

# The American Dream

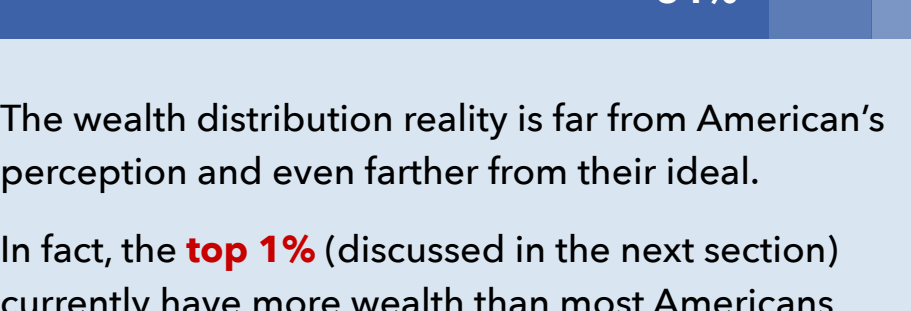
The **"American Dream"**: If you work hard you'll get ahead, people value meritocracy, and the US is the land of opportunity.

This idea is quintessential to our culture, but who actually gets to live the American Dream...?

## The Wealth Gap

In 2011, Michael I. Norton and Dan Ariely performed a study<sup>[1]</sup> to compare what Americans believe the wealth distribution should be (**Ideal**), what they think it is (**Perceived**), and what it is really is (**Reality**).

In the graph below, each shade represents a wealth quintile in the United States and the area of the color represents percentage of national wealth owned. For example, the darkest blue represents the 20% of Americans with the highest wealth (not just income) and they possess 84% of the nation's wealth.



The wealth distribution reality is far from American's perception and even farther from their ideal.

In fact, the **top 1%** (discussed in the next section) currently have more wealth than most Americans wish would be shared by the top 20%.

## The Top 1%

The wealthiest **1%** of Americans have had their wealth fluctuate around roughly **1/3** of the wealth in the US for nearly 100 years.<sup>[2]</sup>

The following graph depicts wealth distribution data from 2016. Instead of quintiles as in the above data, the groups shown are the Top 10%, Mid 40%, Bottom 50%, and Top 1%.



That means that the top **1%** have more wealth than the **bottom 90% combined**.<sup>[3]</sup>

## What's changed?

The data above is from nearly 10 years ago, and since then the wealth distribution has not come closer to the "ideal".

In fact, times of crisis are often referred to as "Great Equalizers", but realistically, catastrophe does not affect all equally.

## The Great Recession

This 2007 financial crisis hit Americans hard for years after its start, and the recovery process severely favored the already rich.

From 2009 to 2012, the **top 1%** experienced income growth of **34.7%**, and the bottom 99% percent only saw 0.8% income growth.<sup>[4]</sup>

That means that the majority of the population saw very little income growth while the wealthy saw their income grow by **over 1/3**.

## COVID-19

The COVID-19 global pandemic has brought suffering to millions of people. However, in roughly the same time period in which **30 million Americans filed for unemployment**, the top US billionaires have seen their wealth increase.<sup>[5]</sup>

**Jeff Bezos wealth**

The net worth of Jeff Bezos increased by **\$32 billion** to a whopping \$145 billion<sup>[5]</sup>, an increase of almost **30%**.

**Giving Back (or not):** Jeff Bezos publicly donated **\$125 million** to COVID relief efforts<sup>[6]</sup>, which is **0.4%** of his COVID **gains**, and **0.08%** of his new net worth.

## Boomers vs. Gen Z

Has the wealth distribution always looked like this?

How does experience of older generations compare to the youngest generation's experience of the American Dream?

### Boomers

Federal minimum wage in 1980<sup>[7][8]</sup>

(in 2020 dollars)

**\$9.71**

Avg total tuition, fees, room, & board of 4-yr universities 1979-80<sup>[9]</sup>

(in 2018-19 constant dollars)

**\$10,332**

Hours needed to work at minimum wage to get a bachelors degree

**1,064 hours**

### Paying for a bachelor's

An attempt to "pay your way through school" in 1980 might have looked like:

**full-time in summer + part-time during year**

40 hrs x 12 weeks + 20 hrs x 40 weeks =

**1280 hours**

**Result:** **+ \$216** left to cover other costs

**Is it worth it?**

1<sup>st</sup> year salary with bachelor's in 1980<sup>[7][10]</sup>

(in 2019 dollars)

**\$57,563**

### Gen Z

Federal minimum wage in 2020<sup>[8]</sup>

**\$7.25**

Avg total tuition, fees, room, & board of 4-yr universities 2018-19<sup>[9]</sup>

**\$28,123**

Hours needed to work at minimum wage to get a bachelors degree

**3,879 hours**

An attempt to "pay your way through school" in 2020 might look like:

**working more than full-time year-round**

60 hrs x 52 weeks =

**3120 hours**

**Result:** **- \$759** short of covering costs

## American "Dream"

What does this have to do with the American Dream? Why does it matter that the top 1% have 1/3 of the national wealth?

It matters because the American people do not have equal opportunity to make it to the top.

A 2012 analysis found that approximately **60%** of the Forbes 400 (400 wealthiest Americans) **grew up in substantial privilege**.<sup>[12]</sup>

But what does "substantial privilege" mean? That ranges from "upper class" (inheritances up to \$1 million) all the way up to up to **21.25%** of the list who qualified for the Forbes 400 **based on inheritance alone**.<sup>[12]</sup>

This issue has the potential to worsen because many of those currently in power are wealthy, which could potentially lead to self-interested motivations when pursuing legislation.

In 2009, the median net worth of American families was **\$120,000**, while that of members of Congress was **\$912,000**.<sup>[13]</sup>

## Sources

[1] [Building a Better America—One Wealth Quintile at a Time](#)

[2] [Wealth, Income, and Power](#)

[3] [World Inequality Database](#)

[4] [Striking it Richer: The Evolution of Top Incomes in the United States](#)

[5] [US billionaires boost collective wealth by \\$406 billion as markets rebound in the coronavirus pandemic, report finds](#)

[6] [What the 50 richest Americans have given for covid-19 relief](#)

[7] [CPI Inflation Calculator](#)

[8] [History of Federal Minimum Wage Rates Under the Fair Labor Standards Act, 1938 - 2009](#)

[9] [Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting postsecondary institutions, by level and control of institution: Selected years, 1963-64 through 2017-18](#)

[10] [Salary Trends Through Salary Survey: A Historical Perspective on Starting Salaries for New College Graduates](#)

[11] [Average Starting Salary for Recent College Grads Hovers Near \\$51,000](#)

[12] [The 'Self-Made' Myth: Our Hallucinating Rich](#)

[13] [It's the Inequality, Stupid](#)