

On the Moral Argument for the Estate Tax

BYLINE: ELIZABETH BAILEY

Paris Hilton has become the poster babe of the post-shame society, a dependable figure of fun for the New York Post, People Magazine, and countless Web sites. But what is she doing in a book about taxes?

Paris's appearance in the recently published "Death By a Thousand Cuts: The Fight over Taxing Inherited Wealth," by Yale professors Michael J. Graetz and Ian Shapiro (Princeton University Press), is a cameo, but she is central to the story. Or, the authors argue in this real-life economic whodunit, she should be.

The book aims to explain how the estate tax, championed by Teddy Roosevelt and Andrew Carnegie and put on the books in 1916, was repealed in 2001 with broad support from both parties. Both Roosevelt and Carnegie maintained that great wealth can be a burden for those who inherit it and an insidious wasting agent in a society based on the creative churning of economic and social mobility.

Today, that position is championed by few. Warren Buffett and Microsoft founder Bill Gates are two of the lonely voices against repeal. In an interview in Forbes Magazine around the time of the 2001 debate, Mr. Gates was quoted as saying: "Part of the reason for believing that my wealth should be given back to society, and not in any substantial percentage passed on to my children, is that I don't think it would be good for them. They really need to get out and work and contribute to society."

Last week, the estate tax, dubbed the "death tax" by those who would like it killed, received another blow when the House of Representatives voted 272-162 to repeal it permanently. It is doubtful that the Senate will follow suit, mainly due to the threat of a filibuster.

Currently, the estate tax is dying a slow death, with legislated reductions scheduled to eliminate it altogether in 2010 - only to oversee its resurrection the next year. But total repeal is high on President Bush's wish list and a diehard goal for a rainbow of constituencies, from the National Association of Women Business Owners to the U.S. Hispanic Chamber of Commerce.

"Death By a Thousand Cuts" is an elegant exegesis of the broad-based political forces that were brought together to fight against a tax that affects only the richest 1% to 2%. While much of the book describes the maneuvering of lobbyists and lawmakers like Washington State's Jennifer Dunn, the book is fundamentally a tale of changing morals and values.

Despite the excesses of those captains of industry showcased in recent courtroom dramas, America has become a nation of capitalists big and small, now for some and in the future for others. Everyone can have a slice of this pie - and the government better keep its greedy hands off. The authors frame their book as a series of connected mysteries. Among the conundrums: "Why was there no modern Teddy Roosevelt to warn the public of the dangers of rewarding dynastic wealth in America?"

It wasn't just political savvy that made the repeal forces successful. Success came when they turned lobbying into a moral crusade. The estate tax began in the era of the robber barons as a way to address inequality of wealth in a society dedicated to equality of opportunity. Over the last decade, during another period of giant wealth accumulation, the estate tax came under attack as unfair to those who work hard and do the right thing by making a lot of money.

Messrs. Graetz and Shapiro point out that those who believe in the economic and social values of progressive taxation - the estate tax is the most progressive in the code - never spoke up. Instead, the anti-repeal forces followed the money and emphasized self-interest. "It's not going to affect you," they complained to the 98% of the population who would never face estate taxes.

Which is where Paris Hilton struts in.

The authors suggest that the opposition should have gone on the offense and called for a tax on inheritances instead of a tax collected on the deathbed. This would have given them the chance to ask "the public whether they really wanted to give the Paris Hiltons and Luke Weils a tax break."

There is a moral argument in favor of estate taxes that deserves to be heard above the clatter of the repeal juggernaut. This book is one of the first peeps in its defense.

