Dear Senator Sanders, Representative Lee, and Representative Tlaib,

We write in our capacities as academics and policy analysts in support of your proposed legislation aimed at addressing the long-widening pay gap between U.S. workers and corporate executive officers. Your **Tax Excessive CEO Pay Act** will, in our estimation, forcefully begin the multi-front process of restoring badly needed balance to our productive arrangements and broader economy. The income and wealth skews that your legislation will begin to redress have been laid bare and exacerbated by the Covid pandemic, of course; but as you have long warned, they’ve been developing for well over 40 years now - precisely the period in which the American working and middle classes have been hollowing out and our politics correspondingly polarizing.

Many Americans are aware of the nation’s extremes of income and wealth inequality, which have now reached their **worst states in our nation’s recorded economic history**. Indeed it would be impossible *not* to be aware of this crisis, so prominent has it been since the financial and macroeconomic calamities of 2008 and after. Fewer Americans, however, seem to be fully aware of the *causal role* played by worsening inequality in **sowing the seeds**, and **worsening the effects**, of that 2008 crash – or of the role played by executive-officer/non-managerial pay differentials in both manifesting and generating that grotesque maldistribution. Nor has sufficient attention been paid our nation’s scandalous **gender** and **racial** pay and wealth gaps, which lead even while not exhausting the inequality problem.

During the New Deal and Second World War eras, and for some four decades thereafter, ratios of top to average pay rates in our economy seldom breached 30 to 1. Indeed between 20 and 30 to 1 *was the norm*. During this same period wealth and income inequality were at their lowest rates in our history, and the nation as a whole – top, bottom, and very broad middle – enjoyed **unprecedented financial stability and productive prosperity**. The proverbial ‘rising tide’ *did* ‘lift all boats,’ precisely because everyone pumped-in the water and everyone had a boat.

The **early 1980s changed all of that**. Changes to *tax, trade and labor laws* smashed up the balance between labor and capital so carefully crafted and kept for the 50 years prior. This meant that income and wealth were steadily redistributed from scores of millions of Main Street workers to far smaller numbers of Wall Street investors and financiers. And since ‘money talks,’ it meant that *financial* metrics – the numbers that matter to the holders of massive corporate and financial wealth – *displaced productive* metrics as figures of interest to media and policymakers alike. The nation’s economy and national attention, in short, ‘financialized.’

The explosion of CEO, CFO, and other executive officer pay, in both non-contingent and especially stock-price-based form, to ratios that are **now typically well over 300 to 1 in comparison to wages**, was part and parcel of this degeneration of the American economy from
productive and labor-rewarding activity to share-price-manipulating, buyback-financing, bubble-blowing pastimes of the rich and the powerful. And the relation was one of mutual reinforcement – a symbiosis in which pay gaps are both cause and consequence of productive decline.

Pay gaps are consequences and hence evidence of America’s productive decline inasmuch holders of massive portfolios of corporate financial issuances tend to care more about short-term share and bond prices – the measure of their immediate-term (paper) ‘wealth’ – than about real production, productive American workers, or those workers’ families, communities, or environmental surroundings. Private equity firms and other ‘owners’ and financiers accordingly hire – indeed, often themselves are – CEOs, CFOs, and others who are better at manipulating short-term financial instruments’ prices than they are at overseeing innovation, production, or productive improvement. These officers then ‘command a premium’ – that is, overpay themselves – in the ‘markets’ through mechanisms of unaccountable corporate governance, artificially contrived scarcity, and stock price manipulation.

Pay gaps are causes of our decline, in turn, because they encourage these insiders to continue to strip wealth from workers, to continue to inflate short-term, bubble-blowing share prices instead of long-term investing in workers, communities, productive improvements and other inputs to longer-term real – not merely shorter-term financial – wealth. ‘You get what you pay for’… And what we pay for when we pay corporate insiders now is more profit at the expense of production – more short-term financial manipulation and speculation, less real wealth creation.

And so we continue, with working Americans worse and worse off, the ultra-rich few and their mercenaries ever more wealthy on paper, and the nation’s institutions, environment, and real wealth ever more dissipated and diminished in actuality. The 2008 crash was but a first warning, the Covid pandemic an ultimatum – the next crash will be existential.

This is where it seems to us that your Tax Excessive CEO Pay Act comes into play. By short-circuiting the spiral of ever-wider pay gaps, followed by productive decline, followed by yet wider pay gaps…, your legislation will begin the broad-based and multi-front effort to end and reverse the downward spiral. By sending a message economy-wide that anti-productive and destabilizing ‘business as usual’ will no longer do, moreover, your legislation bids fair to further a much broader national discussion, at long last begun, about where our productive arrangements have gone wrong and what we must do to restore broad-based and environmentally sustainable productive prosperity.

This legislation, like so much else you’ve advanced, can begin the process of truly restoring and reconstituting an economy that works for us all – as well as for our country and planet. As the nation now turns from Covid relief and recovery to deep-fundamental reform, few proposed changes would do more or say more than this one at this time.

Thank you again for your efforts. We look forward to working with you to pass this important legislation.

Yours sincerely,
Robert Hockett
Edward Cornell Professor of Law,
Cornell Law School
Ithaca, NY; and
Annual Spring Visiting Professor of Finance,
Georgetown McDonough School of Business
Washington, DC

Alan Aja
Professor of Public & Urban Policy
Department of Puerto Rican & Latino Studies
Brooklyn College (CUNY)
Brooklyn, NY

Eileen Appelbaum
Co-Director
Center for Economic and Policy Research
Washington, DC

Marshall Auerback
Fellow
Institute for New Economic Thinking;
Former Director and Global Portfolio Strategist
Pine Tree Capital
New York, NY

Kaushik Basu
Former Chief Economist
World Bank Group
Washington, DC; and
Carl Marks Professor of International Studies and
Professor of Economics
Cornell University
Ithaca, NY

Lawrence G. Baxter
David T. Zhang Professor of the Practice of Law
Duke Law School
Duke University
Durham, NC

Brian Bix
Frederick W. Thomas Professor of Law and Philosophy
University of Minnesota Law School
Minneapolis, MN
Mark Blyth
Director of the William R. Rhodes Center for International Economics and Finance;
The William R. Rhodes ’57 Professor of International Economics;
Professor of Political Science and International and Public Affairs
Watson Institute of International and Public Affairs
Brown University
Providence, RI

Abishek Dev
Research Associate
Harvard Business School
Cambridge, MA

Jacob Feinig
Assistant Professor
College of Community and Public Affairs
Binghamton University
Binghamton, NY

Mathew Forstater
Professor of Economics
University of Missouri Kansas City
Kansas City, MO

James K. Galbraith
Lloyd M. Bentsen Junior Chair in Government/Business Relations and
Professor of Government
Lyndon B. Johnson School of Public Affairs
The University of Texas at Austin
Austin, TX

Lawrence B. Glickman
Professor of Government
Cornell University
Ithaca, NY

H. Kent Greenfield
Professor of Law and Dean’s Distinguished Scholar
Boston College Law School
Boston, MA

Stephany Griffith Jones
Financial Markets Program Director
Initiative for Policy Dialogue
Columbia University
New York, NY
John Harvey
Professor of Economics
Texas Christian University
Fort Worth, TX

Thomas Herndon
Associate Professor of Economics
Loyola Marymount University
Los Angeles, CA

Julio Huato
Professor of Economics
St. Francis College
Brooklyn Heights, NY

David Jacobs
Assistant Professor
Graves School of Business and Management
Morgan State University
Baltimore, MD

Robert Kadar
Co-Founder
Evonomics
New York, NY

Gordon Lafer
Professor of Economics
University of Oregon
Eugene, OR

Christopher Mackin
Senior Partner
American Working Capital; and
Lecturer,
Rutgers

Jeffrey G. Madrick
Senior Fellow
The Century Foundation; and
Adjunct Professor of Economics
The New School
New York, NY

Mike McCarthy
Associate Professor of Sociology
Marquette University
Milwaukee, WI
Bill McKibben
Founder and Senior Advisor Emeritus
350.org
Boston, MA

Lara Merling
Economic Research Officer
International Trade Union Confederation
Brussels, Belgium

Daniel Bertrand Monk
George R. & Myra T. Cooley Professor
Of Conflict Studies
Colgate University
Hamilton, NY

Jamee Moudud
Professor of Economics
Sarah Lawrence College
Yonkers, NY

Reynold Nesiba
Professor of Economics
Augustana University
Sioux Falls, SD

Ezra Rosser
Professor of Law
Washington College of Law
American University
Washington, D.C.

Riaz Tejani
Associate Professor of Business Ethics
University of Redlands
Irvine, CA

Anlin Wang
Community Liaison
Office of Councilmember Kendra Brooks
Philadelphia City Council
Philadelphia, PA