# 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 non-profit 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 non-profit. 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.