

Sharing the Wealth?

The battle over the 'death tax' pits some of the nation's wealthiest people against . . . some of the nation's wealthiest people. But the stakes are high for the rest of us, too

By Bob Thompson

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The big guy in the dark suit sits quietly to one side as the stunt unfolds.

"I'd like to get 10 people to help me demonstrate wealth inequality in the United States," the speaker tells the crowd that fills the ballroom at the Washington Court Hotel, and pretty soon 10 volunteers have settled into 10 empty chairs lined up on one side of the lectern. Each chair, she tells them, represents 10 percent of the nation's wealth. Each person represents 10 percent of the population. As they're arranged now, she says, the wealth is evenly distributed.

And that's all wrong.

"In the United States, the top 10 percent owns 70 percent of the wealth," she says, so nine of the volunteers will have to share three seats. "Come on, get on!" she urges as the 200 or so people in the audience begin to laugh. "You're going to have to get on top of each other!" Meanwhile, the 10th volunteer produces a top hat and a fat cigar -- he's been prepped for the role by United for a Fair Economy, the Boston-based nonprofit that's sponsoring this mid-January event -- and drapes himself across the seven remaining chairs.

More laughter. But the speaker still isn't satisfied.

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"While the wealthiest 10 percent have seven of the chairs," she says, "the top one percent have 40 percent of the wealth. So that would be like if Peter's cigar was one percent and it had four of his chairs."

From the far side of the stage, the evening's main attraction grins and claps. At 6-foot-6, he looks as though he might need eight chairs, not seven, to really stretch out on; even

seated, he dwarfs the other scheduled speakers. But it's not size alone that makes William H. Gates Sr. the focal point in any discussion of the wealth gap.

It is, of course, the fact that he's the father of the richest man in the world.

"I have a really wonderful last name," he says when it's his turn to take the microphone, which he adjusts upward so his voice won't sail over the top. This morning, he did a TV interview "and the first thing the guy said was, 'Now Mr. Gates, if you weren't the father of who you're the father of, do you think you'd be here doing this today?' " No way, he replied -- why else would anyone pay attention?

He's here to talk about a cause that has preoccupied him of late: the fight to preserve the federal estate tax. Currently levied on the assets of fewer than 2 percent of Americans at the time of their death, this tax works, Gates believes -- albeit in a modest way -- to keep the wealth gap from growing even wider. "It really is not a good world where the disparity that was illustrated here exists," he says, "and an element in that is the plain and simple fact that wealth is power." Democracy is at risk when the rich "can basically buy public policy." And this is precisely what he thinks the other side in the estate tax battle has done.

Through a decade's worth of "organized effort," Gates tells his listeners, Americans have been convinced that the estate tax, which affects only the wealthy few, is really a "death tax," and that, as such, "it's a terrible thing for everybody" and should be repealed. Estate tax defenders took the field late, so the game is now "somewhere out towards the end of the third quarter, maybe the beginning of the fourth," with time for a comeback running short. When he sits down, he gets an encouraging round of applause.

To talk to the organizers of the repeal effort, however, is to hear them argue that Gates is out of touch, both with what Americans really think about the estate tax and with the odds on doing anything -- at this late date -- to keep it alive.

People may not be rich themselves, but they think "my kids may be there" or "I may win the lottery," says the obscure consultant-turned-lobbyist whom Gates credits with kicking off the campaign against the tax.

"They're not affected by it, but they say: 'Hey, that's unfair,' " says the man who turned the term "death tax" into a kind of political smart bomb. "They'll say, 'Hey, the rich have paid every damn tax that was ever devised. Why should they get taxed just because they pass away?' "

The wealth gap doesn't matter, says the president of Americans for Tax Reform, which has targeted the estate tax -- among many others -- for oblivion. And sitting in his L Street office a few weeks after Gates's Washington Court appearance, Grover Norquist explains just why this is.

Norquist keeps a Reagan/Bush poster on one side of his desk and a Janis Joplin poster on the other. Since arriving in Washington to help run the National Taxpayers Union in 1978, he has acquired an undisputed position of influence in conservative circles, along with a reputation for not mincing words.

"If there was no Bill Gates, there'd be less of a wealth gap, but it wouldn't help anybody down below," Norquist says. "Some people with extra time go out and drink beer. Some people with extra time invent Microsoft. Fine! Free country!" But that's no reason for government to take their hard-earned money away.

As for Gates Sr.'s come-from-behind scenario, Norquist uses a harsher sports analogy to sum up his opponents' chances of success. "They're embarrassing," he says vehemently. "They're flopping around like that stupid fish in the boat."

He's shouting now.

"It's over, fish! It's done!"

"You're dinner!"

'A Second Gilded Age'

At a time when war has drowned out even the most pressing domestic policy discussions, at a time when -- if we can manage somehow to forget Iraq -- President Bush's current budget proposal, with its projected deficits and its plan to eliminate taxes on dividends, has been the primary focus of economic debate, the federal estate tax may seem like a strange thing for anyone to be worrying about. Yet the dispute Bill Gates Sr. has thrown himself into is about much more than just the billions in revenue involved. It raises fundamental questions about equality of opportunity in America, the role and limits of government, and the confluence of wealth and political power.

To understand why, it helps to remember where the estate tax came from in the first place. The shorthand version can be given in two words: Gilded Age. The buildup of outsized fortunes that accompanied industrialization in late-19th-century America produced an angry backlash that, in turn, led to an effort to level the playing field through progressive income and estate taxation.

"We can have democracy in this country or we can have great concentrated wealth in the hands of a few. We cannot have both," argued future Supreme Court Justice Louis Brandeis. At the urging of, among others, Theodore Roosevelt and robber baron Andrew Carnegie, who believed that "each generation should have to start anew with equal opportunities," Congress passed an estate tax in 1916. It raised the rates a year later, with the highest set at 25 percent on estates of more than \$10 million, to help pay for World War I.

Fast-forwarding to the end of the century and skipping over numerous estate tax modifications (the top rate eventually settled at 55 percent), we find the United States in the midst of what Gates calls "a second Gilded Age." Between 1983 and 1998, as he and United for a Fair Economy co-founder Chuck Collins note in *Wealth and Our Commonwealth*, a book they wrote to call attention to the estate tax issue, "almost all the growth in wealth of the economic boom went to the top 20 percent of households." The result, they write, was to turn America into "the most unequal society in the industrialized world." By contrast, during the three decades following World War II, incomes in all of the so-called "quintiles" -- the bottom 20 percent, the next 20 percent and so on up to the top -- essentially doubled, producing the heyday of the American middle class.

This history might suggest that a new Gilded Age would be accompanied by renewed support for progressive taxation. In reality, the opposite has occurred. A determined estate-tax-repeal movement was born in the early 1990s, at a time when almost no one thought full repeal was politically possible. In what can only be seen as an extraordinary achievement, it gained momentum steadily, and in 2001, it achieved its goal.

Well, almost. The current state of play is nothing short of bizarre. As part of the tax cut the president signed in 2001, the estate tax was in fact repealed -- but only as of 2010; before that time, the tax continues in place, though the rate declines gradually and the level of exempted wealth rises year by year. (Estates of under \$1 million currently pay no tax; by 2009, the exemption level will be \$3.5 million, or \$7 million for couples.) Then -- presto! -- in 2011 the estate tax comes back again, just as it was 10 years before. Its scheduled rebirth is due to Senate budget rules, which would have required a "supermajority" of 60 votes to extend the tax cuts past 10 years. Absolutely no one, however, believes that Congress will allow the 2011 resurrection to occur. To underline the situation's absurdity, Princeton economist Paul Krugman -- noting that it creates strong incentives for children to make sure their well-heeled parents die in 2010 -- suggests that the 2001 tax cut should have been called the "Throw Momma From the Train Act."

The specific question at hand, then, is whether to deal with this situation by permanently repealing the tax -- "killing it Black Flag dead," as some tax opponents like to say -- or by reforming it, as the Gates camp would prefer, with the exemption set high enough to exclude all but the largest estates.

The broader debate covers a lot more ground:

* It is an argument about the wealth gap. Is financial inequality a problem, and if so, is this tax an effective way to reduce it? The estate tax has been in place for nearly a century, as its foes point out, yet the gap is still with us. Tax supporters concede this, but say that without the tax, it would have grown even wider.

* It is an argument about progressive taxation. Do we want the rich to keep carrying a heavier load? If so, how do we balance this with the competing goal of tax "efficiency," which means raising revenue in ways that least distort people's economic behavior (thus

allowing markets to work efficiently)? Estate taxes are highly progressive but not especially efficient, because of the contortions wealthy people go through to avoid them, so one's viewpoint may depend on which goal one values more.

* It is a debate about budget deficits and supply-side theory. Tax supporters point out that the 2001 repeal passed during a temporary period of federal budget surpluses, and they paint a grim picture of hundreds of billions in revenue lost just as retiring baby boomers drive Social Security and Medicare into the red. Opponents argue that the projected losses are overblown, because repeal would provide a boost to the economy. Even if it didn't, some add, that would be fine, too: Growing deficits would force the federal government to contract.

* It's a dispute about whom the estate tax actually affects. Tax supporters emphasize that only the rich actually pay it. In 2000, for example, more than 2.4 million adults died in the United States, but only 52,000 -- less than 2.2 percent -- left taxable estates. The total revenue collected was \$24.4 billion, and 54 percent of this, according to economists William Gale and Joel Slemrod, was paid by the 7 percent of those taxable estates that were worth more than \$5 million. This means that a mere .15 percent of those who died that year accounted for more than half of the revenue collected. Estate tax opponents note that many who don't end up paying the tax must spend time and money preparing to deal with it, and that it is especially damaging to family-owned businesses, which may have to be sold to pay it.

* Finally -- and most importantly, perhaps, whatever one's views on the estate tax itself -- the repeal battle is about the effects of concentrated wealth on democracy. In fact, as Gates and other estate tax supporters suggest, the anti-tax movement itself can be seen as a case study in how economic clout can be employed to change the rules of the game.

"Why is it that the estate tax is on the agenda at all?" Chuck Collins asks the crowd at the Washington Court. "How is it that a tax that touches so few people has become such a big issue?" Gates's coauthor answers his own question by pointing to "a group of wealthy families in Southern California" who, in the early 1990s, hired "a very sophisticated consultant."

Her name was Patricia Soldano. And her mission, Collins says, was to crush the estate tax once and for all.

'We're This Little Teeny Nobody of an Organization!'

"I knew nothing about the legislative process, I'm embarrassed to admit," Pat Soldano is saying. "I mean, I'd only been to D.C. once in my life."

Soldano is sitting at a small conference table in her office in Costa Mesa, Calif., in the heart of Orange County, talking about how naive she was when she set out to get the estate tax repealed. The sign at the door mentions Cymric Family Office Services, her principal business, which helps a select group of wealthy families to "define and achieve their personal and financial goals," along with the Center for the Study of Taxation, a nonprofit she founded in 1992 to research the estate tax's "adverse effects on families and the economy." Not listed is the for-profit Policy and Taxation Group, which Soldano created a few years later to lobby for estate tax repeal.

Seeing the tax's financial and emotional impact on her clients was what got her involved in the repeal movement, she says. She employs five people altogether, with 4 1/2 devoted only to Cymric; Soldano herself, with "half an administrator," does all the work for both estate-tax groups. "We're this little teeny nobody of an organization!" she exclaims.

Teeny, but hardworking: She flies to Washington to lobby every six weeks or so, she says. "Pat has been sensational," says former Senate Finance Committee chairman Bob Packwood, himself an influential lobbyist for estate tax repeal. "She has done more door-to-door, member-to-member lobbying than anybody I know." He wouldn't trade her for any number of "show lobbyists" like Gates Sr.

Teeny, but well-funded: To support her anti-tax efforts, Soldano has enlisted about 65 wealthy families in 25 states. "We don't disclose our membership to anybody," she says, when it's pointed out that Gates and Collins -- citing the nonpartisan Center for Responsive Politics -- have named the Mars (candy) and Gallo (wine) families as among her contributors. In 1997 and 1998, Soldano's Policy and Taxation Group reported \$522,500 in lobbying income, though some of her allies think her backers are being stingy. "I keep saying to Pat, 'Look, get them to put a couple more zeros on those checks!'" says Stephen Moore, president of the Club for Growth, which works to elect Republican candidates who favor permanent estate tax repeal and other tax cuts. "Maybe we only have a one-in-three chance of winning this year, but if you hit the jackpot, these guys really hit the jackpot."

Teeny, but well-connected: One of the first things Soldano did was to enlist the services of the formidable Washington lobbying firm Patton Boggs to help design a repeal effort. Patton Boggs, which has a number of major clients that are interested in seeing the estate tax disappear -- among them Mars Inc., the supersized, family-run multinational based in McLean -- advised her to use her nonprofit Center for the Study of Taxation to lay some groundwork before taking her case to Capitol Hill. Soon the center was funding economic studies, focus groups and polls.

Soldano and her backers weren't the only ones starting to work for repeal in the early- to mid-'90s. In Birmingham, Ala., for example, a similarly well-connected estate planning attorney named Harold Apolinsky and the wealthy families he worked with were getting involved as well. Starting in the 1980s, Apolinsky had built a national network of tax lawyers who represented family businesses to push for less-cosmic modifications of the tax code. Full repeal of the estate tax was on no one's radar screen, and his colleagues

thought he was nuts, he recalls, when he began to talk about it. But when he mentioned this to his wife, "She looked at me and said, 'I bet that's what people said about Orville and Wilbur Wright.' "

Like his California counterpart, Apolinsky realized that the repeal movement needed supporting data. So he discussed with some like-minded friends, including prominent developer John Harbert -- the "one guy in Alabama who was in the Forbes 400" -- the idea of giving money to an institution with a reliably anti-tax point of view. We should "make a pledge to the Heritage Foundation and hire somebody," Apolinsky recalls suggesting, and the resulting grant for "approximately \$200,000" helped Heritage economist William Beach produce a 1996 study called "The Case for Repealing the Estate Tax."

Beach's study argued that the estate tax "reduces economic growth" and "may cost the government and the taxpayers more in administrative and compliance fees than it raises in revenues." Using two econometric models, he plugged in various debatable Heritage assumptions about the economy -- including the assumption that the government would deal with lost estate tax revenue by cutting the nondefense budget -- and produced projections for what would happen to capital costs, job growth and so on if the tax were eliminated.

Numbers matter in policy debates, and the numbers Soldano and Apolinsky helped generate have been widely recycled -- often in sound-bite form -- by estate tax opponents. But the numbers can get exaggerated at times. Take Beach's assertion about administrative and compliance costs. What he was saying was that if you add up how much the government spends to collect the tax plus how much wealthy taxpayers spend on accountants, attorneys and so on, the total is greater than the revenue taken in -- a damning indictment of any tax. Asked about this now, however, Beach concedes that "we were never able to find that" and cites a more recent Heritage paper placing these costs at 31 percent of tax revenue. Estate tax supporters, meanwhile, point to a 1999 study by two Rutgers professors that puts the number at 7 percent.

Language matters in policy debates, too, and a brilliant rhetorical repositioning helped turn the tide in this one: Repeal advocates stopped saying "estate tax" and started saying "death tax" instead.

"Estates are what British people hunt foxes on. Death is what everybody does," explains Grover Norquist, who hosts regular Wednesday-morning meetings at Americans for Tax Reform that help tax foes exchange ideas and enforce message discipline. Norquist credits veteran activist James Martin with making the name change stick. "When you have a coalition, you need somebody who says, 'Carthage must be destroyed!' every day," he says. "That was James Martin. Every meeting: 'Carthage must be destroyed! The death tax must go!'"

Martin, a voluble Ted Turner look-alike, is the president of the 60 Plus Association, an organization for right-leaning seniors. He doesn't claim to have invented the term "death

tax" -- no one seems to know who used it first -- but he understood how it could transform the debate, and he pushed it hard. A few years into Martin's campaign, pollster Frank Luntz, who has done quite a bit of work for Pat Soldano, circulated a strategy memo to Republican lawmakers in which he reported that a "death tax" angered voters much more than an "estate tax" or an "inheritance tax" and suggested staging press events at funeral homes. The memo drew so much attention that Luntz is sometimes credited with the whole rhetorical gambit, but Martin doesn't mind. "My megaphone wasn't as big as his," he says.

No one's megaphone was big enough in the early days, however, to convince the powers that be that repeal was attainable. Martin and Beach remember the time a condescending Republican nabob tried to knock some sense into them at a Heritage Foundation meeting.

"You can't get a vote on the death tax -- you know that," Martin recalls the man saying.

'It Just Struck Me Like a Blow'

"I hope we're in the right place," Bill Gates Sr. says, looking around the high-ceilinged entryway of a conference center at Microsoft's Redmond, Wash., headquarters.

It's a week after his D.C. visit, and he and Chuck Collins have taken their save-the-estate-tax tour back to Gates's home turf. Already today they've done a forum at the University of Washington and an hour-long public radio show, and Gates has slipped in a working lunch at the offices of the Bill and Melinda Gates Foundation, the \$24 billion charitable operation his son asked him to co-chair a few years ago. Now the two are scheduled to speak to a group of young Bill's employees -- if only Gates can figure out where on this sprawling "campus" they're supposed to be. Eventually, someone points them toward the correct location. "Too many buildings. Good luck, guys," the young man at the reception desk says cheerfully as they head back out.

Ten minutes later, they pull into a parking garage full of Hondas, Toyotas and Isuzus. "See, they don't all drive BMWs," Gates cracks. Upstairs, roughly a hundred of his son's employees wait patiently as the authors are wired for the Webcast that will zap their talk all over Microsoft.

Collins leads off with a story about the time J. Paul Getty was asked for the secret to becoming rich. (The billionaire's answer: "Rise early every morning. Work hard all day. Find oil.") He gives a brief history of the estate tax fight; reminds his audience that the tax falls on fewer than 2 percent of Americans; credits the anti-tax movement with doing a terrific sales job; then lists three reasons to oppose repeal. Eliminating the tax would be fiscally irresponsible, he says. It would destroy an important incentive for the rich to give to charity. Finally, it would exacerbate the wealth gap.

When it's Gates's turn, he starts with a story about what it's like to be related to the richest man in the world. "My youngest was in a store not long ago buying some ski equipment,"

he says, "and she handed the clerk her credit card and he looked at it and it said 'Elizabeth Gates Armintrout.' The clerk was a little curious about that middle name, so he came back with the ticket to sign and said, 'By the way, I don't suppose you're related to him?' Libby was in a hurry at the time and she said, 'No, I'm not.' And the guy said, 'Well, I really didn't think so. You'd have bought better skis.' "

He always gets a good response with that one. But with this crowd, the laughter takes an especially long time to die down.

Three decades ago, when the young Bill Gates -- whose family nickname is Trey -- first started riding the computer software wave, his parents had no clue what the future would bring. Their 1975 Christmas card, as biographers Stephen Manes and Paul Andrews report, featured a bit of doggerel about their soon-to-be-a-Harvard-dropout son:

Trey took time off this fall

in old Albuquerque

His own software business --

we hope not a turkey.

(The profits are murky.)

Even after their boy had moved his clearly thriving company to the Northwest, it took his parents a while to grasp the magnitude of his success. "The thing that really made an impact on Mary and me," recalls the elder Gates, "was when this campus got started being built. It was just the physical scope of the thing, this big building going up and all this land around -- it had a palpability that was brand-new for us."

It's not that he wasn't familiar with success on a normal scale. The son of a furniture-store owner in Bremerton, Wash., Gates Sr. attended the University of Washington after serving in World War II, then turned himself into a prominent Seattle lawyer and the kind of civic leader whose name repeatedly shows up in connection with things like legal aid programs, the United Way, the YMCA and public school funding efforts.

He first learned about progressive taxation in high school, he says, "and it made sense to me then." Practicing law made him familiar with the estate tax system, "and I always felt like it was a particularly appropriate one." Over the years, as he watched his son's fortune mushroom exponentially -- Forbes now estimates it at \$41 billion -- he never changed his views. Microsoft's chairman doesn't comment publicly on the issue, most likely because it's not in his company's interest to pick unnecessary fights with the administration, but when Gates Sr. is asked, he always says the two are on the same page.

A few years ago, he was riding an elevator with an old friend, George Duff, the former president of the Seattle Chamber of Commerce, when Duff announced happily that "it

looked like he was about to accomplish an objective he'd been working on for some time" -- estate tax repeal. Gates didn't say much in response, but the encounter shocked him. "It just struck me like a blow," he recalls. "I just -- oh my word, can that really be true?" From the time he got off the elevator, he says, "I had this high sense of disappointment and concern." But what could he do? Eventually someone told him about a group called Responsible Wealth, which had been set up by Chuck Collins's organization, United for a Fair Economy. Sometime late in the fall of 2000, he sent Collins an e-mail offering to help.

Collins, too, has a wealth connection: His great-grandfather was the meat packer Oscar Mayer, and when he was 26 -- he's 43 now -- he inherited several hundred thousand dollars, which he gave to a couple of charitable foundations. Still, when he got Gates's e-mail, he thought it must be an office joke. When he found out it wasn't, the two put their heads together, and before long, out came the New York Times with a front-page story headlined "Dozens of Rich Americans Join In Fight to Retain the Estate Tax." The story named Gates Sr. as the leader of the effort and mentioned investor Warren Buffett, financier George Soros and David and Steven Rockefeller as being among its supporters.

Later, Collins suggested that writing a book might help. So they did. Now here they are at Microsoft, trying to underline the point that the company's founder -- along with every other wealthy American -- owes an enormous debt to that much-maligned entity, the federal government.

That government, Gates says, provides the security and stability that a thriving economy needs: the legal system, the financial markets, the basic orderliness and predictability that let people engage in the kinds of entrepreneurial activities that produce great wealth. Other preconditions of much American wealth-building, he notes, are publicly funded education and research. Voice rising, he calls the United States government "the greatest venture capitalist in the history of the world" and points out that "there'd be no Internet today but for the federal government. Zero. The software industry: to a large extent dependent on things that happened on college campuses where research by smart people was being supported by the federal government." He doesn't get more specific here, but in other speeches he often mentions the computer language at the heart of Microsoft's initial success. It was called Dartmouth BASIC, and it was developed by a couple of professors with a National Science Foundation grant.

Gates is a proud father. He watched what his son did with the opportunities he was given, and doesn't want to take away from his brains and hard work. Yet over and over, he uses the Microsoft story to underline his fundamental point:

"Sure, it has everything to do with some kid who wants to start a software company," he tells his last audience of the day. But "this is not a thing where somebody can say, 'That's mine and I did it and you leave it alone.' That's immoral."

'Get Some Democrats to Understand'

George Duff has no memory of the elevator incident. "Interesting, now, to find out that I'm perhaps the one who caused the book!" he says with a laugh, when told of Gates's story. He's talking in a Seattle Chamber of Commerce conference room high in Rainier Tower, which offers panoramic views of Puget Sound and the city's downtown. And he's remembering, among other things, that it was a gathering organized by the ubiquitous Alabaman, Harold Apolinsky, that inspired him to work for estate tax repeal.

It was in the fall of 1997, and Duff had been talking with newspaper publisher Frank Blethen, CEO of the Seattle Times, who was also concerned about the tax. A repeal group presided over by Apolinsky and a major Alabama lumberman was about to have a meeting in Atlanta, and Blethen encouraged Duff to go. Over the past couple of years, the repeal movement had begun to build. The 1994 election, from which the Republicans had emerged with their first House majority in 40 years, had reshaped the political landscape, and Rep. Chris Cox, a California Republican who'd been a lone, early voice for killing the tax, was steadily picking up cosponsors for his repeal bill. Bob Packwood, newly active as a lobbyist after resigning from the Senate, remembers telling Apolinsky's group that full repeal was a real possibility now.

Duff came back energized, and he and Blethen began to look for ways to help. They saw that the movement needed better coordination, so they organized an annual "Death Tax Summit" in D.C. Duff encouraged local chambers of commerce to pressure their congressional representatives. Blethen ordered up tombstone-laden anti-estate-tax ads that were offered to any newspapers that wanted to run them. He used Seattle Times resources to put together an influential pro-repeal Web site, deathtax.com, full of talking points and numbers from Soldano's Center for the Study of Taxation and other anti-tax groups.

But more important than any of this, Blethen says, was his perception that the repeal movement needed to change its image. The people going up to Capitol Hill to lobby "were all middle-aged white males perceived as wealthy," he explains. "They were saying, 'This isn't fair' -- and nobody cared. The Republicans patted them on the head and the Democrats ignored them." Blethen remembers going with Duff and Apolinsky to see Rep. Cox and Sen. Jon Kyl (R-Ariz.), who had started to carry the repeal ball in the Senate, and asking them, "Okay, what can we do for you?" And their response was, "Get some Democrats to understand this issue."

Blethen, who has a long history of support for diversity and affirmative action, accepted the challenge. "Virtually every significant minority and female business association in Washington, D.C., is now solidly behind repeal," he says -- Soldano and others worked to make this happen as well -- and when he personally lobbies members of Congress, he usually does it with friends from minority-owned papers.

The extent of Blethen's personal stake in repeal is not clear. "I'm on the side of the angels," he says. "I and my family do not benefit one iota from this." Five segments of the family together hold a 50.5 percent interest in the Times, he explains, and for a variety of complicated reasons, including the purchase of expensive life insurance to help

cover an estate tax bill, the family's control of the newspaper is not threatened. Harold Apolinsky, however, says his friend Blethen's business is not out of danger. "The reason Frank is so interested in this," Apolinsky says, "is because at his death there's not going to be enough liquid funds to cover the death tax."

Yet both Duff and Blethen are passionate about family businesses in ways that appear to transcend self-interest. The main problem with the estate tax, as they see it, is that it is a huge bill that hits suddenly, requiring liquid assets to pay. If a family has plowed most of its profits back into a business -- buying printing presses, say, or sawmills -- it can't get cash out easily, and surviving family members may be driven to sell when they otherwise would not have done so. (Tax supporters point out that there are provisions for payments to be made over many years if necessary; opponents counter that such payments still put problematic stresses on a business.)

Duff looks around Seattle and wonders where the community-minded leaders will come from if local owners sell out. One of Blethen's prime concerns is the loss of independently owned newspapers, too many of which, he says, have been sold to cost-cutting chains and conglomerates without community roots. "There's a bigger issue here about the corporatization of America," he says.

Meanwhile, as the repeal movement continued to gather steam in the mid-'90s, Blethen wasn't the only one looking to put a different face on it. You could see how the process worked in the emergence of two new faces in particular: Chester Thigpen's and Edward McCaffery's

In early 1995, Thigpen -- an 83-year-old Mississippi tree farmer and the grandson of a former slave -- testified before the Ways and Means Committee of the newly Republican House on behalf of a forest products industry association. Having painstakingly built and cared for his holdings over four decades, he had been advised that his land might now be worth more than a million dollars, and that his children might have to sell it, or at least harvest trees before their time, to pay the estate tax. Jim Martin of 60 Plus read the Thigpen story in the Washington Times and has been talking about him ever since. In 1996, when Mississippi's Trent Lott became Senate majority leader, Martin thought, "Ah! Chester Thigpen is Trent Lott's constituent!" and promptly brought him back to Washington, posing him for a picture with Lott. When Senate Minority Leader Tom Daschle said he opposed repeal because "helping billionaires ought not to be our business," Martin's 60 Plus newsletter suggested that Daschle's words "smack of racism," because "it's the Chester Thigpens of this world who need help."

Estate tax supporters counter by saying that yes, some people in Thigpen's position are hurt by the tax, but that their numbers have been greatly exaggerated, and besides, the logical way to help them would be to raise the exemption level. Nonetheless, the Thigpen story began showing up in repeal arguments everywhere, from Bill Beach's treatise to deathtax.com.

As for Ed McCaffery, he is a University of Southern California law professor who told the Senate Finance Committee in 1995 that he was an "unrequited liberal" who opposed the estate tax. Eureka! "We were just looking for anything that wasn't produced by a conservative think tank," Blethen explains. Bob Packwood passed his name on to Pat Soldano, who asked him to write something for her. Stephen Moore, then director of fiscal policy studies at the libertarian Cato Institute, followed suit. Heritage's Beach cited him extensively.

McCaffery's estate tax argument covers a lot of the same ground as those of the tax's conservative opponents. The rich can too easily avoid it, he says, and it has failed to close the wealth gap. But to him, its bigger failing is moral, because "it rewards rich spenders" -- those who live lives of luxury and thus leave smaller taxable estates -- "and penalizes rich savers." His solution would be to replace the entire tax system with a consumption tax. This would increase the incentive to save and reverse the moral equation, because all savings would be tax free, as in an IRA, and only taxed when spent.

But estate tax opponents tend to leave out a crucial point when they cite McCaffery. His consumption tax would be progressive. The more you spent, the higher the rate you would pay. And when he talks about the overall goal of a good tax system, he starts to sound like the father of a certain Microsoft billionaire.

"I believe in progressive taxes," he says. "I don't believe in this naive libertarian 'It's my money, I can keep it.' " A rich person's wealth isn't truly his alone, but "a joint product. It came out of society." To tax it at high rates is good -- it's just a question of when and how it's done.

Not that he thinks his friends in the repeal movement would agree.

"They would want me smote in Hell for saying that," he says.

'I Thought the Other Groups Were Going to Kill Them'

All successfully prosecuted wars have turning points, whether they're understood at the time or not. Looking back on this particular campaign, Grover Norquist knows exactly when the decisive moment occurred. It came, he says, when "we started shutting up the idiots over at the trade associations" who argued that the estate tax should only be reformed, not repealed.

He can be even more specific. "We had a meeting with Lott," he says, sometime in 1997. Bob Packwood -- "he had been hired by a bunch of people who owned trees" -- had set it up. Something like 80 groups crowded into a room with the Senate majority leader. "Eighty people went around the room: 'Hi, I'm with the chemical manufacturers, I'm with the widget makers, we're for abolition.'" Then came the National Federation of

Independent Business, the most important small business association: " 'Oh, we realize you can't abolish it this year, so why don't you just nick it?'

"I thought the other groups were going to kill them," Norquist says.

To its leadership at the time, the NFIB's reform position made sense. It has around 600,000 members, who take home an average of \$40,000 to \$50,000 a year. Many have substantial equity built up in their businesses, which would be taxable at their deaths, but for almost all of them, it seemed that either a modest increase in the overall exemption level or some kind of special provision for family businesses -- known as a "carveout" -- would do the trick. The NFIB and others worked hard to achieve this and, in 1997, they were rewarded with something called the Qualified Family Owned Business Interest exemption.

The key word turned out to be "qualified." According to Patton Boggs partner Aubrey Rothrock III, the firm's longtime point man for estate tax issues, the carveout's complex restrictions set "a very high bar" for its use; for a variety of reasons, larger and more successful family businesses found it hard to qualify. Before long, even the NFIB had to agree that the thing wasn't working. "It was a big legislative effort, and we got really no result," says Dan Blankenburg, who oversees the NFIB's House lobbying. "So we were looking for a long-term solution."

Everyone involved agrees that the NFIB's switch to repeal absolutism was hugely important. In the mid-1990s, together with the National Cattlemen's Beef Association and a few other trade associations, it had formed the Family Business Estate Tax Coalition, which now has a membership of about 65 groups. It was this coalition, essentially, that gathered in Sen. Lott's office in 1997, and it is this coalition that has deluged Capitol Hill ever since, sending out not only its own lobbyists but business owners from members' home districts. Patton Boggs's Rothrock sits on its steering committee. "We're thrilled to be part of it," Pat Soldano says.

Packwood points out that with a coalition that big, it's a snap to find constituents with personal connections to any member of Congress -- local beverage distributors being a classic example. And he makes another, less obvious point that helps explain the coalition's persistence. "This may not be the number one issue for any trade association," Packwood says, but "usually it's a very high issue for the leaders of the trade association." If you're the president of, say, the National Association of Home Builders, "you've probably done pretty well . . . and you might have a greater personal interest in this than the average of your membership."

In 1998, with unity finally achieved, repeal efforts really began to take off. The lobbying became focused and relentless. Coalition members swarmed the Hill with all the ammunition they needed to drive home their arguments to wavering legislators.

They had rosy economic studies, from Soldano, Beach, McCaffery and others, that showed how much good repeal would do. (The numbers were debatable but weren't much debated, because the opposition didn't yet grasp the seriousness of the threat.)

They had focus groups and polls that showed big majorities of ordinary Americans opposing the "death tax," a term now firmly established in the public mind. (If you framed the question differently, people chose reform over full repeal, but tax supporters didn't commission the polling that showed this until much later.) They had small business owners and land-poor farmers, ranchers and timbermen like Chester Thigpen telling estate tax horror stories at congressional hearings; they had minority business groups worried about passing down hard-earned new wealth; and they were starting to pick up Democratic votes. They also had new champions in Congress, with more pragmatic ideas about how to make repeal actually happen.

In the House, Washington Republican Jennifer Dunn had introduced -- with Tennessee Democrat John Tanner -- a bill that would phase out the estate tax over 10 years instead of repealing it outright. Dunn was a well-liked comer who'd been elected in 1992 and had quickly found a spot on the Ways and Means Committee. Perhaps not coincidentally, as Packwood points out, she was also "from the Seattle area, and Frank Blethen owns the paper."

In the Senate, Arizona's Jon Kyl took a different approach. His bill would repeal the tax immediately, but replace a modest percentage of the lost revenue by changing the rules by which capital gains in an estate are assessed. (Heirs would be taxed on some previously tax-free gains, but at a far lower rate, and -- significantly for family businesses -- only when they sold the assets in question.)

Twice, in 1999 and 2000, Congress voted to repeal the tax, and twice President Bill Clinton vetoed the bills.

No matter. Hadn't the Republican presidential nominee endorsed repeal?

When George W. Bush took office, tax supporters finally woke up to what was about to happen, but there was little they could do. Leaders of nonprofit organizations started to worry about lost charitable contributions, but it was hard for them to make much noise, because many of the people who sat on their boards would benefit from repeal. The insurance industry, some of whose members profit by selling policies to help people handle the estate tax, began to work the Hill a bit, but the Bush administration told its lobbyists to back off, and they did. They needed help on too many other issues to risk a confrontation. Gates Sr. and Responsible Wealth drew considerable media attention when they announced their opposition to repeal, but this had no impact on the progress of the 2001 tax cuts, which the new president signed into law on June 7.

Against all odds, repeal had been achieved -- but only in the future, and only temporarily. The next goals were to make it permanent and to speed up the timetable. Last year, a permanent repeal bill easily passed the House but fell four votes short of the 60 it needed

in the Senate. Tax defenders called the vote a victory and pointed to the newly grim budget picture as a reason for optimism: How could fiscally responsible senators justify a repeal vote now?

Tax foes see things differently.

"Nobody cares about deficits," Norquist says. "Whoever lost an election because he was for deficits?" He predicts that the anti-tax side will pick up the necessary Senate seats in 2004 or 2006.

"Years ago, I quit guessing as to how soon something was going to happen," Packwood says. But permanent repeal will pass, because there is "no political downside to a politician supporting this."

'They're Playing the American Game'

"We're a small group and an intimate group tonight," says the guy introducing Chuck Collins and Bill Gates Sr. on January 30 in Pasadena, Calif. He's not kidding. There are 27 people in the basement of All Saints Episcopal Church, if you count the little boy drawing with markers in the corner -- by far the low water mark for the save-the-estate-tax tour.

Collins looks tired, and he's less animated than usual. He tells his "find oil" story. He talks about widening economic inequality and mentions his own public school first-grader, who's just lost her librarian and art teacher to budget cuts. He explains the peculiar dead-but-not-dead status of the estate tax. And as always, he mentions Pat Soldano, the hard-working woman with the money from Mars who kicked off the repeal campaign.

As Collins acknowledges the "very effective" job that she and her allies have done, Soldano herself is on a plane back from Washington, where she has just met with, among others, Sen. Byron Dorgan (D-N.D.), an opponent of full repeal. Recently, she has been working on the state level as well. She and Patton Boggs helped lobbyists at a McLean firm organize a local version of the Family Business Estate Tax Coalition, and in the week after her trip, bills to repeal Virginia's estate tax will pass both houses of the legislature and be sent to Gov. Mark Warner. (Warner will veto the repeal, calling it "irresponsible" during a budget crunch, and on April 2, the state Senate will sustain the governor's veto by two votes.)

At the same time, in Arlington, the annual Conservative Political Action Conference has begun, with a panel on "Making the Tax Cut Permanent" scheduled for Day 2. There Grover Norquist will tell roughly 750 cheering activists that "in three years, the president has proposed three significant tax cuts," despite "September 11 and the economic slowdown and deficits and the falling Dow" -- and that Bush was "quite correct" to do so. "It's always the right time to cut taxes," Norquist will say.

Back in the basement of that Pasadena church, Collins turns the floor over to his coauthor, who is 34 years older and has had just as long a day, but who somehow doesn't look as tired.

Gates describes, once more, the publicly funded research, education and institutional stability on which even the most energetic entrepreneurs -- and "I watch one every day" -- have based their fortunes.

He makes triangles with his hands to show what's happened to the wealth gap: a short flat one for the way it used to be, back in the '50s, when he was a young lawyer coming up, and a tall skinny one for the way things are today.

He says of his opponents in the estate tax fight, "I disagree with what they're trying to do, I hope you will, but those are not bad people. They're Americans, they're playing the American game, and I don't demean it by calling it a game -- it's the system we have, it's the way we do things."

Still, he won't retreat from his analysis of the play so far.

"This isn't some grass-roots event that we're witnessing here," he says. "This is a bunch of very wealthy people who deliberately sat down and said, 'Let's put some money and effort together and get rid of that damn thing.' And they're about to do it."

Bob Thompson is a Magazine staff writer. He'll be fielding questions and comments at 10 a.m. Monday on www.washingtonpost.com/liveonline.

Michele Capots contributed to this article.

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