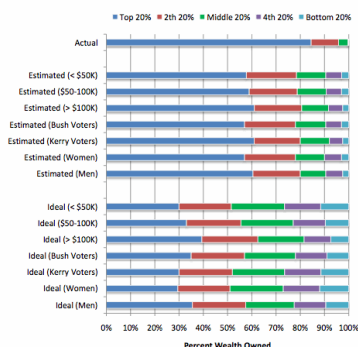


The Abandonment of an Ideal

By Editor Test Thu, Jan 19, 2012

The gulf between the reality of wealth distribution in America and our ideal wealth distribution is what the “one-percent” controversy is really about.

Figure 3. The actual United States wealth distribution plotted against the estimated and ideal distributions of respondents of different income levels, political affiliations, and genders.



On the *RIJ* homepage this week, you’ll find a table listing the most common occupations among the 1.13 million householders whose taxable earned incomes are over \$380,000 and therefore greater than the incomes of 99% of American households.

The controversy over “one-percenters” has produced some anguish over social inequality as well as some humor ever since the Occupy Wall Street movement turned it into a slogan of protest against the perceived injustices of the financial crisis—specifically, the public bailouts of large financial firms amid widespread unemployment and foreclosures.

Scott Adams, the cartoonist behind *Dilbert*, has been drawing a series of strips where Wally, Dilbert’s fellow cubicle rat, wins a billion dollars in a discrimination suit and joins a one-percent club whose members wear Conehead hats and pig snouts tied to their faces with string. (How could cubicle rats maintain their sanity without a daily dose of *Dilbert*?)

But the whole “one-percent” controversy seems flawed. The calculus in annuity research papers baffles me, but simple arithmetic tells me that one-percent of anything is, by definition, an exclusive subset. Assuming a stable number of households, a wannabe-household can join the one-percent only by knocking out a current one-percenter.

Unless we live in Garrison Keillor’s Lake Wobegon, we can’t all be above average, let alone perch in unison atop the flagpole of society. Conversely, except in a homogenous nation, where the sole couture is Mao suits (or Nehru jackets or Izod polo shirts; take your pick) the emergence of a top one percent is mathematically inevitable.

There’s another flaw in the one-percent argument that, I think, weakens its power as a rallying cry. When many of today’s one-percenters were younger, they studied hard to reach the 99-percentile of the Iowa Basic Skills test, or the Scholastic Aptitude Test, or the Civil Service Examination, or what have you. If they ran in a race with 100 participants, they tried to win. You can’t expect financial one-percenters to feel conflicted about having done exactly what was expected of them for so long.

If you aren’t a one-percenter, you probably know a few. The cardiac surgeon who owns all three lots at the end of my leafy cul-de-sac is probably a member. He lives in peace with the retired insurance agency owner across the lane, with the chemical engineer in the next house, with the widowed math teacher and even with the writer who works in an office in the basement of a stone-and-aluminum-siding ranch house three

doors down.

That writer is not among the financial one-percent, but he'd be a hypocrite if he resented those who are. From the deck behind his house, he can look across a valley carpeted with closely set apartments, tract homes and rowhouses, which together make up most (let's say 99%) of the local housing stock. He lived there once, and there's nothing wrong with it. But he's grateful for the zoning rules (Big government!) that prevent further construction in his current neighborhood.

My point is that the "one-percent" controversy misses the point. There's nothing wrong with earning a taxable \$380,000 or with earning any other distinction. Income inequality isn't the issue. Wealth disparity is the issue. It's the elephant (and donkey) that sits in the corner of our political living room.

Apparently, even high-earning Americans don't prefer the current wealth disparity. Very few people do. This point has been made most effectively by [Dan Ariely](#), the behavioral economist, who a few years ago asked Americans of all political loyalties, incomes, sexes, etc., how they thought ownership of wealth *is* distributed in America, and how they thought it *should* be distributed.

His survey (see below) showed that wealth in America is more concentrated among the top 20% (it has over 80%) than people generally believe (they think the top 20% has 60% of the wealth). More important, wealth is much more concentrated than they believe would be ideal (with only 30% to 40% of the wealth going to the top quintile).

The gulf between the reality of wealth distribution in American and our ideal wealth distribution is what the "one-percent" controversy is really about. It's about the abandonment of an ideal.

Figure 3. The actual United States wealth distribution plotted against the estimated and ideal distributions of respondents of different income levels, political affiliations, and genders.

