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The Economist: That pesky 1 percent

By Tucker Hart Adams

Back in the dark ages when I was in college (that would be the 1950s), our professors used to lament the fact that we didn't protest and demonstrate like European students did. Clearly we were inferior when it came to having a social conscience. I've often wondered what they thought after the changes the 1960s brought.

Occupy Wall Street certainly brought out a diverse group of demonstrators – everyone from scruffy types who looked like they'd never held a job to gray flannel suits to the homeless. Most didn't have a lot of staying power – when the weather got cold they packed up their down sleeping bags and went home – but now that spring has arrived they'll be back.

I think it is fine to complain about the huge salaries a few executives receive. As I've said before, no one is worth tens of millions a year. But before we move back onto the sidewalk for a summer of subversive disruption, perhaps we should take a look at exactly who comprises the 1 percent.

According to the most recent Internal Revenue Service data, it was anyone earning more than \$343,927 in 2009. (Other, less dependable but more recent data put it as high as \$516,000.) Now, I've never earned \$344,000 in a year, although I've voted salaries that high for the CEOs of companies for which I served as a director. I don't think it is an outrageous amount for a job that consumes one's life 24/7 and imposes a huge level of responsibility for thousands of jobs and incomes and product safety for millions.

Or look at it another way. After adjusting for inflation, who are the 1 percent? According to the most recent IRS data, it was anyone earning more than \$360,603 in 2011 dollars.

Even at the peak of the boom in 2007, the cutoff point in inflation-adjusted dollars, \$460,433, was below 1986. It was much lower during the Great Recession in 2009.

The 1 percent receives about 21 percent of gross income but they pay 40 percent of all federal income taxes and 21 percent of total taxes, including payroll, state and local taxes. They would pay far more if the Social Security tax were imposed on all income (as I think it should be), not just the first \$110,000. That's one reason Warren Buffett pays a lower tax rate than his secretary.

One third of the hated 1 percent are executives in non-financial firms, 16 percent are in medicine, 14 percent are in finance and 8 percent are lawyers. There is also a smattering of engineers, entrepreneurs, scientists, professors and celebrities from sports, arts and the media.

My question to the Occupiers is, "Why should we limit our discussion to the 1 percent in America?" Shouldn't we be protesting the amount of money that goes to the top 1 percent in the world, not just the U.S.? Sounds reasonable to me.

Who would that be? Anyone earning more than \$34,000 a year. Oops, got me on that one. In fact, since median per capita income in the U.S. is about \$20,000 (\$51,914 for an average household of 2.59 people), it puts most of us in the 1 percent. We are getting way more than our

"share" and live at a level of unbelievable luxury for much of the world's middle class, who may earn as little as \$12 a day (\$4,380 a year).

Perhaps I'm naïve or the world has changed, but it seems to me that America is about equality of opportunity, not equality of outcome. It's fine to protest; we were too complacent in the 1950s. It's even fine to occupy City Park for a while, as long as it is done responsibly without trashing the place and scaring off the tourists.

But we need to remember that it is the rich protesting against the richer, not the downtrodden poor protesting a tiny group who has taken everything from them. I, for one, am glad there is a 1 percent and a 10 percent who pay such a large chunk of the federal income tax that almost half of Americans don't have to pay any. Including, I would guess, a large percentage of the Occupy Wall Street protesters.

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