Before the United States Senate

Committee on the Budget

Hearing on "Ending a Rigged Tax Code: The Need to Make the Wealthiest People and Largest Corporations Pay Their Fair Share of Taxes,"

Written Testimony of Abigail E. Disney

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I was born to one of the most famous families on earth, a family that went from dirt poor to embarrassingly wealthy in just two generations. When I was young, we were wealthy, but not extravagantly so, and I was taught that the virtues of humility and honesty were the ones most necessary to live a decent life--that to flaunt one's advantages was not only unseemly but downright indecent.

That tended to be the view of a lot of families like mine back in the 60's and 70's, but our culture dramatically changed during the 70's and 80's. As money flooded upward into the hands of lucky folks at the top of the income spectrum, a different ethos began to take hold. The man in the gray flannel suit gave way to the wolf of Wall Street, and America would never be quite the same.

The changes that came in the 80's and 90's didn't just "happen." They were the fruit of a long and very effective campaign on behalf of the wealthy and the business class more broadly to remake America as a more "pro-business" country. And my goodness did that campaign ever succeed.

What came with the changes was a dramatic attitudinal shift among wealthy people and among those with aspirations to be wealthy.

My grandfather managed to accumulate a large amount of wealth in a tax environment some now call "punitive". He built a series of wildly successful businesses despite negotiating with highly empowered unions that had support from the federal government. He managed to navigate a regulatory environment many now describe as "draconian". Somehow, he managed to do all of this, despite living under conditions that many rich people now claim would make their lives impossible.

The attitudinal shift that followed his death in 1971 was absolute. Wealthy people and businessmen derided taxes as mere punishment. Regulations were thought of as insurmountable barriers to profitability. And the government came to be seen, in one famous formulation, as "the problem."

The entire ethos surrounding business, wealth, and accumulation shifted. As the wealthy got more powerful, they used their wealth to pad their lead, pushing even lower taxes, fewer regulations, and fighting tooth and nail against any program that would lend a hand to someone who had not had the same opportunities to thrive in this new environment.

Today we confront the only logical outcome of these shifts: a government, starved of resources that cannot meet the minimum expectations its citizens have for it to protect them in a pandemic, to offer a free decent education to their children, and a safe infrastructure in which to work.

These days we find ourselves saddled with a wealthy class that petulantly views its moral obligations as nuisances, that whines when it is taxed, that hides its wealth offshore to evade taxes and uses every loophole and technicality—of which there are plenty—to get, hold, and hoard sums of money so huge they can never possibly spend them.

**The Tax Excessive CEO Pay Act**

It's hard to think of a clearer and more egregious example of this attitudinal shift than excessive CEO pay.

Pay for management, in general, has skyrocketed over the last few decades. Where once a CEO was seen as an important part of the business world and was remunerated generously as a result, today's CEO needs to be seen as an admirable, formidable, one-of-a-kind genius who single-handedly carries the company to profitability.

Attitudes toward the workers who actually make those profits possible have shifted accordingly. The lowest-paid jobs, even as we are coming off of a year of calling them "essential," are populated by an ever-refreshing pool of people the C-suite executives view as nameless, faceless drones, whose interests are indistinguishable from one another and whose job precarity is constantly made obvious to them, lest they get any big ideas about organizing to demand better.

I support the *Tax Excessive CEO Pay Act* because it is time CEO's become accountable for their outrageous pay packages and total failure from a moral perspective to deploy profits more equitably among the people who make those profits possible.

In 1965, the average CEO made 21 times the salary of the typical employee at the company, whereas today their pay averages around 320 times.[1] Studies of corporate efficiency, however, have not revealed anything close to a 320 times advance in efficiency, profitability, or research and development. CEOs, in other words, aren't 320 times better than they were in the 1970's.

And yet CEO pay swallows a greater and greater percentage of profits. All while workers have seen only the meagerest advances in their own pay. From 1978 to 2019 CEO pay grew by 1,167%, whereas the typical workers' pay saw a gain in the same amount of time grew just 13.7%.[2]

It is the supreme irony of excessive CEO pay that it comes not in spite but because of the downward pressure they apply to the wages and working conditions of their front-line workers. Pay has stagnated for workers even as their productivity has reached ever higher levels, as benefits like sick pay and vacation time have dwindled.

The *Tax Excessive CEO Pay Act* will incentivize large corporations, with average annual gross receipts for the 3 preceding years of at least $100 million, to use some of the money they're lavishing on C-suite executives to pay workers further down the ladder or be saddled with a higher tax bill as a consequence.

Either way, there is a desirable outcome: on the one hand, CEO pay comes down leaving resources available to be paid to other, lower-wage workers, or the pay stays the same and the government is in receipt of much needed revenue. The higher the gap between the CEO and the median worker, the higher the corporate tax penalty.

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[1] Mishel and Kandra, CEO compensation surged 14% in 2019 to $21.3 million, Economic Policy Institute, Aug. 2019

[2] ibid

**The for the 99.5% Act**

I also support the *For the 99.5% Act,* because unchecked inherited wealth is an insidious way to build dynastic power over time, allows families to hoard an unspendable amount of resources, and moves us further towards aristocracy.

My grandfather paid a much higher effective tax rate than we do now, and yet still managed, after paying off the Estate Tax, to leave significant wealth behind to benefit not only his son, but his four grandchildren and even his 16 great-grandchildren. Did it really need to be more than that? What did we ever do to earn the first dollar and what gives us the right to think that any dollar given to the government is a dollar stolen from us?

Back in 2011, United for a Fair Economy looked at the members of the Forbes 400 list of richest Americans and what they found was alarming. At least 22% of them had inherited up to 1 million. 11.5% of them had inherited between 1 and 50 million dollars, 7% inherited between $50 million and enough to make the Forbes 400 off inheritance alone, and 21.5% had inherited enough to "earn" a spot on the list just by pure luck of being born to the right family.[3] Those are some mighty fancy bootstraps they used to pull themselves up.

Not only do we need NOT to repeal the Estate Tax; we need to beef it up. Read my lips: the *For the 99.5% Act* would only affect 0.5% of estates. It would not force the sale of family farms or break up small businesses. It would, on the other hand, go a long way toward preventing the accumulation of the kind of dynastic wealth that threatens democracy, governance, and human rights everywhere it is found.

**Equalizing Capital Gains to Earned Income**

The Capital Gains Tax needs to be brought in line with Income Taxes. As things now stand, we reward ownership with favorable tax rates. Ownership. Over work.

There is no reason for taxes to be structured in this way, and a huge amount of runaway hedge funds and massive wealth accumulation can be chalked up to just this one disparity in our tax code.

What's more, 75% of all capital gains in this country are earned by the richest 1%. More than half go to the top 0.1%, those earning more than 3.8 million dollars a year.[4]

Year after year we've been told that if you give the "job creators" favorable tax rates they will invest more money and the job market will grow. Year after year this has not happened. The incredibly generous Trump tax cuts were supposed to bring massive corporate investments in people and jobs were spent mainly on one-time bonuses and just for a fraction of employees.

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[3] United for a Fair Economy, "Born on Third Base Report", Sept. 2012

[4] Tax Policy Center, "Distribution of Long-Term Capital Gains..", 2019 https://www.taxpolicycenter.org/model-estimates/distribution-individual-income-tax-long-term-capital-gains-and-qualified-44

If the tax cut is permanent, aren't corporate savings permanent? Then why didn't corporations offer raises rather than bonuses?

Corporations got 11 times as much in tax cuts as they gave to workers in bonuses and wage hikes. 157 companies received 79.3 billion in total tax cuts and yet only 7.1 billion of that went to workers. [5]

What's more, corporations ended up spending 154 times as much on stock buybacks as they spent on bonuses and wages. [6]

**Wealth Tax**

We need a wealth tax. Because our tax system is currently focused on income, it misses the reality of the top 0.05% of wealthy people in this country, who have hoarded massive amounts of accumulated wealth. Because of this, families of much more modest means end up feeling the weight of the tax code more. Proposals like the *Ultra-Millionaire tax*, introduced by Senator Warren, would tax accumulated wealth of over $500 million, and end up affecting under 100,000 households.

This tax, while affecting a relatively small number of very wealthy people who, frankly, won't even notice its impact, would raise $3 trillion over the next two years. This is money that could go to schools, jobs, and all kinds of work that has languished these last few decades.

**Conclusion**

The bottom line is that wealthy people need to pay their fair share. They need to stop whining and recognize taxes not as a punishment but as a responsibility. Any mother will tell you the difference is often lost on children. I am sure the men and women who profit so heavily off of the American economy can find a way to understand the distinction.

"Taxes," as Oliver Wendell Holmes famously said, "are what we pay for a civilized society." But what we are talking about is even more than that. Taxes would be the beginning of rebuilding what was once a coherent society, a society lacking in dynastic aspirations, a society more committed to interdependence than self-realization--society, in other words, that could be great.

Thanks once again to Senator Sanders, his staff, and to all of the members of the budget committee for giving me the chance to speak today.

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[5] Americans for Tax Fairness "How Corporations Are Spending Their Trump Tax Cut", https://americansfortaxfairness.org/key-facts-american-corporations-really-trump-tax-cuts/

[6] ibid