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Case Study

Rolls-Royce Radicals

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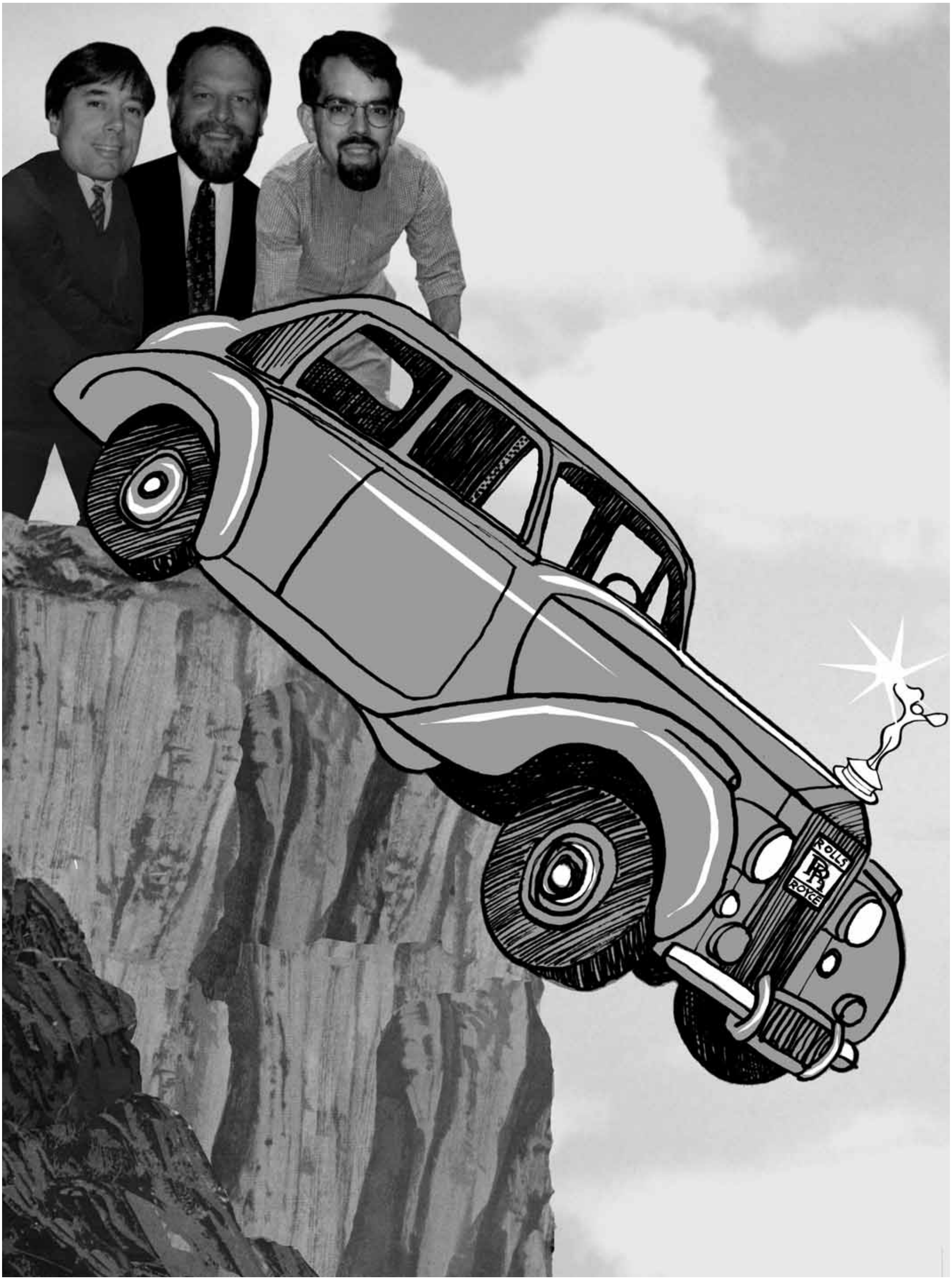

ILLUSTRATION BY SASHA WIZANSKY

Rolls-Royce Radicals

Responsible Wealth, a Boston-based nonprofit, is convincing many affluent Americans to challenge the very rules that made them rich. Far from mere check writers or "limousine liberals," these wealthy activists work against their self-interest to stamp out inequality at its source: unfair laws and policies. Their unique strategy of using privilege to contest privilege not only has attracted the rich and famous to their ranks, but also has bent the ears of senators and CEOs.

by SANDRA ROTHENBERG & MAUREEN SCULLY

At the modest offices of Responsible Wealth, a Boston-based nonprofit, Mike Lapham stops at a bulletin board covered with clippings and notices. Lapham, the organization's co-director, points out a favorite cartoon, in which one pipe-puffing gentleman says to the other, "I used to ask myself what I could do to help my fellow man, but I couldn't think of anything that wouldn't put me to considerable inconvenience."

Responsible Wealth's goal is to counteract the mind-set that this cartoon represents. The organization helps wealthy people inconvenience themselves, helps them realize that "this kind of inequality, these rules that are tilting in my favor are really not in my best interests for the long term," says Lapham. "That's a surprising and sometimes difficult statement for people to make."

Founded in 1997, Responsible Wealth is a project of United for a Fair Economy (UFE), a national nonprofit that spotlights "the dangers of excessive inequality of income and wealth in the United States," according to its Web site. Although anyone can help with Responsible Wealth's initiatives, only the wealthiest 5 percent of Americans can become members of the organization. Many people are surprised to learn that they meet the membership criterion, which in 2006 was a household income of over $173,650 or assets over $1,000,000. The fact that many professionals are more privileged than they realize is one of the most important points Responsible Wealth wants to make.

Why are some affluent people working to change the very rules that protect their wealth?

How can organizations recruit people who have trouble publicly identifying with their cause?

How do the concerns of inheritors and businesspeople differ?

To find out how Responsible Wealth has roused its unusual cadre of wealthy activists, we interviewed its founders, co-directors, and 20 of its current members, as well as reviewed board meeting minutes and public documents. We discovered that there are many barriers, both cultural and personal, to convincing the affluent to speak out against the tax laws, corporate policies, and wage practices that perpetuate inequality. We also found that Responsible Wealth has fashioned new ways to mobilize the rich and famous.

Fighting Privilege With Privilege

Chuck Collins, an heir to the Oscar Mayer family fortune, is a co-founder of Responsible Wealth and UFE. Unlike many wealthy people, Collins feels that his affluence gave him "more of a head start than anybody should have in a democracy," including a debt-free college education, good healthcare, and extensive travel. "There was really only one course of action for me, which was to give the money away," he says.[1] He also adopted a modest lifestyle, taking public transportation, borrowing books from the public library, and sending his children to public schools.

Yet Collins wanted to do more. He watched as wealthy people and corporations lobbied for their self-interest in Washington, D.C., and saw the double burden of more taxes and fewer social services fall upon lower-income people. When these less-well-off people spoke out against the deepening inequality, many Americans likely had the same cynical reaction Oliver Wendell Holmes once had: "I have no respect for the passion of equality, which seems to me merely idealizing envy."

But if the wealthy raised the same concerns, wondered Collins, would people pay more attention? Traditionally, the wealthy have limited their philanthropic activities to making donations and volunteering. Collins set out to organize a different kind of affluent-backed nonprofit to answer this question: "How do we use our special privilege to eliminate special privilege?"

Collins was already involved with UFE when he created Responsible Wealth. Early on, Collins brought in Mike Lapham to run the organization full time. Collins chose Lapham in part because Lapham hails from a privileged background. "If we wanted to organize Latinos, we would have a Latino person on our staff," Collins explains. "In this case, we wanted to organize wealthy

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people, so [we needed to have] somebody who [could] connect on that level – or at least wasn't so freaked out about dealing with wealthy people."

The budding organization also needed to hire someone who knew how to connect with wealthy businesspeople, and so brought on Scott Klinger as social researcher, manager, and financial analyst. Klinger had worked for Franklin Research for 13 years and was well versed in the socially responsible investing movement, as well as in the finance industry more generally.

Waking Up From the American Dream

Responsible Wealth's first task was to reach out to potential members and supporters. But the organization confronted – and continues to confront – a major cultural obstacle: Americans' belief that our society is a meritocracy, where everyone starts out with the same opportunities, and then goes as far as his or her talent and effort allow.[2] This "American Dream" ideology, as the sociologist Jennifer Hochschild calls it, leads wealthy people to believe that their fortunes are due to their personal merit, rather than to their friends' and families' help, to government programs, to luck, or to myriad other forces outside themselves.[3] Even inheritors often conclude that they are wealthy because they wisely steward their family's fortunes, rather than because their families earned the money in the first place. Americans' belief that ours is a meritocratic culture is bolstered by rags-to-riches stories, as well as by politicians touting tax policies that allow people to keep what they "earned."

Yet a long history of social science research shows that the American Dream is a dream indeed. A person's social class at birth is a stronger shaper of how much he or she earns as an adult than is his or her intelligence or industriousness.[4] Social class also strongly determines how much education a person will attain, so that education is more a result of wealth and status than a cause of it.

Because the American Dream flatters the wealthy, though, few affluent people are motivated to challenge it. Responsible Wealth had to seek out people who resist the self-serving lure of the myth of meritocracy. Within Collins' personal network were several such progressive wealthy people, including heirs to the fortunes created by the Mars, Tootsie Roll, and Pillsbury companies. Lapham also worked his personal contacts, involving inheritors who were already connected to giving networks such as the Haymarket People's Fund in Boston, the North Star Fund in New York, and the Vanguard Public Foundation in San Francisco. More recently, Responsible Wealth has recruited new members through its

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report "I Didn't Do It Alone," which is a collection of interviews with successful entrepreneurs who credit other people's help for their success – thereby contesting the notion of the self-made businessperson.

An Embarrassment of Riches

Once wealthy people recognize that their money does not necessarily reflect their merit, Responsible Wealth faces a second challenge: getting them to identify themselves as rich. Many potential members are involved in social causes and identify with the less-privileged people with whom they work and whom their organizations serve. It is difficult for them suddenly to reveal that they are among the wealthy elite.

"Joining Responsible Wealth was actually a big decision, because it was making me public to somebody besides my mother and my husband," relates Laura Cole,[5] who earns a modest income at a nonprofit organization dedicated to affordable housing. While co-workers struggle with rent, Cole has quietly bought a house. Reflecting a similar shame about being rich, Amy Shelton, an activist for several progressive causes, says that it had been easier for her to "come out" as lesbian to her straight friends than to "come out" as wealthy to her lesbian friends.

"What we find is that people go through several stages in grappling with money in inheritance, and when they reach the stage of acceptance and are ready to flex their power, then they're ready to join Responsible Wealth," explains Collins. Responsible Wealth is a place where potential members can explore their conflicted feelings about being both rich and against inequality. Many have never discussed their concerns with people like themselves.

Businesspeople have their own stories for joining the organization. Bruce Jacobs made a lot of money when he sold the software company that he founded. But he felt guilty that he and a few senior managers were the primary beneficiaries of the sale. He remains concerned for employees who did not partake of the proceeds. "We all worked hard," he says. "I don't think I deserved it much more than the dedicated workers." Jacobs created a charitable foundation and has worked to recruit more businesspeople to Responsible Wealth.

PHOTOGRAPH BY ELLEN SHUB

Mike Lapham, Chuck Collins, Karen Kraut, and Scott Klinger, all early members of Responsible Wealth, use their personal and professional contacts to build a network of wealthy people who speak out against inequality.

The First Initiative

By December 1997, Responsible Wealth was ready to take its message on the road with the hopes of attracting both inheritors and businesspeople. "We really tried hard to find the entrepreneurial wealth – the first generation wealth – because they are the folk heroes of our time," says Lapham. "They are the best messengers."

The organization held a series of conferences in large cities, drawing attendees with articles and advertising geared toward socially concerned businesspeople, such as members of the Social Venture Network. At the first conference, in New York City's financial district, Charles Demeré, a founding member of Responsible Wealth, stood up and pledged to give away his proceeds from the capital gains tax cut, which had passed into law the previous summer. Others at the meeting followed suit. The Tax Fairness Pledge was born, and with it Responsible Wealth's first initiative, the Tax Fairness Initiative.

People who take the Tax Fairness Pledge give the proceeds of their capital gains tax cut to groups that organize for economic justice. After Responsible Wealth held a press conference on Capitol Hill about the pledge in March 1998, the organization enjoyed an explosion of media coverage. Within weeks, there were hundreds of articles, interviews, and radio shows about Responsible Wealth and the initiative. "It was just this sort of 'man bites dog' story," says Collins. "You've got wealthy people who are refusing a tax break and giving it away. It was very powerful and got us a lot of attention and helped grow our membership."

Since 1997, more than 200 wealthy people have taken the pledge. One popular recipient of pledgers' proceeds is the Fund for Tax Fairness, which supports organizations working to create a more equitable tax system. In recent years, the fund has supported Citizens for Tax Justice, OMB Watch, Tennesseans for Fair Taxation, and the California Tax Reform Association, among others.

The Tax Fairness Initiative initially focused on capital gains tax cuts. But in 2000, Congress passed a proposal to repeal the federal estate tax. Had this bill passed, it would have cost the federal government an estimated $50 billion in tax revenues from the wealthiest 2 percent of Americans by 2010. Although President Clinton vetoed the proposal, Responsible Wealth saw how interested legislators were in repealing the estate tax. Correctly anticipating future battles, the organization launched the second phase of its Tax Fairness Initiative: the call to preserve the estate tax.

One Responsible Wealth member says it was easier for her to "come out" as lesbian to her straight friends than to "come out" as wealthy to her lesbian friends.

"Please Hold for Mr. Newman"

Responsible Wealth knew that getting a few well-known people on its side would strengthen the Tax Fairness Initiative. Having famous voices would also be consistent with its overarching strategy of using privilege to contest privilege. But recruiting the rich and famous was difficult because few Responsible Wealth members were part of the celebrity community. Moreover, celebrities have various gatekeepers, which makes contacting them quite difficult.

Instead of pursuing the rich and famous, Responsible Wealth put its efforts into getting the word out about its Tax Fairness Initiative, linking tax fairness to democracy, opportunity, excellence, and economic growth. The media's coverage of this initiative caught celebrities' attention. As a result, famous wealthy people came to Responsible Wealth, not the other way around.

Early celebrity supporters were Bill Gates Sr. and Warren Buffett. Gates published op-ed pieces in several national newspapers explaining why the estate tax should not be repealed. *The New York Times* picked up the story, running a Feb. 14, 2001, article titled "Dozens of Rich Americans Join in Fight to Retain the Estate Tax." The article quoted Buffet as saying that repealing the estate tax "would be a terrible mistake," the equivalent of "choosing the 2020 Olympic team by picking the eldest sons of the gold medal winners in the 2000 Olympics." Buffet also said that the estate tax was vital for creating a meritocracy, rather than an aristocracy.

After the Valentine's Day article, "we got a veritable flood of new members and signers of the call to preserve the estate tax," Lapham reports. Supporters included Ted Turner, George Soros, and Paul Newman. "It was strange to hear over the intercom, 'Please hold for Mr. Newman.'"

Responsible Wealth found, however, that some big names needed special handling. Famous wealthy people often want to protect themselves by being their own spokespeople, and so are reluctant to join organizations that would speak on their behalf. For instance, although Turner, Soros, and Newman supported Responsible Wealth's position on the estate tax, they did not become members of the organization. Moreover, Responsible Wealth was a relatively unknown entity, and so celebrities could not yet be certain of how radical the group might be or what kind of press it would attract.

The Responsible Wealth staff thought a lot about how much to let the concerns of their famous supporters influence their message. Collins took on the "handler" role on the staff. Ultimately, the organization decided to devote less time to pursuing stars, partly because the organization didn't have a clear program of things for them to do.

The support of famous people gave Responsible Wealth much-needed visibility and legitimacy. At the same time, Responsible Wealth pursued a multi-pronged strategy that included issuing statements to the press and clarifying its message through publications, such as a book co-authored by Gates and Collins.[6] Responsible Wealth also lobbied, sending 50 of its members to the U.S. Senate in 2004. The organization worked with other organizations to visit every Senate office, meeting with staff and leaving materials.

Responsible Wealth continues to help prevent repeal of the estate tax. In June 2006, the Senate fell three votes shy of the 60 needed for complete repeal, and then once again, in July 2006, it fell four votes shy of a partial repeal. Meanwhile, in New York state, 47 Responsible Wealth members signed a letter and full-page ad to the Legislature to help defeat repeal of state-level estate taxes in 2006.

Getting to the Heart of Business

Whereas Responsible Wealth's first initiative focuses on government tax policies, its next two initiatives concentrate on business. The first of these business-focused projects, the Shareholder Resolution Initiative, began in 1999. For this initiative, Responsible Wealth members use their shareholder voting rights to challenge executive compensation and lending practices in corporations.

Responsible Wealth first conducts research on companies, and then asks members who are investors in those companies to take on the shareholder activist role. These members next issue proxy statements, which are sent to millions of shareholders and voted on at corporations' annual meetings. In a few cases, companies have accepted Responsible Wealth's suggestions and changed their policies without issuing proxy statements. For example, Responsible Wealth submitted a resolution to the EMC Corporation, requesting that the company comprehensively review its executive compensation policies. The company voluntarily undertook the review, and Responsible Wealth withdrew its resolution. To date, the organization has issued over 50 shareholder resolutions to companies such as Bristol-Myers Squibb, Citigroup, Coca-Cola, General Electric, and Disney.

Responsible Wealth's third and most controversial undertaking, the Living Wage Initiative, was not as successful as the Tax Fairness and Shareholder Resolution initiatives, and is therefore no longer an active issue. The Living Wage Initiative urged businesses to pay employees at least $8.20 per hour, and more in communities with higher costs of living. This initiative contested inequality quite directly by asking businesses to allocate more to the people who have the least. In exchange, Responsible Wealth argued, businesses may profit from increased employee morale, reduced hiring and training costs, greater customer loyalty, and better community relations. Signatories to the organization's living wage covenant mostly included the usual suspects – small, socially responsible companies, rather than large firms.

Paying a living wage directly affects the daily operations of businesses. Moreover, people within the business community view the living wage movement as quite radical. As a result, the businesspeople among Responsible Wealth's members were reluctant to support the Living Wage Initiative. This exposed a fault line within Responsible Wealth, revealing that inheritors of wealth and businesspeople do not always share the same concerns.

"There is a school of thought that says Responsible Wealth members are supposed to be very active advocates who are really out there doing things, and not just sort of passive members who send in some money and hopefully allow their names to be used," says Jack Purcell, a business owner. "But I'm not sure that you can expect much more than that from someone who is a very active, high-level business executive."

Although Responsible Wealth is no longer pursuing the Living Wage Initiative, individual members continue to speak, mainly at the state level, about a range of wage-related issues, including the living wage, raising the minimum wage, and progressive income taxation. Ed Siegel, a Responsible Wealth member who started his own business, recently spoke about the living wage at a large Midwestern university in 2002. "I began the business to try to do social change, enabling temp workers to earn more money and have more choices in their lives," he says. "I do that by taking less out of the billing rates to my clients."

Balancing Acts

Responsible Wealth is rewriting the rules for what the wealthy can do to combat injustice. Although many affluent Americans give large checks to social causes, few work to change the systems that perpetuate social problems. Responsible Wealth mobilizes the wealthy to do just this, to the tune of more than 700 dues-paying members.

Certainly, people have contested injustice on behalf of groups other than their own. White people have been involved in antiracism work, men in the feminist movement, and straight people in the struggle for gay rights, to name a few cases.

But Responsible Wealth's members are among the few Americans who are currently using their economic privilege to contest economic privilege. Because politicians and the general public are surprised to see this powerful group acting against its self-interest, they are all the more likely to listen to what the group has to say. This unexpected voice has been especially effective in promoting more equitable tax policies.

At the same time, Responsible Wealth has not been successful in fighting for a living wage, largely because its members from the business world do not support this initiative. From this setback, Responsible Wealth has had to learn how to balance the concerns of its business and inheritor factions.

It has also had to learn how to balance its more radical and tempered tendencies. On the one hand, staying linked to more radical activists, like those in UFE, energizes staff, keeps them informed about issues affecting the less well off, and excites some potential members. On the other hand, tempering the more radical aspects of fighting inequality attracts the next wave of inheritors, reassures businesspeople, and helps court celebrities.[7]

Responsible Wealth is poised to take on a third balancing act: joining forces with the less well off. Because many rich and poor Americans agree about the sources and dangers of inequality, the potential for building cross-class alliances is there. How the organization will harness the inequalities within its own ranks to contest inequality in society at large, however, remains to be seen. □

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