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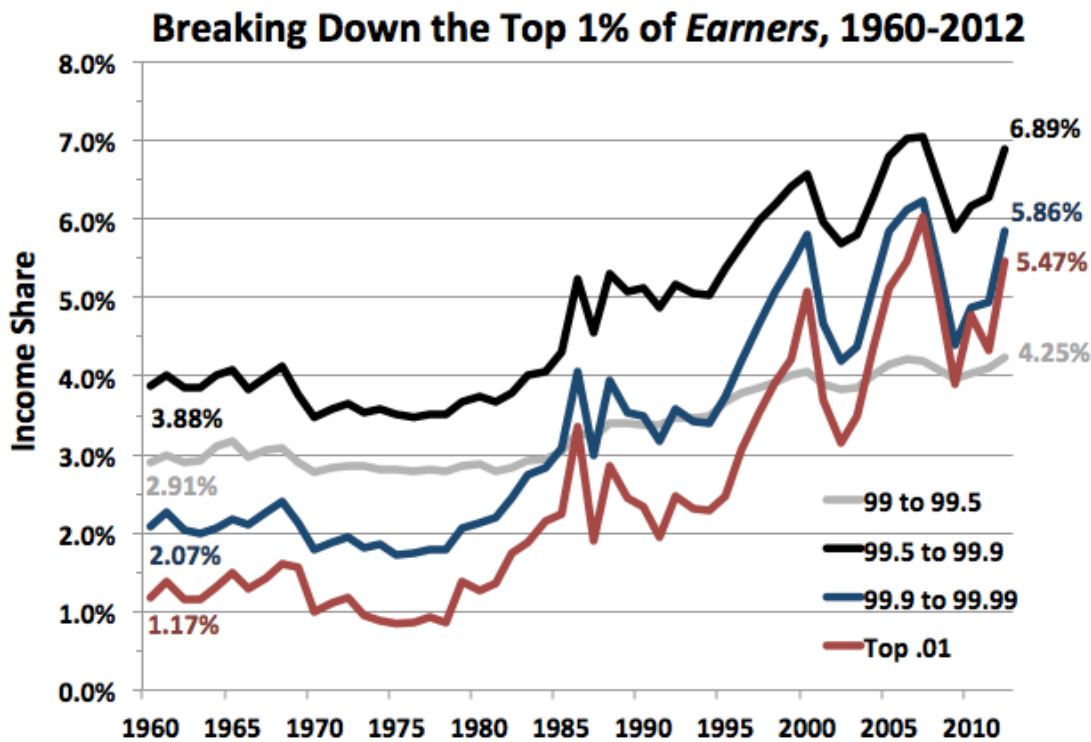
Why Don't the 1 Percent Feel Rich?

By Matthew O'Brien

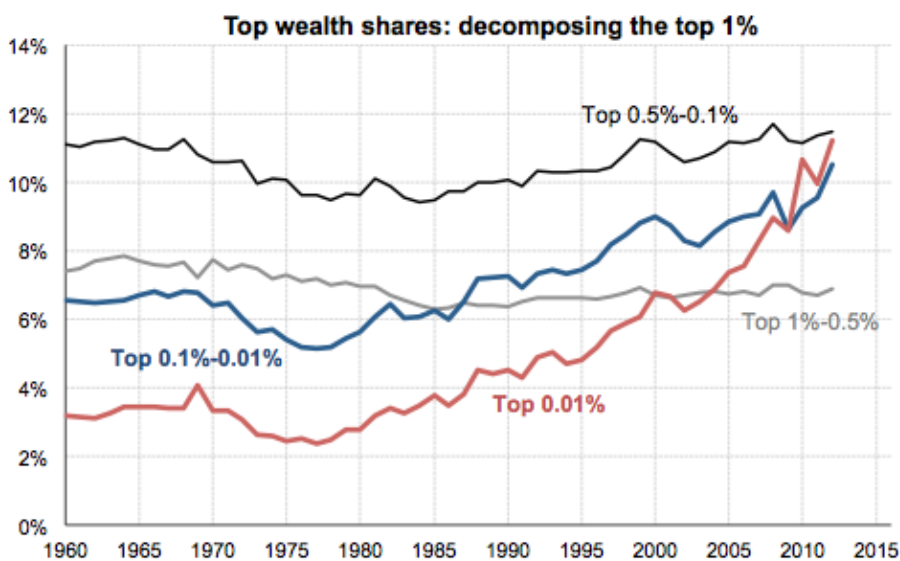
It's hard out there for the 1 percent.

Okay, that's not true at all. But they think it is. If you talk to people on Wall Street, most of them—even, in my experience, the ones shopping for Lamborghinis—will tell you that they're "middle class." Their lament, the lament of the HENRY (short for "high-earner, not rich yet"), goes something like this. You try living on [\\$350,000 a year](#) when you have to pay taxes, the mortgage on the house in a tony zip code, the nanny who knows how to [cook ethnic cuisine](#), the private school tuition [from pre-K](#) on, the appropriately exclusive vacation, and max out your retirement and college savings accounts. There just isn't that much [cash left over](#) each month [once you've spent it all!](#)

Well, sure. But burning through your money to live the lifestyle of the rich and unfamous doesn't mean you're not rich. Nor does it mean that the top 1 percent haven't been pulling away from everyone else. They have. You can see that in the chart below from Berkeley economist [Emmanuel Saez's numbers](#) on income inequality. It looks at how much different parts of the 1 percent have made as a share of total income. Now, the top 0.01 percent—that is, the 1 percent *of* the 1 percent—have increased the most, almost *quintupling* their income share in the last 40 years. But the "bottom of the 1 percent" (the 99 to 99.5 percent) have increased too. So both the super-rich and the merely rich are growing faster than everyone else.



But just because the rich are making more doesn't mean that they're *worth* more. As my colleague [Derek Thompson](#) points out, new research from [Saez and Zucman](#) shows that the "bottom of the 1 percent" have actually seen their wealth share fall the last few decades. Only the top 0.1 percent, and really the top 0.01 percent, have increased theirs—in the latter case, almost four times.



Now, remember, income is how much money comes into your bank account each year, and wealth is how much money you already have in it, along with any stocks, bonds, and real estate (minus any debts). In other words, income is a flow and wealth is a stock. Still, there *should* be a large degree of overlap between the top 1 percent of earners and the top 1 percent of wealth-holders. So why hasn't wealth inequality exploded quite as much as income inequality?

Part of it is that the top 1 percent of earners aren't the same people each year. Now, take another look at our income inequality chart. The "bottom of the 1 percent"—the doctors, lawyers, and other

professionals with consistent incomes—actually haven't increased *that* much the last 30 years. It's the rest that really have. But the top 0.5 percent are different from me, you, and even the 99 to 99.5 percent: their incomes bounce up and down [with the stock market](#). Unless they have the kind of dynastic wealth that they can live off of, it's hard to stay in that rarified group from one year to the next. So it shouldn't surprise us that our new Gilded Age has been of, for, and by the 1 percent of the 1 percent.

But another part of it is status anxiety. Not just conspicuous consumption, though there is plenty of that. Rather, it's the terror that their kids will fall behind. That if they don't get their toddler into the [right preschool](#), they'll blow any chance of getting them into Harvard. So they spend ungodly sums on tuition, tutors, and enrichment activities to try to keep up with the other 1 percenters in the college admissions arms race. There's a perverse logic to it all: the richer the 1 percent get, the higher the cost of falling out. And that's why the "bottom of the 1 percent" in particular aren't getting wealthier. They're making more, but they're also spending more on their kids.

The merely rich don't think they are rich because they aren't rentiers. They think "rich" means having the kind of aristocratic wealth that lets you quit your job and live comfortably off your interest income alone. They're wealthy, but they're not *that* wealthy—and they're not getting any more so. That doesn't make them "middle class," but it does remind us that the future doesn't belong to the 1 percent.

It belongs to the top 0.01 percent—and they already own it.

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