

How Much Money Is Too Much?



We've all heard the phrase "money doesn't buy happiness," but does that mean there's a point where having more money stops making sense? Is there such a thing as too much income? This chapter explores this challenging question that affects both personal finances and society as a whole.

Defining "Enough"

When we say "I've had enough of this behavior," we understand intuitively that there's a limit—a point beyond which more becomes excessive or harmful. The same concept can apply to income. While nobody enjoys struggling to make ends meet, there might be a ceiling where additional earnings bring diminishing returns to personal happiness while creating broader societal concerns.

Historical Perspectives on Income Limits

America's own tax history reveals fascinating insights into how we've answered this question over time. The federal income tax, established in 1913, began modestly with a top rate of just 7% on incomes exceeding \$500,000 (equivalent to about \$15.9 million today). This suggests an early tolerance for high earners.

However, as the nation faced the challenges of World War I, the Great Depression, and World War II, perspectives shifted dramatically. By 1944, the top tax rate had skyrocketed to 94% on incomes of \$200,000 or more (about \$3.5 million in today's dollars).

Throughout the 1950s and early 1960s—a period often remembered for economic prosperity and growth—top marginal tax rates remained between 82% and 91%. This wasn't viewed as radical; it reflected a social consensus that extremely high incomes should contribute proportionally more to public needs.

If you made
\$1 per
second for
100 years

You would make
just over

\$3.2
Billion



The Shifting Consensus

The economic philosophy of the nation changed significantly in the 1980s under President Reagan. The Tax Reform Act of 1986 dropped the top rate to 28%, reflecting a new belief that lower taxes on high earners would stimulate economic growth that would benefit everyone.

Since then, top rates have fluctuated between 35% and 39.6%, never returning to the high levels of the mid-20th century. Today, our tax system includes seven brackets ranging from 10% to 37%, with higher rates applying only to income above certain thresholds.

Modern Approaches to Income Limits

Some cities have recently begun experimenting with policies that specifically target extreme income inequality within companies:

- San Francisco instituted a 0.1% surcharge on a company's local tax bill if its top executive makes 100 times what median workers earn, increasing to 0.2% if the ratio reaches 200 times.
- Portland, Oregon implemented a similar approach in 2016, applying a 10% tax surcharge on publicly traded companies whose CEOs earn 100 to 250 times more than their median workers.

These modest policies have successfully generated additional revenue for public services while highlighting extreme pay disparities.

The Mathematics of Wealth

Sometimes the simplest way to understand "too much" is through clear comparisons:

Imagine earning \$1 per second from birth until age 100—an astronomical rate that would yield about \$3.1 billion over a lifetime. Yet some individuals accumulate wealth that dwarfs even this impossible scenario.

Consider another perspective: If we decided no one should earn more than 100 times what the lowest-paid worker makes, and if that worker earned a livable wage of \$21.46 per hour (about \$44,636 annually), the maximum allowable income would be approximately \$4.4 million per year.

Using the current federal minimum wage of \$7.25 per hour as the baseline would cap top earners at \$1.5 million annually.

Wealth in Context

To truly grasp the scale of today's wealth concentration, consider that in 2024, the estimated net worth of a single individual—Elon Musk at approximately \$450 billion—exceeded the combined annual operating budgets of 37 U.S. states.

This fortune also surpassed the annual sales of all but three companies in the Fortune Global 500.

When wealth reaches such proportions, it raises fundamental questions about power, influence, and the nature of success in our society.

The Case for a Maximum Wage

While not currently implemented in the United States, the concept of a maximum wage deserves serious consideration. Proponents suggest it could:

- Reduce the staggering income inequality that has grown over recent decades
- Redirect corporate resources toward better pay for workers, job creation, and business investment
- Potentially reduce excessive risk-taking and short-term thinking in corporate leadership
- Encourage talented individuals to pursue careers based on social value rather than maximum compensation

**\$41
Billion**

**Increased tax
revenue
raised for
each increase
of the top
marginal tax
rate by 1%**

(\$410 Billion for a 10% increase)



One approach might tie executive compensation directly to worker pay, addressing the

320-to-1 ratio between CEO and typical worker compensation that exists today (a ratio that has grown by 940% since 1978).

Finding Balance

The question of "how much is too much" ultimately requires balancing multiple values—individual liberty, economic dynamism, community well-being, and basic fairness.

History shows that Americans have answered this question differently at different times, often responding to immediate challenges and changing cultural priorities. What remains constant is that the answer reflects our deepest values about what kind of society we want to create.

Whether through progressive taxation, executive pay ratios, or other policy mechanisms, finding the right balance between rewarding success and preventing excessive concentration of wealth remains one of our most important ongoing conversations.

As you consider your own financial goals and priorities, remember that "enough" isn't just a personal question—it's also about the kind of community and country we want to build together.