"defenseless." There are reams of scholarship dedicated to discerning why one of Africa's chief exports turned out to be slaves. Dickerson has, evidently, consulted none of it. That's because she has no need of scholars or scholarship, and the lion's share of her sources are authors (Du Bois, Booker T. Washington, Carter G. Woodson, James Baldwin) who are dead. The result is that *Blackness* feels extremely dated.

Certainly it's admirable that Dickerson is not beholden to any particular ideology. But in her efforts to not be pinned down, Dickerson mounts an intellectual scorched earth campaign and never settles down to stake out any ground of her own.

This is the book's ultimate failure—it broaches no new theories for how African Americans should consider themselves. Despite arguing for the uselessness of "blackness," Dickerson presents very little evidence of why black people should change their names. Instead she relies on generalizations, at best, and stereotypes, at worst, to prove her case. But ultimately she proves the opposite of her thesis—the book has convinced me, beyond a shadow of a doubt, that there are definitely a group of people in this country who are black.

*Blackness* is the wrong book to convince anyone otherwise. Ethnic monikers (Jewish, Irish, Japanese, whatever), like virtually anything else in the English language, never succeed as complete definitions of anything. They are abstractions applied to realities, and thus bear all the shortcomings of that transition. When the abstract no longer works well enough, people generally jettison it: the Italians are not the Lombards, the French are not the Franks, black people are not Negroes. People know when to change their names—unsubstantiated intellectual hackery doesn't make the process go any faster.

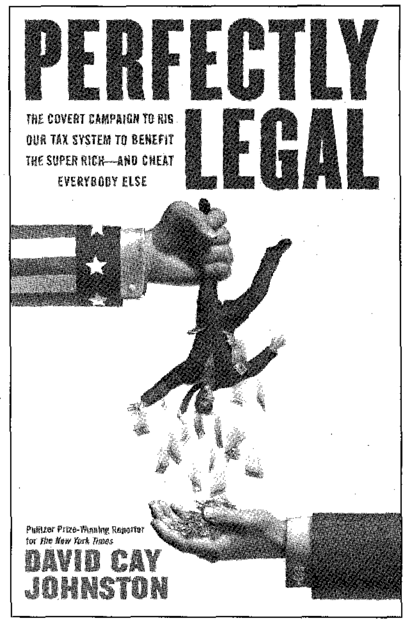
**Ta-Nehisi Coates** is a New York-based writer for *The Village Voice*.

# Tax Laxity

## How a kinder, gentler IRS breeds cheats.

**By Nicholas Thompson**

David Cay Johnston is one of this country's most important journalists. A nine-year veteran of the tax beat for *The New York Times*, Johnston combines the best of Eliot Spitzer and Seymour Hersh. He's an old-fashioned crusading reporter who mines the internal revenue bureaucracy and comes up with potent, pertinent reports on tax fraud and other financial shenanigans. Whether reporting on the latest shelter scam or the Bush administration's decision to boost its economic numbers by counting fast food work as manufacturing, Johnston's stories always have steam coming off them. Now, he's poured that decade's worth of hard-won expertise into book form, arguing the tax system itself deserves much of the blame for America's growing economic inequality.




**Perfectly Legal**
By David Cay Johnston
Portfolio; $25.95

The book's title—*Perfectly Legal: The covert campaign to rig our tax system to benefit the super rich—and cheat everybody else*—isn't subtle. But it does capture the first half of the book, in which Johnston describes how the "political donor class" has manipulated tax policy. Here, *Perfectly Legal* floods the reader with telling statistics and stories. For example, Johnston notes that the share of national income held by the richest 13,360 households grew by more than 400 percent during the past 30 years—while dropping by 22.5 percent for the bottom nine-tenths of taxpayers. Later, he describes how a minor tweak to the tax code in 1985 allows an executive who flies in a corporate jet for personal reasons to value the perk at half the price of a first-class ticket on his income taxes. Because the company also gets a deduction based on the real cost of sending the executive in the plane, Johnston notes, "it would be cheaper for taxpayers to give away first-class tickets to executives rather than subsidize their personal use of company jets."

Such details are shocking. But much like a Hollywood car crash, they're also familiar, and reciting them "en masse" is not Johnston's strong suit. He's much better at explaining the harm done by parts of the tax code most people only dimly understand, such as the alternative minimum tax, or AMT. To the extent that most people know about the AMT, they think of it as something that hits the super-rich but is now migrating down to plain old rich people. In fact, Johnston explains, pretty soon it's going to start hitting the middle class far more stiffly than upper-bracket taxpayers. The AMT was intended to ensure that the wealthy people with expert accountants didn't totally escape taxes. Everyone with deductions that drop his or her taxes below a certain threshold in the normal tax system has to pay up according to AMT rules, and currently about 20 percent of millionaires and one percent of people earning $75,000-$100,000 pay the tax. But because of Bush's tax cuts and the ways that Democrats have expanded the deductions that can qualify someone for the AMT, three-quarters of people in that lower income group will have to pay in 2010, compared to only one-quarter of millionaires. Even now, the AMT is a particular burden on couples with middle-class incomes and large families (possibly a subject dear to the heart of the author, who has eight children).

Johnston's analysis is often compelling. But this half of the book, while stringently-sourced and well-structured, has the tone and bombast of a Michael Moore tome. (No doubt Johnston's publisher wanted to capture a slice of the booming market in political jeremiads.) If you're primarily interested in anti-Dubya talking points, you can stop reading at around page 150. From that point on, Johnston's book is primarily an analysis of the IRS.

But in many ways, it's the second half that is the more interesting and original. Johnson begins with an account of the hearings held by then-Sen. William Roth (R-Del.). Over the course of six days in the fall of 1997 and spring of 1998, the IRS was portrayed as both bumbling and abusive, an organization that kicked down doors and held guns to young girls' heads while forcing them to undress. Though the hearings were dramatic, they turned out to be nearly a complete fraud. Afterwards, a report—which Roth tried to suppress—from the General Accounting Office found that the IRS had acted correctly in nearly every instance Roth had charged it with misconduct. Nevertheless, the hearings were extremely influential and have been used to great political gain by anti-tax activists. As Republican pollster Frank Luntz—who helped mastermind the hearings to translate taxpayer anger into GOP votes—tells Johnston, "Perception is reality. People are afraid whether they should be or not."

After the hearings, the IRS transformed its mission, focusing more on serving customers than auditing them. Agency officials rewarded employees for answering a phone politely more readily than for spotting a doctored return, and switched more than a few from the latter task to the former. After a substantial reorganization, the organization's new mission statement declared that it would "provide America's taxpayers top-quality service." It didn't say anything about collecting taxes.

While a more polite and customer-friendly IRS was undoubtedly a good thing, the agency's easing up on enforcement had a predictably result: Cheating soared. In 2000 and 2001, the organization gave out about $30 million in refunds to people claiming a slavery reparations credit. When Johnston published a front-page story about people who simply refused to pay their taxes, the agency did nothing. On the few returns audited that involved gifts of one million dollars or more, the IRS recommended higher taxes on four out of five. The average understatement on these returns was $303,000, a sum that Johnston writes, "suggests not chiseling or minor differences over an asset's range of values, but calculated cheating."

Some people, however, do still come under the tax man's microscope: working people who apply for the Earned Income Tax Credit, which gives low earners incentives to hold steady jobs by augmenting their wages. In order to save the program from GOP attacks—they claimed it was a fraud-prone welfare program—Bill Clinton had to strike a deal that would lead to intensive auditing of recipients. Today, EITC applicants are eight times as likely to face audits as people earning $100,000 or more, even though the maximum amount of money that someone can get from the EITC is about $4,000 in a year.

Meanwhile, as the IRS goes after underpaid dishwashers, it ignores a number of obvious frauds. The most appalling of Johnston's examples involves small insurance companies, many of which were exempted from taxes a generation ago so that, for example, farmers in rural communities could get fire insurance on their barns. But, because of a quirk introduced by the 1986 revision of the tax code, companies figured out that they could create their own fictitious insurance companies and use them to shield capital. Johnston details one alleged insurance company, IAT Reinsurance, which earned $179 million in profits while collecting just $3,000 in insurance premiums: a pretty obvious sign that it had business other than protecting farmers' barns. Yet the IRS has never gone after IAT Reinsurance or any of its peers.

*Perfectly Legal* offers three main hypotheses for why the IRS does such a bad job at catching the big guys. One is that the agency is often over-matched talent-wise and under-resourced technologically. Despite the 1998 overhaul, the IRS still has nine different computer systems which don't communicate with each other. Combined with an increase in the number of filers during the 1990s and a decrease in the number of auditors, resources per tax return plummeted by half between 1988 and 2002.

Second, the tax code has steadily become more complicated, each added layer of complexity giving people in the know—or rather, their lawyers and accountants—more opportunities to cheat, or at least finesse the laws. At the same time, markets have become more international, allowing companies to open offices offshore to take profits in countries with lax tax systems and take expenses in the United States. Poor people don't get the same chances, because it's extremely hard to doctor information about their primary source of taxes, wages, since their employers keep duplicate records.

Finally, for Johnston, the world is full of many conspiracies. He argues that the IRS doesn't audit many financial partnerships and major corporations because doing so might expose the misdeeds of the "political donor class"—that is, close friends and allies of the congressmen who allocate the IRS' budget. Johnston doesn't have much direct evidence on this point, though he does detail how IRS inspectors investigating the oil giant Unocal were forced by their supervisors to back off as they closed in on a potentially gigantic fraud. But it certainly would explain a lot.

So why should you care about tax cheats? Johnston estimates that the gap between taxes collected and taxes owed is about $300 billion. Approximately what this country today spends every year on public education from kindergarten through high school—a huge chunk of change that, were it not for tax cheats, we could use to spend on other programs (or to lower everyone's tax rates). But radical reforms, like a flat tax or a consumption tax, would also have unintended consequences, and Johnston stops short of endorsing either. His ultimate advice is more cautious: the IRS needs more money; the tax system needs to be less complicated; businesses should show the same books to the IRS that they show shareholders; and the IRS should make public data on who has filed tax returns and paid the amounts they claim to owe.

These are all good fixes, though not transformative ones. But that's not necessarily a flaw with *Perfectly Legal*, which shows just how deep the problems with our tax system run. No one person can hope to fix them. Thank goodness there's at least one journalist willing to point them out.

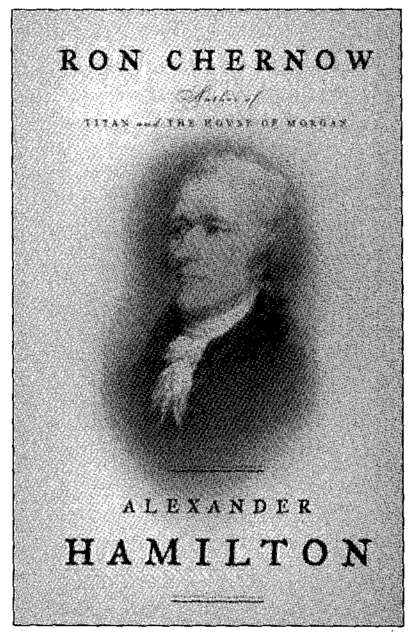
**Nicholas Thompson** is a senior editor at *Legal Affairs* and a *Washington Monthly* contributing editor.

# Alexander the Great

## Yet another unappreciated founding father.

**By Matthew Dallek**

Two very distinct views have guided our understanding of America's Revolutionary generation: the Hamiltonian and Jeffersonian, as historian Joseph Ellis points out in his Pulitzer Prize-winning book *Founding Brothers*. Alexander Hamilton saw the American Revolution as a collectivistic enterprise designed to forge a coherent nation under a strong centralized federal government. The Hamiltonians wanted a state that had the power to raise a militia, regulate trade and banking, and perhaps more importantly, unify the 13 colonies, fearing that the new nation would be riven by internal strife. In addition, Hamilton viewed urban centers, brimming with crafts, shipping, and manufacturing, as one key to America's self-sufficiency. President Thomas Jefferson, by contrast, disdained the federal government as a likely repository of tyrants. Jeffersonians favored an agrarian society with strong individual rights (primarily for white men), and in contrast to Hamilton, supported the practice of slavery. In many respects, these splits—urban versus rural, federal versus local—define our politics to this day.




**Alexander Hamilton**
By Ron Chernow
The Penguin Press; $35.00

In his exhaustive and engaging biography of Alexander Hamilton, Ron Chernow, (who has authored biographies of John D. Rockefeller Sr., and J.P. Morgan) describes Hamilton as the indispensable revolutionary. Chernow's gripping story sheds new light not only on Hamilton's legacy but also on the conflicts that accompanied the republic's birth. He passionately believed that if America were going to survive, order had to be balanced with liberty. In Hamilton's