rich spouses and offspring, since, with an income ceiling in place, the already rich would be in no position to benefit from grand bequests. Alma maters, by contrast, would.

Some dollars that today go to promising young entrepreneurs do, of course, come straight from the pockets of wealthy people. These dollars would most certainly be less bountiful in a Ten Times Rule America. Would worthy entrepreneurial efforts, as a consequence, have to go without the capital they need to get going? Not hardly. Legitimate investments in worthy entrepreneurial efforts don't increase as dollars concentrate in the pockets of wealthy people. Speculation increases. In a Ten Times America, with wealth less concentrated, more dollars would be carefully invested and fewer dollars would be wasted — on silly schemes that promise quick fortunes.

In the boom years of the 1990s, as wealth concentrated at record rates, we saw these schemes "flower." One of these schemes even tried to drive America's neighborhood florists out of business.

In 1998, a small gang of wealthy Americans actually set out to redefine — and take over — the retail flower industry, one of America's most vibrant small business strongholds. The gang's leaders included the former top executives of the Blockbuster video chain. These execs had already made a fortune shoving local video stores out of business. They could make an even greater fortune, they figured, in the $15 billion retail flower industry. Their plan: buy up the top one thousand local florists in the nation's one hundred biggest local flower markets, create America's first-ever national flower store chain, then "go public" on Wall Street and make a stock trading killing.[16]

The Blockbuster boys had more than enough cash in their own pockets — some $10 million — to get the ball rolling. With that as leverage, they were on their way. In no time at all, they were wining and dining local florists all across the country. Locals who sold out to the new national flower chain, the Blockbuster gang leaders hinted, could look forward to magnificent stock option bonanzas. Hundreds of local florists took the bait. By April 1999, the gang had snatched up enough local outlets to start selling shares of stock on

Wall Street. These shares soon shot up 33 percent. This new flower empire, Wall Street figured, would streamline the flower business the same way Blockbuster had streamlined video rental. Economies of scale. One size fits all.

But that one size, in practice, pinched. The local florist shops bought up by the new chain now had to toe a strict national corporate line. That meant no more generous donations of flowers to local charities. No more letting regular customers pay on sixty-day schedules. No more free deliveries to hospitals. No more buying from anyone but chain-approved wholesalers, even if that meant peddling flowers of inferior quality. No more conducting business the way neighborhood florists had been conducting business for generations.

By spring 2000, the new flower chain's local outlets were losing customers right and left. The chain, in response, turned the screws even tighter. Layoffs. Cost-cutting. The customers kept disappearing. Finally, in April 2001, America's first floral empire filed for bankruptcy. Six months later, the empire folded.

In a Ten Times Rule America, none of this speculative waste would ever have taken place. With an income cap in effect, the Blockbuster boys would not have had the personal capital necessary to launch a credible takeover bid of America's flower stores. Nor would have the Blockbuster boys been able, in a Ten Times America, to seduce local florists to sell out simply by dangling stock options in their faces. Get-really-rich-quick schemes can only seduce in societies where people can indeed get really rich quick. In a Ten Times America, people would still be able to become rich, but not quick, and not really rich. In a United States that adopted the Ten Times Rule, speculators would find capital — and dupes — in short supply.

ENTERPRISES LOOKING FOR THE BASICS, not dupes, would find them in a Ten Times America. An educated workforce? The federal government, with revenues swelled by a 100 percent tax on income above the ten times ceiling, would be able to fund a total overhaul of American public education. Schools could be modernized, class sizes reduced, preschools expanded, college tuitions minimized, quality teachers recruited and retained. Access to new technology? Those same increased federal revenues could fund more in-depth R&D programs in America's labs and universities. A dependable infrastructure for bringing goods and services to market? A Ten Times America that kept the income from state and municipal bonds tax-free would have at its disposal, at virtually no cost, billions upon billions of dollars for public works projects to rebuild and renew long-neglected bridges, ports, railroads, and roads. Those projects would create jobs, those jobs would generate paychecks, and those paychecks would bestow upon enterprises the most important business basic of all: a steady supply of customers.

Customers would be plentiful in a Ten Times Rule America, partly because jobs would be more plentiful, but more because average people overall would simply have more income at their disposal. The Ten Times Rule, by taxing away the excess income of the rich and lowering taxes on everyone else, would steer a far greater share of America's income dollars into the pockets of average Americans. This redistribution, in turn, would have a powerful and positive impact on America's economy.

We can illustrate that impact with a picture, any picture — or painting — worthy enough to hang on a museum wall. A Rembrandt perhaps. A Cézanne maybe. Rich people like to purchase Rembrandts and Cézannes. They pay millions for them. The rest of us don't buy Rembrandts. Our big-ticket items are more likely to be refrigerators. With one million dollars, the cost of a modest Rembrandt, a thousand of the rest of us could replace our old refrigerators with new energy-efficient models.

Any society that opted for a Ten Times Rule would be opting for refrigerators — and a job-friendly economy. What, after all, creates more work, one thousand consumers buying energy-efficient refrigerators or one consumer buying a Rembrandt? A Ten Times Rule, by limiting the flow of dollars into the pockets of the already rich, by increasing the flow of dollars into the pockets of everyone else, would consistently and significantly enhance what economists call "mass purchasing power." Wealth, like manure, only does good when you spread it around. A Ten Times Rule would spread wealth — and give our slumbering economy a much-needed wake-up call.

Apologists for inequality, needless to say, have never appreciated analogies that equate great concentrations of wealth to great piles of manure. Societies that spread wealth, they insist, are doomed to perpetual slumber. Limit the ability of rich people to spend, their argument goes, and no one will do much spending. Innovative consumer goods, one conservative commentator, Tony Snow, tells us, always start off as expensive luxuries only the rich can afford. The rest of us wait "until the prices come down." Without free-spending rich people, Snow argues, few innovative products would ever make it to market and excite consumers. These rich, in effect, "shoulder the development costs of most new products and technologies."[17] Rich people, Snow concludes, carry "most of our economic weight."[18]

But that weight, in a Ten Times Rule America, could be shared. Public enterprises and agencies could easily provide markets for promising new products. Municipal transit authorities, for instance, could purchase fleets of vehicles that feature efficient new engine designs. School systems could put in bulk orders for desk furniture that incorporates new approaches to ergonomic design. NASA officials could commission the development of flame-retardant materials. Innovative products, in a Ten Times America, would have little trouble finding their way to market.

Innovative products, of course, require more than markets before they can become social realities. Innovative products require innovators. All new products need to be invented, developed, then championed. That process can demand a great deal of effort. Who would ever undertake this effort, opponents of a Ten Times Rule might likely shout, without the prospect of grand reward at the end of the day? Would we today, they ask, have computers on our desk-tops and software in our computers if our society a generation ago had shut the door to the accumulation of billion-dollar fortunes? Let Bill Gates have his billions, the argument goes, he has given us Windows. Inequality nurtures progress. The triumphs of our glorious Information Age, exult the friends of fortune, "prove" it.

The advances of the computer revolution actually do have a lesson for us, but not the lesson apologists for inequality suppose. We can have innovation, the computer revolution in fact teaches, without embracing greed, without smiling upon a deeply unequal distribution of riches.

Just ask Linus Torvalds, exhibit A in the case for equality and economic innovation.

Linus Torvalds cannot lay claim to having a household name. But this Finnish computer programmer has made contributions to innovation every bit as striking as any ever advanced by a Silicon Valley billionaire. Back in 1991, Torvalds, then a student in Helsinki, bought his first computer. His new PC carried a Microsoft operating system, as most computers still do, and Torvalds soon found himself frustrated by the Microsoft system's limitations. He could have simply gritted his teeth, like fellow frustrated users, and made do. But Torvalds chose not to take that course. He decided to write his own operating system. He tagged his new system, with a whimsical touch, Linux.

Torvalds did not then take the typical next move. He did not rush to cash in on his work. Instead, he posted Linux on the Internet and invited people to use it for free. That wasn't all. Torvalds also encouraged users to make improvements on his Linux program — and the young Finn set up a licensing system that required all improvements to be shared, for free, with all other users. This sharing strategy worked marvelously. Sharing, Torvalds found, begets sharing. Linux quickly evolved into a robust operating system that many computer experts rated as more stable and efficient than the Microsoft systems that dominate the PC market. By century's end, over 7 million people worldwide were using Linux, and that number was growing at double-digit annual rates.[19]

Torvalds himself opened the new century contentedly writing software in California. He had no billions to his name. That didn't matter. He had never sought billions.

"My main goal," as Torvalds once explained, "has always been to be in the position that I'm not ashamed of what I've done or am doing, and that I'm doing the best I can."[20]

Torvalds and Linux stand in the middle of what has become known, within the computer industry, as the "open source" movement. All over the world, experts and enthusiasts are writing computer code, sharing their work openly and freely, and watching others, operating in the same spirit, improve their initial work and advance it to higher levels of sophistication and quality. Some observers dismiss "open source" as a do-gooder protest against corporate computing's powers that be. But "open source" amounts to much more than that. The "open source" spirit amounts to a return to computing's roots, a return to the collaborative spirit that has generated the Information Age's greatest leaps forward, in everything from graphic interfaces to the Internet.

William McGill, who would later become the president of Columbia University, experienced this collaborative spirit early on, as a colleague of computing's first grand innovators, scientists like the widely admired J.C.R. Licklider of the Massachusetts Institute of Technology. "Few of these innovators are known to the public because they created the Internet in a collegial atmosphere, lacking in ego and greed," notes McGill.[21] Licklider and other innovators of the time, McGill observes, gave no thought to how rich their discoveries could make them. They were "driven by science" and "uninterested in credit." This, says McGill, "is the way it ought to be."

"I am saddened to think," he adds, "we have become so hardened by self-interest that we forget how science is supposed to work."

Innovation and invention, scientists like William McGill understand, can and do take place without the lure of great fortune. The chance to do interesting work, to feel part of something significant, offers talented people more than enough incentive to achieve and create at the highest levels. Creative people, notes psychologist Mihaly Csikszentmihalyi, don't love money. Creative people "love what they do."[22]

"It is not the hope of achieving fame or making money that drives them," this nationally respected analyst adds, "rather, it is the opportunity to do the work that they enjoy doing."[23]

Inequality *discourages* people from doing the work they most enjoy doing. In deeply unequal economies, in societies where rewards for some lines of work dwarf the rewards available from other lines of work, talented young people gravitate to the work that pays the most, not the work they find most personally appealing. They end up, for instance, in corporate law firms, spending eighty-hour weeks researching arcane points of obscure law. This work offers little intrinsic satisfaction. The work does offer, on the other hand, a chance to make partner — and annual incomes in the seven-figure range. Money trumps satisfaction. Talent goes to waste.

In a Ten Times Rule America, with a ceiling on income in place, no one field could ever astronomically outcompensate another. The nation's top figures in public interest law would earn in the same ballpark as the nation's top figures in corporate law. College presidents would make as much as bank presidents, top engineers as much as top stock analysts. Truly talented people, under the Ten Times Rule, would be more likely to go into fields they really enjoy — and be more likely to do great work in those fields.

Fewer people, meanwhile, would squander their energies lusting after jobs that promised colossal rewards for the tiny numbers of people able to make it to the top. In a Ten Times America, some lines of work might still carry higher monetary rewards than others. But no line of work would carry cash rewards dazzling enough to make talented young people stomach work they have no interest doing.

The talented simply do not need to be bribed, with colossal monetary rewards, to share their talents, a reality that apologists for inequality continually refuse to acknowledge. These apologists confuse wealth and reward. Wealth may be a reward. But rewards, to motivate, need not bring wealth. Applause can be a reward. Recognition can be a reward.

"Among the 50 states," as business commentator Daniel Akst points out, "not a single governorship has gone begging for want of bonuses and stock options."[24]

How much we earn, researchers agree, does certainly matter to us, but not as much as how much we earn compared to others around us. Most of us, economist Robert Frank notes, would rather take home $100,000 in a society where everyone else was making $90,000 than $110,000 in a society where everyone else was taking home $200,000.[25]

But what about those among us who don't just want to make *as much* as everybody else? What about the competitive among us who want to make *more* than everybody else? Would these competitive people be able to find satisfaction under the Ten Times Rule? Would a ten times economy be able to give these feverish competitors the incentive they need to perform at their best? Why not? Fierce competitors really don't care what they make. They just don't want to be beaten. They don't want anyone making more than what they earn. Fierce competitors, in a ten times economy, would still be able to climb their way to a "top." And at that top no one would be making more than they do. But that top would be a "top" with a difference. At this top — at the ten times limit — our nation's most competitively successful would not be earning colossally more than anybody else.

And that, in turn, would make an enormous difference for the rest of us. In a Ten Times Rule America, all people would be able to take pride in their work, in their contribution to society, because no one's work would be devalued by someone else's enormous compensation. In a Ten Times America, all work would have honor. All young people would have an incentive to do honorable work, the work they enjoy doing. Out of that work would come innovation. Out of that innovation would come wealth.

EARLY IN THE TWENTY-FIRST CENTURY, America's single largest organization, the AARP, asked a rather large national cross-section of adults — of all ages — what makes life worth living.[26] The vast majority of those surveyed placed earning a great deal of money near the bottom of their list. Happiness, those quizzed seemed to agree, comes instead from a combination of five much more significant factors: nurturing solid family ties, building friendships, helping people in need, getting a solid education, and having a satisfying job.

In a Ten Times Rule America, average Americans would be more likely to realize each of these five outcomes. But even this success, unfortunately, would not *guarantee* our happiness in a Ten Times America. Life does remain, to no small degree, about the money. To feel content, most of us need to see ongoing improvement in our economic circumstances. We can be content with an income of $50,000, as economist Robert Frank has noted, if we made $45,000 the year before. We will likely not be content with that same $50,000 if we earned $55,000 the year before.[27] Psychologically, we do better when we make modest, steady progress in our personal finances. Too much too soon, too little too late, leaves us sour. To keep us happy, a Ten Times Rule America would have to keep our incomes rising steadily.

And that's exactly what a Ten Times Rule would do. The reciprocity built into the Ten Times Rule, the direct link between incomes at the top and incomes at the bottom, would ensure a never-ending lobbying effort by people at the top to raise wages for people at the bottom. Rising wages at the bottom would, in turn, ripple throughout the economy and boost wages *between* top and bottom. In our current America, real wages have stagnated for three decades. In a Ten Times America, real wages would march steadily — and satisfyingly — ahead.

In a Ten Times Rule America, as a consequence, we would have in place a solid foundation for deep and lasting happiness. People would be moving up the economic ladder, modestly and steadily, within a society that values our time and our work. A Ten Times Rule would help us improve the quality of our lives.

But what about the *quantity* of our lives?

Quantity, as environmentalists have helped us understand, matters. The Earth's ecosystem can sustain only so much activity. At some point, the quantity of that activity endangers our natural ecosystems. We deplete natural resources faster than they can be replenished. We generate more waste than our Earth can absorb. Those of us around today may never live long enough to have to face a point of no return. We may be able to "grow" our economies, and then grow them a good bit more, without ever having to feel personally the environmental degradation we have wrought. But our children, or their children, will have no such luck. We ignore quantity at their peril, if not ours.

We do have an alternative. We can stop "growing" our economy in conventional economic terms, move toward what Herman Daly has called the "steady-state economy." We can shift our concentration from growth to development, from more to better. But this shift, as Daly emphasizes, will never be able to succeed without an equally momentous shift in how we think about rich and poor, about the distribution of income and wealth.

Any society wise enough to recognize that our ecosystem cannot support unlimited material production, Herman Daly notes, must also recognize that allowing 99 percent of a "limited total product to go to only one person" cannot possibly make sense — or be just. Limits on material production, in other words, at some point necessitate limits on distribution. Without limits on who gets what, limits on how much we burden the Earth become impossible to sustain. And what limits on distribution would help ensure sustainability? As a "formula for fairness," a ten times differential between minimum and maximum income strikes Daly as sensible and practical.[28]

"No one is arguing for an invidious, forced equality," he notes. "A factor of ten in inequality would be justified by real differences in effort and diligence, and would provide sufficient incentive to call forth these qualities."[29]

A ten times maximum, adds Daly, would help us create a better world, a sustainable world, a world where tomorrow's basic needs would "always take precedence over the extravagant luxury of the present."[30] How good a place might this world be? A world that rejects extravagance as a motive force, author Alan Durning suggests, would be much more than simply a world without environmental degradation. A world that lived by sufficiency, not excess, would offer "a return to what is, culturally speaking, the human home: to the ancient order of family, community, good work, and good life; to a reverence for skill, creativity, and creation, to a daily cadence slow enough to let us watch the sunset and stroll by the water's edge; to communities worth spending a lifetime in; and to places pregnant with the memories of generations."[31]

A world without excess. A ten times world.

A Strategy for Change

WILL ANYONE READING THESE PAGES ever live in a Ten Times America? Today, in these early years of the twenty-first century, that hardly seems likely. Those of us eager to see greater equity in the United States currently don't have enough clout to maintain an adequate *minimum* wage. How could we possibly hope to ever realize an income *maximum*?

So must we content ourselves with more pedestrian objectives? In a deeply unequal America, must we accept greed's golden rule — that those who have the gold rule — and simply do our best to prevent the golden from wreaking too much collateral damage? Must we resign ourselves to racing on treadmills? Must we have only plutocrats, or their pals, on our ballots? Must we bowl alone? Or dare we dream of different lives, of satisfying careers, of vibrant communities, of ballgames without three-minute breaks for commercials? Dare we believe that our society can change, and fundamentally so, for the better? Dare we imagine as bold, as thrilling, a change as a Ten Times Rule?

We can so dare. And we should. American attitudes toward compensation and fairness have changed dramatically before. They could change again.

Consider this: We still have among us people old enough to remember a time when overwhelming majorities of Americans felt comfortable in an economy that paid blacks less than whites for the same exact work, women less than men. Today, overwhelming majorities of Americans consider "equal pay for equal work" a basic core value. Within the span of a lifetime, we redefined fairness.

Our human species has already flirted with the notion that fairness may demand limits on income, via top tax rates calibrated at 100 percent. We here in the United States once had in place a 94 percent top tax rate on wealthy incomes. The British, in 1941, enacted a 97.5 percent top rate.[1] The Danes, after World War II, dabbled with an ever higher figure.[2] Civilized, perfectly rational people have discussed and debated income maximums in our past. Why shouldn't we assume that such maximums might once again be discussed in our future? In our modern world, substantial numbers of people already feel comfortable with income ceilings. One 1995 poll found over half the French people, 52 percent, supporting a salary cap, just 33 percent opposed.[3]

Decades ago, pollsters found similar sentiments right here in the United States. In December 1942, 47 percent of Americans favored a cap on the income any individual ought to be allowed to keep, after taxes. Only 38 percent opposed the idea.[4] Pollsters found this broad support for an income maximum about eight months after President Franklin Roosevelt first championed the idea. Over the years since, no American political notable has ever revisited the income cap notion, either in peacetime or war, and the concept, predictably enough, has almost totally faded from public view. In one 1992 Roper poll, only 9 percent of Americans expressed support for "limiting the amount of money any individual is allowed to earn in a year."[5] Yet many Americans, polling data also show, feel distinctly uneasy about concentrated wealth. One in three Americans, a 1990 *Fortune* poll found, believe America would be better off without any millionaires.[6] In 1996, nearly two-thirds of Americans agreed that "differences in income in America are too large."[7] Seven years later, in 2003, about the same number, 63 percent, told Gallup that "money and wealth in this country should be more evenly distributed."[8]

And how should money and wealth be more evenly distributed? Americans remain deeply unsure. The same 2003 Gallup poll that found broad support for a more even income distribution found no great outcry for higher taxes on high incomes. Only 38 percent of Americans, Gallup reported, consider taxes on wealthy people "too low."[9] Earlier polling had found similarly conflicted attitudes. In 2000, in an October pre-election survey, 46 percent of Americans agreed that "it's unfair that many people are becoming millionaires when a lot of people work very hard every day and will never be rich." But a slightly larger share of the American public, 51 percent, disagreed with that observation.[10] Yet that same year, in a September survey, 77 percent of Americans told pollsters they wanted to hear from Presidential candidates George W. Bush and Al Gore on just how they planned "to reduce the gap between rich people and poor people in this country."[11]

Americans, the polls make plain, remain profoundly unsettled about wealth and income inequality. Our conflicted attitudes toward concentrated wealth — and what to do about it — sit side by side in a murky mix of apprehension and ambivalence. And this confusion, of course, serves only to perpetuate our increasingly unequal status quo. Those who sit at the summit of America's economic hierarchy, surrounded by the greatest accumulation of wealth the modern world has ever seen, have nothing to fear from a public ambivalent about wealth and wealth holders. In this muddled political climate, no proposal for a Ten Times Rule, no proposal for any significant redistribution of wealth and income, will ever get traction. And that won't change until Americans, in large numbers, begin to consider concentrated wealth a clear and present danger, until Americans stand ready to condemn not just greed and grasping, but the public policies that encourage the greedy to grasp.

Years ago, Americans feared concentrated wealth. We today do not. We have swallowed a political perspective on wealth that would have appalled the likes of Theodore and Franklin Roosevelt — and the many millions of Americans who gave them their support. This perspective, this faith that helping the wealthy become wealthier will somehow benefit us all, has proved a fraud. But this perspective, despite its failure, remains our conventional wisdom. And that should not surprise us. Conventional wisdoms seldom collapse on their own. They collapse only when challenged, only when advocates for change thrust forward initiatives that expose the bankruptcy of the conventionally wise.

So where should advocates for a more equal America begin this challenging? What initiatives can we promote to help crystalize vague misgivings about inequality into a clear conviction that concentrated wealth endangers what we hold dear? What can we do today, and the day after, to make the struggle against concentrated wealth a campaign and a cause that challenges and engages ever larger numbers of Americans? What can we do to shove inequality onto America's political centerstage?

What can we do? What should we do? To make concentrated wealth *the* issue of our time, we need to focus on the engine that continues to concentrate America's wealth. We need to focus on the modern American corporation. The battle for a more equal America ought to begin with an assault on corporate business as usual.

This business as usual is failing us, failing to provide jobs that deliver adequate income, failing to bring us career and retirement security, failing to keep our communities vital. And at the root of this failure sits greed. More specifically, at the root of this failure sits a complex of attitudes and accepted practices, often enshrined in law, that have, for over a generation now, encouraged and enabled corporate leaders to amass incredible personal fortunes. We will not "fix" our corporate enterprises until we end this concentration of wealth within our corporate enterprises.

Any struggle against concentrated corporate wealth, to emerge triumphant, would have to involve the many millions of Americans who have a direct, intimate stake, as employees, in enterprise success. And if this struggle did involve these many millions of Americans, inequality would become, in the twenty-first century, what we need it to be. Inequality would become the central battleground of American political life.

On that battleground, a campaign for a Ten Times Rule could be waged. On that battleground, a Ten Times Rule could be won.

THE STRUGGLE AGAINST ECONOMIC INJUSTICE begins, in every modern nation, with organized labor. In nations with strong, deeply rooted trade union movements, inequality does not widen. Inequality ebbs. In the United States, for over a generation now, we have had no strong, deeply rooted labor movement presence. We have paid the price. Our wealth has concentrated, at record levels.

Wealth in the United States will no doubt continue to concentrate until labor regains a vital presence in the everyday life of our nation. But the reverse may also be true: American labor might not be able to regain a vital presence until concentrated wealth no longer holds a lock-grip over our economy — and democracy. And if that be the case, then labor faces a single overriding strategic imperative. Labor must step front and center and lead the charge, enterprise by enterprise, against concentrated wealth.

Unions, to assume this leadership role, would need to think differently about how they relate to the enterprises where union members labor. Historically, most unions in the United States have focused narrowly on wages, hours, and working conditions. American unions, unlike unions elsewhere, have typically left every other facet of enterprise life, including executive compensation, to management discretion. In recent years, labor activists and leaders have begun contesting this traditional mindset. Unions, these new thinkers have urged, need to focus more attention on the overall health and viability of the enterprises where union members work. Unions need to care, the new thinkers have argued, about how enterprises make decisions and govern themselves, about how they keep their books, even about how they pay their executives.

This new thinking has spawned a wide and innovative array of new labor initiatives. Unions are now working to leverage the union member dollars in America's pension funds. They are pressing fund managers to invest in enterprises that engage in practices that build productive relationships between labor and management.[12] They are also working, at the same time, to encourage *more* corporate enterprises to adopt these positive practices. They are urging pension funds to support corporate reform shareholder resolutions, to challenge excessive executive pay, to oppose "large workplace pay disparities that damage employee productivity and morale."[13]

"We have to find ways to get companies to act in a more responsible way," explains Ron Blackwell, the director of the AFL-CIO's Department of Corporate Affairs. "Policies that benefit only a small minority of shareholders are not sustainable — economically or socially. We want business to prosper, and to maximize long-term shareholder value, but in ways that benefit all shareholders."[14]

Many of America's biggest unions have helped advance this new labor thrust. The Communications Workers of America, in one campaign effort, called on Sprint to limit annual increases in executive pay to the average annual increases in worker pay, a move needed, the union noted, to "assure shareholders and employees that Sprint's hard-earned profits will be used for research, development, equipment modernization."[15] A Teamsters campaign called for a $1 million limit on the base salaries of General Electric's top five executives. "We still think a million dollars means something," noted the union's director of corporate affairs, Bart Naylor.[16]

Millions of other Americans, unions have discovered, feel the same way. By 2000, over 11 million Americans a year were clicking into PayWatch, the Web site the AFL-CIO launched in 1997 to help expose and battle back against executive pay outrages.[17] Americans angry about CEO pay can use Paywatch to e-mail corporate boards, message members of Congress, or lobby the Securities and Exchange Commission. Employees at America's biggest fifteen hundred corporations can even use the site to compute how many years they would have to work to match what their top executives make in just one.

"Depending on the CEO," quips AFL-CIO Secretary-Treasury Richard Trumka, "it's usually a few thousand years."[18]

Labor's corporate reform efforts, in the wake of the Enron scandal, would ratchet up still another notch. Unions rushed to the aid of workers left stranded by the bankruptcies at Enron and other corporate giants, even where those workers had never been union members. Then, late in 2002, labor helped lead a campaign to require America's mutual funds to disclose how they vote their investors' shares, on executive pay and other issues, at corporate annual meetings. The campaign triumphed. Mutual funds, federal regulators ruled early in 2003, can no longer vote their investors' shares corporate management's way — and then keep those votes secret.[19]

The same corporate scandals that helped labor win this mutual fund victory also shifted America's pension fund giants closer to labor's corporate reform perspective.[20] In the mid 1990s, the retirement funds that make up the Council of Institutional Investors had refused, as a group, to back any reforms that would require corporations to book stock options as expenses. The reforms would fail. That failure, in turn, would help executives puff up their corporate bottom lines over the rest of the decade — and score hundreds of billions in stock option windfalls. In 2002, after Enron, the Council of Institutional Investors would do an abrupt about-face and vow to support option expensing.[21]

About-faces like this struck some observers, like *Los Angeles Times* senior economics editor James Flanigan, as the dawning of a brand new day, as the beginning of a "transfer of authority from executive suites to representatives of the shareholder-employees." Workers, Flanigan noted, hold more than 60 percent of the stock in publicly traded companies, either indirectly through their pension plans or directly through their own individual retirement investments. If working people flexed their "ownership" muscles, Flanigan observed, they would no longer need to go through life "ceding control to corporate executives to manage companies as they see fit."[22]

The vote tallies on shareholder resolutions debated in 2002, after Enron's collapse, did seem to show some muscle flexing. One set of researchers tracked nearly five hundred resolutions considered over the course of the year. Just over a hundred, the researchers found, actually won majorities, the best shareholder resolution winning percentage ever.[23] And these winning votes actually forced some specific changes in corporate behavior. Managements at Bristol-Myers, Squibb and Johnson & Johnson, after shareholder voting, all agreed to end or reduce the consulting fees they pay to auditors, a move reformers had been demanding ever since Enron first hit the headlines.[24]

But other more skeptical observers saw no particular reason to celebrate the post-Enron shareholder voting. None of the resolutions enacted in Enron's wake, they noted, placed any explicit limits on executive compensation. And even if a pay-limit resolution were to gain a shareholder majority, they added, that resolution would be unlikely to change executive pay behavior, since shareholder resolutions on compensation do not carry the force of law. Managements are not legally bound to put these resolutions into effect.

Real change in corporate pay practices, many reformers argue, will only come when dissident shareholders start waging — and winning — election campaigns to unseat management-friendly incumbents on corporate boards of directors. But reformers also see no wave of these battles about to break out, mainly because board challenges can be incredibly expensive to mount. In 2001, for instance, Texas billionaire Sam Wyly waged a crusade to defeat management-backed board candidates at Computer Associates, the company where, just three years earlier, a trio of executives had cashed out an insane $1.1 billion stock option windfall. Wyly spent a whopping $10 million on his challenge against the Computer Associate management board slate. He lost anyway.[25]

Shareholder activists, in effect, have the deck stacked against them. Managements hold most all the cards.[26] Veteran shareholder activists, to be sure, know how the cards will likely play out. But they play on anyway. Even in defeat, they note, shareholder activism can make an important contribution to the struggle against concentrated wealth. Debates over CEO pay resolutions, points out shareholder strategist Scott Klinger, can always help "get a discussion going on whether the value of a company has been created by a single person or all employees."[27] But shareholder resolutions in and of themselves, most activists would agree, are unlikely to ever significantly impact actual executive pay.

Labor's corporate reformers, to make a real dent on concentrated corporate wealth, would need to extend their struggle beyond the corporate annual meeting. They would need to take the campaign against corporate greed to the one battlefield where labor can win and has won epochal victories, the one battlefield where Americans expect to see labor do most of its fighting. At this battlefield — the bargaining table — labor, not just management, holds some facecards.

TRADE UNIONS TODAY, AT CONTRACT BARGAINING time, are actually already raising executive pay excess as an issue. Savvy union negotiators will frequently use the immorally high pay gaps that divide executives and workers to dramatize the moral case for higher wages. Publicity about these gaps often helps rally public support for grossly underpaid workers.[28] But America's trade unions have so far not moved, in any significant way, to make pay gaps themselves an actual bargaining matter. These gaps remain beyond the "scope of bargaining." Executive pay has always been considered — and continues to be considered — none of labor's business, a topic unfit for collective bargaining.

Could that change? Could gaps between worker and executive pay become a bargaining matter? Why not? Labor's "business," after all, most certainly does include the setting of worker pay levels. Labor negotiators, to set these worker pay levels, routinely bargain contracts that peg worker pay to benchmarks that unions have no hand in setting. Unions regularly, for instance, bargain cost-of-living clauses. These clauses automatically boost wages by a certain rate or amount whenever the official inflation rate spikes. Unions do not determine the inflation rate. Nor do they determine executive pay. But unions could insist, in a Ten Times Rule spirit, that rewards that go to workers at the bottom of the enterprise ladder ought to be linked to the rewards that go to executives at the top, in the same way that cost-of-living adjustments link wage increases directly to the inflation rate. No workers within an enterprise, labor could argue, should ever be paid less than a specific multiple of what the enterprise pays its loftiest executive.

Any collectively bargained contract that linked compensation at the bottom of an enterprise to compensation at the top would create the same sort of healthy dynamic that the adoption of a Ten Times Rule would create for society at large. Executives within enterprises that adopted a "pay equity ratio" between top and bottom would have an ongoing incentive to raise the compensation of their lowest-paid workers.[29] In any corporation with a twenty-five times pay equity ratio in effect, no executive would be able to take home $1 million unless all workers took home at least $40,000.

Corporate flacks would, of course, do their best to paint pay equity ratios as the first step toward the end of civilization as we know it. They would no doubt blast ratio-minded union negotiators as irresponsible radicals. But those union negotiators would be able to blast right back. Was J. P. Morgan, the grandest capitalist of the late nineteenth century, an irresponsible radical? Morgan, in the many corporations he created, insisted on a twenty-to-one pay ratio between workers and top executives. And how about Peter Drucker, the eminent founder of modern management science? Drucker, over the last third of the twentieth century, consistently championed the notion that pay ratios between workers and executives ought to be kept within a fifteen- or twenty-times range. Was Morgan wrong? Is Drucker's counsel misguided?

Interesting questions. They could inspire, at America's bargaining table, some of the liveliest negotiating sessions our nation has ever seen.

MIDWAY THROUGH 2002, pollsters working for National Public Radio asked a random national sampling of Americans how they felt about CEOs "taking big bonuses and lavish perks, as their companies were failing and stockholders lost money." Over two-thirds of those surveyed, 71 percent, listed themselves as "very angry."[30]

Corporate executive pay excesses have been leaving Americans "very angry" ever since the early 1980s. America's political leaders, in the meantime, have done nothing meaningful that speaks to this anger. America's unions could do plenty. A labor movement struggle to establish "pay equity ratios" within America's biggest corporations could thoroughly shake up business as usual in America's executive suites — and perhaps capture the public's imagination more vividly than any labor mobilization since the great sitdown strikes of the 1930s.

But any bargaining-based drive for pay equity ratios would face one enormously discouraging reality. Unions today, in the private sector, only bargain for a relative handful of American workers. The overwhelming majority of America's corporations do not engage in collective bargaining with their employees. Less than 10 percent of American private sector workers currently carry union cards. Unions simply do not have enough of a workplace presence to advance an effective pay equity ratio struggle at the bargaining table alone. To advance any serious struggle against corporate concentrated wealth, to have any hope of establishing pay equity ratios throughout corporate America, American labor — and labor's allies — would have to identify points of leverage beyond the bargaining table. These points of leverage, fortunately, do exist. In the public sector.

We tend to think of private and public as two distinctly separate spheres of economic existence: the public sector, bankrolled by taxpayer dollars, over here, the private sector, bankrolled by marketplace transactions, over there. In reality, no clear, clean divide separates our private sector from our public. The two sectors, day by day, waltz through America's economic life as a couple.

Our local, state, and national governments interface with private businesses at a host of different levels. At the most basic of these levels, public bodies procure goods and services from private businesses. The federal government alone, in 2002, expended over $265 billion for private sector goods and services.[31] Government officials also hand businesses a vast array of subsidies and development grants. McDonald's has received millions to advertise hamburgers in Paris, automakers many more millions to design cars.[32] States and municipalities have, since 1953, spent over $20 billion to give professional baseball teams places to play.[33] Some corporate giants even receive tax dollars for not doing anything at all. In 1999, for instance, the state of Maryland handed Marriott, America's "hospitality" giant, a package of tax breaks and financial incentives worth an estimated $44 million. In return, Marriott simply promised not to move its international headquarters out of Maryland, across the Potomac, into Virginia.[34]

Governments bestow upon private businesses more than procurement orders and tax breaks. They give them licenses and leases that let them turn nature, at little or no cost, into generous profit-making opportunities. Television broadcasters, for instance, pay nothing for that slice of the electromagnetic spectrum the government has set aside for standard television broadcasting. Mining companies pay next to nothing, year after year, to lease mineral-rich government land.[35] If nature gets upset, government takes care of that, too. Developers can get subsidized flood insurance. Nuclear power plant operators get a great deal more. Actuaries estimate that a major nuclear power plant disaster could cause damages worth $500 billion. The federal Price Anderson Act, on the books since 1957, limits the nuclear power industry's liability to less than 2 percent of that total.[36]

How many tax dollars, overall, go to private businesses? No one knows for sure. But that doesn't matter. We don't need to know an exact figure, or even an estimate good to the nearest trillion. The reality, even without exact numbers, remains plain. No significant business in the United States today sits purely in the "private sector." Every major American business interacts regularly with the public sector, in some way, shape, or form. And that reality has created a direct link between CEOs and taxpayers. Public sector tax dollars have helped pump up every major fortune "earned" in the private sector.

"Behind every great fortune is a crime, wrote Balzac," as business columnist Michael Thomas has noted. "Had he been writing in millennial America, he might have said, behind every great fortune lies a fat deal with Uncle Sam."[37]

That doesn't have to be. Taxpayers don't have to be subsidizing CEOs. The public sector could just say no — to the "fat deals" that grow great private fortunes at taxpayer expense. Governments in the United States could nix these fat deals merely by taking one simple step. They could place pay equity ratio "strings" on every major transaction with private sector enterprises.

Does a furniture company want a contract to fill a new school with desks? Fine. To have a bid considered, that company would first have to show proof that none of its employees are paid less than fifty times — or twenty-five times or ten times — its top executive.

Does a defense contractor want a loan guarantee for a foreign customer? The government would happily consider that request, if the contractor merely adopts a company-wide pay policy that narrows internal pay gaps to some modest fixed multiple.

Does a telecom want a chunk of electromagnetic spectrum for a cell phone license? No problem, so long as the telecom pays no executive at levels that significantly outpace the earnings of their lowest-paid workers.

Pay equity ratio "strings" along these lines, applied consistently and firmly, would almost immediately start wringing excess out of the American economy. Every major enterprise would feel the impact. Every major enterprise would have to make internal compensation adjustments — or lose ground to competitors who did.

Could such "strings" ever be more than an egalitarian pipedream? They certainly could. Our local, state, and national governments already place strings of various sorts on contracts with private enterprises. Our public bodies, for instance, do not award contracts or subsidies to businesses that discriminate by race or gender in their employment practices. Such discriminatory behavior, up until the fairly recent past, did not bother our society. That behavior does bother us now. If you discriminate, you do not get to do business with Uncle Sam.[38]

In 1994, efforts to impose "strings" on government contracts and subsidies took a dramatic new turn. In that year, church and labor groups in Baltimore led a campaign that resulted in the nation's first-ever "living wage" law. Under the new statute, any contractors who wanted do business with Baltimore would have to pay their workers, by 1999, at least $7.70 an hour, a wage high enough to place a family of four over the poverty line.[39] Scores of other cities and counties would soon follow suit. By late 2003, over a hundred localities had adopted living wage ordinances. The most significant of these, in New York City, mandates that service contractors with city work must pay their employees at least $10 an hour, plus health benefits, by July 2006.[40]

All the living wage ordinances so far enacted share a common assumption: Poverty does not serve the public interest. Public bodies, living wage advocates argue, have a responsibility to make sure that tax dollars do not subsidize poverty wages.

Public bodies have another responsibility as well, a responsibility seldom recognized. Poverty does not serve the public interest. Neither does inequality. Public bodies have a responsibility to battle inequality, a responsibility to help prevent wealth from concentrating. By adding pay equity ratio "strings" to every contract, to every subsidy, to every tax break, by denying tax dollars to private businesses that pay some individuals outrageously more than others, public bodies could finally begin to meet this responsibility. And serve the public interest.

NO COLLEGE OR UNIVERSITY IN THE UNITED STATES is today legally required to spend as much on sports teams for women as on sports teams for men. Universities can field, if they choose, dozens of teams for men and none for women. But if they do, their campus will receive not one dime of federal aid in any form. Congress made this determination over three decades ago, in Title IX of the Education Amendments of 1972.

"No person in the United States," Title IX proclaimed, "shall, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subject to discrimination under any education program or activities receiving Federal financial assistance."[41]

Title IX would go into effect in 1975 and, over the next quarter-century, become perhaps the federal government's most successful equalizing legislation. Before Title IX, over a quarter of men, but less than a fifth of women, completed college. That gap is now gone. Before Title IX, only thirty-two thousand young women participated in college athletics. After Title IX's implementation, that total more than quintupled.[42]

Colleges and universities, the record shows, took Title IX to heart. They really had no choice. Most couldn't survive a semester without federal support. To keep public tax dollars in the pipeline, America's colleges and universities took steps to treat all students more equally — and all Americans benefited.

America's private enterprises, at compensation time, currently face no negative consequences for choosing inequality. These enterprises can, if they so choose, pay their workers pittances and their executives millions — and still merrily collect our tax dollars. Why should we let them? Private enterprises that can "afford" to compensate executives at considerably loftier levels than their workers should be able to afford going about their business without help from taxpayers.

A labor movement that worked to drive home points like this, progressive strategists like the University of Wisconsin's Joel Rogers believe, could begin reframing America's political discourse. "Maximum wage" initiatives that deny tax dollars to firms with overpaid CEOs could be an important element, Rogers suggests, within the multi-issue reform offensives labor ought to be waging.[43]

These multi-issue offensives have begun to take shape. In 1997, for instance, Connecticut labor, religious, and public interest groups joined to make the case for an omnibus statewide corporate accountability act.[44] Their coalition, Citizens for Economic Opportunity, urged state lawmakers to deny all government subsidies and contracts to any corporations that sidestep workplace safety regulations, violate environmental laws, refuse benefits to part-time workers, or pay their top executives more than twenty-five times what their average workers earn.

"Government should not be in the business of rewarding destructive behavior," the coalition's leader, Phil Wheeler, a top United Auto Workers official, told Connecticut lawmakers. "Don't take the taxpayers' money, then give your CEO a million dollar raise while your employees get nothing."[45]

Lawmakers would not prove sympathetic. They rejected the reform coalition's entire corporate accountability package, despite evidence that the central idea behind the package enjoyed broad public support. One poll had found that 86 percent of Connecticut voters supported legislation that would have the state "only give loans, grants, and contracts to companies that behave responsibly."[46]

Other polling had discovered, about the same time, the same sort of attitudes at the national level. In 1996, pollsters Peter Hart and Ethel Klein found that Americans, by a three-to-one majority, "favor government action to promote more responsible corporate behavior and penalize bad corporate citizenship"[47] Among the research's other findings: 82 percent of Americans support the setting of standards for responsible corporate behavior and giving companies that meet these standards a lower tax rate.

On Capitol Hill, that same year, a handful of lawmakers worked to translate these sentiments into actual legislation. Senator Jeff Bingaman from New Mexico proposed that a new category of corporations be created. Corporations that qualified for his proposal's new "A Corp" status would be eligible to receive special tax advantages. These advantages would go only to corporations that invested at least 3 percent of their payroll in an employee pension plan, spent at least 2 percent on worker training, paid at least one-half the cost of employee health care coverage, and compensated no executive at a level more than fifty times the wage of the company's lowest-paid worker.[48]

This notion of establishing standards for responsible corporate behavior struck some Clinton administration officials as a promising idea. Labor Secretary Robert Reich, for one, called for a "new era of corporate citizenship" and proposed cutting income taxes for corporations that upgraded worker skills, provided decent health and pension benefits, and shared their profits.[49] But Reich's boss, President Clinton, would not be comfortable with this approach. The Clinton White House, in the end, would limit its advocacy for "responsible" corporate behavior to moral suasion. The administration would go no further than hosting a conference designed, the *Washington Post* reported, "to celebrate companies with enlightened policies in the hope that others will be inspired to follow."[50]

More skeptical old Washington hands, like veteran Minnesota Congressman Martin Sabo, figured corporations needed much more pushing than celebrating. Sabo had introduced, in 1991, legislation that aimed to close the loophole in the federal tax code that actually rewards corporations for overpaying their executives. Corporations, under the current code, can deduct from their income "reasonable salaries and benefits" as a cost of doing business. But the code doesn't define "reasonable."[51] In practice, corporations can essentially deduct whatever they pay their top executives. The more compensation they lavish on executives, the fewer dollars they pay in corporate income taxes.

This state of affairs has always offended Sabo, a native North Dakotan who grew up in what he calls the "Prairie Populist" tradition.[52] His solution? A pay equity ratio for corporate income taxes. Sabo's proposed Income Equity Act denies corporations tax deductions on any executive compensation that exceeds twenty-five times the pay of a company's lowest-paid workers. Why twenty-five times? That multiple, Sabo explains, approximates the ratio between the minimum wage and the salary of the President of the United States that existed when he first introduced his Income Equity Act legislation.[53]

How much would Sabo's Income Equity Act, if enacted, save taxpayers? Researchers have worked out estimates. In 1997, if Sabo's twenty-five times deductibility limit had been applied merely to the top two executives at the 365 companies covered in the annual *Business Week* executive pay survey, the federal treasury would have collected an additional $514 million in corporate income taxes.[54]

In 2001, Sabo toughened his Income Equity Act proposal, updating the legislation to include all forms of executive compensation, from stock options to country club memberships.[55] This update figured to up the overall revenue Sabo's Income Equity Act would raise, if enacted, into the billions. But Sabo has always emphasized that enacting his Income Equity Act would do far more than raise needed revenue. The bill, he notes, would "send a message that those who work on the factory floor are as important to a company's success as those who work in the executive suite." America's "growing economic divide," he adds, "threatens our democratic principles."[56]

Sabo's Income Equity Act does not yet threaten this economic divide. His bill, Sabo understands, will not be enacted anytime soon. But the logic behind Sabo's proposal remains compelling — and attractive to broad numbers of Americans.[57]

"My bill would not limit executive pay, nor would it dictate what a company must pay its employees," as Sabo explains. "My legislation simply asserts that our government should not, through the tax code, subsidize excessive pay. If companies want to receive larger tax deductions, they should pay their lowest-paid employees better."[58]

Lawmakers like Rep. Martin Sabo and activists like the UAW's Phil Wheeler in Connecticut have, as yet, scored no pay equity ratio victories. They have, nonetheless, made an important contribution to the struggle against concentrated wealth. Their ideas point the way to the sorts of struggles that can begin to infuse American politics with the Ten Times Rule spirit. Their proposals have not yet become politically viable. But bold ideas that threaten entrenched elites always take time to build momentum. Their time will come, particularly if we pick some battles that can be won — over elites a little bit less entrenched.

AMERICAN ECONOMIC LIFE ACTUALLY FALLS into three sectors, not just two. We have the private sector, the public sector, and what has come to be known as the "independent sector," the world of nonprofits and charities. This "independent sector," like the private sector, would collapse without public sector support.

Public sector support for nonprofits sometimes flows directly into independent sector organizations, as payment for services rendered. Taxpayer dollars, for instance, compensate nonprofit health organizations for the care they provide to poor and elderly people. The public sector also supports nonprofits indirectly, via tax breaks. Nonprofits typically do not pay taxes on their property or their purchases. Municipal and state governments, as a result, collect less tax revenue than they otherwise would. Governments also collect less revenue because individuals can deduct contributions to tax-exempt nonprofits at income tax time. Over six hundred thousand nonprofit organizations in the United States currently hold tax-exempt status.[59] Contributions to these organizations, once itemized, slice federal revenues by tens of billions every year.[60]

All this taxpayer support for nonprofits, direct and indirect, primarily benefits large charitable enterprises. These large charities dominate the nonprofit world. Charitable enterprises with at least $10 million in assets make up just 6 percent of the nonprofits that file annual reports with the IRS, but hold nearly 90 percent of nonprofit assets.[61] America's largest charities have, in effect, become enormous nonprofit empires. At their summits sit executives who often receive equally enormous salaries.

These enormous executive salaries create a delicate problem. All nonprofits, even the grandest, ultimately depend on public goodwill. Nonprofits need the public to feel good about their work, good enough to contribute dollars, good enough to volunteer time. Without contributions, without volunteers, without public good will, even the wealthiest charitable enterprise will eventually start to sputter.

Excessive salaries for nonprofit executives do not engender good will. These salaries deeply offend public sensibilities. Americans don't expect those who do "charity work" to live in poverty. But they don't expect nonprofit executives to live in luxury either. In the early 1990s, the public saw this luxury — at the United Way of America — and howled in protest. Americans felt betrayed. How could United Way, the nation's most familiar charitable namebrand, bestow upon its president a $463,000 annual pay package? How could United Way let this president, William Aramony, traipse around town in a chauffeured limousine — and criss-cross America in first-class airplane seats?[62] The scandal around Aramony would not be an isolated story. By the mid 1990s, headlines about executive excess at America's biggest charities had become a major embarrassment throughout the nonprofit world.

In 1996, lawmakers stepped into the mix. They rewrote the charitable tax rules. Up until then, the IRS could only punish charities that overly enriched their top officials by revoking their tax-exempt status. But this "death penalty" sanction always seemed overkill. The IRS seldom applied it.[63] Large nonprofits, consequently, saw little risk to escalating their executive pay. The new 1996 legislation would give the IRS a more practical sanction, the power to levy fines against charities that cut unduly generous paychecks for their top officials. Nonprofit executives, under the new law, could be forced to return excessive compensation, and the fines on these "excess benefit transactions," if not paid promptly, could soar to 200 percent of the money due.[64]

This new legislation, lawmakers hoped, would end the headlines about charitable excess. By that measure, the legislation would fail. The scandals would keep coming, bigger and more lurid than ever. In New York, reporters documented extraordinary excess in the executives suites at HIP, the state's biggest nonprofit health maintenance organization. HIP's chairman collected over $1 million in salary and bonus in 1998. On top of that, the chairman's perks included one lush apartment in New York City, another in Florida, and a Jaguar sedan. Why did the chairman need a Jaguar? "He has a real problem fitting into other cars," a spokesman for HIP explained. "Jaguars are one of the few cars that have enough play in the seat for his long legs." All told, thirty HIP executives took home over $150,000 in 1998, three over $500,000. The nonprofit, at the time, drew nearly half its revenue from tax-funded programs intended to serve poor and elderly New Yorkers.[65]

A few years later, political storms would erupt in Maryland after reports surfaced that the CEO of the state's largest health insurer, the nonprofit CareFirst BlueCross BlueShield, had collected $2.7 million in salary and bonuses in 2001 and negotiated a severance agreement that guaranteed him $15.4 million more.[66] Meanwhile, at the national level, researchers were revealing that nonprofit executive pay levels were jumping at twice the inflation rate.[67] The landmark 1996 nonprofit pay reform legislation, the *Chronicle of Philanthropy* would conclude late in 2002, "has accomplished little in the six years that it has been on the books."[68]

Some observers had fully expected that sorry result. The new law never offered a simple, clear definition of what constituted excess.[69] One member of Congress had tried, early on, to fill that definitional void. In 1998, Rep. Robert Menendez from New Jersey introduced legislation "to cap the salaries of nonprofit executives at no more than the salaries of U.S. Cabinet secretaries." His cap, if enacted, would have limited top nonprofit pay to $151,800. But Congress would not be interested in enacting a nonprofit pay cap. The Menendez proposal drew not a single co-sponsor.[70]

Could some other approach to defining excess in the nonprofit world attract more support than the Menendez proposal? Perhaps. Excess within the nonprofit world could be defined not as a fixed amount, but as a ratio between top and bottom, as any income for a nonprofit executive that exceeds by ten or twenty times the income of any other employee within that executive's nonprofit. For big-time nonprofits, opposing a proposed pay standard along these top-to-bottom ratio lines might prove a bit dicey. How can a charity in good faith argue, after all, that it must be allowed to pay an executive $500,000 if it can't "afford" to pay its receptionists more than $15,000?

Big-time nonprofits would argue against a pay equity ratio anyway. Charitable enterprises, they would patiently try to explain, need to be able to pay well enough to attract talented people, to reward outstanding performance, and to keep outstanding leaders from jumping ship. Sound familiar? In a debate over contentions like these, egalitarians would have the upper hand, even in the current political environment. Americans expect charities to do good, not to insure that executives do well. Lawmakers who ignored this deeply felt conviction — and voted against a pay equity ratio for nonprofits — would likely have to do some explaining of their own.

This political dynamic just might make the nonprofit sector the best place to initiate a legislative drive for pay equity ratios in American life. In this sector, victories could be won. Lawmakers could be pressed, as a first step, to require large tax-exempts to disclose the salaries of both their lowest- and highest-paid employees. These disclosure reports would help illustrate the depth of pay inequity in nonprofit America. The next step: legislation to impose an actual pay equity ratio mandate, perhaps twenty-five times to start. Any executive compensation above the ratio would be deemed an "excess benefit" that must be returned, with an accompanying fine.

A legislative victory or two over nonprofit executive excess would give the drive for pay equity ratios throughout American life a significant boost — and give defenders of private sector excess serious cause to be nervous. An American public upset about nonprofits enriching their top executives at taxpayer expense, these defenders would quickly realize, might soon become a public upset about *for*-profits enriching their top executives at taxpayer expense.

Taxpayers don't like to feel used. Ronald Reagan knew that. He invented "welfare queens" to play on this frustration. Advocates for a more equal

America don't need to invent "corporate kings." They already exist. They're all around us. And they're vulnerable.

IN 2003, SIX MONTHS AFTER THE IRAQ WAR BEGAN, the Bush administration asked Congress for an additional $87 billion in war-related funding. Any approval of this $87 billion request, corporate watchdog groups immediately understood, would set the stage for perhaps the biggest contracting bonanza in American history. Top American corporations figured to reap hundreds of millions, even billions, from the new war contracts. The watchdogs worried. The potential for profiteering would be enormous.[71]

Did the watchdogs have legitimate reason to worry? Could top executives get rich off the new war contracts? On paper, no. The federal statute books actually include a provision that limits the taxpayer dollars that can go, as compensation, to executives at corporations that do business with the federal government. Under this provision, the top federal procurement official each year calculates a "benchmark compensation" cap that applies to each contractor's "five most highly compensated employees in management positions."[72] In 2003, this cap stood at $405,273. No executive at a federal contractor could, over the course of the year, take in more than $405,273 from America's taxpayers.

But this federal cap only limits how much contractors can claim, directly from tax dollars, for their executive compensation. The federal cap in no way limits the total compensation that executives at corporations with federal contracts can receive. And that total can run high into the millions, particularly after contractors receive lucrative federal contracts that send their share prices soaring. In 2002, for instance, the official federal "benchmark compensation" for top executives stood at $387,783.[73] The pay totals for top executives at America's biggest military contractors that year all dwarfed this official "benchmark." Halliburton CEO David Lesar collected $7.3 million in 2002 total compensation, Northrop Grumman CEO Ronald Sugar $9.2 million, and Lockheed Martin CEO Vance Coffman $25.4 million.[74]

Coffman's $25.4 million amounted to 175 times the $144,932 pay of an American Army general with twenty years of experience — and nearly two thousand times the $12,776 base pay of an Army soldier.[75] These monstrous gaps struck Phyllis Bennis, an analyst with the Institute for Policy Studies, as somewhat unseemly. She offered up, before the congressional debate began on the Bush administration's $87 billion funding request, a straightforward antidote to profiteering off Iraq.

"No contracts should be granted to any contracting corporation," Bennis proposed, "that pays its CEO more than 100 times the base pay of a U.S. soldier."[76]

Congress would not pick up on this modest proposal. But public pressure, in the future, could make nearly every major debate in Congress — or any other legislative body — an opportunity to introduce into American political discourse the notion of pay equity ratios.

Congress won't increase the minimum wage? Advocates for wage justice could insist that congressional salaries be tied to a multiple of what minimum wage workers earn. In 1950, columnist Holly Sklar points out, members of Congress earned eight times the minimum wage. By century's end, they earned thirteen times the minimum.

"Let's cap congressional salaries until they are once again eight times the minimum wage," suggests Sklar. "That would give Congress an incentive to care as much about constituents at the bottom of the income pyramid as at the top."[77]

A governor wants state lawmakers to legalize casino gambling? We need jobs, the governor intones. We need good jobs, community and religious groups might retort, as they insist on a pay equity ratio amendment to the governor's bill. No state gambling license, their amendment to the governor's gambling bill might read, shall go to any "gaming" entities that compensate executives more than ten times employees.

A cable TV giant is asking a county council to agree to higher rates for basic service? No new contract, lawmakers could stipulate, with any cable TV company that pays executives over twenty-five times what its average workers receive.

These battles for pay equity ratios would no doubt, in the early going, fail much more often than triumph. But each skirmish would be an opportunity to discuss the terribly high price we pay, in our enterprises, in our communities, in our personal lives, when we tolerate great and growing divides between our wealthy and everybody else. Each skirmish would help pay ratios seem more plausible. Each skirmish would reinforce the resolve of trade unionists struggling for pay equity ratios at the bargaining table.

Over time, victories would start to be won. Some, at the start, might be mostly symbolic. A state legislature, for instance, might limit gubernatorial pay to ten times the annual wage of the state's lowest-paid worker. In some states, that might not be a big deal. Some governors already make not much more than ten times their lowest-paid workers. Still, symbolic victories count. They build momentum. They raise consciousness. They inspire.

At some point, isolated victories would begin to cascade into a stronger, more focused movement to limit inequality. That movement could then begin to challenge our most powerful contemporary engine of inequality, the modern corporation, head on. That movement could even struggle to deny corporations that manufacture inequality the right to do business.

Deny a corporation the right to do business? That notion strikes our modern ears as utterly bizarre, as foolish as trying to deny grass the right to grow. But corporations are not and have never been "natural" entities. Within the United States, individuals have no "right" to incorporate, to create a legally recognized entity with privileges and liabilities all its own, without state government approval. Our states have always determined who can incorporate and under what circumstances.

Two hundred years ago, states took this responsibility most seriously. Americans early on in our republic's history feared corporate power. They had fought a revolution, after all, not just to free themselves from the King of England, but to free themselves from the British "crown" corporations that dominated colonial life.[78] In the new United States, citizens would do their best to keep corporations subordinate. In state after state, they pressed for statutes and adopted constitutions that treated corporations as potential dangers to democracy. Corporations in the young republic would, as a result, be "chartered" on a case-by-case basis. These charters would typically limit a new corporation to a specific mission. That mission complete, the charter would be dissolved. Charters, at times, would even specify exactly how a new corporation would be allowed to do business. Some charters, for instance, prevented incorporated turnpike companies from collecting tolls from people traveling to vote or go to church.[79]

Throughout the nineteenth century, would-be tycoons fought fiercely to "free" corporations from this sort of state oversight. Over the century's first half, the citizens of the young republic essentially held their own. As late as 1857, Pennsylvanians would adopt a constitutional amendment that instructed lawmakers to "alter, revoke or annul any charter of a corporation" that "may be injurious to citizens of the community."[80] The tide would ultimately start turning against this rigorous corporate oversight right after the Civil War, as Gilded Age wealth increasingly lubricated America's political process. State by state, corporations "rewrote the laws governing their creation."[81] New laws essentially gave the ability to incorporate to any group that paid a filing fee. Incorporated entities could continue "in perpetuity." Their officers could not be held personally liable.

Citizen reformers, in some states, would battle back, but corporate power would eventually carry the day. By the 1920s, the corporation in America had evolved "from a subordinate legal entity created to serve the public good into a fantastic shield for property and wealth."[82] "The principal instrument of the concentration of economic power and wealth," a congressional committee would conclude in 1941, "has been the corporate charter with unlimited power."[83]

In the 1990s, a new citizen's movement would begin challenging this unlimited power. Incorporation, activists pointed out, ought to be seen as a *privilege* the sovereign people choose to bestow upon a group of individuals. In return, we the people ought to expect that individuals granted this privilege will advance our common economic well-being. Those who don't ought to have their corporate charters revoked, or be placed into receivership, until their corporate misbehaviors cease.

All states currently have on the books statutory provisions for revoking corporate charters. A corporation doing business in Maryland, for example, can have its charter yanked for failing to file required paperwork or ignoring its tax bills. Maryland can also pull the plug on any state business with a corporate officer directly or indirectly linked to "organized crime." More generally, the state attorney general in Maryland can "institute proceedings against a corporation to determine whether the corporation has abused, misused, or failed to use its powers and franchises in a manner which, in the public interest, would make proper the forfeiture of its charter."

But what's in the "public interest" and what's not?

No state has adequately answered this question. A movement for a more equal America could. Indeed, some activists are already working to spell out, in specific terms, just what our public interest entails. One national network of reformers, the Program on Corporations, Law, and Democracy, has drafted a "Model State Corporation Code" to help "make possible effective democratic control of corporations in a self-governing society."[84] This model code explicitly denies to incorporated entities key powers they currently enjoy, including the power to engage in political lobbying. The code also recognizes, with another key provision, that wide compensation gaps within a corporate enterprise do not serve the public interest. The model code's draft language denies corporations the power to provide executives "compensation in whatever form" that runs "as much or more than 20 times" the average pay of their production workers.[85]

Model corporate codes with clauses this bold have not yet emerged into America's mainstream political discourse. But that discourse, on matters corporate, is starting to broaden. In 1998, one mainstream pol, New York's Eliot Spitzer, actually ran on a platform that threatened misbehaving corporations with the ultimate sanction.

"When a corporation is convicted of repeated felonies that harm or endanger the lives of human beings or destroy our environment," Spitzer proclaimed in his campaign for state attorney general, "the corporation should be put to death, its corporate existence ended, and its assets taken and sold at public auction."[86]

Spitzer would win that election and then, as attorney general, lead a vigorous charge against corporate fraud on Wall Street. His success seems to have emboldened other elected officials. In February 2002, one such official, California Senate majority whip Richard Alarcon, introduced a "Code for Corporate Responsibility" to prohibit the directors of any corporation from performing their duties "at the expense of the environment, human rights, the public health and safety, the communities in which the corporation operates, or the dignity of the corporation's employees."[87]

Alarcon's bill gives average Californians the right to sue offending corporations — and their directors — if damaged by any violation of these prohibitions. If his bill ever became law, corporate directors who handed lavish option windfalls to executives while these executives were handing pink slips to employees could be held personally liable, under the code, for subjecting employees to indignity.

"It's hard to overstate how profoundly this could change corporate behavior," notes *Business Ethics* editor Marjorie Kelly. "Instead of rubber-stamping whatever actions fatten the bottom line — keeping a dirty power plant open, or laying off 10,000 — directors would be asking about impact on employees and the public good. They'd be trying to avoid social harm, because their own pocketbooks would be at risk."[88]

State Senator Alarcon has no illusions that bills like his will pass any time soon.

"Most significant changes in American law take some time," he notes. "But the discussion is as important as the end product."[89]

In the early decades of the twenty-first century, such "discussion" — about writing pay equity ratios into corporation codes, into procurement legislation, into collectively bargained labor contracts — could begin to erode our contemporary conventional wisdom about the top-heavy distribution of income and wealth in the United States. With discussion about pay equity ratios swirling all around us, this terribly unequal distribution would no longer seem inevitable, an unpleasantness we have no choice but to swallow. Instead of accepting inequality as a given, Americans would be debating the best path to a more equal America. Amid this debate, this long-overdue discussion, the notion of a Ten Times Rule could emerge — and be seriously considered.

A CAREFUL OBSERVER AT THE END OF THE TWENTIETH CENTURY, if diligent enough, could come upon discussion about Ten Times Rule-like proposals, about income limits between top and bottom, but only at the margins of American political life. Out in those margins, small but committed groupings of activists for economic and environmental justice were keeping alive a vision of a significantly more equal America.

Late in the 1990s, one of those groupings, the Labor Party, an organization inspired by Tony Mazzocchi, a well-respected and long-time leader with the Oil, Chemical, and Atomic Workers Union, called for "a 100 percent tax on that portion of executive salaries exceeding 20 times the average worker's pay in that corporation."[90] A few years earlier, the Greens/Green Party USA had adopted a program that advocated "a maximum wage of 10 times the minimum wage; the intent being that the income of the richest not exceed that of the poorest by more than a factor of 10."[91]

From time to time, over the course of those same years, even some groups closer to the political mainstream would dare entertain a "maximum wage" vision. In 1995, for instance, a budget justice coalition that included New York's largest public employee unions, the state social workers organization, and the New York State Council of Churches released a "Counterbudget" report that recommended a more progressive state income tax. But the coalition report also noted that addressing New York's "wealth problem" might well require a "more radical" solution.

"Why not a maximum wage that is directly linked to the minimum wage?" the coalition asked. "Drastic actions need to be taken, and taken now, to reverse the economic, political and socially destructive trend of great wealth concentrated in the hands of a few."[92]

Still, despite these occasional nods from groups close to the mainstream, advocacy for an income limit in America remained, throughout the boom years and into the early years of the twenty-first century, sublimely inconsequential, as inconsequential as advocacy for a federal income tax in the 1870s and 1880s. Back in those original Gilded Age years, a time of fearsome wealth concentration, only minor third parties wasted any time or treasure campaigning for a federal tax on incomes. An income tax, through most of the Gilded Age, seemed a political nonstarter. Not until 1894 would an income tax bill slip through Congress, and that tax only subjected wealthy incomes to a modest 2 percent tax.

For the Supreme Court, as we have seen, that would be 2 percent too much. The high court would rule income taxes unconstitutional. Activists who had spent their entire adult lives campaigning for an income tax had, at that point, nothing to show for their labors — and no hope, after concentrated wealth's smashing victory in the 1896 Presidential election, that prospects for taxing the wealthy would get any better any time soon.

Yet things did get better. By 1913, an income tax amendment had won enough state support to become part of the Constitution. By 1918, America's wealthy were paying taxes at rates as high as 77 percent. By 1944, top rates on wealthy incomes had hit an amazing 94 percent.

Somewhere in the United States that year of 1944, some eighty-odd-year-old farmer just rocking on his porch, reading his paper, may have caught a headline about that amazing 94 percent tax rate. Maybe that old farmer smiled. He would have been about twenty years old in 1880, the year he first read about the idea of a "graduated income tax," in the platform of the Greenback Labor Party. The farmer, as a young man, had liked that idea. But decades passed, with no progress on that graduated income tax. And then everything changed. Who would have ever imagined, the old farmer might have asked himself that day in 1944, that we would ever see wealthy people paying taxes at a 94 percent rate? Not me, that old farmer might have laughed, not me.

Twenty-somethings today may not live to see a Ten Times Rule America. But strange things have happened before. They could happen again.

Looking Forward

In *Looking Backward*, the enormously popular 1888 novel that dared to imagine a more equal America, author Edward Bellamy had his hero, a comfortable Bostonian by the name of Julian West, go to sleep one evening in 1887 Boston and awake in 2000 — to a new millennium and a new world. The ugly gaps in income and wealth that had divided Julian West's nineteenth century Boston had vanished. America had become a caring place, a land without inequality and injustice, a good society.

On January 1, 2000, the first day of the genuine new millennium, Edward Bellamy's great-grandson looked back at *Looking Backward.* What might his great-grandfather think, Michael Bellamy wondered in an op-ed column, about how his United States of America had actually evolved?

"Were his hero to wake up today, Bellamy might be inclined to put him back to sleep for another millennium," the great-grandson concluded. "In fact, if Julian West came to today, he might think that he had simply had a normal night's rest."

A Julian West who stepped out into the real new millennium America, Michael Bellamy pointed out, would find "mean streets" that bore "an uncanny resemblance" to his era's own. Julian West, in our time as in his, would see homelessness everywhere, wealth concentrated to a fearsome degree, and "an economic incentive system that tends increasingly to reward sitting on one's assets far more generously than actually doing a day's work."[1] Julian West would see in modern America little of the progress his creator, Edward Bellamy, had so hopefully imagined. He would see an America that has failed to come to grips with inequality.

Should we be startled by our failure? Perhaps not. Human societies, after all, have been failing to come to grips with inequality for thousands of years, as archaeologists have a habit of reminding us every so often. Recent scholarship on the ancient Roman city of Pompeii, for instance, has revealed a society seething "with massive economic inequality."[2] An elite Pompeii family, notes Antonio Varone, an Italian expert on antiquity, could spend more on a single banquet than a senior public official could earn in a year. In deeply unequal Pompeii, resentments smoldered everywhere. Pompeii's plutocrats, no fools, spent lavishly to keep the lid on their inferno. Their subsidies kept a host of diversions, from wine and prostitutes to gladiatorial extravaganzas, readily accessible. Their clever and cynical reign seemed secure, even eternal. But another inferno, from nearby Vesuvius, would eventually do in Pompeii's plutocrats. They could not keep a lid on nature. Vesuvius would eventually bury their greed.

In other cities, at other times, wise men and women have struggled to place more human limits on wealth's dominion. We can read human history, in significant part, as an ongoing struggle to place limits on power, to defend ourselves from the mightiest and the wealthiest among us. Power corrupts, our prophets have always understood, not just the individuals who possess power, but any society that lets power concentrate in the hands of an intensely wealthy few.

In a sense, intense concentrations of wealth have the same impact on our human societies as intense concentrations of matter have on our physical universe. Within the cosmos, astronomers tell us, concentrations of matter, if they become intense enough, create black holes. These black holes suck the energy out of their surroundings. They devour all. They destroy all. In our human societies, great concentrations of wealth leave the same devastation. They suck the life out of their surroundings. They devour. They destroy. The more concentrated a society's wealth, the more awesome the destruction.

None of this particularly worries our contemporary cheerleaders for inequality. We need not impose any limits on accumulation, they argue. We need only trust in "free markets." Capitalism as we know it, conservative author Dinesh D'Souza assures us, "civilizes greed, just as marriage civilizes lust."[3]

An economic order that accepts grand concentrations of wealth, these pages have argued, civilizes nothing. An economic order that celebrates these grand concentrations, as ours does, only goads greed on — and brutalizes whatever the greedy do not value.

Our contemporary America hosts many legions of good people working to undo the ravages of this brutalization. In hospitals, in courts of law, in homeless shelters, in schools, in halfway houses, in prisons and parks, we see these good people, dedicated professionals and volunteers, activists and experts, devoting their lives to fighting entrenched problems that no civilized society should have to do battle against. Health problems. Crime problems. Housing problems. Pollution problems. In contemporary America, these problems all stand separate, alone, one unrelated to the next. We fight them individually — and ineffectively. We make, year after year, painfully minor progress. Yet we seldom stop to ask why. Instead, we paper over our failures, with steady streams of reports and white papers that continue to document our continuing problems. We drown ourselves in a data deluge. But we ignore the data that matter most, the data on the gaps in income and wealth that divide us. These data tell our society's most significant story. These data determine the trajectory of our society, of any society.

Income and wealth gaps can narrow, income and wealth gaps can widen. The difference determines whether we see our lives improve or we just merely get by.

In a deeply unequal America, those of us who want to see the quality of all our lives improve, not just some but a great deal, cannot afford to have our eyes diverted from the inequality around us. Whatever our specific concern about modern American life, whatever our expertise, we all share a common interest in narrowing the gaps that divide us, in limiting concentrated wealth. Achieving a more equal America will not, to be sure, magically solve all our problems. But achieving a more equal America, limiting our concentrations of wealth, would make all our problems more solvable, and appreciably so. On a more level playing field, on a playing surface where the wealthiest can no longer dominate, good people and good causes would score more triumphs. Progress toward the American dream, on that more level field, could and would resume.

Leveling needs to become our shared mission. We need to unite to oppose any initiative that would widen gaps in income and wealth, that would concentrate still greater fortune in the pockets of the already fortunate. We need to openly discuss and debate and rally behind initiatives that would narrow our gaps. Our efforts, in our lifetimes, might not create a Ten Times Rule America. But our efforts, if pressed ahead with passion, with diligence, with savvy, even with humor, would most certainly leave America a different place, a better place.

The alternative?

If we allow the wealthy to keep their wealth a nonissue, their power will only continue to bloat. America will continue to stumble backwards. We cannot let that happen. We have stumbled too long already.

"We're back to serfs and royalty," one alarmed business school professor told *Business Week* in 2001 after the release of the latest CEO pay data.

"But even the Middle Ages," rejoined journalist Geneva Overholser, "didn't last forever."[4]

How long will our new Middle Ages endure? That remains our choice. Our choice alone.