

**Joan Shorenstein Center
on the Press, Politics and Public Policy**
Discussion Paper Series

#D-75, September 2012

**Rebelling Against the Rich:
Lessons from the media's coverage of the 1% divide**

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I: Introduction

Alexis de Tocqueville, arguably the first investigative journalist to ply U.S. soil, famously chronicled American society's love of equality—and its equally passionate pursuit of money. “The love of wealth,” the French historian wrote in 1848, “is... at the bottom of all Americans do.”¹ Forty years later, the Scotsman James Bryce also noted our “worship of wealth. The amazing fuss which is made about very rich men, the descriptions of their doings, the speculation as to their intentions, the gossip about their private life...He who builds up a huge fortune, especially if he does it suddenly, is no doubt a sort of hero, because an enormous number of men have the same ambition.”² America stands out among Western nations for its grudging, and often fawning, admiration for the wealthy classes it produces. With the road to riches seemingly wide open, Americans favor aspiration over resentment, envy over animus.

Except when they don't.

Rebellions against the rich—picked up and magnified by a usually sympathetic media—are as much a part of the fabric of American life as the Horatio Alger myth. In 2011, the nation still struggling under the weight of the Great Recession, the media became consumed with a modern-day version of economic populism: The “one-percent” divide. Over the course of just a few months, a series of protests calling itself “Occupy Wall Street” succeeded in captivating reporters and drawing the nation's attention to the growing disparity between the rich—the top 1% —and 99%, the rest of the country.

Before these protesters, encouraged by the Canadian activist group Adbusters, set up camp in New York City's Zuccotti Park on September 17, 2011, few in the media took notice of a growing body of scholarly research showing that America's rich are getting richer, even in years when middle class incomes stagnate. The protests embedded “one percent” into the standard media lexicon; it is now a short-hand way to profess worry about the plight of the middle class and poor.

The phrase “one percent” is, in itself, an evocative media image. The two words crystallize the chasm between the “have's” and the “have-not's,” dividing the rich from...everyone else. The 99% doesn't just mean the poor or the unemployed or even the hard-hat crowd—it includes the vast middle class of blue collar and white collar and pink collar. It's the 99% that defined

America's post-World War II economic might and remains the target of any politician serious about capturing the Oval Office. Democratic candidate John Edwards strayed from this formula with a focus on the poor in 2008, and was unable to gain a footing against two strong primary opponents (even before his ignoble fall from public grace).

In 2011 and 2012, the "one-percent club" is shaping the contours of political reporting on a looming election, as President Obama, initially wary of the Occupy protests, borrows its populist themes for his re-election message. It has also come to define much of the reporting on fiscal policy, with the question of whether the rich are paying their "fair share" of taxes dominating news coverage and the debate in Congress.

By 2012, it had become fashionable in the media to fret about the rising rich and income inequality—even as the concentration of income at the top had already begun to ebb. But fashionable isn't knowledgeable. The media always struggles with complex issues that defy tidy prescriptions—and this one is no exception. Media coverage has largely avoided the difficult task of mining scholarly research to tell a more nuanced, and less entertaining, story of what is happening in the U.S. economy. It's easier to demonize the rich, America's supposedly greedy and gloating "fat cats," a familiar term that has spilled out of the terrain of tabloids and cable news.*

Full disclosure: As a columnist writing at the intersection of politics and the economy, I'm deeply worried about the future of what we typically call the "working class," particularly men, whose incomes are sliding. In *Fortune*, I've written about the distressing fact that 20% of men in this country aren't working—they are either collecting unemployment or disability, or getting by on the incomes of wives or girlfriends or parents.³ The comparable number in 1970 was 7%,⁴ and I don't believe any of us—in the media or politics—have fully come to grips with what this trend means for American society. Moreover, social scientist Charles Murray has documented this as a phenomenon that largely predates the financial crisis: One out of eight white men in their prime (ages 30-49) had dropped out of the workforce by March, 2008—meaning they were

*Our survey shows the term showing up nearly 300 times in 2011 U.S. news coverage, though it's hugely more prevalent in European and U.K. newspapers.

unemployed *and* had stopped looking for work at a time when the jobless rate was only 5%.⁵ The numbers are higher for black and Hispanic men.

On the political side, I share the worry that our nation may be facing a future where citizens are growing more divided and isolated from one another. During the post–World War II decades, a period of extraordinary income equality that economists label the Great Compression, Americans had a relatively common, and unifying, set of incentives and values that ultimately served the nation well through the tumult of the ‘60s and the Vietnam War. Part of that shared value system was a deep and rooted belief in social and economic mobility—a belief powerfully articulated today by President Obama, the biracial son of a single mom.

One can ask whether families wealthy enough to order medical services from a personal concierge, and connected enough to plot an Ivy path for their children, can really empathize with the everyday struggles of most Americans. Alternately, one could ask, from the perspective of the ladder’s lower rungs: What does a yawning divide do to incentives to better oneself? “If people never think of themselves as moving up and out [of their circumstances], does that then strike at pluralism, democracy, the heart of who we are?” asks Harvard economist Claudia Goldin, co-author of a landmark study on income inequality.⁶ “For much of our history, virtually everyone who made it to the top was not aristocratic, not a member of the baronial class, so we rather applauded wealth.”⁷

It’s tempting, then, to link these real worries about social mobility and inequality to the economic fact that the rich are getting richer. The media narrative tends to be one where a villainous “one percent” is getting richer off the backs of the poor while failing to pay its fair share of taxes. This is a *déjà vu* narrative, driven by the themes of an economic downturn and presidential election season: As I will show later in this paper, this same plot-line—co-bylined by journalists and the politicians they covered—unfolded in 1935 and in 1992. Indeed, as I will show, the specific story of the “one percent” has played out once before in the media, surprisingly recently—and, like today, was tied to a presidential campaign and sour economy.

Despite that history to draw on, the media replays a simplistic narrative. To the consternation of economists, the subject of the one-percent club is typically treated, mistakenly, as a zero-sum game: The rich gain only if the middle class loses. Harvard’s Lawrence F. Katz,

co-author with Goldin of the book, *The Race Between Education and Technology*, has made a telling calculation. Imagine if the Occupy protesters got their way, and the federal government confiscated all of the one-percent club's increased share of income since 1979—and then redistributed the money to everyone else, the 99%. Each household would gain \$8,245, an 18% increase in annual income (in 2007 dollars).⁸

Sounds pretty sweet? But consider a more politically viable alternative—a college degree for anyone in the 99% who doesn't already have one. There, the gains would be \$20,000 for men—more than twice the confiscated sum—and \$13,000 for women.⁹ “The reason income distribution has gotten more skewed is because the returns on a college education have increased so much,” argues Goldin, touching on one of the many complexities involved in covering inequality as an issue.¹⁰

Only the most careful reader of news columns would know that the growing concentration of wealth at the top isn't a recent development; in fact, it dates back to the late 1970s. It took off during the 1980s, a decade the media routinely described as the greedy, gilded Reagan era. But it continued under President Clinton's, with the dot-com bubble of the 1990s, even though that decade is typically portrayed as an age of prosperity, not greed. As Steven N. Kaplan, economist at the University of Chicago's Booth School of Business notes, “inequality in 2009 is actually lower than at any time during Bill Clinton's second term.”¹¹ And, according to the liberal Institute for Policy Studies, the gap between CEO and worker pay peaked under Clinton at a ratio of 525 to 1.¹²

Nor would consumers of today's media be much exposed to the fact that we are actually churning out *more* millionaires and billionaires. In other words, more people are getting rich (one study says U.S. millionaires will double by 2020),¹³ not fewer. According to a study by the Spectrem group, the number of households with assets over \$1 million, excluding primary residences, increased by 600,000 in 2010 alone, to 8.4 million.¹⁴

Why are the rich getting richer? On this fundamental question, there is only cursory coverage. For example, one factor—rarely cited in news columns—is that more women are obtaining advanced degrees, and making more money—and then marrying men with similar achievement levels. According to the study by Williams College's Jon Bakija, Indiana

University's Bradley T. Heim and the Treasury Department's Adam Cole, one-percent households reporting an employed spouse rose from 25% to 38.4% between 1979 and 2005.¹⁵ Increasingly that spouse tends to be (no surprise) an executive or medical professional. Type-A personality women tend to marry like-minded men—social scientists dryly call this “assortative mating”—and further skew income at the top.

Nor would the average reader or viewer have been offered a full accounting of the global and technological changes that pump up the salaries of super stars in a range of professions: Call it the Yo-Yo Ma effect. In 1600, the famous cellist would have reached his career peak by playing for the King. Now he can stage concerts all over the world, with commensurate earnings. Apply that to the in-demand skills of bankers or consultants, lawyers or doctors—or hungry entrepreneurs who are plying new markets overseas. “People with real skills have a grow-able market,” notes Harvard Business School professor and author Michael Porter.¹⁶

Yes, it's true, as the media often notes, that CEO salaries have risen astronomically since 1980; they've also dropped 40% since 2000, according to a study by Kaplan.¹⁷ And it's true there are more one-percenters in careers associated with the lucrative business of moving money around (i.e. Wall Street—the original target of the protests). But that's only part of the story—13% of the club.¹⁸ According to the Bakija-Cole-Heim study, the one-percent club includes nonfinancial executives (30%), doctors (14%) lawyers (8%), as well as computer engineers, salespeople, real estate traders, and, of course, celebrities in sports, entertainment and the media.¹⁹ In his book “Richistan,” Robert Frank notes the prevalence of entrepreneurs and “stakeholders,” executives able to cash in when a company goes public.²⁰

We should also know that members of the one-percent club are younger than ever and less likely to inherit their money; the club, meanwhile, isn't fixed membership—its members come and go—and their wealth is actually quite volatile, much of it tied to the stock market and assets like real estate. The graphic below captures the volatility in examining share of income.²¹

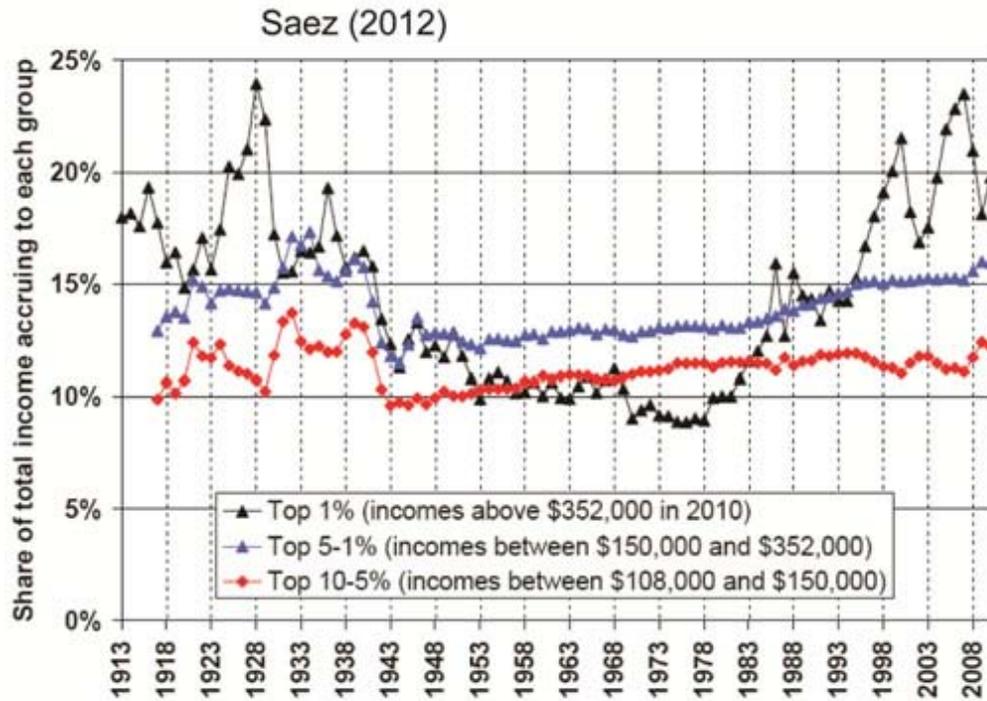


FIGURE 2
Decomposing the Top Decile US Income Share into 3 Groups, 1913-2010

Likewise, you wouldn't know it from the way the argument dominates tax debate in the media but "tax policy has very little to do with this increasing concentration at the very top," says Heim.²² Many of the studies showing that the rich have gotten richer look at *pre-tax* income; but that didn't stop the *Washington Post* citing tax policies as a principle reason "the gap between the wealthy and the rest of the country is widening dramatically."²³ The same story asserts that "the richest Americans pay lower overall tax rates than middle class Americans do." But is that really true?

Of course, if you followed the dust-up over Republican presidential candidate Mitt Romney's income taxes, you probably think the average wealthy person pays lower tax rates. In fact, inside the one-percent club, Romney's 14% rate is the exception, reflecting lower taxes paid on investment income. The super-rich, those in the 0.01% who live off investments, often pay lower rates. But the average tax rate of the one-percent club in 2007 was 29.5%, according to the Congressional Budget Office, nearly twice that of the middle class—just as our progressive tax

code is designed to do.²⁴ “Our tax code is actually quite progressive,” says Robertson Williams of the nonpartisan Tax Policy Center.²⁵

It may be a good idea to raise taxes on investment income for the rich but voters deserve to know the full picture. In fact, a range of economists worry that raising the tax rates on capital gains could impede investment, especially in a struggling economy. Others say only the rates on the super-rich, but not everyone else, should be raised, or that rates on long-term, rather than short-term, investments should be more generous. Instead of giving these arguments their due, the *Washington Post* story cited above selectively highlights sources to make the sweeping statement that evidence for the theory that rate hikes would discourage investment “is murky at best. What is clear is that the capital gains tax rate disproportionately benefits the ultra-wealthy.”

On the other side of the income spectrum, only a few dogged reporters have taken on the grueling and difficult task of examining why middle incomes are stagnating. There is a treasure trove of scholarly studies to draw on, including those by Katz and Goldin on how educational gains have slowed in the face of technological advances.²⁶ Other economists blame the availability of cheap labor overseas, and the decline of unions here, for depressing U.S. wages. Carnegie Mellon University’s Allan Meltzer notes the simple fact that “adding a few hundred million Chinese and Indians to the world’s productive labor force after 1980 slowed the rise in income for workers all over the world.”²⁷

Even fewer journalists have tackled cultural contributors raised by scholars on the right and left: high (and growing) rates of children being raised in single-parent homes, for example. Conservative social scientist Charles Murray has documented this in his book *Coming Apart*.²⁸ That’s a trend that has also caught the attention of scholars like Harvard’s Robert Putnam, who describes “gaps that didn’t exist decades ago but are widening at an alarming rate today” — and are reinforced as wealthy parents spend more time with their children, offering them both more educational opportunities and extra-curricular activities.²⁹

Instead, most of the media treats the one-percent club as a form of politico-tainment. Those millions of Americans who tuned into a favorite cable channel for their politics experience in 2011 heard talk of “fat cats” and “corporate greed” on MSNBC or “class warfare” on its

ideological foe, Fox News. Read your local newspaper and you're told that the category of "rich" starts at an income level of \$250,000 (the household income of a pair of government workers in Washington or Manhattan) and ends somewhere around Bill Gates, who is worth \$61 billion—as if these two should be treated alike. How is that helpful?

Just as there are good rich eras (the '90s)—and bad ones (the '80s) in this simplistic media narrative, there are also bad rich presidential candidates—and less bad rich presidential candidates. Our survey of some 600 news sources found that Republican Mitt Romney's wealth was a target (between January 2011 and March 2012) in 30% more stories than Democrat John Kerry's wealth during the same period in the 2004 campaign.

Ever since the great slosh of money began in the early 1980s, when *Forbes* listed its first billionaire (there are now 425 in the U.S. alone), journalists have demonstrated a talent for colorful descriptions of conspicuous consumption. In the 1980s we read about John and Susan Gutfreund's \$12,000-a-week habit of weekend Concorde jaunts to Paris,³⁰ and Gayfryd Steinberg's million-dollar birthday bash for husband Saul—featuring identical twins as mermaids in the pool and birds in an antique cage.³¹

Likewise, reporters are skilled at stirring public outrage. CEO salaries and Wall Street bonuses long ago spilled off the business pages and into the general media. And as the 2008 financial crisis unfolded, intrepid TV reporters caught auto executives sneaking into Washington on private planes to beg Congress for a bailout.³² Journalists are also adept at chronicling the rise and fall of the super-rich, notably Michael Milken and Ivan Boesky—"the two faces of greed"³³—in the 1980s to today's Blackstone Chairman Stephen A. Schwarzman, the "designated villain of an era on Wall Street"³⁴ and Goldman Sachs CEO Lloyd Blankfein, dubbed by one magazine as "Dr. Evil"³⁵ and another as "the poster boy for out-of-touch bankers."³⁶

The one-percent club has become a powerful symbol in today's political media because it's built on a powerful economic reality, which is this: The rich today *are* richer than in the past, and their percent of the nation's income has grown. In the late 1970s and early 1980s, the one-percent club earned about 10% of the nation's income.³⁷ By 2007, it was 23.5%, the second-highest in history after 1929.³⁸ (Though by the time the Occupy protesters showed up, it had

actually dropped—to 17%; recessions and depressions aren't kind to the rich). Cost of admission to the one-percent club varies by year—in 2012 it was \$352,000—but typically ranges between \$300,000 to \$400,000 a year.³⁹ †

We've seen a shortened version of the 99-1% media narrative play out once before in modern times—after the end of a decade that *The New York Times* labeled a “Gilded, Impudent Age,” and, as in 2011, during a time of economic distress.

II: The 1% Club Is Born

On a March morning in 1992, the Democratic presidential primary in full swing, a front-page *New York Times* story caught the attention of candidate Bill Clinton, then facing a competitive and crowded field. Two weeks earlier, Clinton—despite being dogged by Gennifer Flowers' accusations of an extramarital affair—had managed to emerge with a strong second-place win in the New Hampshire primary, behind only Paul Tsongas of neighboring Massachusetts. The media labeled him the “comeback kid” and in five days the former Arkansas governor would sweep most of the Super Tuesday states.

Clinton, ever the policy wonk, was already on the prowl for ammunition to broaden his appeal with independent voters in a general election against President George H.W. Bush, whose approval ratings were tipping into the negative after a burst of post-Persian Gulf War popularity.⁴⁰ Clinton was a centrist, a Southerner who had guided the Democratic Leadership Council, a think tank dedicated to reclaiming the soul of a party whose left leanings meant bruising defeats in 1984 and 1988. More than anyone, Clinton understood that a Democratic victory in November required winning back the middle class.

† Economists use different ways to calculate who belongs to the one-percent club, and what share of U.S. income or wealth they control. Most studies use income numbers, not net worth, even though the latter may seem a more satisfactory measurement. That's because IRS data is considered more reliable than data on net worth, which typically rely on surveys. Regardless, the outcomes are similar—both showing a rising concentration of wealth at the very top. One study showed the top 1% by net worth—in 2011 you needed \$8.4 million to qualify— took in 16% of all income. And the widely used Gini index, named for the Italian statistician Corrado Gini, shows that income inequality has increased in the U.S. and most European countries since the 1970s. A notable exception is Greece. (Robert Gebeloff and Shaila Dewan, “Measuring the Top 1% by Wealth, Not Income,” *New York Times Economix Blog*, January 17, 2012. <http://economix.blogs.nytimes.com/2012/01/17/measuring-the-top-1-by-wealth-not-income/>)

He was already making the argument on the stump that the Reagan '80s were a boon for the rich, a wash for the middle class. Kevin Phillips' book *The Politics of Rich and Poor*—which made that very same case—had hit the best-seller lists the year before.⁴¹ Then, on March 5, 1992, *voilà*: Clinton spotted *The New York Times* headline: “The 1980s: A Very Good Time for the Very Rich.”⁴² The article asserted that the “richest 1 percent of the American families appears to have reaped most of the gains of the last decade and a half.”⁴³ The piece, by Sylvia Nasar, continued: “An outsized 60 percent of the growth in the average after-tax income of all American families between 1977 and 1989...went to the wealthiest 660,000 families, each of which had an annual income of at least \$310,000 a year, for a household of four.”⁴⁴

Clinton latched onto the dramatic 60% number, and within days was using them in his stump speech, thundering about the “forgotten middle class” and unfair gains of “the rich.”⁴⁵ It was a pitch most voters hadn't heard in a generation. As the *Times* noted, “Clinton is one of the few presidential candidates since Truman to woo the middle class by pummeling the rich.”⁴⁶ Thus was born modern America's fascination with, and worries about, the one-percent club.

Only, just as today, it wasn't that simple. The original *New York Times* story cited the Congressional Budget Office, Congress' research arm, as its source.⁴⁷ In fact, while the CBO had provided numbers, MIT economist Paul Krugman had crunched them. Virtually no one had noticed Krugman's numbers when he offered them up before a congressional committee a month earlier. But on the front-page of *The New York Times*, a presidential election in full swing, they landed like a political stink-bomb inside the GOP tent. Krugman was quoted in paragraph four, noting that productivity has increased since 1977 and asking: “Where did all that extra income go? The answer is that it all went to the very top.”⁴⁸

His assertion that the rich, like bandits, had made off with 60% of the income gains in the 1980s, called into question the entire premise of a booming Reagan economy. And the Republican administration, backed by free-market economists, begged to disagree with his conclusions—loudly. The Bush Treasury Department released a study disputing Krugman's math and noting that he was hardly an unbiased source; the economist had written a book critical of Reaganomics.⁴⁹ CBO director Robert Reischauer distanced himself, telling the *Wall*

Street Journal “there was no CBO study. It was Paul Krugman sort of manipulating some numbers that we had given to the Ways and Means Committee in December.”⁵⁰

Wall Street Journal editorial writers called Krugman’s calculations “child abuse of [CBO] income statistics.”⁵¹ Other Krugman critics said he failed to adjust for family size (after which the 60% number drops to 44%) or to take out capital gains, which often reflect one-time windfalls—like a home sale (reducing the number further to 33%).⁵² Krugman retorted—in the *Journal*—that there has been an “unprecedented increase in inequality since the 1970s” and cited a range of other studies bolstering his point.⁵³ He accused his Republican critics of trying to “shoot the messenger.”⁵⁴

No doubt one impact of this insiders’ contretemps was to warn journalists of the dangers of wading into such a politically sensitive statistical quagmire. Still, a number of news pieces attempted to approach the issue with balance and care. The *Wall Street Journal*’s David Wessel noted that while the rich are doing better than everyone else, “it’s a myth that the superrich are a static group of old-money families like the du Ponts and Rockefellers....The top 1% changes from year to year...so the economic gains of the 1980s was spread over many more people than the 2.5 million who constituted the top 1% in any given year.”⁵⁵ He also parsed Krugman’s number-crunching, noting that the economist had arrived at the eye-catching 60% figure by trying to “strip the statistics of income growth that occurred due to population growth alone, an exercise no one had previously attempted.”⁵⁶

Even the first, explosive *New York Times* piece attempted to dispassionately explore the factors behind growing concentrations of wealth at the top and, indeed, gave Republican economists a voice—though in the second half of the story. That story cited conservative Federal Reserve governor Lawrence Lindsay on the transience of the one-percent club—“the probability that you’re looking at the same people at the start or end of a decade is very small. If the top 1% is getting richer, it means there was a lot of upward mobility in America during this period.”⁵⁷

A second *Times* piece—describing the political fallout from the first *Times* piece—described Bush economic adviser Michael J. Boskin as “livid” over the Krugman claims (which he described as “propaganda not data”) and allowed him to explain.⁵⁸ “It’s much more important

for economic policy to promote growth in family incomes than to redistribute it,” Boskin said.⁵⁹ The story also quoted Reagan budget official Lawrence Kudlow saying the worst of the inequality was built up from 1977 to 1981, not under Reagan.⁶⁰

Nevertheless, the die was cast with the first, attention-grabbing *Times* headline and page-one assertion that the one percent had gobbled up most of the decades’ prosperity. That was what set the template for the 1992 debate over the legacy of the Reagan-Bush economy. That spring, a Democratic-controlled Congress took up the populist pitch, and passed a bill to impose a surtax on millionaires and punish companies that paid their CEOs more than a million dollars.⁶¹ (President Bush vetoed it.)

During a mild recession, and in the hands of master politician Bill Clinton, the one-percent symbol reinforced the Democrat’s attacks on Bush as a rich man out of touch with ordinary Americans. The incumbent president already was being ridiculed in the media as the prep-school-educated, son-of-a-senator who, at a recent campaign stop, had been “amazed” to discover the existence of grocery store scanners. (In fact, the source of that scorn was a questionable *New York Times* account—widely disputed by other reporters at the president’s side during that grocers’ convention.) Nevertheless, the imagery—combined with the after-effects of a recession, and a tax hike that angered his GOP conservative base—helped cost Bush his job.

III: A Brief History of America’s Rebellions against the Rich

Of course, this wasn’t the first—nor of course the last—time the media and politicians joined forces to target the rich at a time of economic distress. Wealth would be celebrated, and then derided, and then declared dead, in regular cycles. “The massive fortunes of the Pittsburgh millionaires of the 19th century and the Detroit millionaires of the ‘20s are a phenomenon not likely to be repeated,” the *Times*’ Joseph Nolan confidently wrote in a bit of media wrong-headedness⁶² that would be repeated at the end of the 1980s—and again today.

Concerted assaults on the rich first began appearing in the U.S. media in the late 1800s. During that period, “historians chronicled the rise of monstrous fortunes, and the periodical press in article after article exposed the loss of republican simplicity and equality,” notes James

L. Huston in his 1765-1900 study, "Securing the Fruits of Labor."⁶³ Huston cites one representative article from 1897 which declared that "great individual wealth is an anti-social interest."⁶⁴

Of course, the Progressive era emerged out of this period, a time when political leaders and the media targeted not just individual wealth but vast corporate power and abusive labor practices. The Progressive Era has produced hundreds of studies and books, and any attempt to examine it in this paper would come up short.

However, I should note that this same period gave rise to the foundations of any attempt by the media to examine wealth and income inequality—that is, statistical measurement. In 1915, Wisconsin statistician Willford I. King issued the study *The Wealth and Income of the People of the United States*, which calculated that the richest 1% of America controlled about 15% of the nation's income.⁶⁵ King would go on to become a central figure at the National Bureau of Economic Research—the main repository of statistical efforts to measure national income. (The NBER was also home to Simon Kuznets, who created the concept of GDP and how to measure it; as well as a "technical consultant" named Milton Friedman.) As politically explosive as income inequality is, there's never been consensus over how to measure it (as the 1992 Krugman dust-up suggested). In 1945, NBER research director Wesley C. Mitchell dryly noted that "outsiders scowl at the subtle and involved discussions they must wade through to find out why authorities produce estimates [on national income] that differ by tens of billions of dollars."⁶⁶

Still, by the mid-30s, income inequality was much on the mind of President Franklin D. Roosevelt, and he issued a directive calling for a fresh study on the distribution of income. This was a new chapter in his presidency, and, ironically, came at a time when the rich weren't faring particularly well. As Robert Frank notes in his book *The High Beta Rich*, the Great Depression slashed the number of millionaires by more than 85%.⁶⁷

In mid-1935, a re-election campaign looming on the horizon, FDR surprised reporters and members of Congress by issuing a broad-sided attack target on "great accumulations of wealth."⁶⁸ His answer to the problem: Tax 'em. In a July address before Congress, he proposed

an inheritance tax, a surtax on the rich, and increased taxes on big corporations. (He would later joke about the ensuing legend that he like to eat “grilled millionaire” for breakfast.)⁶⁹

The New York Times dutifully reported the tax debate in Congress over whether the tax bill was a “soak the rich” initiative or, as one senator summed up the FDR argument, a “share-the-burden-of-government-program.”⁷⁰ The newspaper was complimentary toward FDR’s new turn, noting an increasingly coherent political philosophy that “holds to the theory of freedom of opportunity, with the corollary inference that too much concentration of wealth and economic power mitigates against this freedom.”⁷¹

Toward the political figure largely responsible for FDR’s surprise targeting of the rich, the press was outright hostile. Senator Huey Long of Louisiana (who proclaimed “amen!” to the president’s tax plan) regularly asserted that 4% of the country controlled 85% of its wealth. He launched his “Share Our Wealth” movement with a plan to cap personal fortunes at \$50 million, limit annual income to \$1 million, and limit inheritances to \$5 million—while guaranteeing every family an annual income of \$2,000 (then about one-third the national average). Long’s movement, driven by national radio broadcasts, was growing, with estimates of seven million members. Alan Brinkley has described the movement as a “shifting, volatile, loosely structured movement...whose members gave only conditional loyalty to their leader, and one whose roots were far more local than they were national.”⁷²

In other words, the populist message resonated—regardless of its problematic leader. Long announced an independent run for president against FDR, along with mounting a campaign for delegates to deny the president the support he needed for a nomination at the convention. Long was never warmly welcomed in the media, which routinely labeled him “the Louisiana dictator.” And his Save Our Wealth message was equally derided. The *Times* trumpeted the Senate Majority Leader’s denunciation of Long’s plan as “communistic,” “utopian,” and a “menace to the nation.”⁷³ “In the end [people] will realize his duplicity and recognize the deceit that has been practiced upon them,” said Senator Joseph T. Robinson.⁷⁴

The *Times* firmly rejected any form of populism more radical than FDR’s tax bill. In a June 1935 piece headlined “The Drums of Populism Are Heard Anew,”⁷⁵ the writer described the Depression-era populists as “naïve so far as economics is concerned, suspicious always of great

wealth, they are given to stanch faith in whatever appeals as good common sense, whether expressed by a cracker-box philosopher or by a political rabble-rouser.”⁷⁶ As it turned out, neither the *Times*, nor the president, needed to worry: In the fall of 1935, Long was assassinated—and the radical populist threat to an FDR re-election receded.

IV: Rebellions against the Rich Return: The Late 1980s

More than half a century later, it would be the media—even more than politicians—leading a full-throated rebellion against the growing ranks of the rich. Best-selling author Kevin Phillips dubbed the 1980s the “Second Gilded Age,” and the label stuck. Starting in the late 1970s, the incomes of the rich had begun to outpace everyone else. Phillips chronicled the trend: “Between 1979 and 1989 the portion of the nation’s wealth held by the top one percent nearly doubled...The gap between the rich and everyone else was yawning to widths unseen since the 1920s and 1930s.”⁷⁷

Deregulation, particularly in finance, and the start of a high-tech boom meant a lot of people getting very rich very fast. Dropping interest rates in the second half of the ‘80s prompted a wave of takeover deals, especially leveraged buyouts. Profits from finance, insurance and real estate soared, eclipsing profits from manufacturing.

CEO pay, increasingly linked to the stock market, would jump an average of 171% over the course of the decade, according to a Hewitt study cited by *Fortune*.⁷⁸ The decade started with one billionaire—and closed with 58.⁷⁹ *Fortune* estimated that there were probably a thousand other households in the \$100 million range.⁸⁰

This was a big change from the post-World War II period, when the rich actually lost ground, as measured by the percent of the national wealth they held. In the 1950s and ‘60s, America had been at peace with the wealthy classes—largely because there weren’t all that many super rich, and those who had millions didn’t flaunt them. As Robert Frank notes, “In 1955, only 276 people made \$1 million or more.”⁸¹ By the 1960s, the grand old mansions of the pre-Depression era, with their staffs of butlers and cooks, had fallen into disrepair. There weren’t many rich people around to rebel against a top tax rate of 90% (and fewer still foolish enough not to figure out how to avoid paying it).

During the 1980s, that changed with head-spinning speed—though this new generation of butlers needed to be more adept at programming entertainment systems than clipping cummerbunds. Wealth came fast and furiously rather than being built over a lifetime; Frank dubbed the new rich “instapreneurs.”⁸² In 1986, there was much media fanfare over Chrysler CEO Lee Iococca’s \$20.6 million salary, a figure that made him the highest paid executive in America.⁸³ But that was chump change compared to Michael Milken’s compensation the following year—\$550 million.

Milken’s pay was so mind-boggling that reporters outbid each other to produce the most illuminating description of “wages even Wall St. can’t stomach,”⁸⁴ as one headline put it. “Every minute of every day and night,” the *Times* wrote, “Mr. Milken earned about \$1,046. From the time he got to work at 4:30 a.m. until he had lunch at his desk, he had earned enough to purchase a handful of Rolls-Royces.”⁸⁵ (Though Milken actually lived a relatively modest lifestyle in the San Fernando Valley and didn’t drive Rolls’s).

The super-rich made for entertaining copy. In fact, though, lots of people were making lots of money in the 1980s—more than a million households in the 1% club alone.⁸⁶ According to census data using 2009 dollars, the top 20% of income earners enjoyed a 20.3% increase in income.⁸⁷ Everyone else gained, too, though not as much—from 6.3% at the bottom to 10.5 in the middle.⁸⁸ In addition, there was tremendous mobility—among the poor, middle class and rich—between income categories, as *Fortune* noted in 1988.⁸⁹

But the media face of wealth was largely limited to figures like junk bond king Milken, who would go to jail for securities fraud, and arbitrageur Ivan Boesky, who famously told a group of business students in 1985 that “greed is all right,” becoming the model for the big screen’s amoral Gordon Gekko in the movie *Wall Street*. When the stock market crashed in 1987, *The New York Times* wrote a gleeful, page-one obituary for this “impudent age.”⁹⁰ “It will be seen as the end of good, wild times, and a return to reality,” author John Brooks told the reporter.⁹¹ Historian Arthur M. Schlesinger Jr. said the market collapse “crystallized people’s discomfort with the unbridled pursuit of self-interest.”⁹² A more accurate prediction of America’s consumption habits might have been made by scanning the ads surrounding the story: \$8,800 minks (on sale from \$16,500); \$3,900 Bulgari bracelets; Baccarat tree ornaments.⁹³

Of course, the stock market bounced back—but not journalists’ collective mood about the decade, nor great accumulations of wealth. When a recession hit in mid-1990, more obituaries for the conspicuous consumption of the ‘80s were written. *Fortune* chronicled the 1990 elections as “an intriguing glimpse at Americans’ new, harsher attitudes toward wealth and those who have it.”⁹⁴ The magazine predicted a “brewing revolt against the rich” and the possibility of a “post-affluent society.”⁹⁵ One marketing executive described “America’s fatigue with excess.”⁹⁶ Another predicted that the decade of “self-indulgence” was over, and described Americans as “much more thoughtful than we’ve seen them in years.”⁹⁷

“Thoughtful” might be a better way to describe the inventive new ways that well-off Americans were already dreaming up to make—and spend—their growing pots of money.

V: At Peace with the 1% Club: The 1990s

The presidential candidate who complained about a growing divide between the rich and middle class became the president who presided over a decade where the ranks of millionaires and billionaires multiplied—and inequality continued to grow. Especially during Clinton’s second term, the tech bubble building, the 1% club was pulling away from everyone else. As noted earlier, CEO salaries peaked under Clinton, and wealth concentration reached the same level as 2007.

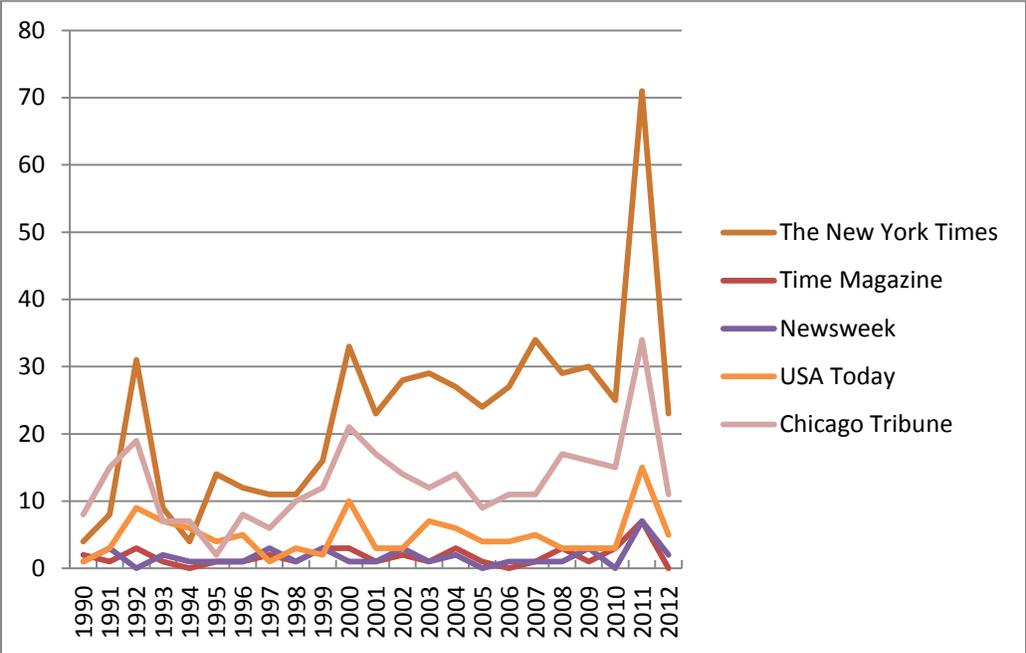
In the eight years after 1995, the number of millionaire households more than doubled, according to Federal Reserve numbers, as did the super-rich categories of \$10 million, \$20 million and \$50 million.⁹⁸ As Frank notes, “Never before had so many Americans become so rich, so quickly.”⁹⁹ Wrote *Forbes*’ Dinesh D’Souza in 1999: “Once the wealthy seemed to cluster in places like Beverly Hills or Manhattan’s Upper East side...Now the rich are everywhere.”¹⁰⁰ D’Souza’s editor playfully headlined his piece: “The Billionaire Next Door.”

But as D’Souza noted, “Our 1990s wealth is seen as more virtuous than the 1980s wealth.”¹⁰¹ Perhaps that was because much of it was made off the production of familiar and useful computer technology—rather than the art of moving money around. Perhaps it was because, as D’Souza notes, the new, increasingly youthful rich went out of their way to be philanthropic (think Bill Gates writing checks) or at least avoid flaunting the trappings of wealth (think Jeff

Bezos in jeans and LaCoste T-shirt).¹⁰² Still, if the media story of the 1980s was one of greed and self-indulgence, of Nancy Reagan’s china and Malcolm Forbes’ Tangiers birthday party, a more fair stereotype of the 1990s should have included Gates’ 40,000-square-foot “techno-palace,” — alongside an accounting of all the stock possessions of the merely wealthy, like sprawling McMansions and the yachts that loans taken against those properties financed.

VI: The Rebellion against the 1% Resurfaces: 2011

Our analysis of five major publications—*The New York Times*, *Time* magazine, *Newsweek*, *USA Today* and *The Chicago Tribune*—shows peaks of interest in the one-percent club in 1991 and 1992 (when it became a campaign issue), and in 2001 and 2002 (with the release of census data and the debate over the Bush tax cuts).



But while the term had clearly entered the media lexicon in the 2000s, it wasn’t until Occupy Wall Street protesters took up the cause in mid-2011 that it became a core feature of economic and political coverage.

The 1991-92 recession had contributed to interest in the subject: The booming ‘80s economy wasn’t booming anymore. Interestingly, though, the 2008 economic crash failed to induce any similar interest. As late as November, 2010, *Slate’s* Tim Noah was complaining that the issue of

inequality wasn't gaining any traction with the media or politicians.¹⁰³ And it's clear from our research that the spike in coverage tracks directly with the arrival of protesters in Zuccotti Park in the fall of 2011. Whatever becomes of OWS as a movement, it can be credited with injecting the language of "one percent" back into the media lexicon.

The likely father of the 99% movement in 2011 is David Graeber, a reader in social anthropology at Goldsmiths University London and former associate professor of anthropology at Yale. In the summer of 2011, the Canadian magazine *Adbusters* had put out an Internet call to "Occupy Wall Street" in mid-September. Graeber recounts taking part in an early brainstorming session in August:

"*Adbusters'* idea had been that we focus on 'one key demand.' This was a brilliant idea from a marketing perspective but from an organizing perspective, it made no sense at all...There were much more fundamental questions to be hashed out. Like: who were we? Who did we want to appeal to? Who did we represent?" Graeber recalls that it was he who suggested, "Well, why not call ourselves 'the 99%'? If 1% of the population have ended up with all the benefits of the last 10 years of economic growth, control the wealth, own the politicians...why not just say we're everybody else?" The Spanish couple quickly began to lay out a 'We are the 99%' pamphlet..."¹⁰⁴

As the Occupy Wall Street protests unfolded, the media covered the movement largely as a political story, attempting to gauge how Democratic Party leaders would react. There was much speculation about whether President Obama would, or should, embrace the protests. The controversy about overnight encampments by protesters in city parks also drove coverage. "Democrats and Occupy Wall Street share similar concerns about economic equality," wrote AP's Beth Fouhy in a typical piece.¹⁰⁵ "But while the Republican Party and the Tea Party were a natural political pairing, Democrats have been reluctant to cast their lot with Occupy agitators who confront police and squat in public encampments." AP also noted that an OWS attempt to organize Iowa in advance of the Republican caucuses fizzled.¹⁰⁶

But as the fall and its protests wore on, there were hints of nostalgia among the baby boomers in charge of news coverage. Some major news outlets confidently portrayed OWS as a major, and lasting, political force—though in hindsight that remains to be seen. In early

October, NBC proclaimed that the Occupy Wall Street protests were spreading, “growing in size and scope.”¹⁰⁷ *Today Show* co-host Matt Lauer challenged Obama advisor David Plouffe, seemingly on behalf of the protesters: “These people are out there and they’re angry at Wall Street, the so-called fat cats.”¹⁰⁸

In December, Tom Brokaw told CNN’s Piers Morgan that the Occupy movement’s 99% message “resonates” with people, whereas the Tea Party “may not be what you think of as the best interest of the country.”¹⁰⁹ He raised the possibility that a failure to address inequality “could trigger class war in this country.”¹¹⁰ Predictions of class warfare in December, 2011 may be as premature as predictions of a “brewing revolt against the rich” and the coming of a “post affluent” society in 1990.

Likewise in December, after the Zuccotti Park protesters had been evicted, *The New York Times*’ James B. Stewart wrote that “critics and supporters alike suggest that the influence of the movement could last decades, and that it might even evolve into a more potent force.”¹¹¹ Others made comparisons to the Arab Spring, which had actually toppled governments. *Time* magazine chose “The Protester” as its “Person of the Year” —encompassing not just the Arab Spring but also Occupy Wall Street.¹¹²

It should be noted that there was plenty of sober-minded coverage, typically questioning the longevity of a movement that appeared to have strong anarchistic streaks and an aversion to playing inside the political system. Nate Silver, who writes *The New York Times*’ *FiveThirtyEight* blog, did the hard work of figuring out exactly how big the Occupy Wall Street protest was.¹¹³ According to Silver, the nation-wide October 15 protest was dwarfed by protests in Europe, where crowds in cities like Rome, Barcelona and Madrid were in the 200,000 to 500,000 range. Silver estimated the OWS event from 70,000 to, at most, 100,000 OWS protesters across 150 American cities. And, he noted, it was probably smaller than the 300,000-person protest conducted under the umbrella of the Tea Party on April 15, 2009. Moreover, he calculated that the highest per capita rate of protests were in leftist bastions like Oregon (as opposed to just Democratic Party strongholds).

Nevertheless, as mentioned earlier, the OWS movement succeeded in putting a potent new cover-point on the media agenda—the rise of the one percent. Combined with President

Obama's emerging re-election theme based on inequality, coverage of the 99-1% divide would remain a central part of the 2012 political coverage. *New York Times* editor Jill Abramson told public editor Arthur Brisbane that her paper planned to tackle issues at the heart of Occupy Wall Street, including income inequality.¹¹⁴

VII: What Now?

In the months since OWS protesters pulled up stakes and fell out of the headlines, income inequality in general—and the 99-1% divide in particular—still infuses even light-hearted broadcast shows. I am in a hotel room in mid-April and hear George Stephanopolous, on *Good Morning America*, breathlessly announce new numbers showing the rich have gotten richer. I read a *Boston Globe* page-one story on Massachusetts' highly-charged Senate race that blithely repeats, without context or challenge, President Obama's assertion that the rich don't pay their "fair share" of taxes.¹¹⁵ The White House has added a calculator to its website so citizens can compare their tax rates to millionaires. But where's the hard-headed reporting on the average tax rates of the 1%, or the IRS data showing the 1% picking up nearly 40% of the federal income tax tab?

"Us-versus-themism" is an especially tempting theme for a media desperately looking for ways to grab a piece of our split attention spans. Even the reporting of public opinion polling exaggerates the class-conflict themes. An AP headline of January 11, 2012, blares: "Conflict between rich, poor strongest in 24 years."¹¹⁶ In fact, the reader doesn't find out until paragraph 8 that individual attitudes toward the wealthy remain largely unchanged—with a near even split between those who think the rich were born into money or connection, and those who think people are rich "mainly because of their own hard work, ambition or education."¹¹⁷ There isn't an increase in peoples' own grievances against the rich; rather there's a 19-point increase in people saying they believe there are very strong or strong conflicts between rich and poor. That's not at all a surprise, given the media's pervasive coverage of the issue since the OWS protests burst on the scene, and with President Obama turning up the volume on populist re-election themes.

Indeed, the headline issued by the Pew Research Center, which produced that poll, reads like this: “For the Public, It’s Not about Class Warfare, but Fairness.”¹¹⁸ Here is Pew’s own analysis: While Americans are hearing more about class conflict “there is no sense that the American people are on the verge of class conflict; they just want a better chance of achieving success themselves.”¹¹⁹

The political press has widely reported that “fairness” issues resonate strongly with majorities of voters. But how that plays out in a presidential election is a different matter: A study by the centrist think tank Third Way shows that among swing independent voters, 15% would pick a candidate “focusing on income inequality” while 80% would choose a candidate “focusing on economic growth and opportunity.”¹²⁰

So how could a rushed media do it better?

1. At the very least, coverage should bring a perspective that wealth concentration, and spreading income inequality, are long-term economic trends—not, say, the product of Wall Street greed or Republican tax cuts. *The Washington Post’s* Zachary A. Goldfarb showed this is possible, even in campaign coverage. In a January piece examining President Obama’s pledge to restore a strong middle class, he questioned whether Obama’s prescriptions—new investments in manufacturing, energy and affordable college—could make a difference.¹²¹ “It is not clear that the measures—or any others—could compensate for the factors behind the decline of the middle class, including the rise of nations with abundant cheap labor and the development of new technologies that allow companies to operate with far fewer workers.”¹²²
2. Related to No. 1 would be more serious examination of how to improve the economic prospects of people in the middle and low ends of the income scale. Goldin and Katz note, for example, that: “The economic returns to high school today are substantial and the economic benefits to college and post-college training are at historically high levels.”¹²³ Yet America’s educational attainment has slowed, especially compared to competitor nations. U.S. high school graduation rates are

near the bottom of OECD countries, and the U.S. ranks in the middle on college graduation rates. We used to be at the top.

“The slow down and reversal [in the U.S.] were so extreme that college graduation rates for young men born in the mid-1970s are no higher than for those born in the late 1940s,” the authors write.¹²⁴ The premium on college and advanced degrees is starkly drawn by Bureau of Labor statistics showing that between 1979 and 2010, hourly wages for men and women with at least a college degree rose by 33% and 20% respectively and dropped dramatically for those with less than a high school diploma.¹²⁵

A journalistic focus on this troubling trend would yield more debate not only over K-12 reform, but also over how to provide broader access to higher education. In a May 11, 2012 presentation before Harvard Kennedy School alumni, for example, the eminent sociologist William Julius Wilson noted that tuition and fees had doubled between 1981 and 2006. Wilson proposed government price controls—a provocative suggestion sure to draw much opposition. But a discussion of why college costs have spiraled and what can be done is long overdue.

Also valuable to this discussion would be the role of American business in producing good jobs at home. As Harvard Business School professor Michael Porter has written: “When a company decides, say, to build a factory with good jobs in China or Poland, rather than the U.S., it is effectively voting on which country can best enable its success in the global marketplace.”¹²⁶ An HBS survey of 10,000 alumni finds that the U.S. wins that location decision just 32% of the time. Journalists can play a key role in the debate over how to get more of that vote back—corporate tax rates, regulatory policies and the necessity of business leaders (who claim to care deeply about education reform) to step up to the plate and invest in the future of the U.S. workforce.¹²⁷

3. In covering the nation’s affluent, a less caricatured portrait is in order—one that accounts for the range of professions represented, the fact that fewer and fewer

[riches] are inherited, that successful women contribute to the skewed top, that the rich tend to have advanced degrees, work long hours and have fewer single-parent homes in their ranks. Scholar Michael Novak offered this true, but admittedly *not* politically correct statement to *Fortune* in 1988: “Perhaps it is not really so unfair—or so surprising—that greater rewards go to households composed of married couples with more education, longer working hours and larger numbers of workers in their peak years.”¹²⁸

A few media outlets have attempted to paint a more nuanced view of the one-percent club. A January 14, 2012 *New York Times* piece described the one-percent club as a “far larger and more varied group” than the usual image of chauffeured investment bankers and lobbyist-laden fat cats.¹²⁹ It is one “that includes podiatrists and actuaries, executives and entrepreneurs, the self-made and the silver spoon set” ...clustered not just in New York and Los Angeles but also in Denver and Dallas.¹³⁰ The story noted they account for 30% of philanthropic giving, work longer hours, are more likely to be self-employed, nearly twice as likely to be married, and 27% of the club’s couples both have advanced degrees.¹³¹

In his book *Richistan*, Robert Frank—who covers the wealthy for *The Wall Street Journal*—describes the “workaholic wealthy,” whose idea of the leisure life are private jets packed with communication gear and able to land them at meetings on short notice—belying any image of an aristocratic leisure class.¹³² “In an economy driven even more than ever by competition and innovation, the people who succeed tend to be those who thrive on risk, reinvention and brutal hours.”¹³³ It’s also important for the media to note that the make-up of much of the one-percent club is always in flux: According to a Federal Reserve Study, 57% of the 1% between 1996 and 2005 fell out of the club.¹³⁴

There are many, many voices in the media decrying the fact that the rich are getting richer, and calling for action. Most notable have been a round of print and broadcast profiles of French economists Emmanuel Saez of U.C. Berkeley and Thomas Piketty of the Paris School of Economics. The pair produced the seminal studies on the rising concentration of wealth among

the American affluent—and support reversing those gains through punitive tax rates of between 50 and 90%.¹³⁵

But here are some examples of the kinds of voices on the issue that are relegated to the role of being inserted late in a story for “balance”:

Harvard Business School professor Michael Porter, who runs studies of U.S. competitiveness, is critical of executive compensation practices, and he preaches the need to return to a time when U.S. companies linked their well-being with the well-being of America’s workforce: Nevertheless, he says, “It’s not a good idea to declare that people who are successful are bad. The better question is: do we have a fair system for getting that education and skill? Are people unfairly handicapped? Are we doing enough to open the gateways?”¹³⁶

Harvard Kennedy School economist Lant Pritchett, who specializes in globalization and economic development, sees the one-percent club as a contributor to the nation’s economic strength: “I want to celebrate wealth creators, then tax them fairly. I don’t think we should be demonizing the rich like Occupy Wall Street does. You want to celebrate winners. Winners are drawn to the U.S. They come here because it’s wide open competition. On creating and drawing super talent, we’re beating everyone.”¹³⁷ He adds pointedly, however, that “One of the reasons why America has been able to support inequality of income is that there is a general perception that there are rules that apply to everyone equally and winners win by productivity. When that’s not the case, then capitalism and its outcomes are much more difficult to sustain politically.”¹³⁸

Thomas Garrett, economist at the Federal Reserve Bank of St. Louis, criticizes the way inequality is measured because it doesn’t include tens of billions of dollars in noncash subsidies—including housing, food and medical care.¹³⁹ Though he notes that even if those subsidies were tallied, and offset by tax payments wealthier households made to fund these transfers, inequality would still exist. But is reducing income inequality a “worthy goal of public policy?” he asks.¹⁴⁰ No. “The unconstrained opportunity for individuals to create value for society—and the fact that their income reflects the value they create—encourages innovation and entrepreneurship.”¹⁴¹

“Economic research,” he adds, “has documented a positive correlation between entrepreneurship/innovation and overall economic growth. Redistribution of wealth increases the costs of entrepreneurship and innovation, with the result being lower economic growth for everyone.”¹⁴²

The media, and the politicians who feed it, no doubt will continue to feed a one-dimensional rebellion against the rich. The American public, though, weaned less on news columns than cable TV fare like *Joe Millionaire* and *The Millionaire Matchmaker*, will just as certainly continue to hold a more conflicted view. Writer Daphne Merkin said it best in *The New York Times Magazine* five years ago, before the economic crash, and before the rise of Occupy Wall Street. Hemingway and Fitzgerald, she wrote, were right. “The rich are different, not only because they have more money but also because they elicit such an oxymoronic barrage of responses. They’re worse, and they’re better, reviled and adulated. They stir up envy, and they invite respect. Most of all, they make us think we would do better if we had their dough (exercise more discerning taste, give more generously to worthy causes, assume a more modest air)In the history of love-hate relationships, our paradoxical romance with money ranks among the oldest and most enduring. And there is no end in sight.”¹⁴³

Now that’s a media prediction I can confidently second.

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