The Voice of Choice

Red Herring Magazine, December 1, 1998

In my article "Celebrate your wealth," I considered the phenomenon of the "haves," those making $100,000 to $200,000 a year, who envy the "have-mores," as reported by a front-page article in the August 3 Wall Street Journal. I wrote that when I feel such envy I try to remember to breathe deeply and realize just how much I have compared to what people had 200 years, even 30 years, ago. I also pointed out that things have improved for almost everyone. The great benefit of free markets, I noted, is that they put within reach of the majority of people what were previously luxuries affordable only to the very wealthy -- or not available at all. Microwaves, color televisions, and polio vaccines are three excellent examples.

RATES OF RETURN

But setting aside such general improvements for a moment, is U.S. wealth becoming increasingly concentrated in the hands of a few people? Maybe. The economics professor Edward Wolff at New York University claims that in 1992 the richest 1 percent of people in the United States accounted for 35.9 percent of the country's wealth, up from 31.9 percent in 1983. However, another economist, John Weicher of the Hudson Institute, claims that the percentage held by the richest people actually fell, from 31 percent in 1983 to 30 percent in 1992. I haven't looked at either economist's data carefully enough to say who's right, because whether wealth is becoming more or less concentrated is far less important to me than whether everyone is getting wealthier.

And virtually everyone is getting wealthier. As Federal Reserve Bank (FRB) of Dallas economist W. Michael Cox and his coauthor Richard Alm established in the FRB's 1997 annual report, the cost of almost all U.S. goods is declining when measured in the number of hours people must work to get those goods. In 1916, notes Mr. Cox, a refrigerator cost $800, which would have taken a manufacturing worker 3,162 hours to earn enough to buy. In 1970 a vastly improved refrigerator cost $375 and took 112 hours of work at the average manufacturing wage. Today an even more improved refrigerator costs about $900, requiring only 68 hours of work. Mr. Cox reaches similar conclusions about clothes, food, cars, air travel, cameras, electricity -- you name it.

So my first message, if you envy those with more, is that you're wealthy anyway -- so just stop it. My second message is that if you aren't satisfied with your current level of wealth, recognize that you are responsible for where you've gotten and, if you really want things to be different, take responsibility and make a plan for changing your life. The Journal article contains a telling quote from one of the envious, a Mr. Barry Dichter. Mr. Dichter, whose income is "only" in the low six figures, said, "A lot of where you are today is a function of serendipity. It results from choices made many years ago without a particular ... game plan in mind." Exactly!

HAVE-MORE AMBITION

Mr. Dichter's envy reminds me of a complaint I made to my friend Tom a few years ago. I was whining that although I considered myself as smart as many of the faculty at Harvard, the school I taught at was not nearly as good.
"You chose not to teach at Harvard," Tom shot back.
"What do you mean?" I asked, stunned, hurt, and defensive.
"I mean," he explained, "that if you had decided in graduate school that you wanted to teach at Harvard, you could have committed to working 12 hours a day, six and a half days a week, and published three articles in top academic journals. Then you would have had a shot at Harvard. To get tenure there, you would have had to keep up that same pace for another five to ten years. And you chose not to."

Now whenever I feel bad about not teaching at Harvard, I remember that discussion, and I feel better almost instantly. I like working "only" a 40-hour week and having a life with my wife, my daughter, and my community.

So what should you do if you're a have who wants more? The proper attitude is that of the Journal article's Carol Piras. Previously content with a $110,000-a-year job, Ms. Piras became less so when she saw several friends "making money hand over fist." So she quit her job and joined NetXL, a new firm specializing in

Internet video technology. She got a slight raise and hopes to make it big with stock options.

Here's what I'm willing to bet: five years from now, if Mr. Dichter hasn't chosen to stop blaming the past and made a major move in his career, he will be robbing himself by stewing in his envy. Ms. Piras, whatever her wealth and income, will be enjoying what she has much more than he will. My philosophy of life, which keeps me on an even keel no matter how much wealth I see around me and which even helps me appreciate other people's wealth (a Mercedes, I have found, actually looks nicer from the outside), is best summed up by a saying popularized by the psychologist Nathaniel Branden: "Take what you wish -- and pay for it."