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Who Will Stand Up to the Superrich?

By FRANK RICH

IN the aftermath of the Great Democratic Shellacking of 2010, one election night subplot quickly receded into the footnotes: the drubbing received by very wealthy Americans, most of them Republican, who tried to buy Senate seats and governor's mansions. Americans don't hate rich people. They admire and often idolize success. But Californians took a hearty dislike to Meg Whitman, who sacrificed $143 million of her eBay fortune — not to mention her undocumented former housekeeper — to a gubernatorial race she lost by double digits. Connecticut voters K.O.'d the World Wrestling groin-kicker, Linda McMahon, and West Virginians did likewise to the limestone-and-steel magnate John Raese, the senatorial hopeful who told an interviewer without apparent irony, "I made my money the old-fashioned way — I inherited it."

To my mind, these losers deserve a salute nonetheless. They all had run businesses that actually created jobs (Raese included). They all wanted to enter public service to give back to the country that allowed them to prosper. And by losing so decisively, they gave us a ray of hope in dark times. Their defeats reminded us that despite much recent evidence to the contrary the inmates don't always end up running the asylum of American politics.

The wealthy Americans we should worry about instead are the ones who implicitly won the election — those who take far more from America than they give back. They were not on the ballot, and most of them are not household names. Unlike Whitman and the other defeated self-financing candidates, they are all but certain to cash in on the Nov. 2 results. There's no one in Washington in either party with the fortitude to try to stop them from grabbing anything that's not nailed down.

The Americans I'm talking about are not just those shadowy anonymous corporate campaign contributors who flooded this campaign. No less triumphant were those individuals at the apex of the economic pyramid — the superrich who have gotten spectacularly richer over the last four decades while their fellow citizens either treaded water or lost ground. The top 1 percent of American earners took in 23.5 percent of the nation's pretax income in 2007 — up from less than 9 percent in 1976. During the boom years of 2002 to 2007, that top 1 percent's pretax income increased an extraordinary 10 percent every year. But the boom proved an exclusive affair: in that same period, the median income for non-elderly American households went down and the poverty rate rose.

It's the very top earners, not your garden variety, entrepreneurial multimillionaires, who will be by far the biggest beneficiaries if there's an extension of the expiring Bush-era tax cuts for income over $200,000 a year (for individuals) and $250,000 (for couples). The resurgent G.O.P. has vowed to fight to the end to award this bonanza, but that may hardly be necessary given the timid opposition of President Obama and the lame-duck Democratic Congress.

On last Sunday's "60 Minutes," Obama was already wobbling toward another "compromise" in which he does most of the compromising. It's a measure of how far he's off his game now that a leader who once had the audacity to speak at length on the red-hot subject of race doesn't even make the most forceful case for his own long-held position on an issue where most Americans still agree with him. (Only 40 percent of those in the Nov. 2 exit poll approved of an extension of all Bush tax cuts.) The president's argument against extending the cuts for the wealthiest has now been reduced to the dry accounting of what the cost would add to the federal deficit. As he put it to CBS's Steve Kroft, "the question is — can we afford to borrow $700 billion?"

That's a good question, all right, but it's not *the* question. The bigger issue is whether the country can afford the systemic damage being done by the ever-growing income inequality between the wealthiest Americans and everyone else, whether poor, middle class or even rich. That burden is inflicted not just on the debt but on the very idea of America — our Horatio Alger faith in social mobility over plutocracy, our belief that our brand of can-do capitalism brings about innovation and growth, and our fundamental sense of fairness. Incredibly, the top 1 percent of Americans now have tax rates a third lower than the same top percentile had in 1970.

"How can hedge-fund managers who are pulling down billions sometimes pay a lower tax rate than do their secretaries?" ask the political scientists Jacob S. Hacker (of Yale) and Paul Pierson (University of California, Berkeley) in their deservedly lauded new book, "Winner-Take-All Politics." If you want to cry real tears about the American dream — as opposed to the self-canonizing tears of John Boehner — read this book and weep. The authors' answer to that question and others amounts to a devastating indictment of both parties.

Their ample empirical evidence, some of which I'm citing here, proves that America's ever-widening income inequality was not an inevitable by-product of the modern megacorporation, or of globalization, or of the advent of the new tech-driven economy, or of a growing education gap. (Yes, the very rich often have fancy degrees, but so do those in many income levels below them.) Inequality is instead the result of specific policies, including tax policies, championed by Washington Democrats and Republicans alike as they conducted a bidding war for high-rolling donors in election after election.

The book deflates much of the conventional wisdom. Hacker and Pierson date the dawn of the collusion between the political system and the superrich not to the Reagan revolution, but to the preceding Carter presidency and its Democratic Congress. They also write that contrary to the popular perception, America's superhigh earners are not mostly "superstars and celebrities in the arts, entertainment and sports" or the stars of law, medicine and real estate. They are instead corporate executives and managers — increasingly (and less surprisingly) financial company executives and managers, including those who escaped with outrageous fortunes as their companies imploded during the housing bubble.

The G.O.P.'s arguments for extending the Bush tax cuts to this crowd, usually wrapped in laughably hypocritical whining about "class warfare," are easily batted down. The most constant refrain is that small-business owners who file in this bracket would be hit so hard they could no longer hire new employees. But the Tax Policy Center found in 2008, when checking out similar campaign claims by "Joe the Plumber," that only 2 percent of all Americans reporting small-business income, regardless of tax bracket, would see tax increases if Obama fulfilled his pledge to let the Bush tax cuts lapse for the top earners. The economist Dean Baker calculated that the yearly tax increase at the lower end of that bracket, for those with earnings between $200,000 and $500,000, would amount to $700 — which "isn't enough to hire anyone."

Those in the higher reaches aren't investing in creating new jobs even now, when the full Bush tax cuts remain in effect, so why would extending them change that equation? American companies seem intent on sitting on trillions in cash until the economy reboots. Meanwhile, the nonpartisan Congressional Budget Office ranks the extension of *any* Bush tax cuts, let alone those to the wealthiest Americans, as the least effective of 11 possible policy options for increasing employment.

Nor are the superrich helping to further the traditional American business culture that inspires and encourages those with big ideas and drive to believe they can climb to the top. Robert Frank, the writer who chronicled the superrich in the book "Richistan," recently analyzed the new Forbes list of the 400 richest Americans for The Wall Street Journal and found a "hardening of the plutocracy" and scant mobility. Only 16 of the 400 were newcomers — as opposed to an average of 40 to 50 in recent years — and they tended to be in industries like coal, natural gas, chemicals and casinos rather than forward-looking businesses involving the Green Economy, tech or biotechnology. This is "not exactly the formula for America's vaunted entrepreneurial wealth machine," Frank wrote.

As "Winner-Take-All Politics" documents, America has been busy "building a bridge to the 19th century" — that is, to a new Gilded Age. To dislodge the country from this stagnant rut will require all kinds of effort from Americans in and out of politics. That includes some patriotic selflessness from those at the very top who still might emulate Warren Buffett and the few others in the Forbes 400 who dare say publicly that it's not in America's best interests to stack the tax and regulatory decks in their favor.

Many of the countless tasks that need to be addressed to start rebuilding an equitable America are formidable, but surely few, if any, are easier than eliminating a tax break that was destined to expire anyway and that most Americans want to see expire. Two years ago, Obama campaigned on this issue far more strenuously than he did on, say, reforming health care. Now he and what remains of his Congressional caucus are poised to retreat from even this clear-cut battle. You know things are grim when you start wishing that the president might summon his inner Linda McMahon.

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