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Numbers Games & the Top One Percent

The reason for the elderly clientele is fairly simple: Most people don't reach the point when they can afford to travel on luxury cruise ships until they have worked their way up the income ladder over a long period of years.

The relationship between age and income is not hard to understand. It usually takes years to acquire the skills and experience that high-paying jobs require, or to build up a clientele for those in business or the professions.

But those in the media and in politics who are currently up in arms, denouncing income inequalities, seldom mention age as a factor in those inequalities.

The shrill rhetoric about differences in income proceeds as if they are talking about income inequalities between different classes of people. It would be hard to get the public all worked up over the fact that young people just starting out in their careers are not making nearly as much money as their parents or grandparents make.

Differences in wealth between the young and the old are even greater than differences in income. Households headed by someone 65 years old and older have more than 15 times as much wealth as households headed by someone under 35 years of age.

But these are not different classes of people, as so often insinuated in runaway political rhetoric. Everybody who is 65 years old was once under 35 years of age. And most people under 35 years of age will someday be 65 years old.

Differences in age are just one of the reasons why the insinuations about income and wealth that are thrown around in the media and in politics are often remote from reality.

While the rhetoric is about people, the statistics are almost invariably about abstract income brackets.

It is easier and cheaper to collect statistics about income brackets than it is to follow actual flesh and blood people as they move massively from one income bracket to another over the years.

More important, statistical studies that follow particular individuals over the years often reach diametrically opposite conclusions from the conclusions reached by statistical studies that follow income brackets over the years.

Currently we are hearing a lot in the media and in politics about the "top one percent" of income earners who are supposedly getting an ever-increasing share of the nation's income.

That is absolutely true if you are talking about income brackets. It is totally untrue if you are talking about actual flesh and blood people.

The Internal Revenue Service can follow individual people over the years because they can identify individuals from their Social Security numbers. During recent years, when “the top one percent” as an income category has been getting a growing share of the nation’s income, IRS data show that actual flesh and blood people who were in the top one percent in 1996 had their incomes go down — repeat, *down* — by a whopping 26 percent by 2005.

How can both sets of statistics be true at the same time? Because most people who are in the top one percent in a given year do not stay in that bracket over the years.

If we are being serious — as distinguished from being political — then our concern should be with what is happening to actual flesh and blood human beings, not what is happening to abstract income brackets.

There is the same statistical problem when talking about “the poor” as there is when talking about “the rich.”

A University of Michigan study showed that most of the working people who were in the bottom 20 percent of income earners in 1975 were also in the top 40 percent at some point by 1991. Only 5 percent of those in the bottom quintile in 1975 were still there in 1991, while 29 percent of them were now in the top quintile.

People in the media and in politics choose statistics that seem to prove what they want to prove. But the rest of us should become aware of what games are being played with numbers.

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