

Is the One Percent Permeable?

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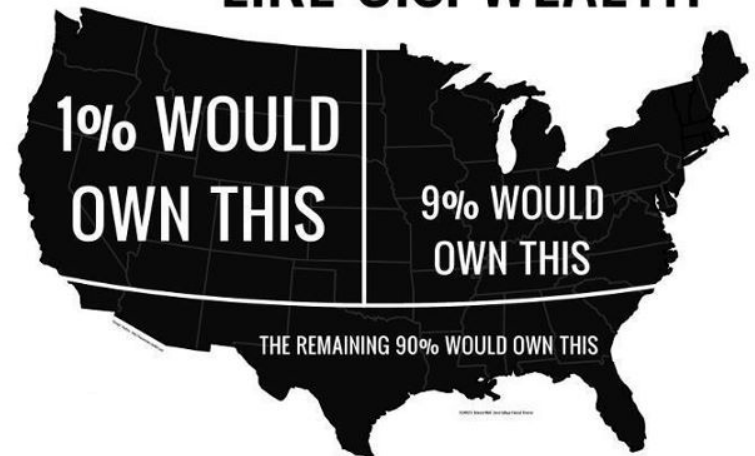
“The wealth gap is easy to explain -- I merely work one billion times harder than you.”

Is the One Percent Permeable?

Acknowledgements:

- National Science Foundation
- Hang Young Lee
- Richard Benton
- Brian Aronson

**IF U.S. LAND WERE DIVIDED
LIKE U.S. WEALTH**



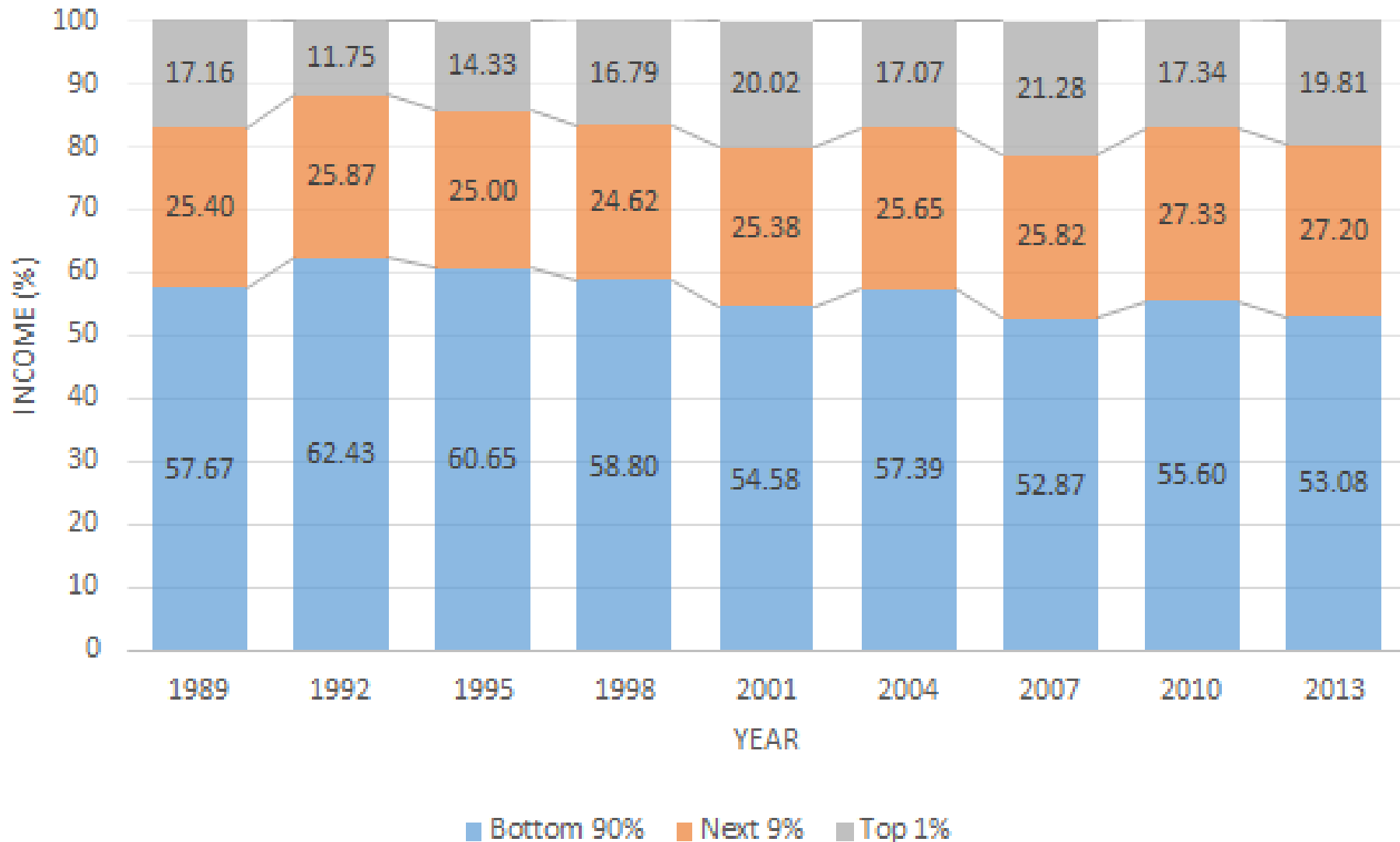
Outline

1. The One Percent: quick overview of income and wealth inequality
2. Is the One Percent Permeable?
3. New work: synthesizing data sets to provide more detailed estimates

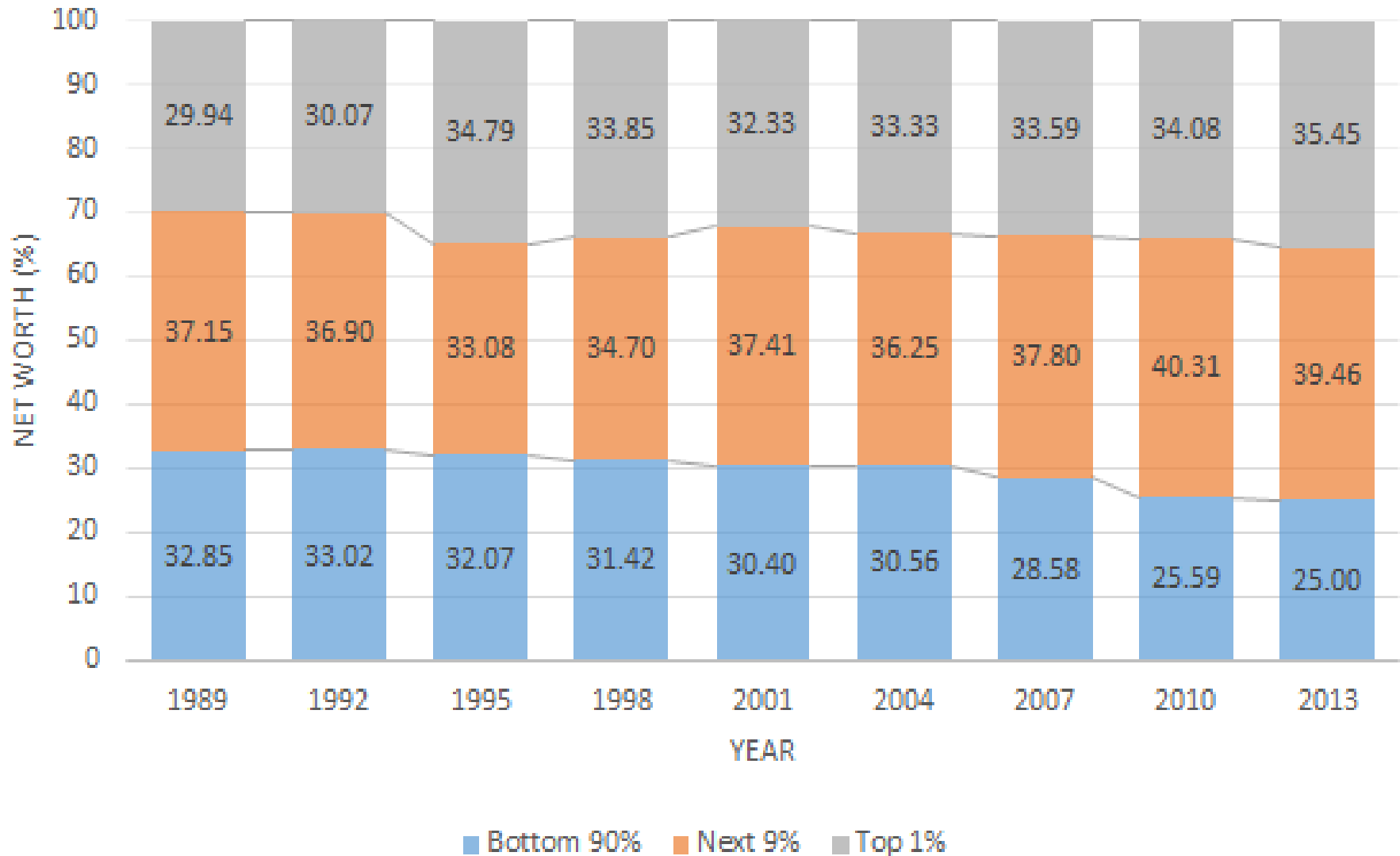
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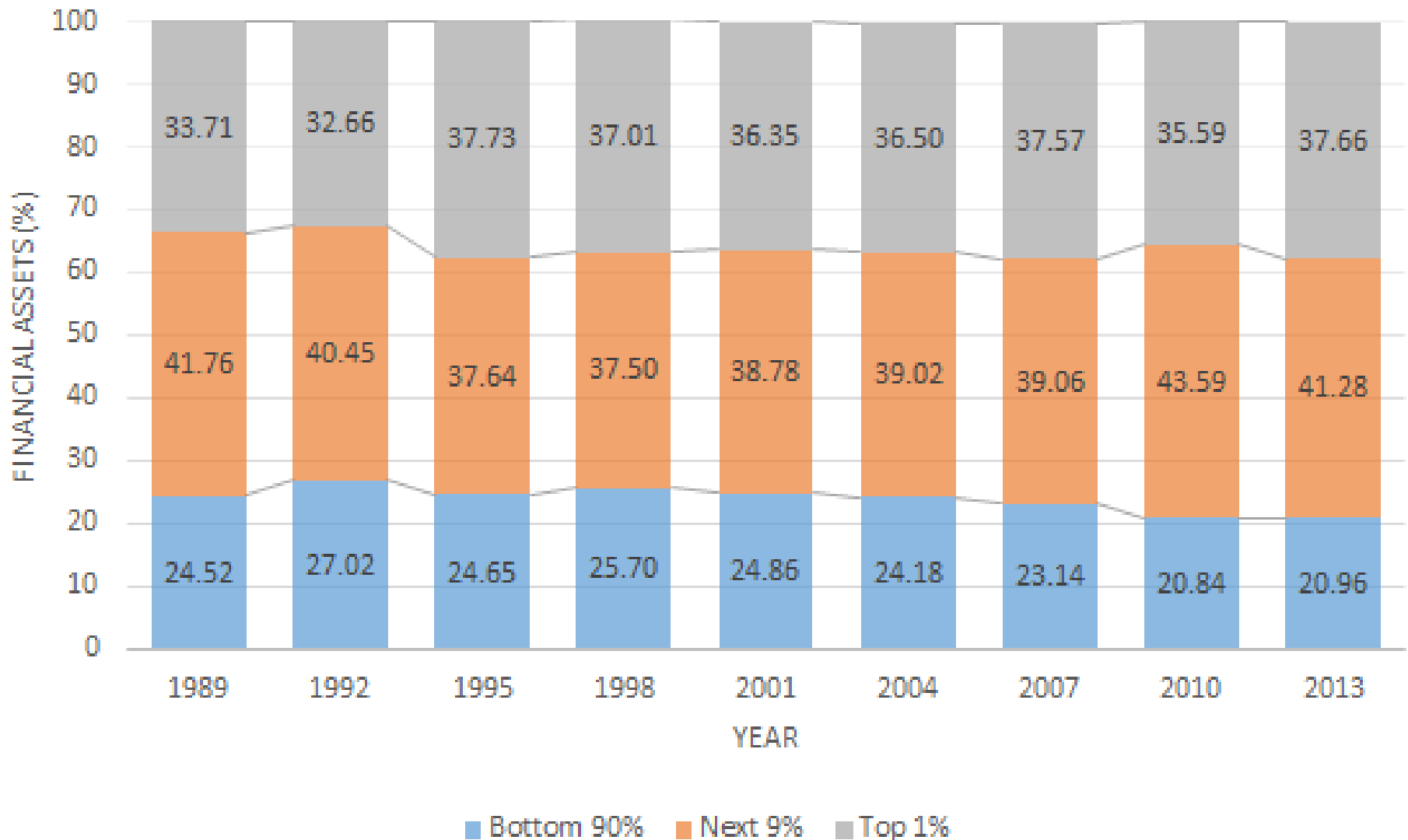
INCOME CONCENTRATION



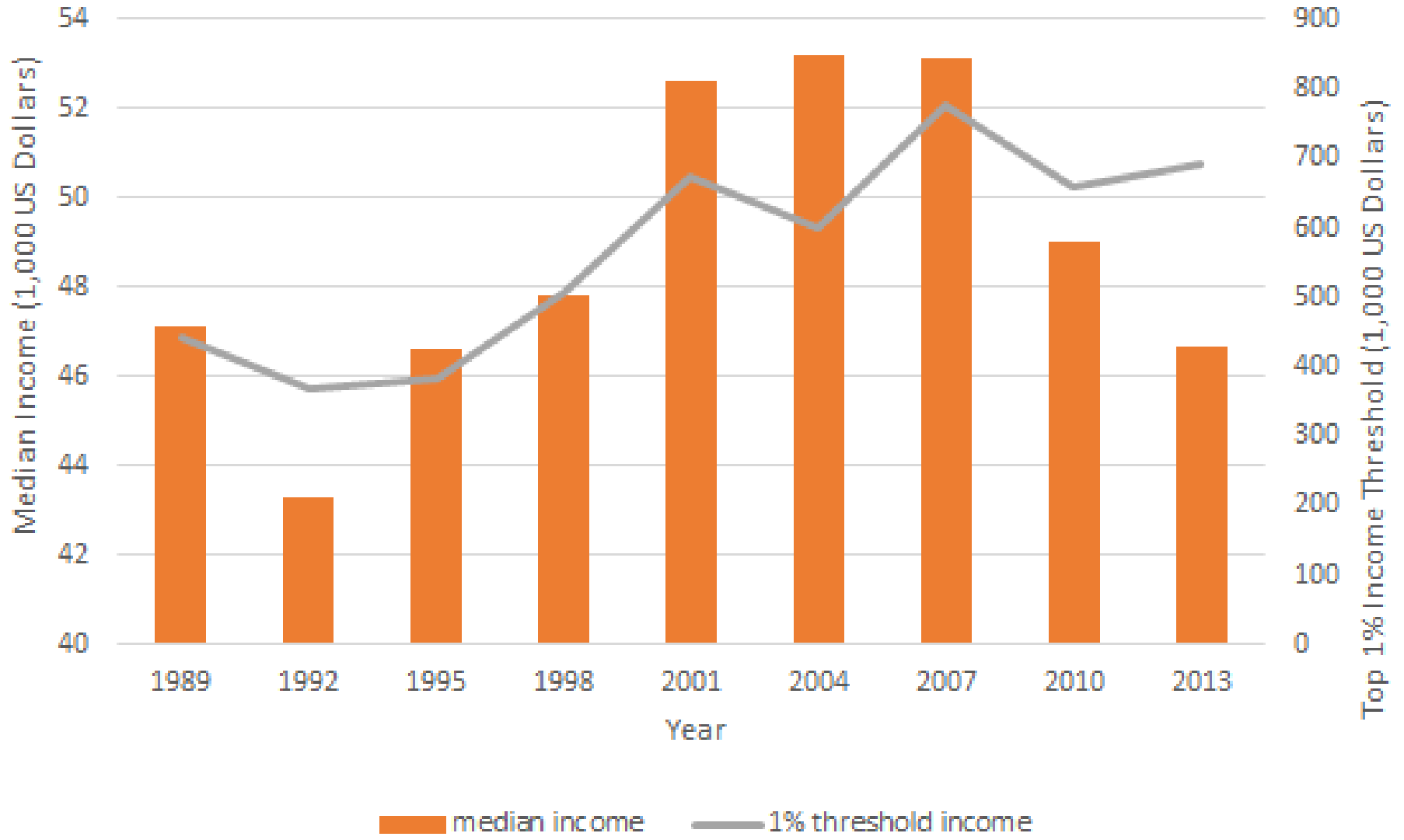
NET WORTH CONCENTRATION



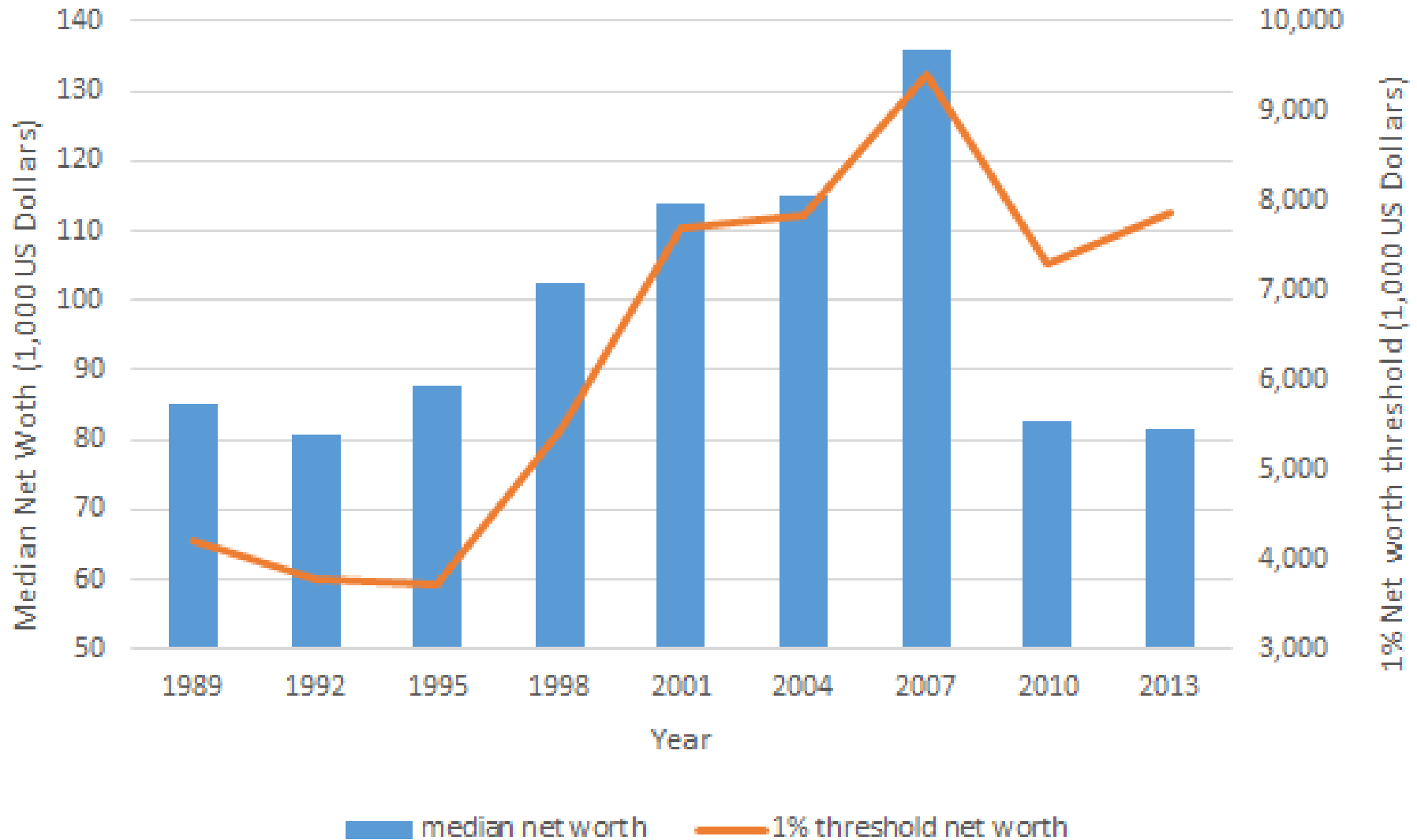
FINANCIAL ASSET CONCENTRATION



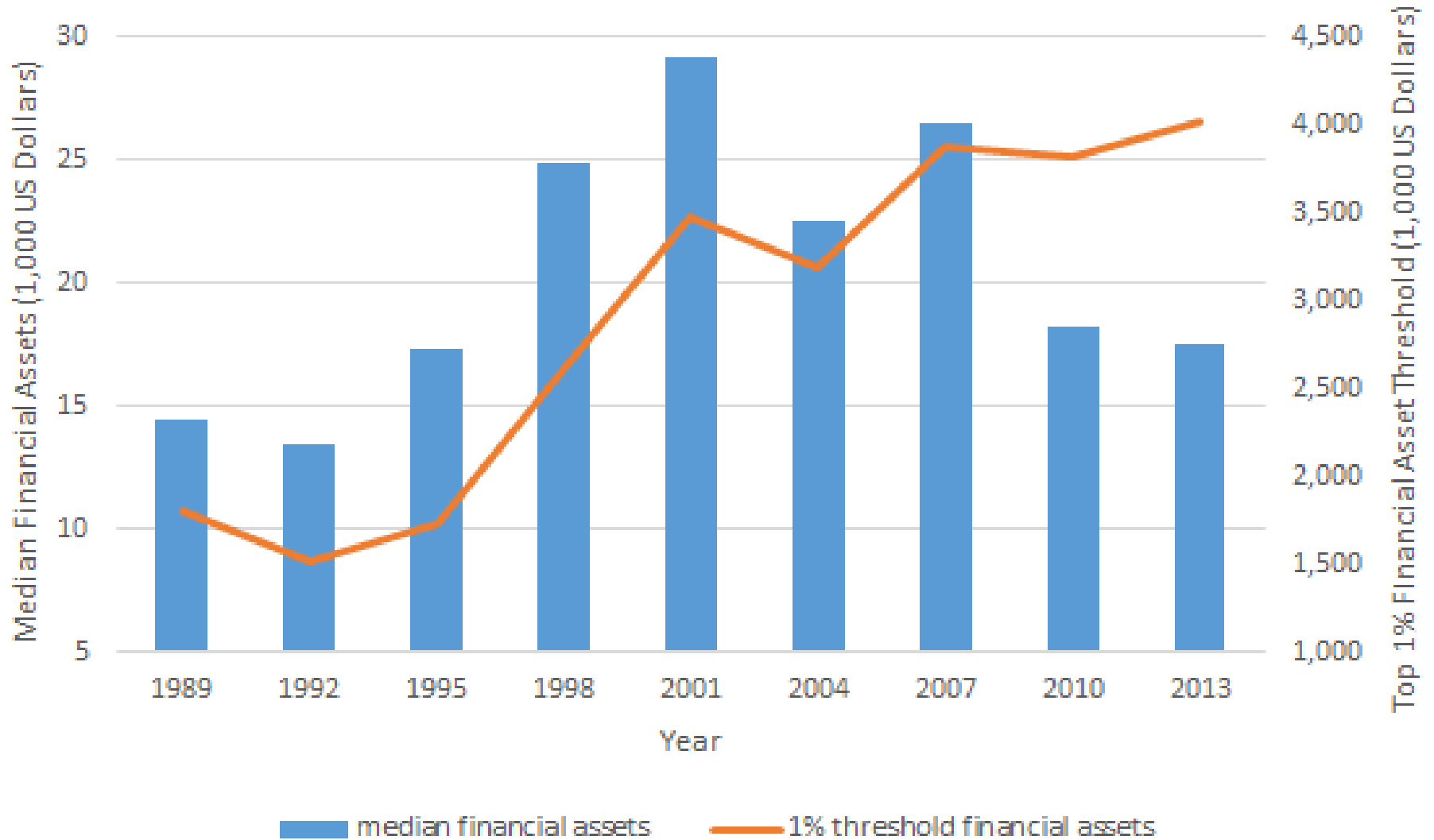
Income: Median and 1% Threshold



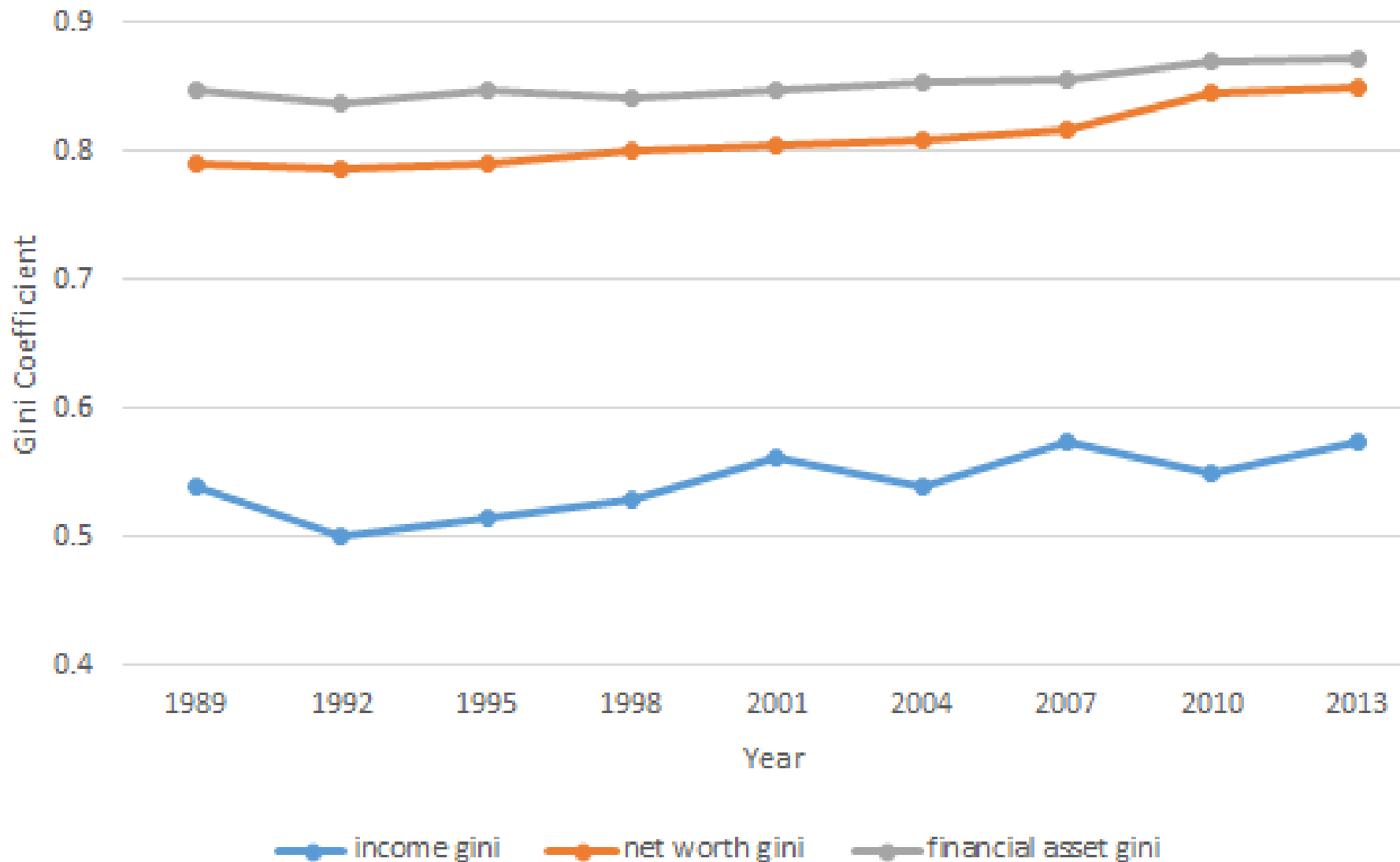
Net worth: Median and 1% Threshold



Financial Assets: Median and 1% Threshold



Gini Coefficients: Income, Net worth, & Financial Assets



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Starting point:

it is clear that the one percent own disproportionate amounts of income and net worth in the U.S.

Gap:

we know little about **who occupies top income and net worth positions** and whether it is **possible to move** into these positions from other places in the income and net worth distributions.

The One Percent

Permeability

New work

Who cares?

the degree to which top positions are accessible is fundamental to understanding whether our social and economic structures are ossified or open.

Previous work:

- Primary concern is documenting inequality
- Some concern with who is in top; but focus is either high income or high net worth.
- Problem: looking at one group necessarily omits some very advantaged people.

Previous work:

- Even income components work (Piketty and Saez 2003) only looks at high income earners
- Wolff and Zacharias (2009) – adjusts for wealth, but still only looks at top income earners

Our paper:

1. Simultaneously look at top income *and* top net worth

2. Break top into three groups:
 - a. Top 1% by income only;
 - b. Top 1% by net worth only;
 - c. Top 1% of both distributions.

Why income AND net worth:

1. The two are mutually dependent.
2. Studying the two together means you have ALL top households.

Why three groups? At least three reasons:

1. Different conceptually
2. Different advantages
3. Different financial profiles

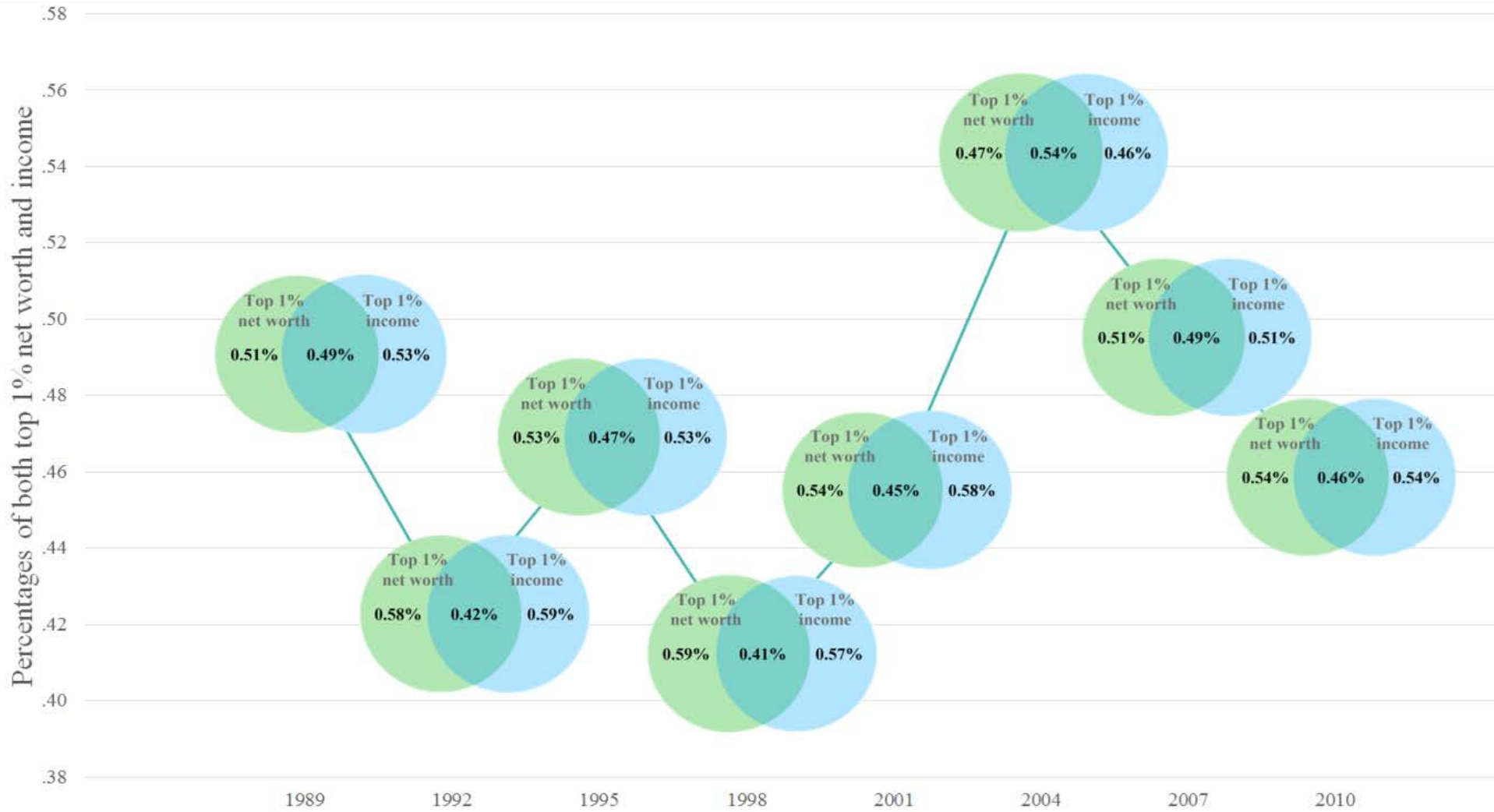
Mechanisms:

1. Status attainment—origins affect outcomes
2. Pareto's elite circulation—consolidators vs. innovators at the top...leads to a continuous, non-revolutionary, constant flow of people into and out of top positions

Proposition One:

Some permeability of top positions is likely.

The percentage of the population that is at the top of both the income and the net worth distributions will be close to 0.5



Alternative Cutoffs for Top Income, Top Net Worth, and Top of Both

		1989	1992	1995	1998	2001	2004	2007	2010
Top 1%	Top income	0.53	0.59	0.53	0.57	0.58	0.46	0.51	0.54
	Top net worth	0.51	0.58	0.53	0.59	0.54	0.47	0.51	0.54
	Top of both	0.49	0.42	0.47	0.41	0.45	0.54	0.49	0.46
Top 2%	Top income	1.12	1.09	1.12	1.03	0.87	0.86	0.83	0.89
	Top net worth	1.12	1.05	1.12	1.01	0.86	0.85	0.82	0.89
	Top of both	0.88	0.95	0.88	1.00	1.14	1.15	1.18	1.11
Top 5%	Top income	2.61	2.46	2.70	2.36	2.36	2.32	2.04	2.13
	Top net worth	2.30	2.40	2.69	2.35	2.30	2.23	1.97	2.12
	Top of both	2.70	2.60	2.31	2.65	2.70	2.80	3.03	2.88
	Top of both	4.39	4.62	4.66	4.83	4.41	4.19	4.03	3.85
Top 9%	Top income	4.24	4.40	4.69	4.70	4.12	4.18	3.94	3.83
	Top net worth	4.76	4.60	4.34	4.31	4.90	4.83	5.07	5.17
Top 10%	Top income	4.82	5.00	5.60	5.40	4.58	4.78	4.47	4.34
	Top net worth	4.70	4.84	5.02	5.37	4.56	4.59	4.44	4.25
	Top of both	5.32	5.16	4.98	4.67	5.45	5.41	5.57	5.75

Proposition Two:

different processes will lead to membership in

- a. the top one percent of **income** earners,
- b. the top one percent of **net worth** owners, and
- c. the top of **both distributions**.

Table 1 (partial): Financial Profiles

		Overall
Top 1% both income & net worth	Income threshold	343,546
	Median income	1,007,811
	% total income	11.37
	Net worth threshold	3,491,267
	Median net worth	11,155,581
	% total net worth	20.05
	<hr/>	
Top 1% income	Income threshold	343,546
	Median income	719,325
	% total income	6.07
	Net worth threshold	-35,845,453
	Median net worth	2,493,036
	% total net worth	3.71
<hr/>		
Top 1% net worth	Income threshold	0
	Median income	248,861
	% total income	1.85
	Net worth threshold	3,484,185
	Median net worth	8,890,414
	% total net worth	12.95

Appendix A (partial): This is NOT the top .5%!

		Overall
Top .5% income	Income threshold	512,987
	Median income	1,232,549
	% total income	13.18
	Net worth threshold	-35,845,453
	Median net worth	7,649,000
	% total net worth	16.97
Top .5% net worth	Income threshold	0
	Median income	592,571
	% total income	9.10
	Net worth threshold	5,494,231
	Median net worth	14,286,531
	% total net worth	24.56

	Top income		Top net worth		Top income & net worth	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
Inheritance (ref = non-inheritors)						
Top 1% inheritors	.480**		1.45**		1.227**	
	(.089)		(.050)		(.042)	
Next 9% inheritors	.094*	.095*	.223**	.218**	.112**	.108**
	(.039)	(.039)	(.032)	(.033)	(.032)	(.032)
Remaining inheritors	-.358**	-.356**	-.424**	-.434**	-.437**	-.442**
	(.056)	(.056)	(.052)	(.052)	(.048)	(.048)

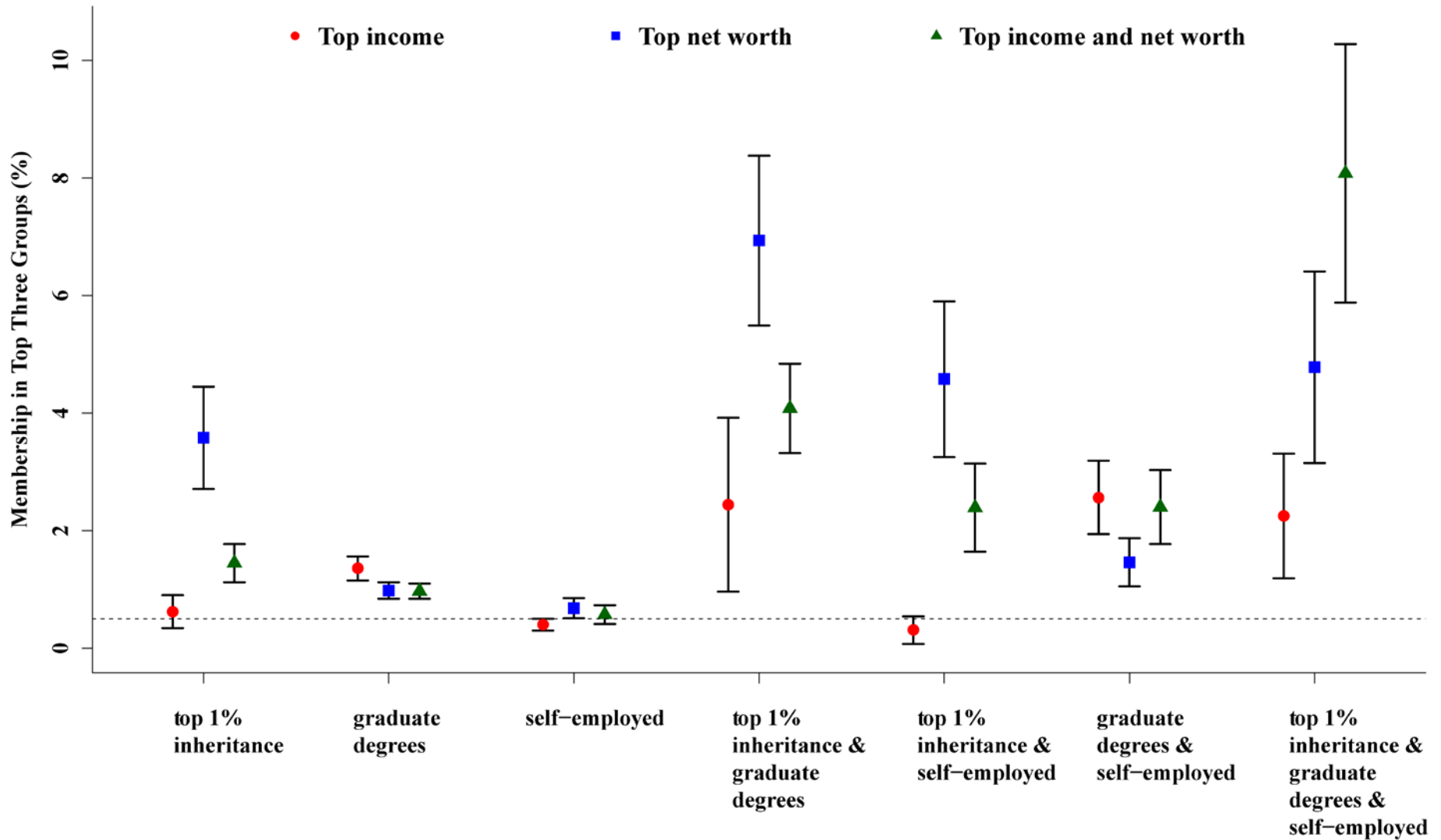
	Top income		Top net worth		Top income & net worth	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
Education (ref=less than college degree)						
Graduate degree	1.11**		.765**		1.103**	
	(.044)		(.034)		(.031)	
College degree	.799**	.792**	.725**	.713**	.959**	.959**
	(.042)	(.042)	(.031)	(.032)	(.030)	(.031)

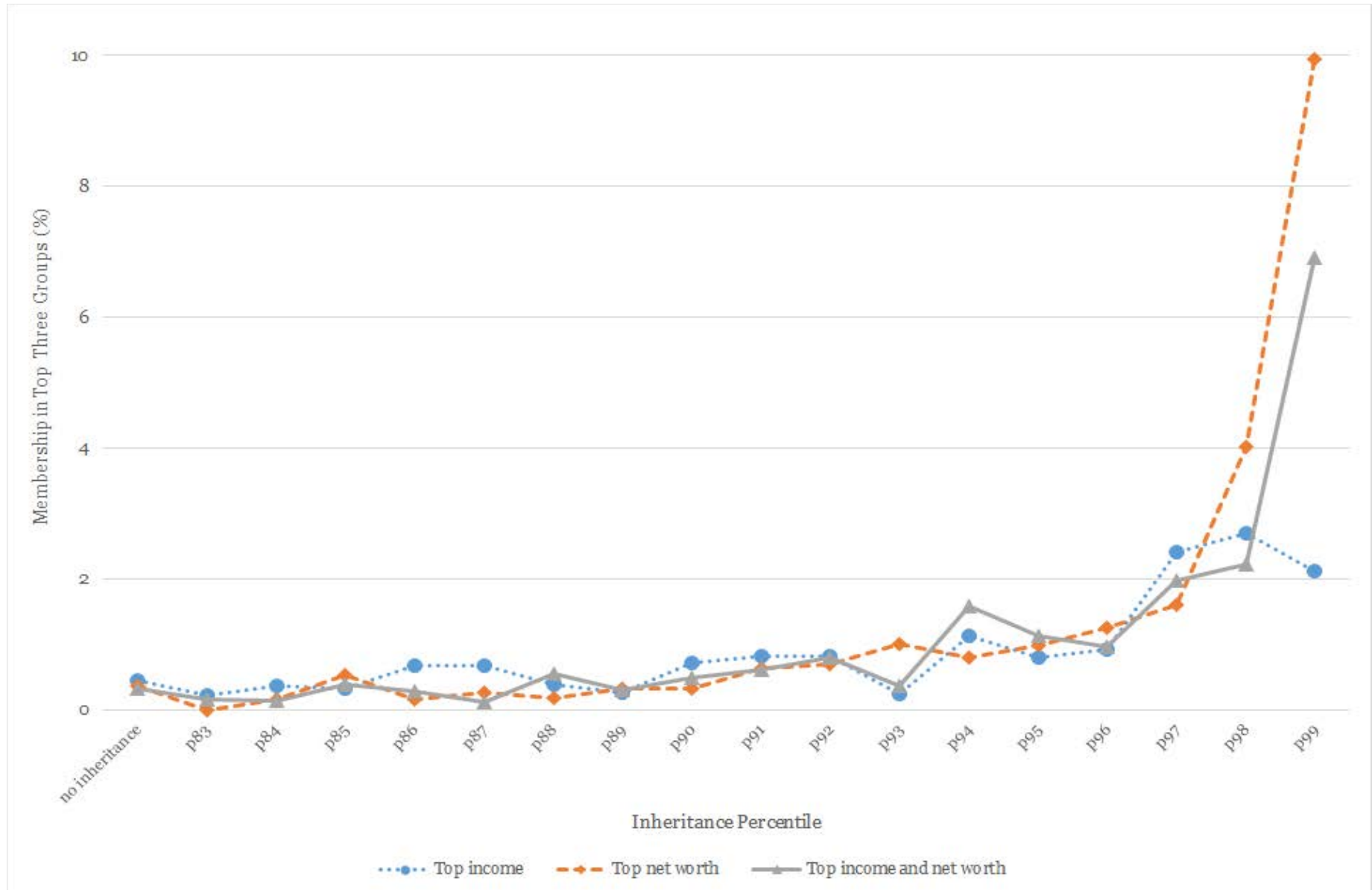
	Top income		Top net worth		Top income & net worth	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
Employment status (ref=not working)						
Self-employed	.372**		.539**		.732**	
	(.093)		(.097)		(.106)	
Work for others	-.402**	-.388**	-.629**	-.670**	-.316**	-.326**
	(.092)	(.092)	(.097)	(.100)	(.106)	(.107)
Retired	-.216*	-.220*	.000	-.013	.051	.051
	(.101)	(.101)	(.097)	(.099)	(.107)	(.108)

The One Percent

Permeability

New work





The Distribution of Top Capital Earners Across Top Three Groups

	1989	1992	1995	1998	2001	2004	2007	2010
Top income only	13.45	9.68	4.59	13.49	11.01	12.28	12.97	8.76
Top net worth only	9.08	20.42	19.83	16.31	15.42	13.42	8.83	19.43
Top of both	26.96	23.98	22.37	26.99	27.43	30.64	31.13	26.3
No top group	50.5	45.93	53.22	43.21	46.14	43.66	44.07	45.5

The Distribution of Top Wage Income Earners Across Top Three Groups

	1989	1992	1995	1998	2001	2004	2007	2010
Top income only	27.24	23.10	32.16	21.03	38.88	27.89	30.97	37.50
Top net worth only	1.59	2.67	1.92	6.06	8.36	6.33	2.34	4.27
Top of both	20.92	21.96	18.7	20.37	26.96	29.98	22.23	20.05
No top group	50.25	52.27	47.22	52.54	25.79	35.8	44.47	38.18

Distribution of Top Income Earners (Various Sources) Across Top Groups

	Top income	Top net worth	Top of both
Top wage income	43.7	5.8	16.9
Top business income	19.3	16.6	13.8
Top capital income	7.4	23.7	18.1
Top wage and business income	5.8	0.4	6.8
Top wage and capital income	6.7	1.6	19.1
Top business and capital income	5.2	3.3	15.4
Top wage, business and capital income	1.1	0.4	6.8
No top income	10.8	48.2	3.1

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Various projects....

1. Inheritance and wealth inequality
2. Synthetic data sets: SIPP, PSID and SCF
3. Transnational wealth, etc.....