



HISTORIC STRUGGLES

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

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

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

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

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

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

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For complete text, including endnotes: www.greedandgood.org
For updated inequality news and data: www.toomuchonline.org

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

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

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

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

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

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

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

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

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

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

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

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

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

Toward that end, Hamilton would urge the very first Congress, in 1789, to assume responsibility for redeeming, at face value, a broad array of national and

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

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

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

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

Aristocracy equals inequality, republicanism equals equality. In early nineteenth century America, no public figure would challenge these basic equations. Every actor on America's political stage, radicals and conservatives alike, took this egalitarian attitude toward property as a given. Aristocracy, pro-

nounced the utopian-minded William Leggett in the 1830s, served to “concentrate all wealth and privilege in the hands of a few.”²⁰ “In monarchies and aristocracies,” pronounced a far more conservative New Jersey Whig, Congressman Joseph Fitz Randolph a few years later, “there are classes of the very wealthy and of the very poor; in a Republic both extremes are avoided.”²¹

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

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

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

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

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

A free republic, almost all Americans took as a matter of faith, wherever they stood on slavery, could not safely accept great gaps between rich and poor. Most Americans also believed that the young United States had so far prevented these gaps from developing. Throughout the nation’s first century, historian James Huston notes, Americans continually celebrated “the egalitarian nature of the American distribution of wealth.”²⁷ The United States, crowed the economist Theodore Sedgwick, had achieved an equal division of property “such as has never been known among mankind.”²⁸ Equality, authors proudly proclaimed, made America different — and better. “Unlike the European States,”

Baltimore's John Pendleton Kennedy would note in 1845, "we have no piles of hoarded wealth destined to be transmitted in mass to our posterity."²⁹

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

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

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

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

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

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

In pre-Civil War America, wealth and power were indeed accumulating, especially in urban areas. In New York City, the richest 4 percent would claim 63 percent of local wealth in 1828, 81 percent in 1845.³⁶ Still, despite this growing inequality, urban workers demanding their just due would not make, overall, much of an impact. Fourth of July orators would continue to celebrate, as indisputable fact, American equality. And their claim — that America had become a land of opportunity where all could enjoy the fruits of their labor —

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

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

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

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

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

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

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

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

Actual income tax collections would not begin until 1862, after new legislation set a 3 percent tax on all income between \$600 and \$10,000 and a 5 percent tax on income over \$10,000.⁴⁷ America's first commissioner of internal revenue, working "day and night in a small room in the Treasury building with three clerks borrowed from other departments," was soon pulling in revenue by the bucket. One clerk collected \$37 million in just six months.⁴⁸ But the war was costing \$2 million a day, and Congress quickly found itself upping the income tax ante. An act in 1864 raised the top tax rate to 10 percent.⁴⁹ That top 10 percent rate, the next year, would be applied to all income over \$5,000.⁵⁰

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

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

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

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

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

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

All these subsidies, in due course, would help fuel an enormous expansion of America's industrial might. The capital invested in American manufacturing would leap from \$1 billion in 1860 to \$10 billion in 1900.⁶³ An agrarian nation, in the span of a few short decades, would become the world's greatest industrial power. Giant corporations, led by America's railroads, now dominated the economic scene. These corporations, wherever possible, pooled their resources. They rigged cartels, fashioned “trusts,” invented holding companies.⁶⁴ They created, in industry after industry, monopolies that simply overpowered any small businesses and farms that stood in their way. And they amassed the greatest fortunes the world had ever seen.

By 1896, America's largest individual family fortunes had tripled in value from 1873.⁶⁵ Americans of more limited means could not help but notice. The wealthy flaunted their good fortune at every opportunity, and the nation's newspapers chronicled the flaunting. At one party frequented by a host of swells, guests delighted to find cigarettes wrapped in \$100 bills.⁶⁶ Wealthy matrons would routinely buy two seats at the opera, “one for them, and one for their day's purchases.”⁶⁷ William K. Vanderbilt, for his “summer cottage” in Newport, spent a sum that would equal over \$365 million in our modern dollars.⁶⁸

In the great new mansions now emerging, Americans saw the moneyed aristocracy they had always feared. Commentators now filled books and journals

with anguished descriptions of a democracy endangered. America, a new generation of reformers argued, needed to regain its egalitarian equilibrium. Economic inequality, orators like Henry George reminded their fellow citizens, violated nature's most eternal laws.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The plutocrats would be ready.

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

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

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

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

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

The privileged few essentially concurred with that assessment. Republican candidate William McKinley's campaign manager, Mark Hanna, would have no trouble dunning corporate leaders for whatever sums he needed.¹⁰³ The McKinley forces would eventually spend, notes historian Louis Koenig, close

to \$16 million, about \$320 million in contemporary terms, or over \$130 million more than George W. Bush spent to win the 2000 election.¹⁰⁴ Bush the younger outspent Al Gore by a three-to-two margin. McKinley would outspend William Jennings Bryan by twenty to one.¹⁰⁵

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

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

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

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

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

In the early 1900s, a new popular opposition would emerge to challenge these incredibly huge new concentrations of wealth and power. The great farmers’ movements that had undergirded the People’s Party may have been broken,

and the dreams inspired by utopians like Edward Bellamy may have been dashed, but different players were now entering the fray. From the ranks of America's burgeoning immigrant communities would come skilled and savvy socialist agitators. From the mines and factory floors of America's industrial giants would come a more vibrant, aggressive labor movement. And from the ranks of America's middle class professionals would come a new, more determined reform spirit. The stage would once again be set for an epic battle between people and plutocrats. The people, this time, would have a champion in the White House.

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

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

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

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

Later that same year, Roosevelt would begin cautiously promoting a new stab at enacting an income tax. "The man of great wealth," said Roosevelt,

“owes a peculiar obligation to the state because he derives special advantages from the mere existence of government.” Roosevelt would keep this drumbeat going for the rest of his second term. The nation needed new taxes on income and wealth, he noted in 1907, because “most great civilized countries have an income tax and an inheritance tax.”¹¹⁸

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

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

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

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

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

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

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

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

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

And urgent. The 1914 outbreak of war in Europe had sent the demand for U.S. products soaring. War profits were stuffing the pockets of America’s corporate elites. Over a twenty-two month period, the shares of one industrial giant, Bethlehem Steel, jumped from just over \$46 a share to \$700.¹³³ The wealthy needed to be taxed, now more than ever, most Americans believed.

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

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

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

Out across the country, accomplished and distinguished Americans would enthusiastically endorse Keating's call for a 100 percent top tax rate. An “American Committee on War Finance” spent 1917 mobilizing public support for a “conscription of wealth” that would cap individual incomes at \$100,000.¹³⁸ The committee's heavyweights would range from millionaire Amos Pinchot, who testified on the group's behalf before Congress, to newspaper magnate E. W. Scripps, who wired President Wilson his support for taxing away all incomes above \$50,000.¹³⁹

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

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

This 77 percent rate would apply to incomes over \$1 million, and just sixty-seven taxpayers filed returns that placed them in that top bracket.¹⁴⁴ But these

sixty-seven and their less but still staggeringly wealthy friends would make an enormous contribution to war finances. Between 1917 and 1919, less than 1 percent of the tax returns Americans filed reported incomes over \$20,000. Yet this elite group would supply 70 percent of the nation's total income tax revenue.¹⁴⁵

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

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

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

Trade union activists would try to persevere anyway. They had little choice. Workers were hurting. Millions had lost their jobs when the war ended. Those with jobs faced an inflation that had slashed purchasing power by over half since 1913.¹⁴⁶ Workers, in response, hit the bricks. The year 1919 saw one of the greatest strike waves in American history. Over 4 million workers walked off their jobs.¹⁴⁷

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

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

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

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

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

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

Production did increase in the 1920s, as all sorts of technological advances diffused through the economy. Between 1919 and 1929, the horsepower behind wage earners in manufacturing shot up 50 percent.¹⁶³ The output per hour of wage labor in manufacturing jumped, consequently, 72 percent.¹⁶⁴ But the fruits of that incredibly productive labor would not be shared. Workers would spend the “Roaring Twenties” struggling, not flapping, as 1929 Brookings Institution research would make clear. Over a fifth of American families, researchers revealed, were having to make do on less than \$1,000 a year,

42 percent on less than \$1,500.¹⁶⁵ And what could families afford on such incomes? Not much. One 1925 study had set \$1,000 as the minimum subsistence level for a family of five. At that level, a family could meet daily physical needs but have “nothing left over for emergencies or pleasures.” To meet “the American standard,” that is, to partake in the good life of motorcars and radios, required at least \$2,000.¹⁶⁶ For most Americans, the 1920s good life, even at minimal levels, remained a good bit beyond their grasp.

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

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

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

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

The men who sought to be elected President that year, in 1932, openly acknowledged the new mood. Franklin Roosevelt, accepting the Democratic nomination, announced that Americans “look to us for guidance and for a

more equitable opportunity to share in the distribution of the national wealth.”¹⁷⁴ President Herbert Hoover, seeking re-election, told a rally at New York’s Madison Square Garden that he longed for an America “where wealth is not concentrated in the hands of a few, but diffused among the lives of all.”¹⁷⁵

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

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

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

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

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

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

The “Long Plan” for American economic renewal would go through several variations. But the plan’s basic thrust remained constant. America, Long proclaimed, needed a ceiling on the income and wealth of the very rich to create a floor of decency for everyone else. One iteration of Long’s plan proposed a 1 percent tax on all individual wealth between \$1 million and \$2 million, with

the rate rising to 100 percent on all fortunes over \$100 million. This same version featured a \$1 million cap on annual income.¹⁸²

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

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

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

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

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

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

By late spring 1935, FDR had come to share that sense of alarm. The previous January, the President had seen no need to introduce any new tax-the-rich legislation. By May, he had become convinced that he needed to take steps

to steal Huey Long's thunder. Taxes on the wealthy, Roosevelt concluded, would have to be increased.

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

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

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

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

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

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

The nation's strongest champion of a more equal America, in the meantime, would be unable to mobilize the public behind tougher tax measures. On September 8, 1935, Huey Long would be assassinated in Baton Rouge, one day after he boasted that only by enacting his Share-Our-Wealth program could they "keep me from being President — unless I die."¹⁹⁸ After Long's assassination, no politically potent attempt to up taxes on the wealthy would surface for

the rest of the 1930s. It would take a new war, as the decade ended, to force the nation to confront the appalling inequality of wealth and income that Depression-era politics had failed to adequately address.

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

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

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

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

In April 1942, about twenty weeks into the war, the President would send Congress the most radical tax initiative in American history. Roosevelt proposed a "supertax" on affluent incomes. Under this proposal for a "100 percent" tax, single persons with before-tax incomes of \$40,000 would be left with \$25,000 after standard tax rates had been applied. Any income above \$40,000 would be subject to FDR's new 100 percent tax. For married couples, the 100 percent supertax would kick in on all income over \$110,000.²⁰²

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

That appeal, to be sure, had its limits. On Wall Street, share prices would dip sharply after the President revealed his income-capping proposal.²⁰⁶ But

even some business leaders would rally to the President's proposal. "I think this will help to prevent the inflationary spiral," the president of the American Cotton Manufacturers Association, W. N. Banks, told the Associated Press.²⁰⁷

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

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

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

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

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

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

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

The war had equalized incomes. Americans liked the result.

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

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

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

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

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

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

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

“American labor,” the nation’s most visible union leader, George Meany, would pronounce in 1955, “has never had it so good.”²²⁵

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

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

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

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

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

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

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

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

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

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

Kennedy, in January 1963, would send Congress a proposal to cut America's income taxes across the board. The top rate on high incomes, 91 percent on income over \$200,000, would drop to 65 percent under the Kennedy plan.²³⁰ In February, Kennedy's secretary of commerce, Luther Hodges, would detail the administration's case. He heaped upon the House Ways and Means Committee

heavy helpings of statistics to buttress his argument that the administration's proposed tax cuts for average taxpayers would increase consumer demand and employment. He would, interestingly, present no comparable statistics to buttress the administration's case for high-income tax cuts. Congress would just have to take the claimed benefits from these cuts on faith.²³¹

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

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

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

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

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

AMERICA'S LONG MARCH TOWARD GREATER ECONOMIC EQUALITY, the defining phenomenon of the nation's mid-century years, ended sometime between the late 1960s and the early 1970s. No elected leaders, in these transition years, ever asked Americans if they wanted their country to become more unequal. Elected leaders simply began pursuing policies that made greater inequality inevitable. Tax policies. Budget policies. Labor policies. Banking policies. Antitrust policies. Trade policies. Decision by decision, a new American econ-

omy started to evolve in the 1970s, an economy that privileged rich people and the grand enterprises that generated their fortunes. All in the name of growth. If the nation provided the privileged enough incentives to innovate and invest, the architects of the new inequality assured the nation, the economy would grow. All would be well.

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

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

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

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

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

In 1977, New York Congressman Jack Kemp and Delaware Senator William Roth would drop the first bombshell. They proposed an enormous, unprecedented 30 percent, across-the-board cut in personal income tax rates. Under their proposal, the top tax rate on America's highest incomes would fall, over three years, down to 50 percent.²³⁷ Veteran political observers gasped. Tax

rates on rich people hadn't been that low since the start of the Great Depression. Kemp and Roth, most observers agreed, couldn't possibly expect Democrats, even the most fervid fans of "growth" incentives, to go along.

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

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

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

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

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

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

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

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

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

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

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

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

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

Two years later, in 1988, George Bush the elder would inherit the Republican nomination and campaign as the upholder of the Reagan tax cut

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

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

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

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

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

New public investment initiatives, outside of a few token efforts, would now be out of the question. In the plan President Clinton presented Congress in 1993, overall federal spending would be cut. Taxes on the affluent, at the same time, would be increased, from 31 to 39.6 percent on income over \$250,000. The Clinton administration would package this increase as a budget-balancing move, nothing more, nothing less. The wealthy, under the Clinton

plan, would see their income taxes rise, but they would still be paying less in taxes, much less, than they did before Ronald Reagan took office.

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

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

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

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

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

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

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

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

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

In the meantime, the political right would regain the offensive. In the 1994 elections, Republicans led by House Minority Leader Newt Gingrich painted the 1993 Clinton tax hike on the wealthy as "the greatest tax increase of all time" and regained control of both the House and Senate for the first time in

four decades. The Reagan boys were now back, ready for tax-scrapping bear. The entire federal progressive income tax, agreed the new House majority leader, Dick Armey of Texas, and the new chair of the House Ways and Means Committee, Bill Archer, another Texan, ought to be stomped into the dust.²⁵⁹

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

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

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

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

nesses — could pay off the tax owed in installment payments, over fourteen years, at below-market interest rates.²⁶⁷

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

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

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

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

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

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

Congress would pass the Bush plan anyway, late in spring 2001.²⁷⁶ The legislation, as finally enacted, would prove to be the most bizarre, complex, and confusing tax legislation ever enacted. The estate tax would be repealed, but only for 2010, after which the 2001 estate tax rates would come back into effect, unless, of course, the estate tax was totally repealed in the meantime.²⁷⁷ The already existing child tax credit would rise, then go back to its original level.²⁷⁸ The alternate minimum tax, a tax code provision originally enacted to make sure everyone paid at least some taxes, would sink between 2001 and 2004, a move that would help upper middle class families. But this relief would end in 2005.²⁷⁹ Meanwhile, the showcase of the Bush plan, a \$600 tax rebate, evaporated into the fine print. Only families making at least \$12,000 would get the full rebate. Half the bottom 60 percent of America’s income earners would receive no rebate at all.

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

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

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

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

In 2002, some Democrats would pick up on this theme. In the Senate, Edward Kennedy offered a plan to delay, not speed up, the tax cuts already in

the works for the wealthy. In the House, a group of representatives urged that the top tax rate be restored to 39.6 percent, its year 2000 level.²⁸³ “It’s a choice between bailing out billionaires at Enron or providing unemployment benefits for laid-off workers,” noted Bernie Sanders, the Independent congressman from Vermont. “If Democrats want to do anything this session, they have to have the guts to take on the tax cut.”²⁸⁴

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

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

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

Middle-income families with children would do somewhat better than that average, since the Bush plan did increase, by \$400, the income tax child credit. But that \$400 would be little consolation for families with kids in college. State budget cuts had already forced major tuition hikes at almost all America’s public colleges and universities. In New York, for instance, a week before lawmakers in Congress gave the Bush tax cut their blessing, state lawmakers had adopted a budget that boosted annual tuition and fees by \$950.²⁹⁰

More college tuition hikes, in New York and elsewhere, seemed inevitable. The new federal tax cut legislation did include \$10 billion in emergency aid to hard-pressed state governments for each of the next two years. But that \$10 bil-

lion didn't figure to help many states avoid new tuition hikes. State governments were facing an estimated \$100 billion budget shortfall just for 2003 alone.²⁹¹ GOP leaders in Congress, some observers contended, weren't interested in helping fiscally squeezed states. The \$10 billion in state aid, these observers pointed out, had only been added to the tax cut legislation at the last minute, as a desperate maneuver to win enough Senate votes to get the legislation passed.

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

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

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

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

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

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

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