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Woe is Them on \$250,000 a Year
By LAWRENCE HAAS

Any story with the provocative title “Down and Out on \$250,000 a Year,” like this week’s piece from *The Fiscal Times*, is bound to generate reaction. In my case, it’s a mix of sympathy and disdain toward the “down and out” – some shaped by my personal experiences, some by my observations of human behavior, and some by my sense of the far more serious problems of those who earn much less.

Before making such judgments, however, let’s be clear about three things:

First, the \$250,000 level has assumed a political importance that far outweighs rational consideration. Once then-candidate Barack Obama in 2008 promised not to raise the taxes of anyone below that level – almost certainly to reassure well-to-do suburban voters that he was no wild-eyed, tax-and-spend populist – Democrats who have controlled Congress have adapted that standard not just for tax policy but also for such challenges as financing coverage expansions under health reform.

Second, Obama’s promise is fiscally unsustainable, which means that he’ll have to renege on it if he hopes to reduce federal deficits and debt to manageable levels. There is simply no politically feasible way to restore fiscal sanity simply by cutting spending and limiting tax increases to the two percent of households above that level.

Third, the \$250,000 demarcation line is a particularly blunt instrument due to the wide variation in living standards across America. An income of \$250,000 doesn’t go nearly as far in Montgomery County, Md., as in Mobile County, Ala.; in San Jose as in St. Louis; and in New York City as in New Square, N.Y.

As for the struggles of households to get by on \$250,000:

Though the story says that “for most, moving to a low-tax state midcareer is difficult, if not impossible,” families can decide just how big of a struggle they want to endure by choosing where to live.

After a two-year stint at Yale University in the late 1990s, my wife and I were deciding whether to return to our home in suburban Maryland or relocate to Long Island, where we grew up and still had family. Studying the prices of homes, commuting costs to New York City (where I likely would have worked), and other financial burdens, we realized that, for the same income, we’d live far better in Maryland than Long Island. That, and my attraction to public policy, is largely why we returned.

Similarly, a doctor friend of mine recently moved from Poughkeepsie, N.Y. to suburban Florida for higher pay and lower living costs. I don't know what he earns, but his salary surely goes further than it had just north of New York City.

The "down and out" on \$250,000 can ease their struggles by changing their spending priorities. As the headline of perhaps my favorite column, from early this year, by the Washington Post's Michelle Singletary put it, "to truly become rich, you need to stop acting like it."

Don't we all know an over-stretched family or two, determined to eat at the trendiest restaurant, drive the flashiest car, watch movies on the largest big-screen TV, and finance the jewelry and clothes that their adolescent children simply must have?

What Singletary explains is that, at the same time, many of the rich get there by spending prudently. Citing research by author Thomas J. Stanley, she notes that millionaires typically pay \$16 (including tip) for a haircut, live in homes worth less than \$300,000, and, for women, shop at Ann Taylor.

Finally – to put it bluntly – those who feel "down and out" on \$250,000 a year should get a grip. It is, as the story notes, six times the national average for household income. The lower the income, the larger is the struggle to get by, which means that most Americans are struggling far more than the "down and out" on \$250,000.

Today, in America, nearly 10 percent of workers are jobless and, if you count those who are too discouraged to look, the figure is much higher. Poverty is up, as is the number of Americans who lack health insurance. Meanwhile, living standards are stagnant across the nation's broad economic mid-section.

"I've been rich and I've been poor. Rich is better." That famous observation has been attributed to such entertainment figures as Sophie Tucker, Mae West, Fanny Brice, and Joe E. Lewis as well as the wife of playwright George S. Kaufman. Whoever coined the phrase hit upon a simple reality.

So, making \$250,000 a year may not be all that it's cracked up to be. But it's a lot like living in general – it's far better than the alternative.

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