

Testimony of Abigail E. Disney, Ph.D.
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Thank you, Chair Warren, Ranking Member Cassidy, and members of the committee.

When a person is born in this country it pretty much goes the same way every time. You come out, you get a little slap on your tushie until you cry, and then you get handed over to your parent. But when a baby is born into a family like mine, there is a little twist. You come out, you get a little slap on your tushie until you cry, and then before they hand you over to your parent, the doctor looks deep into your eyes and says, “never spend capital.”

Ok, so maybe I am exaggerating a bit, but not spending capital is as close to a religion among people who inherit wealth as you can get.

Why is capital so sacred? Because it is the goose that lays the golden egg. The more capital you have, the more income and growth you can count on, the more stuff you can buy and so on. As long as you can invest for a return that outpaces inflation, your capital will grow and your buying power will grow with it and you can leave this life with money to spare.

The subtext of the “never spend capital” mantra is, of course, that jobs are for chumps. If you ever find yourself reduced to earning your living by your labor, you’ve surely lost the big lottery you were born to win.

But back in 1960, when I was born, there was another point of faith among the industry of people who advise inheritors like me and that was summed up in the phrase “shirtsleeves to shirtsleeves in three generations.” Put another way this means that if you procreate at a normal rate, you’ll be unlikely to keep this whole scam going for very many generations. Because if you have four children, as my parents did, you are going to have to at least quadruple the amount you were left to leave them where you were when you started. That’s why dynasties are unnatural and hard to cultivate.

But I’m third generation. Why am I still flying so high?

Things have changed since I was born 61 years ago. For one thing, my father had the good sense to see that the goose laying his golden eggs was dying in the early 80’s and was able to bring about changes in management that unleashed an enormous amount of pent-up value at the Walt Disney company and that caused the stock to rise dramatically. Disney’s share price was also bolstered by a stock market that was known occasionally to suffer from, in Alan Greenspan’s words, an irrational exuberance.

So in other words I’m flying high because of dumb luck. I did nothing to earn my massive windfall except have the good sense not to sell my particular golden ticket. I’ve owned my way to the top.

But there is second reason, more pertinent for our purposes today. I'm in great shape today because a lot of what the government in the last forty years was designed to ensure that a person like me can stay flying high, in spite of all the natural forces of gravity that used to pull inheritors down to earth.

Those government actions include:

One. Corporate taxes are at an all-time low, and shameless corporate tax avoidance at an all time high. Trillions of dollars are currently being stashed overseas in tax havens by fortune 500 companies in ways both quasi legal and potentially criminal. All of this value accrues once again to managers and to shareholders like me.

And let's be clear: there is nothing democratic about owning stock. 84% of shares, in fact, are owned by the wealthiest 10% of the population.

Two. Profitability has skyrocketed at America's corporations. For one thing, while worker productivity is up 250% since the end of WWII, mean wages have increased by only 60% of that amount. Much of the rest of that value is accruing to managers and to shareholders like me.

Three. Corporations buying back their own shares, a practice that was illegal until the early 1980's, has turned into business as usual among American companies. Rather than reinvest in the growth of their business or rethink salaries of their employees, companies are plowing profits and tax savings into buybacks that enrich only—you guessed it—mangers and stockholders like me.

Four. An entire tax avoidance industry has grown up in the meantime advising individuals and families about how to minimize their tax obligations, in ways that skirt right around the edges of the law.

Five. A no-holds-barred assault on public spending has included the evisceration of the IRS, the SEC and other regulators that might be more able to restrain some of this trickery if they had adequate funding and support.

Six. The finance industry, once populated by bow-tie-wearing poindexters bent on ensuring that grandpa's pension was well taken care of has transformed into Godzilla himself, devouring and warping every industry and motivation it lays its claws on. Relying on ever more arcane investment rules and vehicles, the industry counts on the widespread inability of the general population to understand what they are up to in order to carry on lining their pockets with relative impunity.

And by the way, if you're pretty smart and still have trouble understanding most of it—don't blame yourself, that's by design.

Seven. Corporate and individual spending on lobbying and on political campaigns have warped and changed our political processes, making some representatives opaque, corrupt and downright uninterested in the well-being of the regular folks paying the price of their machinations.

When I was born 1960 the us had a tax system that privileged income from labor over income from wealth. But somewhere along the line, things turned upside down.

Now a person like me pays less in taxes on the money I make simply from owning stuff than almost anyone who is making their money by working. The more likely a person is to come home from work with an aching back, the more likely I am to be paying less in taxes. You don't have to be a Marxist to see that something is really wrong with these priorities.

If a tax system is a statement of a country's values, then I wonder about ours.

In 1960, a middle-class worker could count on an income that enabled them to buy a home, a pension that would take care of them in retirement, and adequate healthcare.

In 1960, before massive disinvestment in public welfare, that person could send a child to a decent public school, spend weekends at safe and pleasant public parks, and drive to work on roads that were neither crumbling nor overcrowded.

For the last fifty years the wealthy in this country have continued to press their advantages. Their aggressive lobbying on their own behalf has resulted in a raft of changes both formal and informal that have resulted in an accumulation of wealth in the hands of an ever-narrowing segment of the population. And wealth has a self-reinforcing quality, especially given the unholy relationship our political culture has with money.

Some inequality is of course, inevitable. But the levels of inequality that now characterize American life are historic. In 1960 the top 0.1% of owners controlled about 10% of the wealth in this country. Today the top 0.1% control over 23%.

And the pandemic has only exacerbated this problem. Wealth among U.S. billionaires has grown by over \$1.3 trillion just over the past year, an amount that would cover a \$3,900 stimulus check for every American citizen.

There are those that argue that the massive inequality we now face is fine, no problem, nothing to see here. But history tells us that such massive inequality is invariably correlated to corruption, unrest and failed governance. And every indication is that the U.S. will be no exception should we allow these trends to continue.

And I can tell you from personal experience that too much money is a morally corrosive thing—it gnaws away at your character, it narrows your focus down onto your own well-being, it warps your idea of how much you matter and rather than make you free it turns you fearful of losing what you have.

The truth is, the rich have run amok over the last fifty years of American history and our government's willing complicity in their antics has permitted a handful of egregiously wealthy human beings to accumulate massive, budget-warping, mind-blowing amounts of money -- all at the continuing expense of the vast majority of the American people.

We need to address inequality first by restoring to the working class the benefits that used to come with being any old American citizen: decent, high functioning governments, good healthcare, a public school system that prepares all kids well for their futures, an infrastructure not in a perpetual state of decay and a suite of public services that privileges the interests of those not already privileged in every other way.

Given how far we have let this inequality grow I do not see how we can address this problem other than with a wealth tax. Working people will never, by wages or salary alone, be able to catch up with the folks who have succeeded in putting so much distance between themselves and everyone else. The public needs revenues to restore the commons to its former health, and the wealthy have too much money, plain and simple. That adds up to a pretty obvious solution.

I will go to bat for the wealth tax with any and all businessmen who want to tell you that it impinges on the American dream. If you have \$50 million and do not know how to invest it for more than 2% growth, you have bigger problems than a wealth tax.

If you have a billion dollars and don't know how to live on \$999 million, you don't need a better tax system, you need a psychiatrist.