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The American Dream lives

Despite what the class warfare hustlers say, the one percenters are vital

By Douglas Obey -- Tuesday, September 1, 2015

The American Dream couldn't be more alive but there are those promoting class warfare who are certainly trying to kill it off. A recent Gallup poll (May 2015) shows that 63 percent of those polled feel that wealth and money should be more evenly distributed in America. This is up from 57 percent just four years ago. It seems the Democratic candidates for president are responding by suggesting more and higher taxes on the rich.

The derogatory articles and reports about the wealth of the top 1 percent or the enormous gap between the wealthy and the poor, seem endless. It's called "wealth inequality" as if everyone should have the same or close to an equal amount of wealth. Reid Cramer of the New America Foundation states in a recent article, "The state of wealth inequality in America is a choice, clearly reflected in a set of regressive tax policies that have shifted the burden away from accumulated capital. Without policy action, persistent inequality will undermine a more fair and equitable economy and threaten our democracy."

What Mr. Cramer is ignoring here is that most accumulated capital was either accumulated "after tax" or through taking risks in assets that grow over time, whether those assets be private businesses, stocks or real estate. He's also ignoring that we still have a Federal estate tax on the books along with many states that already double tax that accumulated capital. What further confiscatory "policy actions" does he feel are needed in order to save our democracy?

I'm not denying the wealth gap exists. My contention is that these reports suggest there is something inherently wrong with this, that the top 1 percent are not paying their "fair share" or that they are somehow responsible for keeping the poor, poor and for shrinking the middle class. Nothing could be further from the truth and these reports promote socialism at best and, in the worst of cases, promote jealousy, resentment and hate.

Let's take some examples of the top 1 percent and determine what's to "hate" about

them. Let's take the founders of Microsoft, Apple, Google and Facebook, arguably some of the most "egregious" of the one percenters, obviously all living the American Dream. They dared to not only dream of the technology but actually created the technologies that improved the lives of people all around the world. Their technologies help us all to be more productive and efficient. The companies they've built directly or indirectly employ millions here and around the world. Those millions of employees use their incomes to provide for themselves and their families and most, if not all, are living their own American Dream. It looks like the founders of these companies, and others like them, are adding to the middle class of this country, not responsible for the shrinking of it.

So maybe it's that they don't pay their "fair share" of income taxes that we can resent or hate about them. Well, let's see. Based on the latest data reported in The Wall Street Journal for the 2014 tax year, 83.9 percent of all federal income taxes collected were paid by the top 20 percent of earners. The next 20 percent paid 13.4 percent of all federal income taxes collected. That leaves 2.7 percent that was paid by the other 60 percent of working Americans. This is because we have a progressive income tax system in the United States which taxes those who earn more at higher rates. This eases the tax burden on those earning less than \$79,500 and shifts it to those earning more but taxes those earning over \$134,300 the most, forcing them to shoulder 83.9 percent of all the federal income taxes paid. It seems more than "fair" to me, so I don't see how we can resent them for paying the bulk of the taxes that the government uses to provide the myriad of services most of us take for granted.

Now let's take a look at what this 1 percent group does with all its money. They give enormous amounts to charity. They build wings on hospitals. They fund research that finds cures for diseases or new technologies that help make all our lives better. I still can't find a reason to resent or hate these folks.

Just to make sure there is no misunderstanding. I'm not suggesting that there aren't those with ill-begotten wealth. And they should certainly be vilified, but the vast majority of those "high earners" are actually "high achievers" and deserving of the wealth they've acquired. That's just un-American.

So the next time we want to malign those "one percenters," let's instead be grateful for the creativity and vision these people had and their ability to compile the resources and brain power to create some of the most dynamic companies in the world. Let's use them as an example to each and every one of us, showing us that even coming from modest means, as most of them did, we can reach for the American Dream and acquire it for ourselves like they did.

- *Douglas Obey, a financial planner and investment adviser, is the author of "Money and the Human Condition" (Mason Tiler, 2015).*