

The Rich Get Richer...

Greed and Good: Understanding and Overcoming the Inequality that Limits Our Lives

by Sam Pizzigati, New York: The Apex Press, 2004

Reviewed by Mason Gaffney

In *Greed and Good*, Sam Pizzigati revives an old theme: “The problem is not production but distribution.” The book reminds us of our more egalitarian past, and past episodes of effective rebellion against disparities and dates the new idolatry of riches to 1981.

Now, strong entrenched forces, Pizzigati argues, will resist future efforts to level wealth and income. Recognizing the power of these forces, Pizzigati advances an ingenious proposal to enlist the rich on the side of the poor by capping incomes at 10 times the minimum wage. Under this “Rule of Ten,” he tells us, the rich could only get richer by helping the poor get richer and raising the whole structure of wage rates. Before scorning this idea hear him out, he has a lot to say, whether one favors his plan or some other.

In organization, *Greed and Good* is tripartite. Book One pokes holes in the case for greed, telling us that greed is not needed as an incentive, that it does not give people their just desserts, and that the wealth of the greedy is not needed to fuel payrolls, to support charity, or to finance culture. Book Two expands on the social costs of greed, arguing that greed makes enterprises ineffective, makes growth “gruesome” (sacrificing clarity for alliteration), spoils individual lives whether through poverty or excess wealth, divides us into classes, motivates pollution, and kills off democracy. Book Three advances Pizzigati’s “Rule of Ten.” All this takes 659 pages, in which Pizzigati supports his case heavily, and generally well.

The writing is readable without sacrificing responsibility, meaning, and content. The book is reasonably well documented, although it lacks a bibliography, and gives credit to several predecessors, as well as citing the work

of many contemporaries—some as foils, others for support.

The author ranges widely over the effects of maldistribution of wealth on culture, retailing, health, democracy, business administration, charity, industrial organization, research, speculation, crime, inner peace, professional standards, and victory in sports. Critics could never call him narrow, so they will say he is spread too thin. But he has much of value to say on each topic and keeps the reader engaged. He fills out his themes but moves right along logically and sequentially. He structures his work overtly into books and chapters, and also invisibly within each chapter. He may rant a bit, but he has a lot to rant about.

Pizzigati gives space to apologists for greed. They are foils, of course, but he presents their cases strongly and refutes them fairly, with facts and serious studies. Citing the foils lets readers know why Pizzigati has to devote space to topics that might otherwise seem like overkill. No fallacy is too transparent to have been advanced by some prominent apologist.

Book One, “Greed as an Incentive” explains how CEO pay became so indefensibly high, how some would rationalize it, and how weak and transparent their claims are. He shows, anecdotally, how many overpaid CEO’s mismanage and sacrifice their enterprises as incidents to raising their own rewards, inflicting collateral damage all around. But *Greed & Good* neglects every other role of incentives in making the economy work. The book says nothing about allocating resources to their best uses. “Capital” is not in the index; neither is “Land,” a classical source of unearned income and wealth. Nor are monopoly, cartels, rate regulation, vertical and horizontal industrial integration—the usual stuff of industrial organization. The sole target is executive pay. This deserves Pizzigati’s strictures, but not by itself alone.

“The Greedy as Benefactors” refutes three trickle-down claims.

First, it rejects the greedy’s claim that their wealth is what meets payrolls, makes jobs and raises wage rates, and lets peons choose shorter hours and earlier retirement. If that were so, the growing concentration of wealth and income since Reagan should have raised incomes and wage rates at the bottom and shortened hours. It’s been the opposite. Score one for Pizzigati. Next he opens a mock debate against “corporate cheerleaders” who claim, he alleges, that the lowest-income fifth are mostly immigrants, many illegal, and that native-born Americans are doing better than ever. But he doesn’t evaluate the claim, instead regressing to sarcasm addressed to the choir—a telltale tic of opinionated writing, one that he generally avoids.

Second, he shows that charitable giving as a fraction of wealth and income is down since the Reagan era, even as the rich grew richer. Turning to cross-sectional data, he next shows that richer countries contribute lower percentages of their income to charity than poorer countries. He goes on to show that when the rich do give, it is not to help the poor, but

to support their own cultural interests. In this, he makes a strong case. A third section, on culture and art, shows that private support is fading, even as wealth and incomes rise.

In Book II, “The Ineffective Enterprise” tells us that executives lead their firms into mergers to raise their own pay rather than for efficiency or synergy or serving customers or keeping faith with employees. In “Gruesome Growth,” the author runs insightfully through the history of how neo-classical and Keynesian economists—who merged in “The Neo-classical Synthesis”—substituted “growth” for fair distribution as a goal of economic policy. In contrast, he names a few modern economists striving to publicize studies showing that equal distribution begets more growth, contrary to complaisant growth men Kuznets and Okun.

“Excess without Happiness” rediscovers the wisdom of the sages. Many rich folks are miserable because others are still richer. They covet and acquire to no good purpose, damaging others and themselves together. Disparities of wealth make it harder to resist these inner demons of emulation. More prosaically, we also learn that growing disparities make retailers cater either to the top or the bottom of their markets, neglecting the middle.

“Professions without Pride” alleges that professions that used to set and enforce their own standards are now corrupted by business-orientation. Senior professionals who used to mentor their young now just exploit them. Corporate law and accounting are closest to the bad role models, and supply the worst examples. The virus has spread to professional medics now ruled by HMOs and drug firms. Non-profits are moving to top-heavy pay structures, as any professor or researcher can confirm. He might have added that among professors, grantsmanship now trumps scholarship.

“Sports without Winners” deplores commercialization of athletics. The flood of new stadiums, the author argues, is driven by a need for more luxury seating and corporate suites. Teams are losing their fan loyalty as they grasshopper around demanding subsidies. Competition and interest wither as the rich teams routinely rout the poor ones, except in football with its more “socialistic” model of sharing revenues. Pizzigati’s most challenging news is a study by Matt Bloom finding that skewed salaries go with worse team performance.

“Wealth without Health” shows that inequality per se damages health. Pizzigati finds much current heavyweight research in support. Using five different instrumental variables to relate health and equality—nations, states, metro areas, zip codes within NYC, and time periods in England—he finds: Japan, the most equal and socially cohesive advanced nation, has the longest life span. Costa Ricans, with only one-fourth the material income of U.S. Blacks, live nine years longer. Social cohesion, in communities that enjoy it, he notes, measurably improves physical health, even for the richest. *Greed and Good* does not deal with recent research by

Deary and Gottfredson claiming that instead of poverty causing bad health, low intelligence causes both—a new challenge, in the veins of Malthus, Sumner, and Herrnstein and Murray, for egalitarians to meet.

“The Fraying Social Fabric” surveys research on the effects of dividing us into haves and have-nots. The recent exaltation of Ronald Reagan shows how far most Americans are from realizing how deeply he wounded and divided this country. Pizzigati playing variations on the theme from Putnam’s “Bowling Alone,” notes the folly of targeting certain poor groups for aid, thus dividing them from other Americans and setting them up for target practice of another kind. He offers Denmark as a model of social dividends and services that help everyone, thus avoiding the kind of mean reaction the U.S. has undergone since 1981.

Pizzigati complains that a generation of researchers failed to note that Blacks have much less wealth than whites of the same income level and that this oversight blinded those researchers to the role of inheritance and wealth in determining school performance. He cites the important work of Dalton Conley, and Oliver and Shapiro.

Greed and Good takes note of how California descended from a middle class paradise into its present desuetude as its inequality grew. But the book doesn’t mention how Proposition 13 launched this tragedy, and that the state’s income tax rates rose during this rending of the social fabric. Also, he has just told us that the ratio of income to property is much higher for Blacks than whites. But even with this object lesson, he continues to laud income taxes and treat property taxes as a bane. As Winston Churchill noted, “Many a man stumbles across the truth, then picks himself up and hurries on as though nothing had happened.”¹

“A Dying Democracy” recounts the tale of how money dominates politics and the media but he overstates the novelty of it. Henry George published similar ideas in 1879, and then along came the Muckrakers. Pizzigati is taking a cyclical trend since 1981 for a secular one since 1879.

Book III, “An End to Greed,” lays out a reform program. It begins with an idealized view of early American history, mostly from a single source, James Huston, who owes too much to Crèvecoeur and nothing to Charles Beard, Augustus Myers, David Ellis, Paul Gates, or other chroniclers of skullduggery and robber barons in the 18th and 19th centuries. This chapter contains, however, a valuable survey of the history of federal personal income taxation and the cognate politics in the 20th century. It is worth reminding readers that in 1918 the nation’s top income tax rate was 77 percent—FDR did not invent progressive taxation.

In 1919 the Red Scare undid Progressivism, and Andrew Mellon then presided over three administrations that lowered tax rates and cut military spending. Not until 1935 did Huey Long and others push FDR into raising rates to soak the rich. World War II pushed the top rate up to 93 percent. Truman’s upset win in 1948 sealed in the high rates, but loopholes

burgeoned and McCarthyism silenced critics. John F. Kennedy and Lyndon Johnson lowered the top rate to 70 percent in 1964. But in 1981 the tide turned, and Reagan cut the top rate to 50 percent and in 1986 to 28 percent. In 1993, Clinton hiked the top rate to 39.6 percent, achieving a budget surplus, although in 1997 Congress cut the capital gains rate to 20 percent. Bush, of course, is lowering the top rates again drastically.

Pizzigati rejects ideas of asset-building for the poor to “level up” their wealth. He sees more virtue in leveling down the super-rich. He dismisses property taxes because they exempt stocks and bonds. This is a major blind spot for him, I think, considering that the wealth of corporations consists largely of taxable property. It also should make National Education Association leaders search their souls, considering the traditional dependence of public schools on property taxes. At any rate, Pizzigati sets us up well for his proposed “Ten Times” rule as the sole reform worth considering. It’s a logical expository sequence, but seems a bit dogmatic.

“A maximum wage?” expounds his “Rule” of capping incomes at 10 times the minimum wage. He ranks income on a chart. The curve of heights slopes smoothly upwards until the 97th percentile, when it turns steeply upwards—this from Sidney Carroll and Herbert Inhaber. This kink occurs, perhaps too conveniently, at 10 times the minimum wage. Pizzigati would tax away all incomes over that level.

Greed and Good contains so much good material, it is worth my suggesting some improvements. The author can get by without defining “greed,” but he needs to define income. Not doing so lets him seesaw between comprehensive income, the proper and relevant concept, and a narrow concept that nearly identifies income with wages.

Comprehensive income, his target here, includes all capital gains, which account for most of the disparity that is the book’s core subject. The Commerce Department explicitly excludes these gains from its National Income and Property Accounts (NIPA), a tendentious outrage that Pizzigati should be the first to expose and condemn. Comprehensive income also includes the imputed value of owner-occupied “housing,” a term that includes the multiple homes of the rich, and all land the owners use, or simply hold, for “recreation,” a term limited only by the imaginations of the super-rich.

Sam Pizzigati has given us a good and useful book. If he connected the dots better it would be a great book. 

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