#### The United States federal government should:

#### ---establish mandates for corporations to adopt long-termist solutions, including risk-review members on corporate boards;

#### ---sizably increase its rate of taxation on the top income brackets,

#### ---sizably increase its aid to low-income families,

#### ---initiate significant campaign finance reform, and

#### ---regulate think tanks, capping individual and corporate donations.

#### First plank is advocated by all of their impact evidence.

#### Second plank solves inequality and democracy better than the plan.

Paul Krugman 25. Distinguished professor at the City University of New York's Graduate Center, a core faculty member at the Stone Center on Socio-Economic Inequality, and a LIS senior scholar. “Wealth and Power. Paul Krugman, Understanding Inequality: Part VI.” The Stone Center. August 11, 2025. https://stonecenter.gc.cuny.edu/wealth-and-power-paul-krugman-understanding-inequality-part-vi/

Clearly, the economic elite possesses political power greatly disproportionate to its share of the electorate. Some readers are no doubt saying "Well, duh — everyone knows that." Indeed we do.

Yet how, exactly, does this work? What mechanisms give the 1 percent and the 0.01 percent so much political power in the United States — especially compared with other countries? And why has their power increased in recent years?

I had planned to make this the last post in my inequality series. As it turns out, I'm going to need one more post to discuss recent extraordinary events involving financial and technology regulation. For now, however, let me focus on the general question of how wealth translates into power in a system that nominally gives every citizen an equal voice.

I'll discuss the following:

How we know that inequality in the United States is higher than it would be in a truly democratic polity

The role of campaign finance

Other forms of influence-buying

The pervasive gravitational pull of big money

Inequality is too high

The U.S. government doesn't do enough to mitigate income and wealth inequality. That may sound like a mere statement of personal preference, and I would, indeed, personally prefer a more equal society. But I'm saying more than that. We can show — quantitatively — that America has lower taxes on the rich and provides less aid

to the poor than you would expect from any reasonably democratic political system.

Let's start with taxes at the top. America has a progressive income tax, in which the marginal tax rate — the amount you pay on an additional dollar of income — rises with income. Currently, the marginal federal tax on the highest bracket is 37 percent. However, some states and cities have income taxes of their own in additional to federal tax. A high-earning resident of New York City, paying both state and city taxes, faces a combined federal and local marginal tax rate of around 52 percent. But the total marginal rate is much lower in most of the country.

Yet the top tax rate should be higher, probably between 70 and 80 percent.

How do we know this? Consider what would happen if we could somehow take $10,000 from an individual with an annual income of $2 million and give it to the median household, which has an income of about $80,000. The rich individual would hardly notice the loss while the median family would experience a significant rise in its standard of living.

So a democracy, which is supposed to represent the interests of the majority, basically shouldn't care about the after-tax incomes of a small number of very-high-income people. It should, instead, treat the rich essentially as a source of revenue to pay for things that help ordinary Americans.

Does this mean that incomes above some high level should be completely taxed away? No, because we have consider the effects of high tax rates on incentives, both incentives to work and incentives to avoid or evade taxation. True, conservatives tend to exaggerate these incentive effects. After all, high-earning New Yorkers — Gordon Gekko's working Wall Street stiffs — aren't exactly famous for being lazy and working short hours. Still, the incentive effects are real. Putting together the available evidence on these incentives, a widely cited paper by Diamond and Saez estimated that the top tax rate that would maximize revenue is 73 percent. Other estimates are in the same ballpark or even higher.

That's the top tax rate on earned income, mainly wages and salaries. What about other forms of income, such as investment income, capital gains, and inheritance? Without getting too deep into the weeds, similar arguments say that tax rates on other forms of income should also be much higher than they are.

What about the argument that high taxes at the top will discourage investment, innovation, and economic growth, maybe even reducing revenue? This is a zombie economic doctrine — that it, it should be dead in the face of vast amounts of contrary evidence, but keeps shambling along, eating brains, because it's kept alive by the financial support of, yes, the wealthy. More about how that works later in this post.

One easy way to refute the claim that we must keep top tax rates low to foster economic growth is just to look at postwar U.S. history. We had top tax rates of 70 percent or more for a generation after World War II. That same period corresponded to a huge leap in living standards, never matched before or since:

Line graph: U.S. Individual Income Tax, Highest Bracket, and Real Median Family Income in the U.S., 1950–2025

What does the public think? For as long as this issue has been polled, a majority of Americans has believed that the rich pay too little in taxes, while only a small minority believes that they pay too little. Yet somehow Congress keeps passing big tax cuts at the top.

OK, so the rich pay too little in taxes. What about the amount of aid we provide to lower-income families? I personally feel that we should help our least fortunate citizens as a matter of basic decency, but that's admittedly a value judgment.

What you may not know is that there are also powerful economic arguments for helping the needy. Aid to low-income families, especially families with children, has strongly positive long-run economic effects, because children who have had adequate health care and nutrition are much more productive as adults than children who haven't.

Furthermore, our biggest government program designed specifically to help lower-income Americans, and hence reduce inequality, is immensely popular: 83 percent of Americans, including a majority of self-identified Republicans, have a favorable view of Medicaid:

Bar graph: Majorities of Democrats, Independents, and Republicans Hold Positive Views of Medicaid

Yet the just passed One Big Beautiful Bill Act imposes savage cuts on Medicaid, so as to free up money for large tax cuts for the rich.

Clearly, a relative handful of wealthy Americans, constituting a tiny fraction of the electorate, have a great deal of political power. Where does that come from?

Political donations

Political campaigns in America have historically cost a lot to run. Mark Hanna, who ran William McKinley's successful presidential campaigns in 1896 and 1900, reportedly said "There are two things that are important in politics. The first is money, and I can't remember what the second one is." Hanna is thought to have solicited $4 million in 1896, mainly from Gilded Age robber barons, to help defeat the populist William Jennings Bryan. Much of that money went to surrogate speakers and the distribution of campaign literature. As a share of GDP, Hanna's outlays would be equivalent to around $7 billion today, roughly comparable to each party's spending in 2024.

Where does the money go these days? A majority goes to media. Substantial sums also go to get-out-the-vote operations, operating campaign offices, and so on. Big spending on behalf of a candidate doesn't guarantee victory. Elon Musk's attempt to buy a seat on the Wisconsin Supreme Court was a flop. But money can definitely tilt the scales, and election victories by candidates with very limited money, like Zohran Mamdani's mayoral upset, are rare. As a result, politicians have a strong incentive to be deferential toward likely sources of campaign funds — above all, wealthy individuals and big business.

It's not hard to see how the logic of campaign finance can corrupt democracy, and there is a very long history of attempts to limit the power of money in politics — and an almost equally long history of attempts to remove or bypass these limits. The Tillman Act prohibited corporations from contributing money to federal campaigns in 1907 (!). The Federal Elections Commission, established in 1974 in the aftermath of Watergate, imposed strict reporting requirements while limiting the amount an individual donor can give to an individual candidate.

Over time, however, efforts to limit the political power of money have greatly eroded. The Supreme Court's 2010 decision in Citizens United undid the Tillman Act, declaring that from a campaign finance point of view corporations are people, with the same rights as individual donors, and that political spending is a form of free speech. Lower-court interpretations of the ruling also opened the door to the creation of "super PACS," political action committees that can effectively raise and spend unlimited amounts, including from "dark money" groups that don't disclose their donors, supporting or opposing political candidates. These super PACS aren't supposed to coordinate directly with the campaigns they support, but I don't think anyone believes that this is a significant restriction.

The United States is now unique among wealthy democracies in the extent to which it has allowed money free rein in elections. In France, for example, political TV ads are banned in the six months before an election. Corporate donations to candidates are banned. Individual donations are limited in size, and total spending by a presidential candidate in the final round of an election is limited to around $25 million — a tiny sum by U.S. standards. Britain also has limits on donations and total spending that are far below what U.S. campaigns spend.

Today, in the wake of Citizens United, U.S. elections take place in a financial environment Mark Hanna would have found familiar — and this environment definitely pushes politics to the right. The invaluable website OpenSecrets lists the 100 biggest donors in the 2024 election cycle, led, of course, by Elon Musk. Collectively they donated $2.4 trillion. Of that, 75 percent came from solid Republicans. And the top Republican donors were mainly radical hard-liners like Musk, Miriam Adelson, Ken Griffin, and Paul Singer. The top Democratic donor was Michael Bloomberg, who is solidly anti-MAGA but a former Republican and at best centrist on policy.

Money, then, talks very loudly through campaign finance. But that's only one channel of its influence, and I suspect that the other channels are even more important.

Wingnut welfare

Many readers have probably heard about Project 2025. If you haven't, it was an initiative by the Heritage Foundation, laying out a blueprint for a radical right-wing remaking of the U.S. government under a future Trump administration. During the 2024 election campaign, Trump and those around him denied any knowledge of or connection to Project 2025. Once in office, they began implementing the recommendations in its Mandate for Leadership almost verbatim.

What is the Heritage Foundation? It's a lavishly funded think tank founded in 1973 to promote conservative ideas. Heritage releases very little information about its funding sources, but the investigative organization DeSmog has found that a large part of the funding for Project 2025's advisory groups came from a handful of billionaire families with hard-right political leanings.

Heritage is just one of multiple institutions devoted to promoting a view of the world favorable to the interests of the very wealthy. These include an almost dizzying array of think tanks, with Heritage just the biggest. They also include media organizations like The Wall Street Journal's opinion section (which often seems to live in a different reality from its still-solid news reporting.) The Washington Post, whose owner, Jeff Bezos, has declared that its opinion pages will promote "personal liberties and free markets," appears to be headed down the same path.

These .01%-friendly institutions shape public discourse in at least two ways.

First, some people who aren't necessarily committed to the right nonetheless take the "research" coming from these institutions seriously. I use the scare quotes because in every field I know anything about, everything coming out of Heritage is a steaming pile of … bad analysis. But politicians and ordinary citizens sharing material on social media don't necessarily know that. Even mainstream media sometimes don't seem to get it. During my early years at The New York Times, editors would sometimes send me Heritage reports and ask whether they refuted what I had been saying.

Second, these institutions help keep zombie ideas, like the claim that cutting taxes on the rich pays for itself, alive — by, in effect, providing zombies with a career path. There are always places at these institutions for self-proclaimed experts willing to advocate wealthy-friendly policies, a phenomenon some of us call "wingnut welfare."

For example, the most prominent voice currently proclaiming the magic of tax cuts is probably Stephen Moore. Moore has repeatedly shown himself unable to get even basic facts right, but has had an apparently successful career at places like the Club for Growth, The Wall Street Journal and, yes, the Heritage Foundation. Donald Trump even tried to put him on the Board of Governors of the Federal Reserve, although he fell short thanks to a combination of doubts about his qualifications and personal scandal.

This array of institutions promoting ideas that serve the interests of the wealthy — call it the wingnut archipelago — is, I'd argue, as important in its own way as the effects of campaign contributions. They're an important reason clearly false claims about taxes and deregulation remain in wide circulation. At the same time, solidly established analysis that doesn't serve the interests of the wealthy, like the evidence for huge positive returns from aiding poor families with children, gets hardly any dissemination.