Pizzigati, Sam, 2004. *Greed and Good*. New York: The Apex Press

Reviewed by Mason Gaffney, for *Thought and Action*, Summer 2004

Sam Pizzigati revives an old theme: "The problem is not production but distribution." He reminds us of our more egalitarian past, and past episodes of effective rebellion against disparities. He dates the new idolatry of riches to 1981. Now, strong entrenched forces will resist future efforts to level wealth and income. Pizzigati recognizes their power, and 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" 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.

Greed and Good (G&G) is tripartite. Book One pokes holes in the case for greed. It tells us that greed is not needed as an incentive; that it does not give people their just deserts; 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. It says 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 SP's "Rule of Ten." All this takes 659 pages, supporting his case heavily, and generally well.

The writing is readable without sacrificing responsibility, meaning and content. It is reasonably well documented (but lacking a bibliography). Pizzigati gives credit to several (although not all) predecessors, and marshals and cites the work of many contemporaries: some as foils, others for support.

He ranges widely over the effects of maldistribution 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 actually, he devotes enough work to each subject to say much of value on each one, and keep the reader engaged. He fills out his themes, but moves right along logically and sequentially. He structures his work overtly in its books and chapters, and also invisibly, within each chapter. He may rant a bit, but he has a lot to rant about.

SP gives space to apologists for greed. They are foils, but he presents their cases strongly, and refutes them fairly, with facts and serious studies. Citing the foils lets readers know why 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.

Opening 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. He explains how and why stock options suddenly became so prominent: Congress rewrote the tax code to abet them (pp. 9ff).

In the process, however, Greed and Good neglects every other role of incentives in making the economy work. It says nothing about allocating resources to their best uses. "Capital" is not even in the index; neither is Land, classical source of unearned income and wealth. Neither are monopoly, cartels, rate regulation, vertical and horizontal industrial integration … the usual stuff of industrial organization. The sole target is executive pay. That deserves Pizzigati's strictures, but not by itself alone.

"The Greedy as Deserving" attacks CEO's for taking long vacations. They are clubby and protect each other from foreign competition, which explains why American CEO's make so much more than foreign ones. Pizzigati stresses the value of connections, and the rewards of schmoozing and the advantages of inheriting wealth. This makes good reading, but needs more support.

"The Greedy as Benefactors" refutes three trickle-down claims. First is "Jobs and Paychecks." The greedy 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. Pizzigati doesn't evaluate the claim, but suddenly regresses to sarcasm addressed to the choir - a telltale tic of opinionated writing, one that he generally avoids. He probably could refute the claim, if he tried, but suddenly he is writing about overpriced housing - a good topic, but off message here.

Second, "Charity," shows that charitable giving as a fraction of wealth and income is down since Reagan, 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. He makes a strong case.

Third, "Culture and Art" shows that private support is fading, even as wealth and incomes rise. An influential 1966 study by economists Baumol and Bowen made a case for public support of the arts, leading to the National Endowment of Arts. Greed and paranoia of the rich, in the Reagan years, cut its support. Pizzigati, this blue collar union man, sees beyond beer and baseball.

Opening 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.

“Gruesome Growth” surveys many embryonic ideas, but too many in one womb, clogging the birth canal. He does run 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 (leading to Reagan’s dismissive “a rising tide lifts all boats.”) He names a few modern economists striving to publicize studies showing that equal distribution begets more growth, contrary to complaisant growthmen Kuznets and Okun. He compares us unfavorably with Europe. He shows how modern bloated corporations stifle creative research. He recounts how Reagan’s power and popularity let him shatter labor unions.

He shows how inequality has fed history’s “spectacular speculative binges,” and feeds that of today. He begins to support and illustrate this well, but performs a partial birth abortion to divagate to another topic, how inequality breeds crime.

“Excess without Happiness” rediscovers the wisdom of the sages, without credit. 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 stadia 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. His most challenging news is a study by Matt Bloom finding that skewed salaries go with worse team performance. Economists would be impressed, if Bloom supports it well.

“Wealth without Health” shows that inequality per se damages health. Pizzigati finds much current heavyweight research in support, by Jencks of Harvard, Wilkinson in the British Medical J., Arno et al. at Michigan, Daniloff in New York, et al. It lets him use five different instrumental variables to relate health and equality: nations, states, metro areas, zipcodes within NYC, and time periods in England. Japan, the most equal and socially cohesive advanced nation, has the longest life span. Costa Ricans, with only ¼ the material income of U.S. blacks, live 9 years longer. English lifespans rose during W.W. II, in spite of war casualties. Social cohesion, in communities that enjoy it, measurably improves physical health, even for the richest. He 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 studies on the effects of dividing us into haves and have-nots. With Reagan, the war on poverty changed into a war on the poor. The recent exaltation of Reagan shows how far most Americans are from realizing how deeply he wounded and divided this country. Pizzigati plays variations on the theme from Putnam's "Bowling Alone." He notes the folly of targeting certain defined 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.

He notes how the rich segregate themselves and supply municipal services privately, and then campaign against public services for others. Concerning blacks, he 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 them to the role of inheritance and wealth in determining school performance. He cites the important work of Dalton Conley, and Oliver and Shapiro (p.353).

He notes how California descended from a middle class paradise into its present desuetude as its inequality grew. He never mentions how Prop. 13 launched this tragedy, and that the State's income tax rates rose during this rending of the social fabric. He has just told us that the ratio of income to property is much higher for blacks than whites. Even with this object lesson in his face, he continues to laud income taxes and treat property taxes as a bane. "Many a man stumbles across the truth, then picks himself up and hurries on as though nothing had happened" - Churchill.

"An Imperiled Natural World" flits from point to point, although Pizzigati selects his authorities well - notably Herman Daly. He touches on the tragedy of São Paulo, a once-attractive well-ordered city whose egalitarian ethos died when refugees poured in from land-gobbling *latifundia*.. He brings out that Washington passed environmental laws only in the more egalitarian 1960s and early 1970s, and has been subverting them ever since Reagan charmed the plebes into upholding the rule of the rich.

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

Book III, "An End to Greed," lays out a reform program. "Historic Struggles" purports to tell us how equality was won before, and lost. 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. It is worth reminding readers that in 1918 the top rate was 77%: FDR did not invent progressive taxation.

In 1919 the Red Scare undid Progressivism, and then Andrew Mellon presided over three administrations that lowered tax rates and cut military spending. Not until 1935 did the threat of Huey Long and others push FDR into raising rates to soak the rich. World War II pushed the top rate up to 93%. Truman's upset win in 1948 sealed in the high rates, even during 8 years of DDE, but loopholes burgeoned and McCarthyism silenced critics. JFK and LBJ then lowered the top rate to 70%, 1964. In 1981 RWR cut the top rate to 50%, and again in 1986 to 28%. In 1993 WJC hiked the top rate to 39.6%, achieving a budget surplus, although in 1997 Congress cut the capital gains rate to 20%. Bush, of course, is lowering the top rates 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, citing the biblical year of Jubilee as precedent. (Don't scoff: Gov. Riley of Alabama campaigned on the same theme last year and, although he lost, he showed that Christianity has a left wing, too.)

Pizzigati dismisses property taxes because they exempt stocks and bonds. This is a major blind spot in his thinking, considering that the wealth of corporations consists largely of taxable property. It also should make N.E.A. leaders search their souls, considering the traditional dependence of public schools on property taxes, which Pizzigati seems ready to scrap. Thus, at any rate, he sets us up for his proposed Ten times Rule as the sole reform worth considering. It's a logical expository sequence, but seems a bit dogmatic and potentially cultish.

"A maximum wage?" expounds his "Rule" of capping incomes at ten times the minimum wage. He ranks people in a "Pen Parade" (named for Jan Pen) with the tallest (highest incomes) on the right. 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 ten times the minimum wage. Pizzigati would tax away all incomes over that level.

G&G contains so much good material, it is worth suggesting some improvements. Pizzigati 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 includes all capital gains, which account for most of the disparity that is Pizzigati's core subject. The Commerce Department explicitly excludes these gains from its NIPA accounts, 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..

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