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From Rags to Riches to Rags

APRIL 18, 2014 **By MARK R. RANK**

ST. LOUIS — BY now most of us know the basic facts of America’s rising income inequality: Since the early 1970s, the gap between the top and bottom of the income distribution has expanded significantly; what’s more, the only group to have experienced real economic gains during this period has been those in the top 20 percent, with gains heavily concentrated in the top 10, 5 and — most famously — 1 percent.

The picture drawn of the 1 percent has been that of a static population, just as the 99 percent is often portrayed as unchanging. There is a line drawn between these two groups, and never the two shall cross.

But is it the case that the top 1 percent of the income distribution are the same people year in and year out? Or, for that matter, what about the top 5, 10 and 20 percent? To what extent do everyday Americans experience these levels of affluence, at least some of the time?

In order to answer such questions, [Thomas A. Hirschl](https://devsoc.cals.cornell.edu/people/thomas-hirschl) of Cornell and I looked at 44 years of longitudinal data regarding individuals from ages 25 to 60 to see what percentage of the American population would experience these different levels of affluence during their lives. The results were striking.

It turns out that 12 percent of the population will find themselves in the top 1 percent of the income distribution for at least one year. What’s more, 39 percent of Americans will spend a year in the top 5 percent of the income distribution, 56 percent will find themselves in the top 10 percent, and a whopping 73 percent will spend a year in the top 20 percent of the income distribution.

Yet while many Americans will experience some level of affluence during their lives, a much smaller percentage of them will do so for an extended period of time. Although 12 percent of the population will experience a year in which they find themselves in the top 1 percent of the income distribution, a mere 0.6 percent will do so in 10 consecutive years.

It is clear that the image of a static 1 and 99 percent is largely incorrect. The majority of Americans will experience at least one year of affluence at some point during their working careers. (This is just as true at the bottom of the income distribution scale, where 54 percent of Americans will experience poverty or near poverty at least once between the ages of 25 and 60).

A further example of such fluidity can be found in [an analysis by the tax-policy expert Robert Carroll](http://taxfoundation.org/article/income-mobility-and-persistence-millionaires-1999-2007). Using data from the Internal Revenue Service, Mr. Carroll showed that between 1999 and 2007, half of those who earned over $1 million a year did so just once during this period, while only 6 percent reported millionaire status across all nine years.

Likewise, data analyzed by the I.R.S. showed similar findings with respect to the top 400 taxpayers between 1992 and 2009. While 73 percent of people who made the list did so once during this period, only 2 percent of them were on the list for 10 or more years. These analyses further demonstrate the sizable amount of turnover and movement within the top levels of the income distribution.

One of the reasons for such fluidity at the top is that, over sufficiently long periods of time, most American households go through a wide range of economic experiences, both positive and negative. Individuals we interviewed spoke about hitting a particularly prosperous period where they received a bonus, or a spouse entered the labor market, or there was a change of jobs. These are the types of events that can throw households above particular income thresholds.

Ultimately, this information casts serious doubt on the notion of a rigid class structure in the United States based upon income. It suggests that the United States is indeed a land of opportunity, that the American dream is still possible — but that it is also a land of widespread poverty. And rather than being a place of static, income-based social tiers, America is a place where a large majority of people will experience either wealth or poverty — or both — during their lifetimes.

Rather than talking about the 1 percent and the 99 percent as if they were forever fixed, it would make much more sense to talk about the fact that Americans are likely to be exposed to both prosperity and poverty during their lives, and to shape our policies accordingly. As such, we have much more in common with one another than we dare to realize.

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Article Summary: