Phillips, K. (2002, July 8). Dynasties: How their wealth and power threaten democracy. *The Nation.* Vol. 275, no. 2, pp. 11 – 14.

Maybe it's time for a new set of Fourth of July orations. Only at first blush is there silliness to the idea of the United States—the nation of the Minutemen, John and Samuel Adams and Thomas Jefferson—becoming a hereditary economic aristocracy. When you think about it, there is evidence for serious concern.

More than a decade ago, the United States passed France to have the highest inequality ratios of any major Western nation. More and more of the country's richest clans have been setting up family offices, captive trust companies and other devices to manage and entrench their swelling fortunes. The elimination of the inheritance tax being sought by the Bush Administration will only make that entrenchment easier.

Politically, we already have a dynasty at 1600 Pennsylvania Avenue: the first son ever to take the presidency just eight years after it was held by his father, with the same party label. This dynasticism also has its economic side: both Bushes, *pere et fils,* having been closely involved with the rise of Enron, another first for a presidential family, more on which shortly.

[f we lack an official House of Lords, there are Bushes. Tafts, Simons, Rockefellers, Gores, Kennedys and Bayhs out to create a kindred phenomenon. Laura Bush is the only wife of a 1996 or 2000 major-party presidential nominee who has not yet entertained seeking a U.S. Senate seat in her own right. The duchesses of Clinton, Dole and Gore have already considered (or acted).

A soft, blurry kind of cultural corruption has all but muted discussion. Dynasty is no longer a bad word, and in the wake of this semantic revision, the inheritance tax supported by presidents from Lincoln to FDR has been renamed the "death tax" by George II and may be heading toward extinction. Small-business men from Maine to San Diego are already dreaming of founding personal dynasties, built on lobsters-by-mail or Buick dealerships.

Progressive taxation—only a memory for most—died in the 1980s as regressive FICA taxes replaced income levies as the heaviest tax paid by a majority of American families. The First Amendment to the U.S. Constitution, in turn, is not far from being twisted by the courts to include fat-cat political donations within the protection of free speech. Cynics might suggest that George Orwell set his book *1984* two decades too early.

But democracy is being eroded more by money and its power than by skilled semantics. For want of insights and data often unobtainable from the corporate media, the public opinion vital to U.S. democracy has trouble remaining vigorous and informed. Many politicians are themselves part of the national economic elite, and others depend on that elite for campaign funding. History tells us that America overcame kindred problems in the Progressive era a century ago. The national will to do so again, however, is hardly clear.

The menace of economic and political dynastization is that it flies under the radar of the Americans who grew up believing that the democratic values of World War II and Franklin D. Roosevelt, carried by another leadership generation into the 1960s, would last forever. Instead, the 1980s and '90s ambulanced many of those values to an ideological emergency ward. But much of the liberal and progressive community—caught up in older micro-issues—has found the changing uber-philosophy difficult to grasp.

A similar thing happened in the mid-to-late-nineteenth century, when aging Jeffersonians and Jacksonians remained lulled by the egalitarian implant of those earlier days, as well as by the post-1783 elimination of the British system of entail and primogeniture, which kept estates intact at death. Finally, in the 1880s, it became clear that the advent of large corporations, enjoying a long legal existence and constitutional rights equivalent to persons, had provided the framework for the rise of a new aristocracy. Hundred-year-old reforms and shibboleths had become irrelevant.

By this point, the average American had stopped believing the old Fourth of July speeches about how the forefathers had anticipated every danger. From Maine to California, citizens saw railroads taking control of state politics. Muckraking journalists began to employ a new descriptive term: *plutocracy.* As the trusts and monopolies flourished while America's largest fortunes grew tenfold and twentyfold between 1861 and 1901 thanks to stock values, it became clear that some critical safeguards were missing. Luckily, the need to bridle railroads, trusts and monopolies, and to tax the incomes and inheritances of the rich, voiced with increasing clarity by Theodore Roosevelt, Woodrow Wilson and the Progressives, brought significant results by 1914. FDR added further reforms during the New Deal years.

As of 2002, alas, old New Deal memories and 60 cents will get you a candy bar. The transformation of the U.S. economy and its supporting politics since the 1960s has been staggering; and especially so since the 1980s, with the growth of financialization, wealth concentration, economic elitism and dynastization. Millionaires' income tax rates dropped so fast in the 1980s, for example, while those of people in the middle rose with PICA increases, that in 1985 the two almost met.

Back in 1937, an economics writer named Ferdinand Lundberg wrote about how "America's Sixty Families" (and another hundred lesser clans) owned a huge chunk of U.S. business through their corporate stock holdings. Six decades later, the current "overclass" probably begins with the largely overlapping quarter-million "deca-millionaires" ($10 million and up) and the quarter-million Americans with incomes in excess of $1 million a year. But for sticklers, the 2000 equivalent of the rich families of 1937 could be the roughly 5,000 clans having assets of $100 million or more.

Today, following the havoc of the biggest two-year major market debacle since 1929, many of the Internet fortunes are gone, while the established rich are very much with us and, by and large, sleeker than ever. This was also true in 1937, parenthetically, when researcher Lund-berg's discourse paid hardly any attention to the nouveau-riche aviation, radio, motion picture and electric gadget fortunes of the Roaring Twenties. Most had shriveled or vanished between 1929 and 1932. The old money was back on top.

So it is again, although a third of the tech billionaires of 1999 have kept billionaire status, a much better ratio than in 1929-32. Nevertheless, what is striking in the current lists is the entrenchment of established families through the good offices of the Dow Jones and the S&P 500. The top 1 percent of Americans own about 40 percent of the individually owned exchange-traded stock in the United States, and own an even higher ratio of other financial and corporate instruments.

The median U.S. family, depending on the calculus, has only $6,000 or $9,000 of stock, a benefit overshadowed during the 1990s because its debt level rose by a good deal more. The financialization of America since the 1980s—by which I mean the shift of onetime savings deposits into mutual funds, the focus on financial instruments, the giantization of the financial industry and the galloping preoccupation of corporate CEOs with stock options instead of production lines—has been a major force for economic polarization. This is because of its disproportionate favoritism to the top income and wealth brackets. The never-ending stream of 1980s and '90s bailouts of banks, S&Ls, hedge funds, foreign currencies and (arguably) stock markets by the Federal Reserve has been another prop.

The upper-tier hogging of the economic benefits of the 1990s can be approached from a number of directions, but hardly anyone controverts that the top 1 percent made out like bandits. The *New York Times,* for example, reported that 90 percent of the income gain going to the top fifth of Americans went to the top 1 percent, who are only a twentieth of that top fifth. Some scholars bluntly contend that attention should focus on the top one-tenth of 1 percent, because these are the raw capitalists and money-handlers, not the high-salaried doctors, lawyers and Cadillac dealers.

In 1935, Franklin Roosevelt proclaimed that "the transmission from generation to generation of vast fortunes by will, inheritance or gift is not consistent with the ideals and sentiments of the American people," but politics became friendlier to wealth in the 1960s and '70s, and positively effusive in its courtship during the 1980s and '90s. Over the past two decades, the same soaring costs of seeking office that drove middle-class office-seekers to sell their souls to big contributors also made dynastic heirs appealing to political parties that were looking for self-funding nominees or those whose famous names gave them a built-in fundraising edge. Two billionaires, Ross Perot and Donald Trump, actually sought the presidency or talked about it during the 1990s.

The number of U.S. senators with serious multimillion-dollar fortunes, in the meantime, has begun to approach the high set back in the early 1900s, when senators were appointed by state legislatures to whom money spoke easily and powerfully. This ended in 1913, when the

Seventeenth Amendment to the Constitution provided for popular election of senators, although the submergence of politics in today's money culture has accomplished somewhat the same thing, despite popular election.

As for Presidents, nineteenth- and twentieth-century White House service was not much of a pathway to getting rich. Most had government pensions and some other income, but few who didn't come to Washington rich left that way unless they inherited. What seems to have happened over the past twenty years, however, is that several Presidents—George H- W. Bush and the Hamptons-craving Bill Clinton—have decided to swim with the money culture. While Clinton was governor of Arkansas, wife Hillary held a number of corporate directorships. Now Clinton's post-White House speechmaking and deal-seeking looks perfectly normal in an ethically loose sort of way.

The first Bush administration probably represents the critical transition, both in the grabby behavior of family members and in the gravitation of top officeholders toward political investment banking, scarcely camouflaged lobbying and defense contract involvement. These practices, indeed, were vaguely reminiscent of the Whig grandees who ruled eighteenth-century England under the first George I and the first George II. One even gets the sense that the Bushes and their entourage came to see this kind of profiteering as their due, much like the families and associates of Walpole, Pelham and Newcastle,

George H. W. Bush's father *and* grandfather, investment bankers at old white-shoe firms, both had high reputations, but erosion soon set in. Even as the senior Bush was seeking a second term in 1992, the newspapers buzzed with the financial and deal-making escapades of his brothers and sons.

The most interesting Bush family involvement is with Enron. Over the twentieth -century emergence of modern government ethics, no presidential family has had a parallel relationship. As a senator, Lyndon Johnson buddied with Texas companies like Brown & Root, but its fingerprints on his presidency weren't all that notable. Georgia's Jimmy Carter was close to his home-state corporate giant, Coca-Cola, and Richard Nixon brought the Pepsi-Cola account to his law firm during the 1960s.

Episode by episode, none of the Bushes' Enron involvement seems to be illegal. Before 2000-01, moreover, the ties weren't overwhelming in any one national administration. However, the only way that a chronicler can seriously weigh the Enron-Bush tie is by a yardstick the American press has never really employed: the unseemliness of a sixteen- or seventeen-year interaction by the members of an American political dynasty in promoting and being rewarded by a single U.S. corporation based in its home state.

Enron was organized in 1985, and within a year or two, Vice President Bush was chairing the Reagan administration's energy deregulation task force and his son George W., through one of his succession of minor energy companies, had an oil-well deal with Enron Oil *&* Gas. The first Bush administration saw passage of the Energy Policy Act of 1992, which obliged utility companies to transmit energy shipped by Enron and other marketers, while the Bush-appointed Commodity Futures Trading Commission created a legal exemption allowing Enron to begin trading energy derivatives. Enron chief Ken Lay, one of Bush Senior's top election contributors, was made chair of the President's Export Council.

Several years later, when George W. became governor of Texas, Lay asked him to receive visiting dignitaries from places Enron hoped to do business with, and by the time Bush got to the White House, Enron was his biggest contributor. Former Enron officials, advisers and consultants wound up getting several dozen positions in the new administration, including White House economic adviser, Secretary of the Army and U.S. Trade Representative. These were important to Enron on issues ranging from energy policy to its ambition to open up foreign markets by bringing exports of energy and water services under the WTO trade framework.

Had Bush tried to bail out Enron in November or December of 2001, his personal and dynastic ties to the company would have come under intense scrutiny. Without that bailout, most of the Washington press corps has been content to leave alone the much larger story—the apparent seventeen-year connection between the Bush dynasty and Enron.

Even without such information, it seems clear, counting campaign contributions, consultancies, joint investments, deals, presidential library and inaugural contributions, speech fees and the like, that the Bush family and entourage collected some $8 million to $10 million from Enron over the years, which is more than changed hands in Harding's Teapot Dome scandal. Depending on some still-unclear relationships, it could be as high as $25 million.

Obviously, this sort of dynastic financial outreach is not confined to Republicans. When Bill Clinton left the White House in a glare of unfavorable publicity over his last-minute pardons, especially that of fugitive financier Marc Rich, some of the focus was on money paid to or arrangements made by his wife's two brothers. Nor is it confined to Presidents. Texas Senator Phil Gramm and his wife, Wendy, got themselves referred to in *Barren's Financial Weekly* as "Mr. and Mrs. Enron" for his legislative work on the company's behalf at the same time that she was taking home money and company stock as an Enron director.

Because the dynastic aspect of American wealth and politics has been growing much faster than public (and press) appreciation of its ballooning significance, much of this record has received little attention. The neglect, however, is something that American democracy cannot afford. If Americans still believe in what Franklin Roosevelt said back in 1935 about the unacceptability of inherited wealth and power—and frankly, even if few have thought about it—a whole new political, ethical and economic agenda calls out for immediate and vocal embrace.

It's easy to limn broad outlines—further reform of campaign finance (perhaps including a constitutional amendment), federal tax changes, maintenance of the federal inheritance tax (certainly on estates over $3 million or so) and regulatory overhauls to curb the widespread corporate abuses pushed into the spotlight by Enron, Tyco and the accounting and brokerage firms. Still, a century ago, and then again in the early 1930s, the critical impetus for Americans' insistence on reform came from stock-market crashes and deep economic downturns. In 2002, we have had the first but not yet the second—and since 9-11, antiterrorism has been a rallying point, with patriotism offered to the electorate in lieu of economic concern.

As for economic and political dynastization, the United States is not the first republic to tilt in this direction. Rome did, and in the eighteenth century even the once proudly middle-class Dutch Republic let many of its offices become hereditary. Let's hope Americans do not also allow political and economic inheritance to displace democracy.