INTRODUCTION


2 “Certainly,” Will added in an April 23, 1995 Washington Post column, “there is today no prima facie case against the moral acceptability of increasingly large disparities of wealth.” Will seems to have much more stomach for inequality in the abstract than in the flesh. Four years earlier, in another Washington Post op-ed, he had blistered overpaid executives: “Perhaps Reebok's CEO was worth $14.8 million in 1990, but why, precisely? He would have done his job less well for a piddling, oh, $7 million?” This contrast noted by Robert A. Senser, The Growing Inequalities in Wealth and Income in the United States, Commonw, December 1, 1995.


11 The U.S. economy, according to studies conducted for the Lincoln Financial Group, was generating “a new millionaire household approximately every 31 seconds” at century’s end. John Dillin, Newly Rich Escalate Estate-tax Fight, Christian Science Monitor, September 7, 2000.


16 Forbes had actually rated rich people's fortunes years before as well, but the practice never became an ongoing annual event. Michelle Conlin, When Billionaires Become a Dime a Dozen, Forbes, October 13, 1997.


18 Maria Puentes, Everyone Wants a Shot at Being a Millionaire. USA Today, August 16, 2000.

19 Gates, Wired noted, would achieve trillionaire status in March 2005, at age forty-nine, if the value of his Microsoft shares kept increasing at the same annual rate, 58.2 percent, they had maintained since 1983. Evan Marcus, The World’s First Trillionaire, Wired, September 1999.

20 On the Internet, inventive analysts struggled nobly to find the right imagery that could express just how wealthy the master of Microsoft had become. At one Web site, surfers could find a Bill Gates Wealth Clock with a running total on the size of the Gates fortune. Another site, the Bill

NOTES

Gates Wealth Index, asked readers to presume that Bill Gates, to secure his fortune, had “worked 14 hours a day on every business day of the year” since Microsoft had been founded. That presumption would put his hourly pay “at a staggering million dollars per hour, around $300 per second.” If Gates should happen to see a $1,000 bill lying on the ground, this analysis pointed out, bending over to pick it up would be “not worth his time.” Bill Gates Wealth Index. Accessed from www.templetons.com/brad/billg.html.

23 The Walton and du Pont families were the only Americans on the *Forbes* global top ten in 1990. The global top 200 were worth $463 billion. A Decade of Wealth, *Forbes*, July 5, 1999.
46 Christopher Walker, Britain Has Not Been This Divided Since the Thirties, *Independent*, February 11, 2001.
48 Ibid.
49 Starkey students were "taught to trim their nose hairs, wax their eyebrows, use a yardstick to space plates at the dinner table and always call their employers by their surnames and use the proper courtesy titles." Harden, Molding Loyal Pamperers for the Newly Rich, *New York Times*, October 24, 1999.
60 Ibid., 344.
62 Ibid., 142.
63 Ibid., 143.
64 Ibid., 167.
65 Ibid., 139.
66 Ibid., 211.
69 Ibid., 403.
74 Ibid., 85. The audience was a YMHA in San Francisco.
75 Ibid., 2.
85 Proverbs 30:8.
87 Ecclesiastes 5:9.
88 Familiar Source, Forgotten Wisdom, *Too Much*.
92 Ibid., 3.
99 Barry Bluestone and Bennett Harrison, *Growing Prosperity*. Boston: Houghton Mifflin Company, 2000, 183. Between 1947 and 1973, the poorest fifth of American households saw their real incomes, their earnings after taking inflation into account, jump a vigorous 3 percent a year. The most affluent Americans increased their income, too, but by just 2.4 percent a year. In the middle, says the U.S. Department of Labor, average Americans saw their incomes jump at an annual 2.7 percent.
100 “By 1970, 99 percent of American homes had refrigerators, electric irons, and radios; more than 90 percent had automatic clothes washers, vacuum cleaners, and toasters,” note economists Barry Bluestone and Bennett Harrison, “a far cry from
the equipment in the typical home before the war." Bluestone and Harrison, *Growing Prosperity*, 182.

101 *In 1955, Simon Kuznets set the stage for post-World War II discussions of income distribution in his American Economic Association presidential address, ‘Economic Growth and Income Inequality.’ He argued that as countries develop, populations move from a low-income agricultural sector to a higher-income industrial sector. Incomes are relatively equal in the early stage, when almost everybody is concentrated in agriculture, and in the late stage, when virtually all work in industry. Inequality peaks in between, when the workforce is equally divided between the two sectors."* Randy Albeda and Chris Tilly, *Unnecessary Evil: Why Inequality Is Bad for Business, Dollars and Sense*, March-April 1995.


107 Anybody "with solid home equity of say, $100,000, modest savings and investments of at least $50,000 and a retirement account of more than $100,000 belongs to the winning upper crust." Tom Redburn, Honoring, and Paying, All Those Who Serve, *New York Times*, October 28, 2001.

108 Wolff, *Where Has All the Money Gone? Winners and Losers in the 1980s and 1990s*.


114 These are households that were worth at least $3,352,100 in 1998. Wolff, *Where Has All the Money Gone? Winners and Losers in the 1980s and 1990s.*

115 Ibid. By the end of 1998, the wealth of the average household in the top 1 percent had jumped by over $3 million. In that same year, the average household in the next wealthiest 4 percent was only worth $1.4 million.


119 Ibid. Worker pay grew 37 percent over the decade, inflation 32 percent.


121 Noted one Silicon Valley journalist: “If Chambers took his pay in $1 bills, his cash would weigh 93 tons.” Mike Cassidy, Let’s Put All This Money in Perspective, *San Jose Mercury News*, June 18, 2000.


126 The three: “Chairman Wayne T. Hockmeyer, with $27.1 million total, $25.7 million of it in options; chief executive David M. Mott, with $26.3 million total, nearly $25 million of it in options; and President Melvin D. Booth, with $23.8 million, $22.8 million of it in options.” Kathleen Day, How Washington’s Corporate Elite Stacks Up, Washington Post, July 16, 2001.

127 Ibid.


129 “At no other time have median wages of American men fallen for more than two decades,” adds Thurow. “Never before have a majority of American workers suffered real wage reductions while the per capita domestic product was advancing.” Lester C. Thurow, Companies Merge; Families Break Up, New York Times, September 3, 1995.

130 These data come from a 1999 Center for Budget and Policy Priorities analysis. The middle fifth of the population received 16.4 percent of total after-tax income in 1977, a projected 14.7 percent in 1999. America’s changing income distribution cost the middle fifth of households $78 billion in after-tax income. The poorest fifth lost $75 billion. The nation’s redistribution of income — up — handed the wealthiest 1 percent $271 billion more than it would have received, after taxes, had the nation’s income distribution not changed. Isaac Shapiro and Robert Greenstein, The Widening Income Gulf, Center for Budget and Policy Priorities, September 4, 1999.

131 Arthur B. Kennickell, A Rolling Tide: Changes in the Distribution of Wealth in the U.S., 1989-2001, Federal Reserve Board, March 3, 2003. Accessed from www.federalreserve.gov/pubs/oss/oss2/scfindex.html. In 2001, America’s top 1 percent held 32.7 percent of the nation’s net worth, the bottom 90 percent only 30.2 percent (Table 5). The top 1 percent’s share equaled $13,849.2 billion, the bottom 90 percent’s $12,775.9 billion. But this top 1 total, drawn from the Federal Reserve’s triennial Survey of Consumer Finances, does not tally the wealth of America’s richest households, the families of the Forbes 400. In 2001, Kennickell’s piece points out, the Forbes 400 alone owned nearly a trillion dollars worth of wealth (Table 1).

132 The phrase comes from economists Gary Burtless and Timothy Smeeding. Smeeding has been the overall director of the Luxembourg Income Study, a project that has been comparing incomes in developed countries since 1983. Gary Burtless and Timothy Smeeding, America’s Tide: Lifting the Yachts, Swamping the Rowboats, Washington Post, June 25, 1995. A project update, published in March 2000, concluded: “Measures of social distance and overall inequality indicate that the United States has the most unequal distribution of adjusted household income among all 21 countries covered in this study, while Sweden has the most equal.” Timothy M. Smeeding, Luxembourg Income Study Working Paper No. 252, Changing Income Inequality In OECD Countries: Updated Results from the Luxembourg Income Study, March 2000. Accessed from http://lisweb.ceps.lu/publications/liswps/-252.pdf22.

133 When this original idea “disappears entirely,” notes Todd, “we will all suffer equal loss — the [wealthiest] 1 percent no less than the rest of us.” Richard Todd, Who Me, Rich? Worth, September 1997.

WHY WE NEED INEQUALITY


GREED AS AN INCENTIVE

1 Rationalizers of inequality, notes economist Gary Becker, “argue that wage and income disparities must sometimes widen to send correct signals to people to save more, work harder, change jobs, or get a better education.” Poor people, by this reasoning, will actually enjoy better lives “in a society where income disparities are permitted to widen than one where law and social convention keep income differentials small.” Gary Burtless, Growing American Inequality, Brookings Review, December 22, 1998.
Roy C. Smith, a former Wall Street investment banker, has calculated that about 1 percent of the $10.6 trillion gain in total stock market value from 1980 through 1998 was paid to CEOs of publicly traded companies. He adds another $200 to $300 billion, the value accumulated by other senior managers. “Altogether a third to half a trillion dollars,” Smith concludes, “has passed into the hands of . . . managers of publicly traded companies.”


Without that link, was it any wonder “that so many CEOs act like bureaucrats rather than the value-maximizing entrepreneurs companies need to enhance their standing in world markets?” Brian J. Hall and Jeffrey B. Liebman, Are CEOs Really Paid Like Bureaucrats? *Quarterly Journal of Economics*, August 1998.


The modern corporation, as the Alcoa board of directors pronounced in 1988, had to “increase key employees’ personal financial identification with interests of the company’s stockholders.” Zajac and Westphal, Accounting for the Explanations of CEO Compensation.


“In the old days, you got options and you sat on them for years,” one veteran compensation consultant, McKinsey & Co.’s Arch Patton, points out. “You didn’t get them every year or every two years.” An executive whose share price doubled, over those many years, would seldom receive a payoff any higher than a single year’s salary. Helyar and Lublin, America 1998: High on Stock Options.


Helyar and Lublin, America 1998: High on Stock Options.

Crystal, *In Search of Excess*, 127.

Ibid., 73.

Warner also received an exotic incentive known as the “Bonus Unit.” For each Bonus Unit awarded — and Ross was initially awarded 150,000 — Ross gained the right to collect, in cash, any increase in the company’s share price over $27. To make these Bonus Units even sweeter, Warner invited Ross to collect “dividend equivalents” on them. Over one five-year period, these dividend equivalents — payments equal to the stock dividends he would have received had he actually owned the Bonus Unit shares — returned Ross $634,000. All these incentives came on top of stock option awards. Ibid., 56-69.

Ibid., 84.


Hall and Liebman, Are CEOs Really Paid Like Bureaucrats?

Graef S. Crystal, *In Search of Excess*, 162.


Helyar and Lublin, America 1998: High on Stock Options.

Senators Carl Levin (D-Michigan) and John McCain (R-Arizona) introduced legislation that would have restricted stock option tax dodges, the Ending Double Standards for Stock Options Act, S. 576. *Economic Notes*, June 1997.
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33 Ibid.
36 Ibid., 111-112.
37 Ibid., 96-97.
43 Helyar and Lublin, America 1998: High on Stock Options.
46 Hilzenrath, Options Getting a Second Look.
54 Hall and Liebman, Are CEOs Really Paid Like Bureaucrats?
56 Mathews, Their Riches Were Your Command.
58 Ibid., 137.
60 Go Figure: Pay for Performance a No-lose Deal for Today’s CEOs, Financial Post, November 12, 1998.
65 Jobs, despite the Apple stock slide, would do quite well anyway. In March 2003, he was able to exchange millions of his worthless Apple options for actual shares of stock that would become his in three years. Those shares, even if Apple's share price didn't budge up an inch over the next three years, would be worth $67 million when Jobs gained title to them, Gordon T. Anderson, The Next Outrage in CEO Pay? CNN/Money, April 24, 2003.
66 Eileen P Kelly, The Continuing Debate Over Executive Compensation, National Forum, Fall 2000. Notes Kelly: “While managerial ability clearly is vital to a company’s success, critics nonetheless contend that a variety of internal and external factors influences the firm and its stock price. Internal factors, such as employees, or external factors, such as low inflation and collapsing commodity prices, might have more to do with the increase in a company's stock than do astute managerial decisions.”
69 Editorials: Call It Executive Overcompensation, Business Week, April 21, 1997.
70 Reingold, Tying Pay to Performance Is a Great Idea.
71 AFL-CIO Assails Firms for CEOs’ Salary Deals, Arizona Republic, April 10, 1998.
72 Reingold, Tying Pay to Performance Is a Great Idea.
73 Leonhardt, Executive Pay: A Special Report. New Turn on an Old Favorite. Some executives proudly accepted tide-deflating measures. Starting
in 1994, for instance, Eli Broad, the chairman and CEO of the financial services giant, SunAmerica, only received options when his company outperformed the S&P index. "I don't think I ought to benefit just from the market going up," Broad explained. Helyar and Lublin, America 1998: High on Stock Options.

74 Leonhardt, Executive Pay: A Special Report. New Turn on an Old Favorite. "When a company awards regular stock options, it does not have to report any cost on its earnings statements," Leonhardt explains. "An accounting rule issued in 1972 says that the cost of an option is the difference between the exercise price and the stock price on the day of the grant — which is always zero for normal options. However, because the exercise price of RCN's options is not set until a later date, the Financial Accounting Standards Board requires the company to take a charge to reported earnings."

75 Ibid.

76 Lyons, CEO Compensation: The Whole Truth.


79 One 2002 analysis of over two hundred academic studies, conducted by Dan Dalton, the dean of the Indiana University School of Business and three other authors, found "no relationship whatsoever" between the amount of equity owned by executives and company performance. David Leonhardt, Options Do Not Raise Performance, Study Finds, New York Times, August 11, 2002.

80 Gogoi, False Impressions.

81 Ibid. The company also agreed to reimburse the executives for "half of any losses on stock held for at least three years" while, at the same time, letting them keep any gains.

82 Ibid.

83 Gross, Owing More Than Loyalty to a Company You Run.

84 Ibid.

85 Ibid. Hilbert was number four in the year's Forbes magazine executive pay ranking.


93 Weinberg, CEO Compensation: How Much Is Enough?

94 Ibid.

95 A buy recommendation from a "reputable analyst," Kent Womack, a professor at the Amos Tuck School of Business at Dartmouth College, has documented, can move "a stock up an average of 3 percent over a three-day period, while sell recommendations take stocks down 9 percent." Keith Regan, Are Tech Stock Analysts Too Powerful? E-Commerce Times, April 10, 2001.


98 One final dynamic, adds Ezra Zuckerman, a Stanford sociologist, tends to skew the judgments stock analysts make: worry about losing access to "inside" sources. "Analysts," Zuckerman explains, "often fear that a 'sell' warning will result in severed ties to top management sources upon whom they rely for forecast information." Boat Rocking a Nono for Stock Analysts, Say Profs, Silicon Valley/San Jose Business Journal, June 1, 2001.


101 Over 70 percent of the recommendations were either "buy" or "strong buy." Regan, Are Tech Stock Analysts Too Powerful?

102 To appease critics, the Securities Industry Association released new "guidelines" for stock analysis just before Congress opened hearings. The guidelines prohibited analysts from profiting directly on investment banking deals. Wall Street
Defends Stock Analysts Before Congress, Reuters, June 14 2001. Critics blasted the voluntary guidelines as beside the point. “The problem is that analysts can still be compensated indirectly through year-end bonuses, and everyone on Wall Street knows their bonus — if not the money in the bonus pool itself — is likely to depend on the money brought in by investment banking deals.” Gersh, Stock Analysts: A Bonus Question.

In the 1950s, this was most definitely not the case. At mid century, those who argued for shareholder supremacy played a distinct second fiddle to those who argued that corporations had community obligations. Noted Adolf Berle, Jr., a top economic analyst, in 1954: “Twenty years ago, the writer had a controversy with the late Professor E. Merrick Dodd, of Harvard Law School, the writer holding that corporate powers were powers in trust for shareholders while Professor Dodd argued that these powers were held in trust for the entire community. The argument has been settled (at least for the time being) squarely in favor of Professor Dodd’s contention.” Adolf A. Berle, Jr., The 20th Century Capitalist Revolution. New York: Harcourt, Brace & World, Inc., 1954, 169.

The Japanese, in fact, have historically feared that the interests of shareholders and top executives would become too closely aligned, at the expense of other stakeholders. Japanese executives have not been allowed to own shares in their companies. Executives were expected to run efficient enterprises, not spend their time conniving to maximize shareholder value. Patricia McBroom, A Key to the Inequality Enigma, Berkeleyan, April 17, 1996.

Over one recent seven-year period, corporations actually spent more money buying back their shares of stock from the public than they received by selling stock to the public. The period covered the years 1987 to 1994. Marjorie Kelly, Editorial: Why All the Fuss About Stockholders? Business Ethics, January/February 1997.

Such poorly thought-out incentive plans, charged Carol Bowie of Executive Compensation Advisory Services, are “clearly not in the best long-term interests of shareholders.” Jacobs, Enough Is Enough: Computer Associates Offers a Cautionary Example of High Pay.

Notes to pages 17–28


104 Over one recent seven-year period, corporations actually spent more money buying back their shares of stock from the public than they received by selling stock to the public. The period covered the years 1987 to 1994. Marjorie Kelly, Editorial: Why All the Fuss About Stockholders? Business Ethics, January/February 1997.

105 Ellen Goodman, Cap Cash Flow to CEOs, Arizona Republic, April 16, 1999.


107 Such poorly thought-out incentive plans, charged Carol Bowie of Executive Compensation Advisory Services, are “clearly not in the best long-term interests of shareholders.” Jacobs, Enough Is Enough: Computer Associates Offers a Cautionary Example of High Pay.

108 Ibid.


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111 Such poorly thought-out incentive plans, charged Carol Bowie of Executive Compensation Advisory Services, are “clearly not in the best long-term interests of shareholders.” Jacobs, Enough Is Enough: Computer Associates Offers a Cautionary Example of High Pay.


115 Byrne, How Executive Greed Cost Shareholders $675 Million.


140 Ibid.


144 Ibid., 12. A 1998 New York Times investigation, conducted after Crystal ended his active consulting career, documented that corporate boards were still counting on compensation consultants who had been selected by company chief executives. Bryant, The CEO Cash Machine: How a Pliable System Inflates Pay Levels.

145 Zajac and Westphal, Accounting for the Explanations of CEO Compensation: Substance and Symbolism.

146 Ibid. The research examined long-term incentive plans adopted between 1976 and 1990.

147 Ibid.

148 Bryant, The CEO Cash Machine: How a Pliable System Inflates Pay Levels.


151 Strauss, The Billionaires Club.


154 Quote from Herschel Bloom of the Russell Corp. In 1999, Russell CEO John Ward took home a 36 percent pay hike, despite a 15 percent dip in the company’s share value. The share value of Russell’s peer companies, that same year, rose 8.6 percent. Lavelle, The Artificial Sweetener in CEO Pay.


157 Ibid.


161 Lublin, Lowering the Bar.


165 Coulter’s windfall was calculated by The Crystal Report. Hughlett, Executive to Get $30 Million for Leaving Minnesota’s Green Tree Financial.

166 Stephenie Overman, Stock Options: Reprice or Hold Fast? HR Magazine, April 1999.

167 Reingold, Special Report: Executive Pay.

168 Overman, Stock Options: Reprice or Hold Fast?

169 Ibid.

170 Lublin, Lowering the Bar. In 1998, Applied Magnetics, a parts maker for computer disk-drives, repriced some 300,000 worthless options that had been granted to CEO Craig Crisman. But this initial repricing didn’t help. The stock kept sinking, making even the repriced options worthless. Directors at Applied Magnetics then slashed the exercise price on those 300,000 shares once again — and repriced another 400,000 shares they hadn’t bothered to reprice the first time around.

171 In fact, a study by three academics at Indiana University has found, the New York Times reports, “no evidence that the repricing of options was associated with improvement in the financial performance of the company.” Gretchen Morgenson, Dispelling the Myth That Options Help Shareholders, New York Times, July 29, 2001.

172 The fortunate MGM former CEO, Frank Mancuso, had his options repriced from $24 to $14.90 per share. He also received, upon exiting MGM, a $2 million annual consulting contract. Jennifer Reingold, Executive Pay: It Continues to

162 Lyons, CEO Compensation: The Whole Truth.

163 The new rules were retroactive to December 15, 1998. Reingold, Executive Pay: It Continues to Explode — and Options Alone Are Creating Paper Billionaires.


165 “What’s happening is that they have been giving their employees dramatically more options in the past year at lower prices,” one pension fund official with a Canadian union pointed out in 2001. “They’re leaving the old ones as is, but they might be giving them three to four times as many options at the new lower price.” Brian Gibson of the Ontario Teachers Pension Plan Board, quoted in John Partridge, Corel, Investors Set to Clash Over Options, *Globe and Mail*, March 30, 2001.


167 Reingold, Executive Pay: It Continues to Explode — and Options Alone Are Creating Paper Billionaires.


167 Reingold, Executive Pay: It Continues to Explode — and Options Alone Are Creating Paper Billionaires.

168 Ibid.


170 John A. Byrne, Executive Pay: Compensation at the Top Is Out of Control.

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172 Byrne, That Eye-Popping Executive Pay: Is Anybody Worth This Much?

173 Ibid.


177 Editorials: Call It Executive Overcompensation, *Business Week*.


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181 Lublin, Lowering the Bar.

182 Drexler’s bonanza narrowly edged out Yahoo CEO Timothy Koogle’s $476.4 million and out-paced, by somewhat wider margins, IBM CEO Louis Gerstner’s $336.1 million, America Online CEO Steve Case’s $325.8 million, and Time Warner CEO Gerald Levin’s $232.8 million. The data for the *USA Today* numbers came from Graef Crystal. Gary Strauss and Del Jones, Wealth of Titans, *USA Today*, April 7, 1999.

183 Ibid.

184 Straus and Jones, Wealth of Titans.

185 Day, Soldiers for the Shareholder.

186 In 1985, Monks founded Institutional Shareholder Services, an innovative effort to help institutional investors understand the issues that come up for votes at corporate annual shareholder meetings. Day, Soldiers for the Shareholder.

187 Ibid.

188 “I think the best chance for bringing compensation under control would be, say, a dozen really powerful institutions — organizations like Fidelity and Vanguard — stating that they’re going to vote against any management that oversteps on compensation,” one veteran CEO told *Fortune* magazine in 2001. “But we haven’t seen that happen, and I don’t think we will.” Carol J. Loomis, ‘This Stuff Is Wrong,’ *Fortune*, June 25, 2001.

189 Ibid.

190 In 1985, Monks founded Institutional Shareholder Services, an innovative effort to help institutional investors understand the issues that come up for votes at corporate annual shareholder meetings. Day, Soldiers for the Shareholder.

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Greed and Good

198 Day, Soldiers for the Shareholder.
200 Companies that trade on the stock market “have to disclose pay information for their CEOs and four other highest-paid executives each year in reports filed with the U.S. Securities and Exchange Commission and mailed to shareholders.” Drew DeSilver, It Was a Fat 2000 for Top Northwest CEOs, Seattle Times, June 10, 2001.

201 The median pay for the top executives the Times analyzed: $6.2 million. The year’s top earners in the Times ranking: Steven Jobs, Apple Computer, $775.0 million; Sanford Weill, Citigroup, $315.1 million; Lawrence Ellison, Oracle, $216.4 million; L. Dennis Koslowski, Tyco International, $205.2 million; John Welch Jr., General Electric, $144.5 million. Leonhardt, Executive Pay: A Special Report for the Boss.

204 Strauss, CEO Paychecks: Fair or foul?
205 CEOs of the top U.S. companies in 2000, the Post noted, jumped 16 percent to “a record average of $10.89 million.” Day, Defying Gravity: CEO’s Compensation Remains at Record Highs Despite Plunging Stock Prices.
206 Elise Ackerman, Cashing in at Right Time, San Jose Mercury News, June 17, 2001.
207 Ibid.
208 Day, Defying Gravity: CEO’s Compensation Remains at Record Highs Despite Plunging Stock Prices.
209 Leonhardt, Executive Pay: A Special Report for the Boss, Happy Days Are Still Here.
210 Hilzenrath, Options Getting a Second Look.
211 Ackerman, Cashing in at Right Time.

212 Strauss, CEO Paychecks: Fair or Foul? And what about all those options granted in years past that had gone “underwater”? Executives convinced boards to lower the exercise price on many of these underwater options. Or asked for — and received — new grants of actual shares, not options to buy shares. Actual shares, of course, have value even if their price keeps sinking. Leonhardt, Executive Pay: A Special Report for the Boss, Happy Days Are Still Here. PNC Financial gave $3.9 million worth of actual shares to CEO James Rohr in 2000, after going the entire decade of the 1990s without awarding a single free share. CVS, the drug store chain, handed chief executive Thomas Ryan $5.5 million worth. Both companies said the grants were needed to retain executives in a “competitive” business environment. Condon, Share Scare.
213 Strauss, CEO Paychecks: Fair or Foul?
214 Ackerman, Cashing in at Right Time.
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217 A mulligan gives a golfer the opportunity to “do over” a bad shot.
218 Strauss, CEO Paychecks: Fair or Foul?
219 Ackerman, Cashing in at Right Time.
220 Leonhardt, Executive Pay: A Special Report for the Boss, Happy Days Are Still Here.
223 In 1999, Cisco’s top six executives cleared $220.5 million in option gains. Ackerman, Cashing in at Right Time.
224 In 1999, executives happily cashed out 23 percent of their outstanding options. In 2000, they cashed out just 10 percent. Leonhardt, Executive Pay: A Special Report for the Boss, Happy Days Are Still Here.
225 Leonhardt, Executive Pay: A Special Report for the Boss, Happy Days Are Still Here.
226 Ibid. In 2001, “average” compensation for chief executives did fall 8 percent, to $15.5 million, but only, the New York Times would caution, “because the year had seen a tailing off in the number of “truly enormous paychecks.”
228 Leonhardt, Executive Pay: A Special Report for the Boss, Happy Days Are Still Here.
229 Ibid. In 2001, “average” compensation for chief executives did fall 8 percent, to $15.5 million, but only, the New York Times would caution, “because the year had seen a tailing off in the number of “truly enormous paychecks.”

By 1997, the late CEO of Coca-Cola, Roberto Goizueta, had accumulated more than $1 billion in his deferral accounts. Johnston, Executives’ Pay Soars More Than Company Profits.


Executive pay deferral plans, unlike pension and 401(k) plans, are not privileged. In a bankruptcy, creditors cannot seize pension and 401(k) assets. Executive deferral plans enjoy no such protection.


Ibid.

Ibid.


Hilzenrath, Options Getting a Second Look.

Sloan, Clean-Up Time.


Byrne, CEO Pay: Ready for Takeoff.


Breeden did allow retention bonuses in certain situations, namely when acquisitions or facility closings are involved.

The maximum, Breeden’s report noted, could only be exceeded by an explicit shareholder vote.


Strauss, CEO Still Sitting on Piles of Pay.

THE GREEDY AS DESERVING

1 Pay, “doesn’t really motivate” CEOs, corporate pay expert Graef Crystal has noted. “They are already working as hard as they can; they are already working as smart as they can.” Reed Abelson, Who Profits if the Boss Is Overfed? *New York Times*, June 20, 1999.


4 Christian was the president of Christian & Timbers, an executive headhunting company. Ricardo Sandoval, Over the Top or Right on the Money? *San Jose Mercury News*, June 23, 1996.

5 Dunlap made this comment to the Wharton/SpencerStuart Director’s Institute. ‘If You’re Going to Be a Director,’ *Directors & Boards*, Winter 1995.

6 “For years,” noted former SEC commissioner, Philip R. Lochner Jr., “he was the greatest thing in the media’s eyes that American enterprise had ever seen.” Jeffrey Sonnenfeld, The CEO as Captain of Industry: A Dying Breed? *Directors & Boards*, Spring 2001.

7 The Wharton School, one of America’s most pres-

8 “He has been a wake-up call to a lot of CEOs, and he has been good for American business,” noted one typical admirer, Wayne R. Sanders, chairman of Kimberly-Clark. John A. Byrne, The Shredder: Did CEO Dunlap Save Scott Paper — or Just Pretty It Up? Business Week, January 15, 1996.


10 ‘Chainsaw’ Self-portrait, USA Today, August 30, 1996.


13 The firm’s founders, Irvin and Clarence Scott, had invented the bathroom tissue roll in 1879. Their company would later go on to invent the paper towel and become, by 1990, the world’s largest single supplier of household paper products. Byrne, The Shredder: Did CEO Dunlap Save Scott Paper — or Just Pretty It Up?

14 ‘Chainsaw’ Self-portrait, USA Today, August 30, 1996.


16 Byrne, The Shredder: Did CEO Dunlap Save Scott Paper — or Just Pretty It Up?

17 Ibid.

18 Ibid. The company’s total market value had soared by $6.3 billion.

19 ‘If You’re Going to Be a Director ....,’ Directors & Boards, Winter 1995.

20 “The handwriting has been on the wall a long time,” as one such observer, Greater Philadelphia First executive director John Claypool, pointed out. “Dunlap has been very clear on how important making money was to him, and the way to do that in the short term is to make the company as attractive as possible and sell it.” Beth Reinhard, Paper Products Firms to Merge, Palm Beach Post, July 18, 1996.

21 Byrne, The Shredder: Did CEO Dunlap Save Scott Paper — or Just Pretty It Up?

22 Ibid.

23 Dunlap’s reward for joining Kimberly-Clark and Scott in merger bliss will include $20 million for agreeing not to give a competing company the benefit of his wisdom, $12 million to buy out his five-year contract at Scott, 5,000 shares of stock a year for advising the new company, and about $50 million or so worth of stock options. Beth Reinhard, Scott CEO Reaps Millions from Turnaround, Merger, Palm Beach Post, July 19, 1995.

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25 Byrne, The Shredder: Did CEO Dunlap Save Scott Paper — or Just Pretty It Up?

26 Ibid.

27 Bridging the Gap, PBS Lehrer News Hour, March 20, 1996.

28 Ibid.

29 The total combined workforce was sixty thousand. Byrne, The Shredder: Did CEO Dunlap Save Scott Paper — or Just Pretty It Up?

30 Ibid. The move Dunlap dubbed “the linchpin of my strategy” — the $1.6 billion sale of a Scott papermaker subsidiary — had first been scoped out a year before Dunlap arrived on the scene. The high-tech tissue mill in Kentucky that Dunlap “opened with great fanfare” in 1995 had been initiated in 1990. Several product initiatives Dunlap credited to his management team were actually “the result of years of effort by ousted staffers.” Added Business Week: “Even many of the employee layoffs had already been approved by Scott before Dunlap came on board.”

31 Ibid.

32 John A. Byrne and Gail DeGeorge, Commentary: Dear Al Dunlap: Put Away the Chainsaw, Business Week, August 5, 1996.

33 Ibid.

34 Ibid.

35 The downsizing, reported the Wall Street Journal, appeared “to represent one of the single biggest percentage cutbacks ever announced by a major U.S. corporation.” Robert Frank and Joann S. Lublin, Dunlap’s Ax Falls — 6,000 Times — at Sunbeam, Wall Street Journal, November 13, 1996.

36 Nobody could reasonably claim Sunbeam was bloated. Only sixty staffers worked at the firm’s
Fort Lauderdale corporate headquarters. Byrne and DeGeorge, Commentary: Dear Al Dunlap: Put Away the Chainsaw.

37 Ibid. “At Sunbeam,” Business Week advised the new Sunbeam CEO, “you won’t be able to just put a blender or gas grill in new packaging — the kind of thing you often did at Scott — and hope that it sells.” Neither would Dunlap, the magazine added, “be able to pass on double-digit price increases to consumers” as he did at Scott.


42 The losses total $44.5 million. Sunbeam Axes ‘Chainsaw Al’ Dunlap, CNNfn.

43 Ibid.

44 From their March level. Ibid.


46 Dunlap’s management team, an SEC official explained, had engaged in what “appears to have been a coldly calculated plan to inflate the price of the stock, ultimately for the personal enrichment” of the executives involved. David S. Hilzenrath, Sunbeam Accused of Fraud, Washington Post, May 16, 2001.


48 This Coleman discussion draws from David Evans, CEOs Seldom Lose in Mergers, Cleveland Plain Dealer, September 6, 1998.

49 Dunlap, a check into his background would have found, had a history of shady dealings. At Nitec, a New York papermaker, Dunlap was credited with hiking company profits. He left the company in 1976 with an exit agreement that promised $1.2 million, a princely sum in mid-1970s America. But auditors, after Dunlap left, found expenses that hadn’t been recorded and recorded sales that had never actually been made. The company, they concluded, had actually lost some $5.5 million. Nitec’s top bookkeeper later testified that the fraud had been perpetrated on direct orders from Dunlap. Floyd Norris, An Executive’s Missing Years: Papering Over Past Problems, New York Times, July 16, 2001.


52 Bowie, when she made this comment, was the research director of the Virginia-based Executive Compensation Advisory Services company. Lublin, Pay for No Performance.


54 Roy C. Smith, The Wealth Creators: The Rise of Today’s Rich and Super-Rich. New York: St. Martin’s Press, 2001, 123-130. Investors who buy a government or corporate bond are guaranteed their original investment back, by a specified future date, plus interest. Bonds from long-established companies are usually considered rock-solid safe. But not every company that tries to raise cash by selling bonds fits the blue-chip label. These riskier corporations just might default sometime down the road, and investors, to protect themselves from that danger, have historically demanded that bonds from shaky companies pay higher interest than bonds from more stable enterprises. But shaky companies, Milken’s personal research revealed, seldom defaulted, and, if they did, investors could recover some of what they lost in bankruptcy proceedings. Investors could make money, Milken concluded, buying low-grade bonds and holding them, particularly because “junk bonds” could be bought at prices that reflected the financial market’s soft demand for this shaky paper. If Milken could convince enough investors to rethink their distaste for low-grade bonds, a real market in junk bond trading could emerge. And if a real market emerged, then more companies might try floating bonds to raise money. And if that ever happened, then any company quick enough to connect these companies with investors — and corner the junk bond market in the process — could make major fortunes on fees and commissions. The company where Milken worked, Drexel Burnham, did that cornering in the 1980s. In 1986, America’s junk bond king pulled in $550 million.

56 Susan Stranahan, The Clean Room's Dirty Secret, Mother Jones, March-April 2002. The Silicon Valley Toxics Coalition (www.svtc.org) has been working to focus public attention on these high-tech hazards.

57 Ibid. Based on a $12 median hourly wage.

58 The Top-Paid Chief Executives, Business Week, April 17, 2000.

59 Stranahan, The Clean Room's Dirty Secret.


61 Castle made his fortune as the chief executive at Castle Harlan Inc. Joann S. Lublin, Living Well, USA Today, April 17, 1995.

62 The study was conducted by the Management Resource Group. Another Reason to Hate the Rich, Washington Post, September 20, 1998.


64 This $25 million was the compensation for CEOs who led $7 billion enterprises. William G. Cunningham and J. Brent Sperry, Where's the Beef in Administrator Pay? School Administrator, February 2001.

65 Shareowners and Institutional Holders Fight Corporate Director Benefits, Communications Daily, April 17, 1995.


69 The best-paid executives in 1970, those at the ninetieth percentile, averaged $250,000, the equivalent of $1,161,334 in 2001 dollars. The data are from the Forbes CEO Compensation Survey published in 1971. Austan Goolsbee. Evidence on the


72 Goolsbee, Evidence on the High-Income Laffer Curve from Six Decades of Tax Reform. The inflation adjustment for 2001 reflects an author’s calculation. In 1934, corporate top executive salary and bonus packages ranged, according to contemporary survey work, from $32,000 at the tenth percentile to $126,000 at the ninetieth percentile.

73 Ibid. The inflation adjustment for 2001 reflects an author’s calculation. The $154,427 figure, to be more precise, actually represents the arithmetic average CEO pay for 1970. Top executive compensation in 1970 stood at $77,000 at the tenth percentile, $100,000 at the twenty-fifth percentile, $140,000 at the fiftieth percentile, and $190,000 at the seventy-fifth percentile.

74 Hall and Liebman, Are CEOs Really Paid Like Bureaucrats? Author’s calculation for the 2001 inflation adjustment.

75 Gary Strauss, Why Are These CEOs Smiling? Must Be Payday, USA Today, March 25, 2002.


80 John A. Byrne, That Eye-Popping Executive Pay Is Anybody Worth This Much? Business Week, April 25, 1994.

83 Ibid.
85 Crystal, Andy’s Dandy: Intel CEO Is Worth Every Penny of $94 Million.
101 Byrne, That Eye-Popping Executive Pay Is Anybody Worth This Much?
102 Gunther, Has Eisner Lost the Disney Magic?
106 Gunther, Has Eisner Lost the Disney Magic?
111 Eisner wasn’t, in his own mind, just a chief executive officer. “I consider myself the chief creative officer,” as Eisner told one business magazine. Gunther, Has Eisner Lost the Disney Magic?
112 Ibid.
113 Richard Verrier, Disney’s Problems Run Deep Orlando, Orlando Sentinel.
114 Gunther, Has Eisner Lost the Disney Magic?
115 Ibid.
116 Ibid. Nor could Eisner claim any credit for the recession-less economy that followed his hiring as Disney’s CEO. That economy, notes Fortune, “fueled growth” at Disney’s theme parks.
118 Only three people younger than the thirty-five-year-old Bezos — Charles Lindbergh, Queen Elizabeth II, and Martin Luther King Jr. — had ever won the Time honor. Jeffrey Preston Bezos: 1999 Person of the Year, Time, December 27, 1999.


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All this came at a time when G.E. shareholder return fell 6 percent. Compensation consultant Graef Crystal called Welch’s pay package this time an “obscenity.” Andrew Cave, *GE Rewards Chief with ‘Bonkers’ Pay Award, Daily Telegraph*, March 17, 2001.


*Jo Ann Wypijewski, GE Brings Bad Things to Life, Nation, February 12, 2001.*

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*All this came at a time when G.E. shareholder return fell 6 percent. Compensation consultant Graef Crystal called Welch’s pay package this time an “obscenity.” Andrew Cave, GE Rewards Chief with ‘Bonkers’ Pay Award, Daily Telegraph, March 17, 2001.*


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52 Ibid., 7-8.
53 Ibid., 52. In 1989, by contrast, 43.9 percent of households would have been able to meet this goal.
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58 According to consultants at A.T. Kearney Inc. Aaron Bernstein, This Job Market Still Has Plenty of Slack, Business Week, June 24, 1996.
60 Aaron Bernstein, Bigger Paychecks, Yes. Better Pay, No, Business Week, November 18, 1996.
61 David Moberg, Temp Slave Revolt, In These Times, July 10, 2000.
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78 Myths and Reality, Wal-Mart Watch.
80 “Wal-Mart employees average about $7.50 per hour, but the majority of Wal-Mart workers make less than that.” Myths and Reality, Wal-Mart Watch.
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Myths and Reality, Wal-Mart Watch.


Nearly 75 percent of “poor” households, one conservative journal noted, had VCRs, 64 percent had microwaves, half stereos, and just over a quarter automatic dishwashers. Fidelis Iyebote, *Which Choice? World & I*, January 2000. Viewed from the perspective that defines poverty as “lacking adequate food for the family, clothing, a reasonably warm and dry apartment to live in, or lacking a car to get to work when one is needed,” the Heritage Foundation’s Robert Rector told the magazine, “there are few poor persons remaining in the United States.” Fidelis Iyebote, *How Poverty-stricken in the U.S.? World & I*, January 2000.

Europeans, in their discourse about disadvantage, these days talk much more about “social exclusion” than “poverty.” Sociologists Hilary Silver of Brown University and Mike Miller of Boston College have written an excellent introduction to this European thought. Hilary Silver and S. M. Miller, *Social Exclusion: The European Approach to Social Disadvantage*, *Poverty & Race*, September/October 2002.

Adds Sir Donald Acheson, Britain’s former chief medical officer, “poverty is not just a matter of money; it is a question of how far you have to walk, with a pushchair, in the rain, to a shop that sells food that you can afford to spend it on.” The Giant of Poverty Still Stalks Britian, but It Can Be Slain, *Independent* (London), October 24, 1998.


Ibid. Daly’s specific estimate came from the “self-sufficiency standards” developed by the Ford Foundation.


Ibid., 47-50.

Ibid., 64-67.

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Ibid., 60-61.

The official poverty threshold for a family of four that same year: just $17,463. *Census Bureau Poverty Thresholds Too Low, Ms. Foundation for Women news release.*


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“Meanwhile, economists Robert Rector and Rea Hederman of the conservative Heritage Foundation argued in a study last September that the census data commonly used in income studies are flawed. Specifically, they maintained the census income data don’t include the value of some welfare benefits such as food stamps, or the equalizing effects of taxation.” Constance Mitchell Ford and Patrick Barta, *Income Gap Broadens Amid Boom, Wall Street Journal*, January 18, 2000.

Notes to pages 108–116


116 Edwin S. Rubenstein, research director of the Hudson Institute, argued this case. “For one thing the Census Bureau quintiles represented not fifths of the population but fifths of the total count of households. This is an important distinction. It turns out that well-off households have more people in them than poor households. A top-quintile household might consist of two schoolteachers in Chicago and their three children. A bottom-quintile household might be a single woman living on Social Security. Count income per person, rather than income per household, and the income distribution flattens a good bit.” Edwin S. Rubenstein, Inequality, *Forbes*, November 1, 1999.


118 Rubenstein, Inequality.

119 Robert Rector’s “findings,” for instance, were “repeated verbatim in several newspapers” and touted by the *New York Observer* as proof capitalism had conquered poverty. Katha Pollitt, Poverty: Fudging the Numbers, *Nation*, November 2, 1998.

120 One example: the Economic Policy Institute’s effort to dispel the claim that faulty inflation adjustments were making family income growth seem much lower than it really was. “One reason for skepticism about the claim of mismeasured inflation is that a revised economic history based on the view that inflation has been less than the official measures yields several implausible scenarios. If one accepts the current estimate of the poverty threshold ($15,570 for a family of four in 1995), then one would have to conclude that the equivalent threshold in 1960 was near what was actually the median household’s income in that year, implying that nearly half of all households were living in poverty in 1960.” *The State of Working America 1996-97*, Washington, D.C.: Economic Policy Institute, 1996. Accessed from http://epn.org/epi/epswa-in.html.


123 Census statisticians have traditionally counted households to define income fifths, with each fifth in the Census rankings having the same number of households. But this definition does tend to generate a bottom fifth that has fewer people than the upper fifths, since households near the economic bottom tend to be smaller than households closer to the top. The CBO, accordingly, adjusted for that difference, ending up with a bottom fifth that had the same number of individuals as the top or any other fifth. Shapiro, Greenstein, and Primus, Pathbreaking CBO Study Shows Dramatic Increases in Income Disparities in 1980s and 1990s: An Analysis of the CBO Data.


125 The data came from a study conducted in 2000 by sociologist Andrew Beveridge, who used Census Bureau numbers to compare the incomes of real families — households made up of people directly related — at the start and the end of the 1990s. In the 1990s, Beveridge found, the typical family lost $2,876 in New York State, $3,288 in California, and $3,821 in Connecticut. Janny Scott, In 90’s Economy, Middle Class Stayed Put, Analysis Suggests, *New York Times*, August 31, 2001.

126 Ibid.


129 Ibid.

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134 Greg Palast, Insane About Asylum.

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Teresa A. Sullivan, Elizabeth Warren, and Jay Lawrence Westbrook, The Fragile Middle Class: Americans in Debt, 223.


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Middle-income here refers to families in the middle fifth of the income distribution. Aizcorbe, Kennickell, and Moore, Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances.


Ibid. Author analysis of data.


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The $1,100 represents the median net worth of families in the lowest quarter of America’s wealth distribution. Aizcorbe, Kennickell, and Moore, Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances, 5 and 7.

Ibid., 18-19. The combined value of direct stock holdings, mutual funds investments, and dollars amassed in 401(k) and related retirement accounts amounted, on a median basis, to $54,400 in 1998 for families in the third quartile of America’s wealth distribution. Three years later, this combined value had dropped to $53,300.


Ibid. The closest estimate at the time: $450 billion.

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"On a scale where 100 is the national average, San Jose comes in at 137.2. By comparison, the New York metropolitan area hits only 120.4." Charlie McCollum, How Costs Compare with Other Cities’, *San Jose Mercury-News*, August 15, 1999.

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The data are from Claritas Inc., a top national market research firm. Did you know? *San Jose Mercury-News*, August 16, 1999.

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Andrew Beveridge, a sociologist at Queens College, tracked this trend in a 2001 report for the *New York Times*. After adjusting Census numbers from the start and end of the 1990s for inflation, Beveridge found median family income down from $2,900 to $4,400 in states where wealthy people did particularly well in the boom years. Concluded the *Times*: “The poor got a little poorer, the rich got a lot richer and the large group in the middle emerged slightly worse off than when the decade began.” Janny Scott, In 90's Economy, Middle Class Stayed Put, Analysis Suggests, *New York Times*, August 31, 2001.

Fairfax, according to researchers from Claritas Inc., was the first of more than 3,000 jurisdictions in the United States to reach this $90,000 distinction. Dan Eggen, Tasting the High Life, *Washington Post*, March 11, 2001.

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Miller, Economy Sets Records for Longevity and Inequality.


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Ibid., 51-52. The top 5 percent took 17.5 percent of the nation's income in 1947, 15.5 percent in 1973. Between 1947 and 1973, families at the 95th percentile saw their incomes jump, after inflation, by 91 percent. A nice boost, to be sure, but middle-class families did even better. Between 1947 and 1997, families at the bottom of the middle class, the 40th percentile, saw their incomes increase by 101 percent. Families at the 60th percentile, saw their incomes leap by 107 percent.


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Census Data Show Increases in Extent and Severity of Poverty and Decline in Household Income, Center on Budget and Policy Priorities, news release, September 24, 2002. The Census Bureau began keeping track of income shares by fifth in 1967. The 2001 figures also set a record low for the second fifth and tied the record low for the fourth fifth.
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43 Johnston, Can Americans Give More, and Not Hurt?
44 Grundfest, Reasons for Giving All You’ve Got to Give.
45 Ibid.
46 Johnston, Can Americans Give More, and Not Hurt?
47 Ibid.
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49 Ibid.
52 Ibid. Families on the next rung of America’s economic ladder, those that made between $500,000 and $1 million in 2000, could have afforded to give about five times more than they actually gave, about $17.3 billion. The next highest rung, the taxpayers with between $200,000 and $500,000 in annual income, could have afforded to give $17.7 billion more, about three times more than they actually did. Together, these top three rungs — about 3 percent of the taxpaying public — could have given 96 percent of the charitable contributions that Americans could have comfortably made in the year 2000 but didn’t.
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45 Christopher Knight, Why Pay to See Our Own Art? Los Angeles Times, June 9, 2002.
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59 Ibid.
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66 VH1 Save The Music Kicks Off Its Fifth Year of Restoring Music Education to Public Schools with an Expansion into New Markets, PR Newswire.
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70 Maria Puente, Move Over, Slot Machines: Make Way for Art, USA Today, October 5, 2001.
71 Ibid.
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75 Ibid.
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77 Dobrzynski, Blockbuster Shows Lure Record Crowds into U.S. Museums.
78 Rothman, The Sweetest Words of All: No Charge. The good people of St. Louis had, beyond their art museum, other strange ideas about art and civic responsibility. In 1919, they had built, with their own dollars, the St. Louis Municipal Opera, the first municipally owned outdoor theatre in America. They established, as official policy, a tradition that a sizable portion of the theater's 9,000 seats would be available, for every performance, at no cost. The “Muny” continues that tradition today. On show nights, one hour before the curtain goes up, 1,620 free seats are always available. America's Most Livable Communities, http://www.livableamerica.com.

THE INEFFECTIVE ENTERPRISE


9 George Easton of Emory University and Sherry Jarrell of Georgia State, the study authors, started with over five hundred companies reputed to be involved in “total quality management.” After reviewing information on the companies, Easton and Jarrell ended up with only 108 companies they believed to be making bona fide efforts to implement total quality management. In general, the two scholars noted, “whether or not a firm has seriously pursued TQM cannot be determined by relying on the firm’s public pronouncements.” G. S. Easton and S. L. Jarrell, *The Effects of Total Quality Management on Corporate Performance: An Empirical Investigation*, *Journal of Business*, April 1998.

10 This going through the motions, the two researchers noted, actually made some sense — for top executives. Just by talking in public about empowering employees, Staw and Epstein discovered, top executives could heighten “external admiration” of their leadership and boost their eventual compensation. Staw and Epstein, *What Bandwagons Bring: Effects of Popular Management Techniques on Corporate Performance, Reputation, and CEO Pay*.


12 “The best way to assure that decisions are made at lower levels is to have very few levels of management,” one analyst noted, “so that managers can not make all the decisions.” Edward F. Lawler III, *High-Involvement Management*. San Francisco: Jossey-Bass Publishers, 1991, 194.

13 J. Burgess Winter, the chief executive of Tucson’s Magma Copper company, was one executive in the 1990s who took empowering rhetoric seriously. He was so committed to building a real partnership with his workers that, in 1991, he signed a fifteen-year contract with their union. Most contracts run for three or four years. Magma Copper’s partnership paid quick dividends. By 1995, only one metal sector company in the entire United States boasted a higher profit rate than Magma. David M. Gordon, *Fat and Mean: The Corporate Squeeze of Working Americans and the Myth of Managerial “Downsizing.”* New York: The Free Press, 1996, 89-90.


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17 Managerial joblessness was “approaching historic lows.” Alex Markels, *Firms’ Demand for Managers Is Growing Despite Layoffs and Restructurings*, *Wall Street Journal*, September 26, 1996.


19 Drucker would stick to this position over the ensuing years, even as executive pay soared. In the mid 1990s, with CEOs taking home compensation that outpaced worker pay by hundreds of times, Drucker was still contending, notes biographer Jack Beatty, “that the ratio of pay between worker and executive can be no higher than twenty to one without injury to company morale.” Jack Beatty, *The World According to Peter Drucker*. New York: The Free Press, 1998, 83.


23 Ibid.


26 High-tech companies, in the 1980s, would become the first American enterprises to circulate options broadly. They didn’t, however, invent the use of options for employees. The Pfizer pharmaceutical company introduced one of the “first broad-based stock-option programs” in 1952. George T. Milkovich and Jennifer Stevens, 100 Years of Change, *ACA Journal* (American Compensation Association), First Quarter 2000.


29 Ibid., 110-111. At meetings, Grove “seemed to take a positive delight in shouting at people.”

30 Ibid., 114-115.

31 Ibid., 318.

32 Ibid., 300-301.

33 Laver, Takethemoneyandrun.com.


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38 John T. Ward, $90 Million Package Won Hewlett-Packard a New CEO, 47.


40 Konrad, Layoffs May Spoil HP Workers’ Allegiance.

41 Ibid.


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48 Employees chasing individual rewards may even “engage in deleterious activities like sabotaging the work of other employees in an effort to garner more of the organization’s compensation resources.” Matt Bloom, *The Performance Effects of Pay Dispersion on Individuals and Organizations*, *Academy of Management Journal*, February 1999.


50 Lawler, *From the Ground Up: Six Principles for Building the New Logic Corporation*, 207.

51 “The late W. Edwards Deming, a guru of quality control, was a particularly vigorous opponent of trying to pay for performance, as Andrea Gabor points out in *The Capitalist Philosophers* (Times Books). Deming believed that if you hired the right people for the right jobs and put them into the right environment, everyone would perform pretty well.” Daniel Akst, *On the Contrary Money Can Motivate. So Can Love of the Job*, *New York Times*, April 1, 2001.

52 And the most divisive rewards of all? The reward system in place across America as the twentieth century ended. “The most extreme version of a divisive pay system occurs when only senior management is heavily rewarded for stock performance and short-term profitability.” Lawler, *From the Ground Up: Six Principles for Building the New Logic Corporation*, 213.

53 Milkovich and Stevens, 100 Years of Change.

54 Ibid. By the early 1950s, Ford Motor was actually distributing Scanlon plan implementation kits to other companies.


Colvin, What Money Makes You Do.

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The Businessman as Villain, Economist, February 16, 2002.


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The "prevailing logic," noted one observer, had become: “Size is not the result of success. Size is a precondition of success.” Keith Hammons, Size Is Not a Strategy, Fast Company, September 2002.


Ibid.


"Companies used to spend a couple of months on due diligence before considering a bid, but now buyers set their sights on a company and close the deal within days, especially if it involves smaller companies or unregulated industries." Sugawara, Merger Wave Accelerated in '99.

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In nations like Germany and Japan, the noted British economist John Kay observed midway through the 1990s, maneuvers like hostile takeovers were virtually impossible, merger and acquisitions rare. Kay, Why Firms Succeed, 151.

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95 David Evans, CEOs Seldom Lose in Mergers Executives Collect Since They Get No Blame if Deal Goes Sour, Bloomberg News, *Plain Dealer* (Cleveland), September 6, 1998.


99 Ibid.


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124 Southwest Airlines CEO Herb Kelleher was once asked which comes first, employees, customers, or shareholders? “Well, I said the employees come first,” he would later explain, “because if they’re happy and satisfied and ennobled by what they’re doing, they treat your customers better, and then the customers come back, and that’s good for your shareholders.” Steve Salerno, Laughing All the Way, *Worth*, September 1999.


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of the House Democratic Policy Committee.


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135 Ibid.


137 Downs, The Wages of Downsizing.


139 The workers most worried about downsizing, research by Sam Bacharach of Cornell University’s School of Industrial and Labor Relations has found, are the workers “most likely to load up on overtime.” Mary Williams Walsh, As Hot Economy Pushes Up Overtime, Fatigue Becomes a Labor Issue, *New York Times*, September 17, 2000.

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145 Dauten, Give Workers Room to Rise to Occasion.

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149 Mike Daisey later wrote a book, *21 Dog Years: Doing Time @ Amazon.com* (Simon & Schuster) on his life at Amazon and started a companion Web site at www.mikedaisey.com.


151 Ibid. “Pay makes an activity into work. The activity becomes something that is done for its economic consequences, not because it is liked.”

152 Ibid.


158 Ibid.


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165 Gretchen Morgenson, A Bubble That Enron Insiders and Outsiders Didn’t Want to Pop, *New
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Julie Creswell with Nomi Prins, The Emperor of Greed.

Ellen E. Schultz, Big Send-Off: As Firms Pare Pensions for Most, They Boost Those for Executives, Wall Street Journal, June 20, 2001.

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Ibid.


**GRUESOME GROWTH**


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4 Ibid.


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21 Carl R. Weinberg, *CEO Compensation: Greed or Glory?* *Chief Executive*, September 1999.

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In mass layoff situations, Belgium required over a half year’s severance. Peter Kuhn, *Losing Work, Moving On: Worker Displacement in International Perspective*.


Fired workers could get, at best, backpay. Unions could not file claims for broader damages. Ibid.


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Figures from Eurostat and the Organization for Economic Co-operation and Development show that the U.S. economy did better than economies in Western Europe and Japan after 1992, notes Canadian writer Peter Cook. “But that discounts an earlier U.S. slowdown while counting several years of near-stagnation in Germany and Japan,” Cook stresses. “Go back 10 years instead and both German and U.S. growth are the same, at an average annual 2.5 per cent, while Japan is not far behind at 2 per cent.” Peter Cook, *U.S. in 1990s: Land of the Unequal, Home of the Poor*, *Globe and Mail* (Toronto), March 12, 2001.


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Economist Barry Bluestone and his late colleague, Bennett Harrison, offer a probing, in-depth analysis of the Wall Street model in their 2000 book, Growing Prosperity (Boston: Houghton Mifflin Company, 2000). This discussion owes a great deal to their insights.


“If we want to grow faster, in this view, then we as a nation have to find a way to encourage more investment, pure and simple,” economists Barry Bluestone and Bennett Harrison, have noted. “If we devote more of today’s resources to accumulating capital, we can have faster growth and greater prosperity tomorrow.” Bluestone and Harrison, Growing Prosperity, 110.

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In nearly every industry,” as Business Week
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Notes to pages 366–380

615

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94 Ibid.
97 This argument had been made by the leading Senate opponent of McCain-Feingold, Kentucky’s Mitch McConnell. Trying to ban “soft money,” McConnell had argued, was “like putting a rock on jello.” “You can squeeze it down,” he quipped, “but it just goes in different directions.” Thomas Edsall and Juliet Eilperin, Debate Heated on Campaign Finance, Washington Post, February 12, 2002.
99 “Ten to twenty years down the road, McCain added, another group of senators and congressmen will ‘have to clean it up again.’” For the Record, Washington Post, July 11, 2001, A18.
101 The extra funds are “capped at twice the original amount provided to the candidate.” Donnelly, Fine, and Miller, Going Public.
In Missouri and Oregon, citizens tried to enact Clean Money systems via ballot referendums. Special interest cash defeated both efforts. In Massachusetts, advocates did enact a Clean Money system via referendum. But state lawmakers stonewalled the system’s implementation. Ellen S. Miller and Nick Penniman, The Road to Nowhere: Thirty Years of Campaign-finance Reform Yield Precious Little, American Prospect, August 12, 2002.

The 34th Annual Phi Delta Kappa/Gallup Poll of the Public’s Attitudes Toward the Public Schools, Phi Delta Kappan, September 2002.


The Story Behind America’s Voucher Movement, National Education Association, 2.

Vouchers, National Education Association.

The Story Behind America’s Voucher Movement, National Education Association, 3.

Vouchers, National Education Association.


Vouchers, National Education Association.


“Cato and other conservative think tanks have invested millions of dollars in a sophisticated campaign to privatize Social Security.” David Callahan, $1 Billion for Conservative Ideas, Nation, April 26, 1999.


A National Committee for Responsive Philanthropy report estimated that “spending by the top twenty conservative think tanks will likely top $1 billion in the nineties.” Callahan, $1 Billion for Conservative Ideas.


Hannah Clark, Read All About It (But Not in the Mainstream Media), Dollars and Sense, September-October 2001.

Alicia C. Shepard, Moguls’ Millions, American Journalism Review, July/August 2001.

John Stauber of PR Watch estimates that about 40 percent of what Americans “read, see or hear in the mainstream media is a result of government or corporate public relations campaigns.” Adds Stauber: “As magazines and newspapers and TV networks and stations downsize journalists, they are not reducing news coverage, they are just using more public relations and passing it off as news.” Joel Bleifuss, PR Watch Has Its Eyes Open, In These Times, October 17, 2003.


Stille, Emperor of the Air.

The victory represented a comeback for Berlusconi. A brief earlier stint as prime minister had ended in scandal.


During his New Jersey Senate run, Jon Corzine became a “most dependably generous neighbor for an entire state.” Noted one reporter: “Covering almost every imaginable base, his campaign has bought dinner tickets from the Dominican Empowerment PAC ($2,000), the United Negro College Fund ($2,550) and the Hispanic American Association for Political Awareness ($1,000), as well as ads from the New Jersey Jewish News ($8,819), the Newark Mayor’s Commission on the Status of Women ($2,500), the Montclair St. Patrick’s Day Parade ($1,000) and the Newark St. Patrick’s Day Parade ($250).” Mike Allen, A Senate Hopeful Tests the Power of His Deep Pockets, Washington Post, May 6, 2000.
Greed and Good


134 Dreyfuss, *Money 2000: The Election Will Break All Records. And We’ll Lose.*


139 Ibid.


144 Ibid.


153 Ibid.

154 Adam Clymer, *The Body Politic*.


159 Ibid.


A PRICE TOO HIGH


HISTORIC STRUGGLES


5 The *New York Times*, after the release of the President’s proposal, excerpted editorial opinion at nine different newspapers. Not one of the papers openly blasted the President’s $25,000 cap. The *Raleigh News and Observer* captured the general tone: “Nobody — not even the President — will relish some of the things that must be done, but
every American who loves country above ease will enlist.” Press Comment on President’s Plan, *New York Times*, April 28, 1942.


7 James L. Huston, *Securing the Fruits of Labor: The American Concept of Wealth Distribution 1765-1900*. Baton Rouge: Louisiana State University Press, 1998, 6. “An important economic corollary of republicanism established primarily by Englishman James Harrington (1611-1677) during the Puritan Commonwealth was widely acknowledged by American revolutionaries: to endure, a republic had to possess an equal or nearly equal distribution of landed wealth among its citizens.”

8 Ibid., 21.

9 Ibid., 20.

10 Ibid., 13. As much if not more than “no taxation without representation.”

11 Ibid., 47

12 Ibid., 204.

13 Ibid., 73.


15 Ibid. “Inequality. Hamilton declared in 1788, ‘would exist as long as liberty existed, and ... would unavoidably result from that very liberty itself.’”

16 Ibid.


18 Ibid., xv.

19 Wilentz, *America’s Lost Egalitarian Tradition*.


21 Ibid., 332-333.

22 Wilentz, *America’s Lost Egalitarian Tradition*.

23 Ibid. “By expanding the concept of labor to include all gainfully employed persons,” notes historian Sean Wilentz, the interests opposing Jackson “at once blurred class distinctions, upheld the labor theory of value, and presented themselves as the true friends of the toiling masses.”


25 In 1860, just 7,500 Americans held fortunes larger than $111,000. Sixty percent of these fortunes could be found in the South. Phillips, *Wealth and Democracy*, 22.


27 Ibid., xvi.

28 Ibid., 185.

29 Ibid., 189.

30 Ibid., 57.

31 Ibid., 200-201.

32 Ibid., 217.

33 Ibid., 260.

34 Ibid., xvii.


38 Ibid., 111. “From furniture making to coal mining to shoe and boot manufacturing, the nation’s economy teemed with small companies with few employees,” historian James Huston notes. “English industrialism was born big whereas American industrialization was born little.”

39 Ibid., 283. Explained one reformer, Unitarian minister Theodore Parker, “a man’s hands will give him sustenance, not affluence.”

40 Ibid., 134.

41 Ibid., 140.

42 Ibid., 79.

43 Wilentz, *America’s lost egalitarian tradition*.

44 Ibid.


47 Ibid., 73-74.


50 Ibid., 97-98.
53 Ibid., 124-25.
55 Ibid., 143.
58 Ibid., 31.
59 Ibid., 32-36.
60 Ibid., 39-40.
61 Ibid., 33-34.
62 Ibid., 41.
63 Ibid., 33-34.
64 Huston, *Securing the Fruits of Labor*, 348-349.
72 Ibid., 39.
74 Sumner, *What Social Classes Owe to Each Other*, 50.
76 Ibid.
81 Ibid., 372.
82 Ibid., 355.
85 Ibid., 153.
87 Ibid., 435.
91 Ibid., 138.
95 Ibid., 37.
97 Ibid., 148.
98 Ibid., 160.
101 Ibid.
103 Kazin, *One Political Constant*.
107 Ibid., 251.
108 Ibid., 254.
115 Ibid., 196.
125 The final tally would be forty-two states in favor, six against. Weisman, *The Great Tax Wars*, 264.
130 Ibid., 241.
131 Ibid., 290. The richest 1.6 percent, the study showed, were claiming 19 percent of national income.
132 Ibid., 309. The top forty-four families had an aggregate income of $55 million, the Commission reported.
133 Ibid., 304.
134 Ibid., 305-308.
136 Sprague specifically proposed “that the government take 95 percent of all income earned in excess of the average income of two years before the war.” Weisman, *The Great Tax Wars*, 322-323.
137 Congressional Record, May 16, 1917, 2403.
139 Congressional Record, May 16, 1917, 2404.
140 Ibid.
142 Paul, *Taxation in the United States*, 120.
147 Ibid., 9.
148 Ibid., 8.
149 Ibid., 171.
150 Ibid., 174.
151 Ibid., 91.
152 Ibid., 17.
153 Ibid., 17.
155 Ibid., 60.
158 By the end of Mellon’s tenure, in 1932, the top marginal income tax rate would actually drop to 24 percent. Weisman, *The Great Tax Wars*, 315.
159 Ibid., 315.
164 Ibid., 54.
165 Ibid.
166 Ibid., 64-65.
Ibid., 47.

Phillips, Wealth and Democracy, 61.

Galbraith, The Great Crash, 57.


Beals, The Story of Huey P. Long, 244.


Ibid., 325-326.


Phillips, Wealth and Democracy, 312.


Roosevelt had largely gone after only the richest of the rich. The top 79 percent rate, in fact, would apply to just one taxpayer, John D. Rockefeller. Bruce Bartlett, The Futility of Raising Tax Rates, Policy Analysis series, Cato Institute, April 8, 1993.


Rattner, American Taxation, 495.

Davis, FDR, the War President, 1940-1943: A History, 19.

Paul, Taxation in the United States, 302.

Kluckhohn, $25,000 Income Limit, Ceilings on Prices, Stable Wages, Taxes, Asked by President.

In a 1936 article published by the American Academy of Political and Social Science, John T. Flynn had proposed new income tax rates that would not permit "the topmost tax-free incomes to exceed $10,000." Rattner, American Taxation, 562.


Ibid.

Paul, Taxation in the United States, 313.

Ibid., 117.

Paul, Taxation in the United States, 319.

Witte, The Politics and Development, 175.

Paul, Taxation in the United States, 318.

Witte, The Politics and Development, 125.

Ibid., 128.

Wages "went up by 86 percent while the estimated cost of living rose only 29 percent because of price controls." Phillips, Wealth and Democracy, 75.


226 Ibid.

227 Phillips, Wealth and Democracy, 220.

228 Collins, More: The Politics of Economic Growth in Postwar America, xii and 240.


230 The reduction to 65 percent, Kennedy administration officials assured Congress, had become absolutely necessary. The “present rates up to 91 percent not only check consumption but discourage investment.” President’s 1963 Tax Message. Hearings before the Committee on Ways and Means, Eighty-eighth Congress, First Session, on the Tax Recommendations of the President contained in his message transmitted to the Congress, January 24, 1963. February 6, 7, 8, 1963, 9.

231 Ibid., 544.

232 Ibid., 732. Some Republicans had pushed for a deeper cut, down to 42 percent.


235 Weisman, The Great Tax Wars, 357.

236 Ibid., 357.


238 Wilentz, America’s Lost Egalitarian Tradition.

239 Phillips, Wealth and Democracy, 333.

240 “The IRS took such a big chunk of my earnings,” he would later recall, “that after a while I began asking myself whether it was worth it to keep on taking work.” Collins, More: The Politics of Economic Growth in Postwar America, 195.

241 Ibid.


243 The centerpiece: a 5 percent income tax cut the first year, followed by two years of consecutive 10 percent cuts, for a combined total reduction of about 23 percent. Ibid., 358.


246 These amendments also subjected some Social Security benefits, for the first time ever, to the income tax. Effective Federal Tax Rates, 1979–1997, 4.

247 David Obey, Who Is Downsizing the American Dream?, Speech to the Center for National Policy, March 11, 1996.


249 Phillips, Wealth and Democracy, 221-222.

250 The maximum tax rate on income from capital gains, 28 percent since 1986, would stick at that level. Effective Federal Tax Rates, 4.

251 This includes income taxes and payroll taxes. Phillips, Wealth and Democracy, 96.


253 The law established two new tax brackets, 36 percent for income at $115,000, 39 percent for income over $250,000. Well-to-Do Paid 16% More in Taxes in ’93, Study Says, New York Times, April 17, 1995.


256 Ibid.


258 Wilentz, America’s Lost Egalitarian Tradition.


260 Their signature campaign document, the GOP Contract with America, called for a huge tax cut — on capital gains income. About half the $25 billion a year savings from this tax cut, analysts pointed out, would go to taxpayers making more than $200,000


268 Gates and Collins, Wealth and Our Commonwealth, 68.


270 Ibid.

271 Ibid. Bush proposed to cut the top marginal income tax rate from 39.6 to 33 percent.

272 Ibid. The analysis came from the Institute on Taxation and Economic Policy.


275 “A single parent with two children,” noted reporter Glenn Kessler, “actually doesn’t owe federal tax until her income reaches nearly $27,000.” Kessler, Federal Tax Level Falls for Most.


284 Ibid.

285 Ibid.


289 These numbers are from an analysis by the Urban Institute-Brookings Institution Tax Policy Center. Robert Greenstein, Richard Kogan, and Joel Friedman, Conference Agreement on Tax Cuts Makes Heavier Use of Gimmicks Than House or Senate Bills, Center for Budget and Policy Priorities, May 23, 2003.

290 Michael Gormley, SUNY to meet soon on tuition increase, Newsday, May 19, 2003.


CONTEMPORARY OPTIONS


2 Ibid.

3 Study: New Economy Arrests Worker Mobility, University of Wisconsin, news release, March 8, 2002.


7 One typical example of this perspective: “In the long run,” noted an Urban Institute study co-authored by Edward Gramlich, the dean of University of Michigan School of Public Policy, in 1996, “the most important thing government at all levels can do to address inequality involves education.” Edward M. Gramlich and Mark Long, Growing Income Inequality: Roots and Remedies, The Future of the Public Sector series, The Urban Institute, Washington, D.C., June 1996.


11 A family that maxed out on annual “USA” credits and matching payments could end up with $250,000 after forty years, assuming a 5 percent annual return on its savings. Higher-income families, under the proposal, would also receive government credits and matches, only at somewhat less generous levels. Robert B. Reich, To Lift All Boats, Washington Post, May 16, 1999.

12 Ibid.


14 Reich, To Lift All Boats.


19 The program, the Abecedarian Project, was conducted by researchers at the University of North Carolina FPG Child Development Institute. Robert E. Slavin, Can Education Reduce Social Inequity? Educational Leadership, December 1997/January 1998.

20 Ibid.


24 Jack Beatty, Against Inequality: A Valiant Proposal to Give Every American Twenty-one-year-old the Same Chance to Prosper (or Fail), Atlantic Monthly, April 1999.


26 Ibid.

in.html.


30 Ibid.


35 Ched Myers, God Speed the Year of Jubilee! the Biblical Vision of Sabbath Economics, Sojourners Online, May-June 1998.

36 Ibid.


39 Ibid. Isaiah 5:8.

40 Ibid. Leviticus 25:8, 10.

41 As the Mennonite theologian John Howard Yoder has noted in his classic, The Politics of Jesus. Ched Myers, Jesus’ New Economy of Grace, Sojourners Online, July 1998.

42 Ibid.


44 Ibid.

45 Ibid.


51 Charles Peters, Besieged and Beleaguered on $200,000 a Year, Washington Monthly, June 1990.


63 David Rosenbaum, Render Unto Caesar, Pay the Piper or Just Get That Check in the Mail, New York Times, April 16, 1995.


65 Ibid.

66 Ibid.


Ibid. “Phased in gradually,” Robert Frank contends, “this tax would slowly reduce the share of national income devoted to consumption and increase the corresponding share devoted to investment.”


Ibid., 215.

Ibid., 205. The luxury tax Congress imposed on expensive cars in 1990, for instance, did not apply to sport-utility vehicles. The wealthy simply started buying luxuriously outfitted SUVs.

Ibid., 206.

Ibid., 213.

Ibid., 216.


Frank, Market Failures.


Ibid., 225.


**A MAXIMUM WAGE?**


6 Ibid.

7 Ibid.


10 Ibid., 42.


16 Ibid.

17 Ibid.


26 Alan Cotey, Asset and Income Limits for individuals are needed, if the trend to ever greater consumption is to be reversed, April 5, 2001. Accessed from www.uea.ac.uk/~c013/ail/ail.html.


31 We are using here the preliminary 2003 income estimates used by the Institute on Taxation and Economic Policy Tax Model, as published January 7, 2003. See www.ctj.org/stim03.pdf. The IRS publishes official figures in annual incomes three years after the specific year in question.

32 These calculations assume married couples as our base. Single taxpayers making the same incomes as married-couple households would, of course, pay a higher Ten Times tax on their incomes, since the 100 percent tax rate would apply to income over ten times the wage of a single minimum wage worker. Our figures here, as a result, underestimate the total revenue a Ten Times Rule would raise.


34 For this calculation, we have assumed, conservatively, that 135 million tax returns will be filed for 2003. If the richest 1 percent of these average $1,082,000 million, as the Institute on Taxation and Economic Policy Tax Model estimates, 1.35 million households would average $889,184 in tax under the Ten Times Rule.


38 Ibid.


42 David Cay Johnston, Very Richest’s Share of Income Grew Even Bigger, Data Show, *New York
These apologists do not prattle because the claim that higher marginal rates reduce the effort people put into their careers enjoys little research support. “An extensive literature in labor economics,” notes Austan Goolsbee, “has shown that there is very little impact of changes in tax rates on labor supply for most people, particularly for prime-age working men.” Austan Goolsbee, What Happens When You Tax the Rich? Evidence from Executive Compensation, *Journal of Political Economy*, April 2000.


International financiers, one team of Canadian and Russian researchers noted in the late 1990s, are always concocting masterful new schemes that enable “the avoidance of government regulation.” The Problem of Capital Flight from Russia: A final report from a joint project on Capital Flight from Russia undertaken by the Institute of Economics, Moscow, and the Center for the Study of International Economic Relations, University of Western Ontario. Accessed from www.warwick.ac.uk/fac/soc/CSGR/current/capfligt.pdf.

At forty hours a week, a full-time minimum wage worker labors 2,080 hours in a year. That means that a minimum wage couple would work 4,160 hours in a year. A $1 minimum wage increase for this couple would translate into a $4,160 annual wage increase. Ten times that would amount to a $41,600 increase in the “maximum wage.”

This is based on the American Institute for Economic Research cost-of-living calculator at www.aier.org/cgi-bin/colcalculator.cgi.


LIFE IN A TEN TIMES RULE AMERICA

In the past, high tax rates on high incomes have always had a “restraining effect” on corporate executive compensation. “In 1954,” notes *Worth’s* Richard Todd, “a board could plausibly say to its president that compensation in excess of a million dollars was rather pointless, since the government was just going to take 91 percent. It seems reasonable to think that with similar rates in place we would now see fewer $8 million point guards and $12 million CEOs.” Richard Todd, *Who Me, Rich? Worth*, September 1997.


Ibid. “They all have a number,” explains Marlin Potash, a psychologist with a Wall Street practice. “They say to themselves, ‘If I have this much money, I am free.’ But the number keeps changing.”

Income averaging was repealed by the 1986 Tax Reform Act. It has since been re instituted for farmers.

Without the income averaging, the household would have paid, in its $500,000 income year, a tax of $230,000, a sum that would have equaled 10 percent of the household’s first $300,000 of income that year and the difference between the $300,000 maximum and the household’s $500,000 income.

“As a rule,” notes the best recent book on the

7 Ibid.

8 See the discussion in Martin Carnoy and Derek Shearer, Economic Democracy. Armonk, N.Y.: M. E. Sharpe Inc., 1980, 316.

9 This splintering would also open options for ownership innovation: “As fortunes splintered, ownership of companies would fall into more hands, opening up the possibilities of economic democracy at the firm level, through municipal and other public agencies, and through cooperatives.” Howie Hawkins, The Guaranteed Minimum Income and the Maximum Income, Synthesis/Regeneration 9: A Magazine of Green Social Thought, Winter 1996.


14 Michael Peltz, Investing Outside the Box, Worth, April 2002.


16 This story is superbly told by Donna Fenn in her article, The Sweet Smell of Excess, Inc. Magazine, February 2003.


18 Ibid.

19 And Linux for All, American Benefactor, Winter 1998.

20 Scott Berinato, Linus on Linux: He’s Just Having Some Fun, PC Week, February 1, 1999.


23 Ibid.


30 Ibid., 36.


A STRATEGY FOR CHANGE


3 Todd Gitlin, Unum Versus Pluribus, Nation, May 6, 1996.


5 Gitlin, Unum Versus Pluribus.

6 A decade earlier, only one in four Americans felt that way. Anne B. Fisher, A Brewing Revolt Against the Rich, Fortune, December 17, 1990.


8 Survey by Cable News Network, USA Today. Conducted by Gallup Organization, January 10-January 12, 2003 and based on telephone interviews with a national adult sample of 1,002. [USGALLUP/2003.03/Q35] Data provided by the Roper Center for Public Opinion Research, University of Connecticut.

9 Ibid., Q38. The “too high” group: 25 percent.
"About right": 34 percent.


11 The numbers: 44 percent indicated that having this information would be very important, 30 percent somewhat important, 15 percent not too important, 9 percent not at all important. Survey by Institute for Policy Studies, The Nation Magazine. Conducted by Program on International Policy Attitudes, University of Maryland, September 21-September 25, 2000. [USUMARY.00NATIPS.R04] Data provided by the Roper Center for Public Opinion Research, University of Connecticut.

12 Cynthia Williams, Promoting Corporate Social Transparency, Citizen Works news conference, July 5, 2002.


14 Chain Saw Reactions, America@Work, January 1997.


19 A Nice Return on Our $75 Billion, Too Much, Winter 2003.

20 The meltdowns at Enron and other scandal-ridden corporate giants had cost these funds dearly. The nation’s single biggest pension fund, the California Public Employees’ Retirement System, and the nation’s third-biggest, the California Teachers’ Retirement System, together lost $850 million from the WorldCom collapse alone. Mark Schwanhausser, Pension Funds Urged to Join ‘War’ for Corporate Reform, San Jose Mercury News, March 6, 2003.


24 Consulting fees, reformers had noted, gave supposedly independent auditors an incentive to play footsie with executives who cooked their corporate books. Jerry Useem, In Corporate America It’s Cleanup Time, Fortune, September 16, 2002.

25 Abramson, Voices in the Corporate Wilderness.

26 Most small shareholders, for instance, neither attend annual meetings or vote their proxies. That gives management an immediate leg up, since non-votes count as management votes. Investors Question Executive Pay, Associated Press, May 15, 2001.

27 Ellen Goodman, Cap Cash Flow to CEOs, Arizona Republic, April 16, 1999.

28 “When we have our contract campaigns, we like to compare the earnings of our members,” notes Salvador Bustamante, director of the San Jose office of Service Employees International Union Local 1877, a local involved in SEIU’s ongoing justice for janitors campaign, “to the various CEOs for the corporations.” Shawn Neidorf, Executive Pay Continues to Outpace Others’, San Jose Mercury News, June 17, 2001.


33 The $20 billion represents inflation-adjusted dollars — and two and half times more than baseball team owners themselves spent on stadium construction. Alan B. Krueger, Take Me Out to the


38 The roots of current-day policy go back over a half-century. During World War II, the federal War Labor Board, by threatening to withhold contracts for war materials, was able to force a number of employers in the overwhelmingly nonunion South to honor the labor rights granted workers by the 1935 Wagner Act. Landon R. Y. Storrs, “Whiteness,” Job Segregation, and Working-Class Conservatism in the Southern Textile Industry, *Reviews in American History*, September 2002.


55 Ibid.

56 Coralie Carlson, Sabo Renews Call for Legislation to Cut Income Inequality, *Star-Tribune* (Minneapolis), September 15, 1999.


61 Arnsberger, Charities and Other Tax-Exempt Organizations, 1999.


63 Ibid.


The *Chronicle of Philanthropy*, in its annual compensation survey, found thirty-four major nonprofits that paid their CEOs more than $500,000 in 2001. Thirty nonprofits, the *Chronicle* reported, also paid other officials, besides their CEOs, over $500,000. Harvey Lipman and Martha Voelz, Big Rise in Pay for CEO’s, *Chronicle of Philanthropy*, October 3, 2002.

Schwinn, Falling Through the Cracks.

Ibid. The law also requires nonprofits to blow the whistle on themselves. In the legislation’s first six years, only sixteen organizations with budgets over $10 million self-reported themselves to be guilty of excess.


“There is strong reason to fear that the contracting bonanza will serve only to enrich the Bush administration’s corporate cronies rather than the Iraqi people,” warned the Corporate Policy Project’s Charlie Cray. It’s Time to Stop the War Profiteers, October 8, 2003. Accessed from www.corpwatch.org.


Ibid., 50.


*Defying Corporations, Defining Democracy*, 3.


Ibid.


**LOOKING FORWARD**


