The Richest of the Rich, Proud of a New Gilded Age
Charity and Skills Justify It All, Tycoons Say

Sanford I. Weill, below, chairman of Carnegie Hall, sees similarities between his life and that of the hall’s first patron, right.

By LOUIS UCHITELLE

The tributes to Sanford I. Weill line the walls of the carpeted hallway that leads to his skyscraper office, with its panoramic view of Central Park. A dozen framed magazine covers, their colors as vivid as an Andy Warhol painting, are the most arresting. Each heralds Mr. Weill’s genius in assembling Citigroup into the most powerful financial institution since the House of Morgan a century ago.

His achievement required political clout, and that, too, is on display. Soon after he formed Citigroup, Congress repealed a Depression-era law that prohibited goliaths like the one Mr. Weill had just put together anyway. Combining commercial and investment banking, insurance and stock brokerage operations, a trophy from the victory — a pen that President Bill Clinton used to sign the repeal — hangs, framed, near the covers.

AGE OF RICHES
The .01 Percent

These days, Mr. Weill and many of the nation’s very wealthy chief executives, entrepreneurs and financiers echo an earlier era — the Gilded Age before World War I — when powerful enterprises, dominated by men who grew immensely rich, ushered in the industrialization of the United States. The new titans often see themselves as pillars of a similarly prosperous and expansive age, one in which their successes and their philanthropy have made government less important than it once was.

“People can look at the last 25 years and say this is an incredibly unique period of time,” Mr. Weill said. “We didn’t rely on somebody else to build what we built, and we shouldn’t rely on somebody else to provide all the services our society needs.”

Those earlier barons disappeared by the 1920s and, constrained by the Depression and by the greater government oversight and high income tax rates that followed, no one really took their place. Then, starting in the late 1970s, as the constraints receded, new tycoons gradually emerged, and now their concentrated wealth has made the early years of the 21st century truly another Gilded Age.

Only twice before over the last century has 5 percent of the national income gone to families in the upper one-hundredth of a percent of the income distribution — currently, the almost 15,000 families with incomes of $5.5 million or more a year, according to an analysis of tax returns by the economists Emmanuel Saez at the University of California, Berkeley and Thomas Piketty at the Paris

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RICHEST AMERICANS THEN AND NOW

| 1918 | 1. JOHN D. ROCKEFELLER | Oil | 1.6% |
| 2006 | 1. BILL GATES | Software | 0.4% |
| 2006 | 2. HENRY CLAY FRICK | Coal, steel | 0.3% |
| 2006 | 3. ANDREW CARNEGIE | Banking | 0.3% |
| 2006 | 2. WARREN E. BUFFETT | Investments | 0.3% |
| 2006 | 3. SHELDON G. ADelson | Hotels, casinos | 0.3% |
When wealth is measured as a percentage of the economy, many of the richest Americans made their fortunes during the Gilded Age of the late 1800s. Only two living tycoons — Bill Gates and Warren E. Buffett — are among the top 30.

Amato Cox and Jack Van Antwerp/The New York Times
The Nation's Wealthiest Say They Are Proud of New

Philosophy
"I think there are people, including myself at certain times in my career, who because of their uniqueness warrant whatever the market will bear."


The Question of Talent
Other very wealthy men in the new Gilded Age talk of themselves as having a flair for business not unlike Derek Jeter's "unique talent" for baseball. But Mr. Jeter has never put it this way: "I think there are people, including myself, who have this kind of talent in any career," Mr. Hindery said, "who because of their uniqueness warrant whatever the market will bear."

He counts himself as a talented entrepreneur, having started a cable television sports network, the YES Network, in 1989, which he sold for $320 million.

"Jeter makes an unbelievable amount of money," said Mr. Hindery, who now owns a private equity fund. "But you look at him and you say, 'Wow, I cannot find another baseball player with that kind of talent.'"

"Skills," he added, "are a handful of critics among the new elite, or close to it, are scornful of such self-appraisal. "I don't see a relationship between the extremity of income now and the performance of the economy," Paul A. Volcker, a former Federal Reserve chairman, said in an interview, challenging the contentions of the very rich that they are, more than others, the driving force of an economy that is doing well."

The arms race today is largely a result of the long bull market in stocks, Mr. Volcker said. Without rising stock prices, stock options would not have become a major source of riches for corporate stockholders.

Stock prices rise for a reason, Mr. Volcker said, including the perception that there is nothing to worry about.

"The market did not go up because businesspeople got so much smarter," he said.

Age of Riches
Articles in this series are examining the effects of the growing concentration of wealth.

ONLINE: Sanford J. Weill on his fortune, globalization and philanthropy; and an interactive graphic describing the wealthiest Americans:
nytimes.com/business

adding that the 1980s and 1990s, which the new tycoons denigrate as bureaucratic and uninspiring, "were very good economic times and no one was making what they are making now."

James D. Sinex, chief executive of Ostco, the discount retailer, echoes that sentiment. "Obscene salaries send the wrong message through a company," he said. "The message is that all brilliance emanates from the top, that the worker on the floor or the store is insignificant."

A legendary chief executive from an earlier era is similarly critical. "He is Robert L. Crandall, 71, who as president and chief executive, led American Airlines through the early years of deregulation and pioneered the development of the hub-and-spoke system for managing airline routes. He retired in 1997, never having made more than $3 million a year, in the days before upper-end incomes really took off."

"He is speaking out now, he said, because he no longer has to worry that his 'radical views' might damage the reputation of American or that of the companies he served until recently as a director. The nation's corporate chiefs would be living far less affluent lives, Mr. Crandall said, if fate had put them in, say, Uzbekistan instead of the United States, "where they are the beneficiaries of a market system that rewards a few people in extraordinary ways and leaves others behind."

"The way our society equality incomes," he argued, "is through much higher taxes than we have today. There is no other way."

The New Tycoons
The new Gilded Age has created only one fortune as large as those of the Rockefeller family, the Carnegies and the Vanderbilts — that of Bill Gates, according to various compilations. His net worth, measured as a share of America's economy's output, ranks him fifth among the 39 all-time wealthiest American families, just ahead of Carnegie. Only one other living billionaire makes the cut: Warren E. Buffett, in 10th place. Individual fortunes nearly a cent were so large that just 30 tycoons — a few of those by far the wealthiest — had net worth equal to 5 percent national income. Their wealth flowed from the empire they built in rail cars, railroads, oil, coal, urban real estate and then steel, mainly the United States into the world's largest industrial nation.

Today the fortunes of the very wealthy are spread more widely. In addition to stock options, low-interest rate brought wealth to many families — for example, facilitating the sale of old businesses for much greater sums — the past. The fortunes invested in funds and in private equity often sti deals involving huge amounts of cash and vast pools of capital available to invest.
The new tycoons describe a history that gives them a heroic role. The American economy, they acknowledge, died more rapidly than average in the decades immediately after World War II than it is growing today. Incomes rose faster than inflation for most Americans and the spread between rich and poor was much less. But the United States was far away from the dominant economy, and government played a strong supporting role. In such a world, the new tycoons argue, business leaders needed only to be good managers.

Then, with globalization, with America competing once again for first place as strenuously as it had in the first Gilded Age, the need grew for a different type of business leader—one more entrepreneurial, more daring, more willing to take risks, more like the rough and tumble tycoons of the first Gilded Age. Lew Frankfort, chairman and chief executive of Coach, the manufacturer and retailer of trendy upscale handbags, who was among the nation’s highest-paid chief executives last year, recaps the argument.

"The professional class that developed in business in the ’50s and ’60s," he said, "was noble as America grew as a great society to become industry leaders and move their organizations forward in most categories: steel, autos, housing, roads."

That changed with the arrival of "the technological age," in Mr. Frankfort’s view. Innovation became a requirement. In addition to good management skills—and innovation has played a role in Coach’s marketing success. "To be successful," Mr. Frankfort said, "you now need vision, lateral thinking, courage and an ability to see things, not the way they were but how they might be."

Mr. Weill’s vision was to create a financial institution in the style of those that flourished in the last Gilded Age. Although insurance is gone, Citigroup still houses commercial and investment banking and stock brokerage.

The Glass-Steagall Act of 1933 outlawed...
Share of income for the top 0.01%

The share of income going to the top one hundredth of a percent is now about the same as it was early last century.

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<th>Year</th>
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Source: Thomas Piketty and Emmanuel Saez

The wealthiest say skills and charity justify their success

chief, took home $44.6 million last year. His net worth is in the high nine figures. Yet his pay and net worth, he notes, are small compared with the gains to shareholders since Coach went public six years ago, with Mr. Frankfort at the helm. The market capitalization of the company, he notes, is nearly $18 billion, up from an initial $700 million.

"I don't think it is unreasonable," he said. "For the C.E.O. of a company to realize 5% of the wealth accumulation that shareholders realize.

That strikes Robert C. Pozen as a reasonable standard. He is the name for himself and a fortune - rejuvenating mutual funds, starting with Fidelity. In one case, he said, the fund he was running made a profit of $1 billion; his pay that year was $15 million.

"In every organization there are a relatively small number of really critical people," Mr. Pozen said. "You have to start with that premise, and I made a big difference.

Mr. Well makes a similar point. Escorting a visitor down his hall of tributes, he limned at framed charts with multicolored lines tracking Citigroup's stock price. Two of the lines compare the price in the five years of Mr. Well's, active management with that of Mr. Buffett's Berkshire Hathaway during the same period. Citigroup went up at six times the pace of Berkshire.

"I think that the results our company had, which is where the great majority of wealth came from, justified what I got," Well said.

New Technologies

Others among the very rich argue that their wealth helps them develop new technologies that benefit society. Steve Pehan, a Silicon Valley innovator, uses his time from breakthrough inventions to finance his next attempt at a new technology. So far, he says, that even venture capitalists approach with caution. But his partners, co-founders of WebTV N works, which developed a way to start a Web using a television set, sold that it profitable system to Microsoft in 1997 for $900 million.

Mr. Pehan's share went into the venture, he says, and the next. One of his goals with his latest enterprise, a private company called Rearden L.L.C., is to develop over several years a technology to make film animation seem like real-life movies. "There was no one who would invest," Mr. Pehan said. So he used his own money.

In an earlier era, big corporations and government were the major sources of money for cutting-edge research with an uncertain outcome. Bell Labs in New Jersey was one of those research centers, and Mr.

Creating Wealth

Some chief executives of publicly traded companies acknowledge that their fortunes are indeed large - but that it reflects only a small share of the corporate value created on their watch.

Mr. Frankfort, the 81-year-old coach,

"the mix, blaming conflicts of interest inherent in such a combination for helping to bring on the 1939 crash and the Depression. The pen displayed in Mr. Well's hallway is one of those Mr. Clinton used to revoke Glass-Steagall in 1990. He did so partly to accommodate the newly formed BancOne Group, whose helm was necessary, Mr. Well said, if the United States was to be a powerhouse in global financial markets.

"The whole world is moving to the American model of free enterprise and capital markets," Mr. Well said, arguing that Wall Street cannot be a big player in China or India without giants like Citigroup. "Not having American financial institutions really are at the fulcrum of how these countries are converting to a free-enterprise system," he said, "would really be a shame.”

Such talk alarms Arthur Levitt Jr., a former chairman of the Securities and Exchange Commission, who started on Wall Street years ago as a partner in a New York law firm. Mr. Levitt has publicly lamented the end of Glass-Steagall, but Mr. Well argues that its repeal "created the opportunities to keep people still moving forward.

...Mr. Levitt is skeptical. "I view a guided age as an age in which the world is falling and are seen by very few people," he said, referring to the potential for a Wall Street firm to fail or markets to crash in a world of too much deregulation. "I think this is a time of great prosperity and a time of great danger.”

It's Not the Money, or Is It?

Not that money is the only goal. Mr. Himmelfly, the cable television entrepreneur, said he would have worked just as hard for a much smaller pay off, and others among the very wealthy agreed. "I worked because I loved what I was doing," Mr. Well said, insisting that not until he was retired did he "have a chance to sit back and count up what was on the table." And Kenneth C. Griffin, who received more than $1 billion last year as a chairman of a hedge fund, the Citadel Investment Group, declared: "The money is a byproduct of a passionate endeavor.

"Mr. Griffin, 38, argued that those who focus on the money — and there is always a got-rich crowd — "soon discover that wealth is not a particular satisfying accomplishment."

His own team at Citadel, he said, "loves the problems they work on and the challenges inherent to their business.”

Mr. Griffin maintained that he has created wealth not just for himself but for many others. "We have helped to create real social value in the U.S. economy,” he said. "We have invested money in counties campaigns over the years and they have helped countless people.”

The new tycoons oppose raising taxes on their fortunes. Unlike Mr. Crandall, neither Mr. Well nor Mr. Griffin nor most of the dozen others interviewed were ever favor a tax rate higher than they are today, although a few would go along with a return to the levels of the Clinton administration. The marginal tax rate on income there was 35 percent, and on capital gains, 28 percent. That level was still far below the 70 percent and 30 percent corporate tax rates in the late 1960s. Those top rates, in the Bush years, are now 39 percent and 15 percent, respectively.

"The income distribution has to stand," Mr. Griffin said, adding that he had a utopia with a more progressive income tax. "...you end up in problematic circumstances.

In the current work, there is a possibility that will move from one tax area to another. "I am proud to be an American. But if the tax rate became too high, as a matter of principle I would not be working this hard.”

The image contains a page from a document discussing the wealth distribution and the role of technology in society. The text references the share of income for the top 0.01% and the comparison between the wealth distribution of recent years and the early 20th century. It also touches on the challenges and opportunities in financial markets and the role of financial institutions in global economies. The document highlights the contrasting perspectives on wealth and its implications for society. The text ends with reflections on the current state of technology, innovation, and the role of entrepreneurs and investors in shaping the future.
Perlman, now a 46-year-old computer engineer with 71 patents to his name, said that, in an earlier era, he could easily have gone to Bell as a salaried inventor.

In the 1950s, for example, he might have been on the team that built the first transistor, a famous Bell Labs breakthrough. Instead, after graduating from Columbia University, he went to Apple in Silicon Valley, to Microsoft and finally out on his own.

"I would have been happy as a clam to participate in the development of the transistor," Mr. Perlman said. "The path I took was the path that was necessary to do what I was doing."

Carnegie's Philanthropy

In contrast to many of his peers in corporate America, Mr. Sinegal, 70, the Costco chief executive, argues that the nation's business leaders would exercise their "unique skills" just as vigorously for "$10 million instead of $300 million, if that were the standard."

As a co-founder of Costco, which now has 132,000 employees, Mr. Sinegal still holds $150 million in company stock. He is certainly wealthy. But he distinguishes between a founder's wealth and the current practice of paying a chief executive's salary in stock options that balloon into enormous amounts. His own salary as chief executive was $340,000 last year, incredibly modest by current standards.

"I think that most of the people running companies today are motivated and pay is a small portion of the motivation," Mr. Sinegal said. So why so much pressure for ever higher pay?

"Because everyone else is getting it," he said. "It is as simple as that. If somehow a proclamation were made that C.E.O.'s could only make a maximum of $300,000 a year, you would not have any shortage of very qualified men and women seeking the jobs."

Looking back, none of the nation's legendary tycoons was more aware of his good luck than Andrew Carnegie.

"Carnegie made it abundantly clear that the centerpiece of his gospel of wealth philosophy was that individuals do not create wealth by themselves," said David Nasaw, a historian at City University of New York and the author of "Andrew Carnegie" (Penguin Press). "The creator of wealth in his view was the community, and individuals like himself were trustees of that wealth."

Repaying the community did not mean for Carnegie raising the wages of his steelworkers. Quite the contrary, he sometimes cut wages and, in doing so, presided over violent antiunion actions.

Carnegie did not concern himself with income inequality. His whole focus was philanthropy. He favored a confiscatory estate tax for those who failed to arrange to return, before their deaths, the fortunes the community had made possible. And today dozens of libraries, cultural centers, museums and foundations bear Carnegie's name.

"Confiscatory" does not appear in Mr. Weill's public comments on the estate tax, or in those of Mr. Gates. They note that the estate tax, now being phased out at the urging of President Bush, will return in full in 2010, unless Congress acts otherwise.

They publicly favor retaining an estate tax but focus their attention on philanthropy.

Mr. Weill ticks off a list of gifts that he and his wife, Joan, have made. Sometimes their names, and will for years to come. With each bequest, one or the other joins him in the board. Appropriately, Carnegie Hall has been a big beneficiary, and Mr. Weill as chairman was honored at a huge fund-raising party that Carnegie Hall gave on his 7th birthday.

The Weills — matching what everyone else pledged — gave $30 million to enhance the concert hall that Andrew Carnegie built in 1890 in pursuit of returning his fortune to the community, establishing a standard that today's tycoons embrace.

"We have that in common," Mr. Weill said.