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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,

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