

How Much Wealth Do You Really Need?

(as it appeared in the Santa Rosa *Press-Democrat*, September 21, 1999, p. B5)

The recent purchase of Cerent Corp. by Cisco Systems Inc. has led to a predictable set of letters to the Press-Democrat. Some complain about the astonishing wealth dropped into the hands of Cerent employees. Others argued that all that wealth won't disappear under a rock but will be spent in our community.

I have friends who work at Cerent. Most of them are very smart and work very hard – and not just in the two and a half years that Cerent has been in business. But I can see some worrisome consequences of Sonoma County's ever-expanding gap between rich and poor, of which Cerent is only the most obvious.

Yes, a lot of that money is going to be spent in this county – but I wouldn't count on the benefits from it being evenly distributed. The money spent on new cars will certainly help car dealers and salesmen; meals out will raise the incomes of restauranteurs – but with the enormous supply of available unskilled labor, I wouldn't expect to see busboys and waitresses earn enough more to cover the increased housing costs that will inevitably follow.

Much of the new wealth will be spent on real estate, driving our already stratospheric housing prices into the ionosphere, increasing the economic pressures that cause enormous struggles for families trying to live on two ordinary incomes. For the lower paid workers in this county, the recent enormous influx of high paying jobs has forced both parents to work full-time.

There are way too many toddlers in daycare because both parents must work full-time just to survive. Many children are going into daycare at six weeks, and I can see the

destructive results in attitude, emotional bonding problems and homework. What used to be a problem just for blue-collar workers – supporting a family on one income – is even becoming a problem for engineers.

At the same time, the wealth flowing through this county is creating serious character problems. What message does it send a teenager when her parents give her \$200 to buy *one* pair of shoes? What purpose does it serve when a parent gives a 15 year old boy \$100 and tells him, “Take your girlfriend out to dinner.” Do the parents who give their high school kids \$50 a week lunch money not realize that much of it is being spent to get high? These ostentatious displays of wealth create enormous pressure on parents who are struggling to make ends meet – and on those parents who simply want their kids to aspire to something more than irrational materialism.

My question to those people who are about to enjoy this sudden avalanche of wealth is: how much wealth do you *need*, and where does spending on your wants turn into the flamboyant misuse of money that is already rampant in this county? If you get a \$10 million windfall, after paying incomes taxes and buying a modest million-dollar house in the hills, you will easily have \$5 million left. If you invest that money in California municipal bonds, you will have about \$265,000 a year in tax-free income.

Even living *very* comfortably, \$6,000 a month is more than sufficient to raise a family here. We’re beyond *needs*; let’s move into the area of *wants*. Buy yourself a new \$70,000 Mercedes every couple of years. Plan on spending \$25,000 a year while each kid goes to Stanford. Eat out at a fancy restaurant every night; that will cost \$36,500 a year. Plan on going on four international vacations a year (you’ll long for home after a while) –

call it \$15,000 per vacation. All of these utterly extravagant expenses combined still leave you \$8600 a *month* that you haven't spent – and your \$5 million won't ever go away.

Beyond a certain point, more wealth doesn't buy more happiness. Consider what some of that excess, nearly unusable wealth could do to help working poor people. There are a lot of mothers in this county that would love to stay home and raise their own kids, at least for the first few years. Take just a tiny fraction of your unspendable interest income, find a mother who is taking home \$12,000 a year – and pay her to stay home and raise her own kids.

Jack London, confronting his new found wealth as a writer, asked the same question a century ago. “How many steak dinners can you eat?” Those who have been blessed with great wealth should ask how much to set aside for yourself and your family, and how much to spend on people in need.

Clayton E. Cramer, a software engineer, lives in Rohnert Park.