

Inequality and Society: An Introduction

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Some of us have more than others. This has always been the case. Inequality is a universal feature of all known human societies. But the amounts and types of inequality have varied a great deal in different times and places. Primitive hunting and gathering societies, for example, typically shared their (limited) food supplies and resources among all members of the group more or less equitably, although decision-making powers were wielded by tribal chiefs, and medicine men (known as shaman) had relatively privileged positions. In these primitive communities, mere survival was often in question, and there was little, if any, surplus left over after basic necessities were met and thus no significant opportunities for some individuals to gain at the expense of others. By contrast, the agrarian settlements and societies of the Middle Ages often produced more than was needed for survival, and, as a consequence, a handful of households were able to accumulate (sometimes considerable) fortunes, as were traders in early urban settlements. Political rule in agrarian societies was generally authoritarian, with power concentrated either in the hands of local or regional landowners or increasingly centralized under kings as modern

states began to emerge. The tiny stratum of privileged economic and political elites in agrarian societies generally lived entirely apart from the rest of the population, and there were no significant "middle" classes like those of capitalist societies today. The resources and life chances possessed by the masses of agricultural laborers ("serfs") did not vary a great deal, at least within particular geographic regions, over the course of many centuries.

If we fast-forward to the rich capitalist societies of today, such as the United States, we find a more complex picture. There are vast inequalities between the very richest individuals and families and the poorest, but there is also a large middle class that enjoys some of the benefits of economic growth and surplus wealth. At the very top are individuals and families enjoying extraordinary wealth, unprecedented in human history. *Fortune* magazine does an annual survey of the richest people in America, and another on the richest in the world. Topping *Fortune's* analysis of the richest individuals in the world on August 31, 2007, were Microsoft founder and former chair Bill Gates, and Mexican telephone mogul Carlos Slim Helú, each possessing approximately \$60 billion in wealth. Individual fortunes of this magnitude have happened only once before, during the late nineteenth and early twentieth centuries (an earlier epoch of global financial and economic boom). The richest of the famous moguls—sometimes known as "robber barons"—in that era was John D. Rockefeller, whose fortune likely exceeded \$100 billion (in inflation-adjusted dollars) at its peak.¹

The pace at which the wealthy are getting wealthier has grown remarkably in recent years. One way we can see this is to look at the change in the amount of money required to be on *Fortune's* annual list of the four hundred richest Americans. In 1982, a mere \$210 million (in inflation-adjusted 2007 dollars) was required to be among the richest four hundred. To simply make the very bottom of the list of the four hundred richest Americans today, however, \$1.3 billion is now required. In other words, one needs more than six times as much wealth to be in that exclusive club today as twenty-five years ago. And indeed, across the globe the rich have gotten richer and today collectively control an enormous share of the world's wealth. One recent study

¹ The exact size of Rockefeller's fortune at its peak around 1913 is difficult to estimate with any precision. Rockefeller's biographer Ron Chernow estimates that his fortune peaked at a value of around \$25 billion (in 1998 inflation-adjusted dollars), although other estimates put it over \$100 billion (when the value of his philanthropy is included). See Louis Uchitelle, "The Richest of the Rich, Proud of a New Gilded Age," *New York Times*, July 15, 2007, www.nytimes.com/2007/07/15/business/15gilded.html (accessed July 15, 2007). Three other fortunes of the Gilded era may also have exceeded the

Two very distinct societies.

Cocaine

Chapo Guzmán article

estimates that the top 1 percent of the world's population controls about 32 percent all the world's wealth, whereas the bottom 30 percent of the world's population controls less than 1 percent.² The global financial crisis and stock market decline, beginning in the fall of 2008, however, have eroded some of the fortunes held at the top.

Below the top, an educated upper middle class, made up of people working in salaried jobs in professional and managerial occupations, has grown steadily in size over the past hundred years. Depending on exactly how we define this group, it has increased from somewhere around 1 percent of the U.S. population at the turn of the twentieth century to 15 percent or more early in the twenty-first century. [Professionals, business executives, and business managers typically receive incomes sufficient to own attractive homes and expensive cars, to be able to travel extensively, and to provide their children with many educational and cultural advantages.] Their educational credentials and knowledge make it much easier for professionals and managers to build stable career paths, even in a 21st-century economy in which few stay with a single firm their entire working life. Many of the workers directly supervised by professionals and managers—nurses, paralegals, technicians, office managers, secretaries, salespeople, and others—work in safe, clean environments and receive incomes that put them in the broader “middle class,” even if they cannot afford the lifestyles of their bosses.

When we turn our attention to the vast majority of American society below the very top and the upper middle class, however, the picture darkens considerably. For the more than 70 percent of Americans without a college degree, the economic environment is increasingly challenging. In the transition from a largely industrial economy to the postindustrial economies of the twenty-first century, there has been a drastic reduction in the number of well-paying blue-collar jobs, and a corresponding decline in opportunities overall for this group. If we want to understand inequality in America today, the lives and well-being of the non-college-educated majority require special attention. For this group, entering the labor market has become more difficult, as has finding a secure occupational niche. Instability is also very high; even those who find a decent job at one point cannot be sure to still have that job in a few years. America has one of the highest rates of economic instability among the rich countries in the

² James B. Davies, Susanna Sandström, Anthony Shorrocks, and Edward N. Wolff, “Estimating the Level and Distribution of Global Household Wealth,” World Institute for Development Economics Research of the United Nations University, WIDER Research Paper, 2007/77 (November 2007): 27. www.wider.unu.edu/publications/working-papers/research-papers/2007/en_GB/rp2007-77 (accessed April 2008).

world. It is a distinct possibility that at some point in their lives, those without a college education will experience one or more significant bouts of unemployment that will drain their savings and threaten their well-being.

Another important aspect of inequality in America is that the economic gains of the past three decades have not been shared by most of its population. Although household income in the very middle (at the 50th percentile, or median) has grown slightly faster than inflation since the early 1970s, the share of income received by the "median" family has slipped. The trends over the past thirty years stand in stark contrast to the pattern of the thirty years before that (from the end of World War II through the mid 1970s), when the middle class not only shared equally in the benefits of economic growth but actually saw its share of national income *increase* relative to those of the very rich.

For those at the very bottom, the situation is even bleaker. Recent economic gains have done little to improve living standards for poor Americans, while changes in public policy have eroded access to many government benefits that can make life more secure for the poorest of families. To be sure, poverty rates, while fluctuating from year to year, have not shown an overall increase during the era of rising inequality. This is an important point, one that is sometimes overlooked in discussions of rising inequality. Generally low unemployment rates in America since the mid 1990s have helped the adults in the poorest families boost their employment income and have unquestionably prevented even worse outcomes from occurring. Yet many of those jobs are dead-end, paying low wages and offering few opportunities for advancement. And poverty rates in America remain very high by comparison with other rich capitalist countries. Moreover, changes in the criminal justice system since the early 1970s have given rise to high criminal conviction rates and "mass" incarceration (with over two million Americans currently housed in prisons and jails, and some seventeen million Americans with felony convictions on their records). Skyrocketing rates of felony convictions, during a period when crime has been mostly stable or declining, has made life more difficult for many poor families and their children. And, finally, the poor are much more likely today to live in neighborhoods with a high percentage of other poor families. Such neighborhoods with concentrated poverty are likely to have high crime rates, dangerous environmental conditions, and typically lack jobs and sometimes even basic services.

This book examines many of the most important types of inequality in the United States, and compares the United States to other countries across the globe. It brings together a number of important pieces of research and theoretical writings on inequality that have been produced by sociologists,

economists, political scientists, and philosophers. [Our aim is to provide a multilayered understanding, in which inequalities between individuals and groups (especially those based on race, gender, and class) are linked to public policies and situated in a global economic context.] Sociologists have developed a concept for the ways in which inequalities are interconnected: the stratification system. Stratification refers to the full range and sources of inequality: inequalities arising from economic markets as well as between groups and those rooted in, or reinforced by, social and political institutions as well as global social and economic trends. Although no single theory of stratification can account for its multiple dimensions, when we think about inequality as an interconnected stratification system we are compelled to explore how the parts fit together.

Although the political sources of inequality are sometimes acknowledged as important components of the stratification system as a whole, the ways in which political inequality reinforces social and economic inequality is frequently overlooked. Consider the following example. A household with two children headed by a single mother without a college education is more likely to be poor than is a similar household headed by a college-educated couple in all societies today. Yet there can be enormous variation among countries in the percentage of such single-mother households that actually live below the poverty line. [In 2000, about 6 percent of children in these households were estimated to live in poverty in Denmark, 22 percent in Switzerland, 31 percent in Germany, but about 50 percent of children in such families in the United States were estimated to live below the poverty line.³] These are large and substantial differences. One of our key innovations in this book is to link important social and economic aspects of inequality to political institutions and public policies. We have thus included a variety of readings that take up facets of public policy and political representation alongside other major aspects of inequality in order to provide a fuller view of the American stratification system.

Some of the readings collected here are classics, while others represent influential and/or significant pieces of contemporary scholarship. The selections are grouped together in a way that facilitates linkages among them, although we imagine most readers will focus on a subset of the readings. In the rest of this introduction, I provide a brief summary of the book's framework, and some suggestions about how to approach the readings.

³ These estimates are derived from data collected by the extraordinary Luxembourg Income Study (LIS) Key Figures, www.lisproject.org/keyfigures/childpovrates.htm (accessed April 2008).

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Other sources: family, inheritance, etc.

III UNDERSTANDING INEQUALITY

Why should we study inequality? We are intrinsically fascinated by the lives of the rich and famous and perhaps concerned, as citizens, with the sources and justice of the distribution of wealth and poverty. But understanding the patterning of inequality in a country like the United States also helps us understand, in fundamental ways, the very nature of the society and world we live in. For one thing, inequality in any one domain can have a number of important "spillover" consequences. For example, economic inequality skews the distribution of non-monetary rewards and benefits, like access to health care. In highly unequal societies like the United States, the rich get state-of-the-art treatment but absorb far more than their pro-rata share of medical care, whereas the poor are often less healthy than they would be with the same income in a more egalitarian society. The maldistribution of medical care helps account for why the United States has a higher rate of infant mortality—and does worse on other well-measured health outcomes—than virtually all other rich countries, even though we devote a far higher portion of our gross national product to health care than anyone else.

There are three important starting points for trying to understand the kinds of inequalities we find in the United States and throughout the world, both in the past and at the present. First, as we have already noted, there is enormous *variation* in the stratification systems of different societies. Looking around the world today, we find large differences in the levels of inequality different societies permit. Socialist countries—such as Cuba today and the countries of Eastern Europe and the former Soviet Union before 1989—minimized private enterprise and regulate wages and living standards through centralized government planning. Although there were significant inequalities in the privileges enjoyed by party members and other elites (known as the *nomenklatura*) versus everyone else in socialist countries, these societies generally had much lower overall levels of inequality than found in contemporary capitalist countries. In continental western Europe, a more regulated capitalist market economy and more generous welfare states have led to a significant reduction in levels of poverty and inequality, especially compared to the United States. Many of the countries with the highest levels of inequality today are countries experiencing rapid social or economic change, such as Russia, China, South Africa, and several countries in South America. In these places, a tiny stratum of the super-rich control levels of wealth similar to those found among the wealthiest Americans and Europeans. But large majorities of the populations

in these countries have seen only limited benefits from economic restructuring and indeed may face rising costs for basic goods (especially housing) that offset much of whatever increased household income they have gained. Understanding inequality thus requires exploring how different national and regional contexts produce different patterns of inequality.

unsettling inequality

The second starting point lies in recognizing there are a wide variety of *different* inequalities in any society. There are economic inequalities (such as income and wealth), political inequalities (such as power), and social inequalities (such as those based on race, ethnicity, religion, and gender and the different kinds of social status and prestige they give rise to). Social inequalities in particular are elusive and historically contingent. For example, different racial and ethnic groups are found in virtually all contemporary societies, but whether and how those differences matter for the patterning of inequality depend on a great deal on public policies regulating economic and political life. In the contemporary United States, African Americans and Latinos face discrimination in the labor market, a racially segregated housing market, and harassment by police and higher rates of incarceration in the criminal justice system. The practice and legal foundation of discrimination, however, has not stayed the same over time: it underwent enormous changes with the adoption of civil rights legislation in the 1960s. Those measures, and affirmative action programs developed later, have helped spur the growth of a black middle class by increasing opportunities for some African Americans to attend top universities and gain entry to desired economic opportunities that would have seemed nearly unimaginable sixty years ago. Or, to take another example, in the late nineteenth century, immigrants from Ireland and southern Europe faced enormous hostility and negative stereotyping. Indeed, some historians have argued that immigrant groups like the Irish, Italians, and Slavs had to become "white" to end discrimination and integrate into the American mainstream. This was a protracted process. But between the late nineteenth century and World War II, all of these groups did become white and thus gained a measure of economic and political equality with more established northern Europeans.

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Our third starting point is that the *relationship* among different types of inequalities—and how they change over time—is critical for understanding the bigger picture. The study of how different kinds of inequalities are linked is what forms the *stratification system* of any society. One type of inequality may exacerbate other types of inequalities, depending on the context. For example, differences in the amount of income or wealth a family possesses will influence the educational achievements of its children, irrespective of

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how hard children work in school. Conversely, the existence of class and/or racial inequality can in some contexts reduce gender inequality, by providing a ready-made supply of low-wage domestic workers who can, in turn, free up educated women from time-consuming domestic chores such as housework and raising children. For a long time, scholarship on inequality did not systematically examine these interactions, but they have become the focus of much recent research.

These three themes—the *variations* in stratification systems, the *multiple sources* of inequality, and the *relationships* among inequalities—define the challenges we face in understanding inequality and the stratification system of a society like the United States.

||| CLASSICAL THEORIES OF INEQUALITY

Part I of this book starts with some classic treatments of inequality and social stratification, works that continue to shape debates right up to the present. Adam Smith's (1723–1790) influential writings on the division of labor inspired Karl Marx's (1818–1883) elaboration of the sources and consequences of class divisions in capitalist and other societies. For Smith, a division of labor between individuals and the development of markets to efficiently allocate the fruits of that labor allow for a vast increase in wealth and productivity. Marx developed a radically different conception of the meaning of the division of labor and the consequences of the rise of market capitalism. For Marx, the rise of the division of labor creates the possibility for some people to exploit others. His concept of "class" provided both a set of analytical tools for understanding major inequalities across different types of societies, as well as the foundation of a theory of history based on the idea that *class struggles* are the crucial mechanism for the transition from one type of society to another. Whether or not we agree with the model of revolution and historical change he developed, Marx has served as a critical touchstone for the development of subsequent research and theory on stratification systems. This is true even though most later scholars and writers on inequality do not situate themselves in the Marxist tradition.

For many sociologists, the writings of the German sociologist Max Weber (1864–1920) provides one basis for moving beyond Marx. Weber called attention to the limitations of an analysis of inequality centered solely on class, noting that other kinds of social attributes, most importantly those based on honor or "status," could also serve as wellsprings of inequality. Status unequal-

ity, for Weber, is especially consequential as individuals with similar status situations or identities coalesce into what he called "status groups." The most important of these status group memberships are those involving race or ethnicity, although many other types of statuses have provided the foundation for group memberships in different societies. Weber also pioneered the idea that alongside Marx's notion of exploitation, we need to pay attention to the ways in which groups mobilize to restrict the opportunities of other, less powerful groups.

Marx's focus on class inequality did not contain much room within it for a complex theory of how race, ethnicity, and/or gender provide the basis for both meaningful identities and group-based conflicts. Weber's insights, by contrast, were paralleled in the work of scholars beginning to theorize and study the origins and types of racial and gender inequality. In the remarkable work of sociologist W. E. B. Du Bois (1868–1963), social divisions such as those based on race (and the ideas they give rise to) are the result of political struggles rather than on any biological characteristic of individuals or groups. In his historical writings, especially his monumental study of the post-Civil War era, Du Bois developed the notion that the politics of racial struggle—not class—lay at the center of the peculiar development of American political institutions. Although he was explicitly concerned with the dynamics of race in America, Du Bois's ideas have obvious parallels to, and heavily influenced, later scholarship on ethnic and gender inequality.

Another line of critique aimed at Marx came from sociological writers after World War II drawn to "functionalist" theories of societies. The key idea of functionalist sociology was that societies evolve in response to critical needs of social order. In their 1945 manifesto, one of the most widely discussed (and debated) works about inequality ever written by sociologists, Kingsley Davis and Wilbert Moore argued (without direct attribution) that Marxist claims that inequality was an artificial human construction that could be abolished in some future communist society were impossible. Inequality, they asserted, is a necessary condition of all known human societies, and for good reason. It provides individuals with the incentives to work and produce and, even more important, motivates the most talented members of society to prepare themselves to perform the most important tasks (and perform them well). Although the kind of functionalist reasoning employed by Davis and Moore has largely fallen out of fashion in the contemporary social sciences, the argument they develop about why inequality is universal remains a core point of departure for contemporary debates.

One aspect of Marx's writings on inequality that has sometimes been lost in contemporary scholarship is his insistence on connecting social and economic trends to political power. But Marx's theory of politics was also impoverished in a number of ways. Writing in the middle decades of the nineteenth century, Marx envisioned a particular kind of capitalist state, which would guard the economic interests of the dominant class. He and Engels famously argued in *The Communist Manifesto* that "the modern state is but an executive committee for managing the common affairs of the whole bourgeoisie." The possibility of significant political reforms of capitalism in the interests of the working class was simply not something that Marx anticipated. The rise of welfare state—those institutions of government that provide income support and services (such as health care) to most or all citizens—fundamentally challenges a view of the state as primarily devoted to protecting upper-class interests. The way goods and services are distributed within a capitalist society, and the role of public policy in responding to inequality, significantly alters those relationships.

In his famous essay on the rise of modern citizenship and the welfare state, T.H. Marshall argued in 1950 that the establishment of civil rights from the eighteenth century onward laid the foundation for the establishment of political rights and democracy in the late nineteenth century. Political citizenship in turn fostered the conditions for the emergence of the "social rights" of citizenship, as labor unions and social democratic parties across Europe and North America fought for a universal right to a decent standard of living. Among others, public programs for old age pensions, national health insurance, unemployment insurance, and public housing formidably altered the system of inequality within capitalist societies. Marshall's theorization of the role of the welfare state in upending traditional patterns of inequality and empowering citizens from below has helped give rise to a vast research literature on the welfare state that continues up to the present. This literature has established conclusively that greater levels of effort toward a welfare state reduce poverty and inequality under capitalism in ways that Marx did not anticipate.

These classical writings provide the point of departure for contemporary social science understandings of inequality. While the theoretical ideas of the authors like Smith, Marx, Weber, Du Bois, Marshall, and others continue to find new generations of readers and to inform how we understand the stratification system, recent scholarship has also pushed in new and exciting direc-

tions. The rest of the book draws from some of that research, organized into several parts. In the remainder of this introduction, I provide a brief description of the main themes guiding the organization of the book.

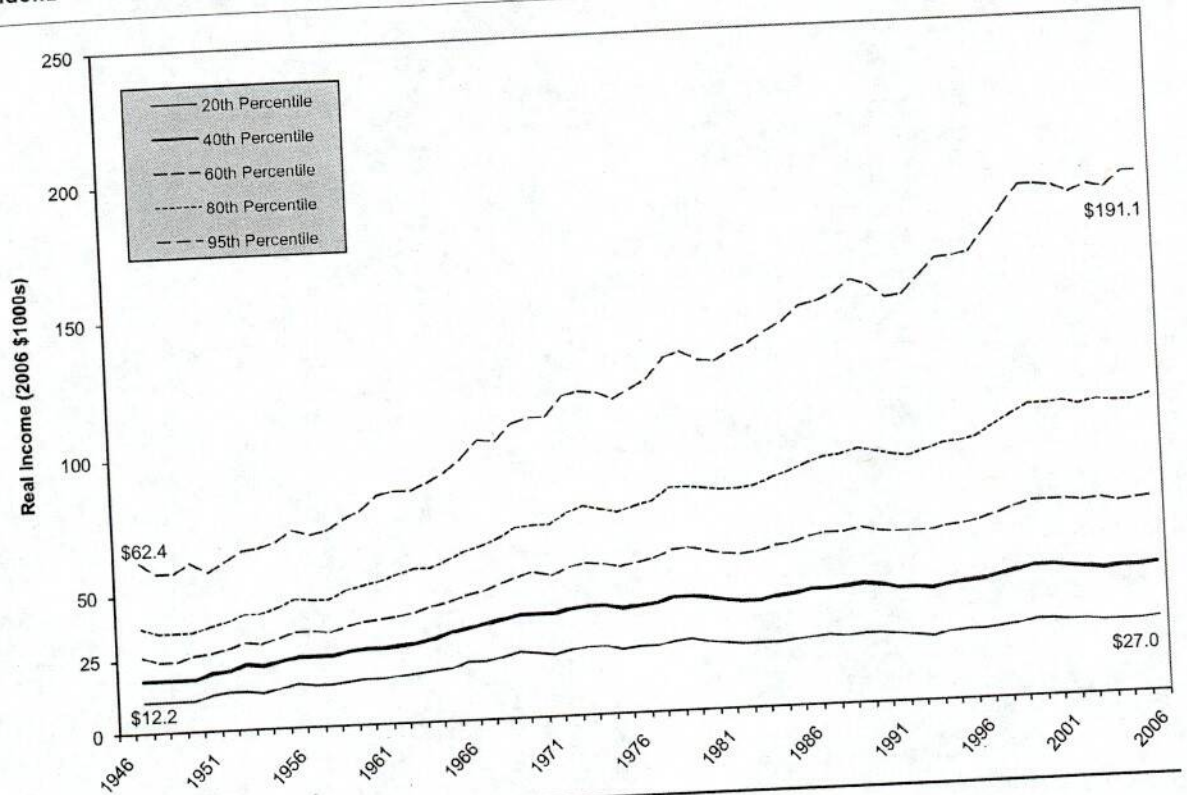
III CONTEMPORARY RESEARCH ON INEQUALITY

Who Gets What? Who Does What?

The most basic question about inequality concerns the uneven distribution of rewards, especially economic rewards. Four types of interconnected inequalities have been the subject of systematic social science investigation: (1) income, (2) wealth, (3) consumption, and (4) opportunities. Inequalities of income and wealth are central, but these are also fundamentally different concepts. *Income* refers to the receipt of money or goods over a particular accounting period (such as hourly, weekly, monthly, or yearly). For most of us, it is our income that allows us to acquire goods and services, and defines our well-being. There are multiple sources of income: earned income from a regular job, income received from investments or ownership of income-generating properties or businesses, income transfers from the government (such as Social Security), income received from family or friends (including inheritances), and illegal or "underground" earnings (such as from crime or informal and untaxed work or business activity). The source of income—aside from the amount—is critical. Occupations vary widely in the level of income they provide to individuals; professional and managerial occupations generally pay far higher incomes and provide better employment security than do routine white-collar jobs or skilled and nonskilled manual jobs. Yet that is not the whole story. A part-time college instructor may have the same current income as the unionized janitor who cleans up at the end of the day, but the instructor has the potential to earn far more income over the long term than does the janitor. The sociological concept of class attempts to capture these varying life chances by making distinctions based on both life chances and current income to provide a richer conception of class.

In examining the "who gets what" question, much research has paid special attention to recent *trends* in income inequality. In the United States, there has been a particularly rapid growth in income and wealth inequality over the past thirty years. The basic trends can be seen in Figure 1. Income inequality narrowed after World War II; the lines in the figure represent different income levels and show signs of a slight convergence. But beginning in the

FIGURE 1 FAMILY INCOMES BY INCOME PERCENTILE, 1947-2006



SOURCE: U.S. Census Bureau, Current Population Survey, 1947-2006.

1970s, the lines begin to diverge, a pattern that continues (with a slight pause in the late 1990s) up to the present. Much of the recent trend has been driven by the increasing share of income received by the very highest earning households (such as the top 5 percent, 1 percent, and even smaller proportions of the top 1 percent). Several readings highlight these historical patterns. In their breakthrough work on income trends, based on a detailed analysis of tax returns, economists Thomas Piketty and Emanuel Saez show that growth in top incomes has ebbed and flowed over the course of the twentieth century, reaching new heights in the recent period. They found that the top one tenth of 1 percent (0.1 percent) of American households experienced a decline in their share of total income between 1929 and World War II from 8 percent to about 4 percent, as a result of the combined shocks of the Great Depres-

sion and the war on capital holdings. This relatively lower share of income received by the richest of the rich persisted until the late 1970s, when it began going up again; by 2000, it had reached nearly the same 8 percent level as seen in the late 1920s. Piketty and Saez's analysis shows a similar trajectory for the larger group of the top 1 percent of Americans (who by the end of the twentieth century were receiving around 20 percent of total national income).

Beyond the big question of why the very rich have gotten richer are a number of other questions: How much has the share of income going to all households changed? And in particular, how has inequality changed among important groups in American society? Three distinct historical periods can be identified. Before 1929, American society was very inegalitarian. In addition to the large share of income going to the very top, incomes for those households at the bottom were very low. Beginning in the 1930s—as a result of the Great Depression, the expansion of the public sector during the New Deal era, and the major increases in income taxes during World War II (when taxes on the wealthy were raised as high as 90 percent)—the shares of income received by the middle class, the working class, and the poor rose steadily through the early 1970s. The gains of economic growth in this era were not only widely shared but actually flowed downward in greater proportions to households below the top 20 percent. A number of factors combined to reinforce this shift. Changes in the South with industrialization, the decline of small farming, and the civil rights legislation that ended Jim Crow and brought African Americans into the economic mainstream were vitally important. Significantly stronger unions than in the period either before or since the 1945–75 period helped unionized and non-unionized workers alike win improved wages and benefits. These economic gains were spread widely enough to narrow the differentials between many important groups (although not all, as the gap between men and women did not shift during this period).

Beginning in the 1970s, however, this pattern of narrowing differentials between top and bottom began to reverse itself. Not only did the share of income going to the very top begin to increase, but also the shares received by the middle class and the poor began to decline. Both overall inequality grew, and the gaps between most groups widened. (Here again, however, gender proved a partial exception, as the gap between the earnings of men and women narrowed from the 1970s to the 1990s, especially among younger and better educated women and their male counterparts).

Income is one critical measure of economic inequality, but it is not the only one. Data on actual consumption patterns—what households are in fact able



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to buy—provide a different perspective on well-being. While the incomes received by middle-class families stagnated from the mid 1970s onward, changes in finance and the easy availability of credit made it possible for a long period of time for consumption to exceed earnings. Interestingly, this has also been true for poor families, although primarily because other family members or friends provide money or goods or because some income is unreported. Even very poor families are often able to acquire goods like telephones, televisions, and cars, items that at some point in the past were not in existence or available only to the rich. Still, the gap between the poor and the middle class in terms of consumption remains very large.

Wealth—by which we mean the net value of the assets owned by individuals or family—is another important indicator of long-term household resources. Trends in wealth inequality parallel those of income (rising, falling, and then rising again over the past one hundred years), although at any moment the gap in wealth between rich and poor is much larger than the gap in either income or consumption. The most commonly owned wealth asset is real estate. About 70 percent of Americans currently own the primary residence in which they live. Because homes tend to appreciate over time, home ownership has been one way that even modest-income households can accumulate wealth. A smaller subset of the population owns “net financial assets” (NFAs)—savings, investments, and other convertible assets less outstanding debts. Upper-class families possess vast NFAs, whereas most families possess little or no NFAs. Disparity in wealth is greatest in regard to NFAs, and the gap between the wealthiest households and everyone else has widened enormously over the past thirty years. Total wealth differences (housing assets plus NFAs) between individuals and groups are often far larger than income differences. For example, while the top 1 percent of households were receiving approximately 20 percent of the income in 2000, they owned more than 40 percent of all wealth.⁴

Although the importance of current income is fairly obvious—it is what provides us with resources to meet our daily needs and, if we are lucky, indulge in luxuries beyond our basic needs—the importance of wealth is a little more subtle. Wealth can be converted to income, but it is also a critical source of intergenerational inequality, as affluent parents can pass on to their children substantial resources that have no relationship to the children’s own

⁴ Timothy Smeeding, “Poor People in Rich Nations: The United States in Comparative Perspective,” *Journal of Economic Perspectives* 20 (2006):69–90.

accomplishments.) Further, wealth can provide resources to invest in children's well-being or to cushion against unexpected bad luck, such as the loss of a job, ill health, or family member needing full-time care.

The final aspect of the question of who gets what that analysts of inequality have studied widely is how what one owns translates into opportunities (for individuals or their children). One of the more robust insights on the question of opportunity is what is widely known as the "Matthew effect," taken from the biblical gospel of Matthew, which holds loosely speaking that "he who has shall have more."⁵ This idea is fairly straightforward for economic assets: rich individuals or families can invest their wealth in ways that produce more income, or give their children advantages and inheritances which give them a leg up in life. But following the lead of Pierre Bourdieu, sociologists have generalized the economic notion of capital to consider how individuals receive can acquire different kinds of social and cultural assets that, like economic capital, can be "invested" to seek hire returns in schools, employment situations, and in finding a desirable partner. Three kinds of non-economic capital have been seen as especially important: "cultural capital" (the kinds of cultural knowledge and linguistic competence an individual can deploy); "social capital" (who you know, the social networks that one can draw upon), and "symbolic capital" (the kinds of prestige and authority an individual possesses).

Because families are important transmission belts of *both economic and non-economic capital*, sociologists have long been interested in how opportunities are transmitted from one generation to the next, or more precisely, how social origins (as represented by one's family position) are related to destinations (where one ends up in the stratification system). The degree of "openness" in a social system is sometimes viewed as a critical measure of societal fairness: in a society where someone from a disadvantaged background has a decent chance of attaining positions of power or influence, social inequality does not lock-in disadvantage. On the other hand, if social background (and the kinds of economic and non-economic capital passed from parents to children) is so powerful that we can predict destinations from origins with a very degree of reliability, than the embedded power of inequality is very high indeed. The study of opportunity across generations, or *social mobility*, has thus occupied a great deal of attention, and controversy, in the study of inequality.

⁵ "For unto every one that hath shall be given, and he shall have abundance: but from him that hath not shall be taken away even that which he hath." Matthew 25:29, King James Version.

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While the question of who gets what relates primarily to income and wealth for consumption (and the implications and future opportunities), the question of who does what focuses our attention on a different set of problems. The fundamental distinction is between compensated work (such as paid employment in a job) and uncompensated labor (such as housework and caring work). Feminist sociologists long ago established that the narrow focus on the world of paid work—so characteristic of social science research in the first half of the twentieth century—ignored an important second dimension of the question of who does what. We labor in our jobs, but also in our households. There continues to be a large disparity in the division of labor on the “second shift” between men and women in terms of child care, elder care, cooking, routine housework, and other household chores. These differences are themselves a powerful source of gender-based inequality. But they also generate a set of side consequences that bear on inequalities in the world of work, by making it more difficult for women with additional responsibilities to compete with men who do not.

Within the world of paid work itself, one important question is how are different jobs structured? What makes a “good” versus a “bad” job? A critical variable is the level of autonomy and discretion in occupations. In high-trust occupations, such as in professions and in management positions, incumbents work without much supervision and are trusted with important responsibilities and company secrets. They are generally able to control the pace of their work effort and even their work hours. To be sure, however, individuals in these occupations may work long hours, but they do so without the same kinds of scrutiny of other occupational locations. In the professions, in particular, *knowledge* can serve as a basis of power, one in which professionals can dominate their clients. Professionals are able to secure market advantages and obtain relatively high salaries.

By contrast, in low-trust occupations, continual monitoring of effort and lack of autonomy are defining features of the daily grind. The working day is highly regulated by the clock, and tasks and the pace of work is controlled by supervisors. The classical distinction between blue-collar and white-collar work captures some of this distinction, although changes in the occupational structure over the past hundred years have given rise to many forms of “routine” white-collar jobs with low discretion and trust.

Poverty and Inequality

Finally, we need to think about the linkages between poverty and inequality. Although inequality has risen, rates of poverty have not increased in most

countries, including the United States. At one level, this is paradoxical: if the rich are getting richer, the poor surely must be getting poorer? Actually, however, the data suggest something slightly different: the incomes of poor households have held steady in (real) dollars, even as their share of national income has declined. The proportion of families and individuals living in poverty has fluctuated, depending especially on the health of the economy, but has not systematically increased. Nevertheless, there were still some 36.5 million people in America in 2007 living below the official (government) poverty line (12.3 percent of the population). This estimate of the size of the poverty population is based on a government measure, first devised in the mid 1960s, that most poverty researchers believe understates its real size. Poverty, in short, remains a critical problem in American society.

Poverty is important to inequality as a whole in a number of ways. First off, because living in poverty harms adults and children in many ways, it is an intrinsically important problem to study. Indeed, an industry of social science research has been devoted to dissecting the "poverty problem." But poverty is also linked to other types of inequality. The existence of a large poor population benefits middle- and upper-class individuals and families by providing the servants, maids, gardeners, cooks, and child-care and elder-care workers that have removed much of the drudgery of daily life. Without poor people to fill those jobs at low wages (or a government sector to provide it), middle-class families in particular would have very different lives. A large poor population also constrains wages for other workers who are just above the poverty line, by providing the foundation for a large "reserve army" of unemployed or underemployed people. In all of these ways, the link from poverty to inequality is important to study.

III GROUP-BASED INEQUALITIES

Part III of the book contains a wide range of research on how the stratification system in the United States today is organized, in part on the basis of categories arising out of group memberships. The most important of these groups are those based on race, ethnicity, gender, and class. Group membership can be a critical source of advantage or disadvantage. Being a member of a high-status group eases access to opportunities, whereas membership in lower-status groups confers important disadvantages. These are not mere accidents, but rather the result of organized social and political arrangements that reinforce the importance of categorical inequalities.

Inequality
v
Poverty

Q

There are several ways in which the social sources of group inequality have been theorized. Subjective approaches emphasize the importance of stereotypes arising from more general prejudices that people have about members of other groups. We are routinely bombarded with media images and ideas that reinforce the idea that racial minorities are different from whites—for example, they are likely to be portrayed as poorer or more criminal than they really are. The stereotyping of women as more suited for jobs in the caring sector than men is another example. Other models of the sources of such attitudes see them as rooted in competition: in those contexts in which groups are of sufficient size to compete with one another for opportunities, there are incentives for more powerful groups to respond to the threat posed by weaker groups by stereotyping them and then using those stereotypes to create formal or informal barriers to advancement or integration. In these competitive environments, such as when there are not enough good jobs for all who want one, a dominant group has incentives to promote such images.

But merely having negative images of a group is not, by itself, sufficient to create an unequal playing field. Max Weber's notion of social closure proves especially useful as a way of understanding how conflicts between dominant and subordinate groups come to be manifest in the social structure. *Closure* is the idea that organized groups will seek to create special opportunities for themselves and restrict opportunities for others. There are both formal and informal systems of social closure. Formal systems include legal barriers to entry (such as when a profession gains a legal monopoly over certain kinds of services), or explicit rules limiting the opportunities of subordinate groups (such as laws limiting women's inheritance of property, or universities adopting explicit rules about the admission of minority students). Today, however, most of these formal barriers on the basis of characteristics of individuals or groups have been abolished. We live in an era in which the ideal of *meritocracy*—that the best person, regardless of any personal characteristics, should be able to secure jobs or admission to education or other desired opportunities—has become dominant. But informal systems of closure, involving less explicit but nonetheless powerful forms of discrimination continue to operate. One important example can be seen in the ways in which large corporations formally open their doors to hire women and minorities but maintain systems of promotion and evaluation in a manner that disadvantages these groups. While there are many lower-level women and minorities working at large companies today, few have risen into positions of top management (which largely remains the preserve of white men). It would take quite a leap of faith to believe that merit is the primary reason this pattern persists.

With the election of Barack Obama as President of the United States in 2008, the most important executive post in the country is now held by a minority. Yet women and minorities continue to be significantly underrepresented in the ranks of top management. Why? This question has been widely studied and debated. The dominant hypothesis remains that of discrimination (overt or subtle). But other ideas have been advanced also. One line of research suggests that even when minorities are able to gain access to desired positions, they often face particular hurdles to overcome to advance further. They may find it more difficult to find mentors or associates who will pull them up through the ranks. When they stand out because of their small numbers (in contrast to their peers who are members of the dominant group), they may be subject to greater scrutiny. Small mistakes that might have gone unnoticed if committed by white men are magnified in importance. The pressure to perform, and be consistently excellent, makes the work situation different (and potentially more demanding) for members of minority groups. Further, because they also may not share the same kinds of background experiences and participate in the same activities as their white or male colleagues, simple misunderstandings or difficulties in communicating are more common. And finally, career ladders continue to be structured around older notions of work–family life. For women who have children, even short disruptions in their careers can have crippling long-term consequences.

Class Analysis

Group-based processes of exclusion and discrimination provide one major source of enduring inequality, while class-based inequalities arising out of the operation of the market provides another. Marx's concept of class holds that under any mode of production two classes (one dominant, one subordinate) constitute the primary source of division. Under capitalism, Marx argued that the distinction between owners and workers had primary importance. It has long been clear, however, that only a much broader notion of class can provide a meaningful description of contemporary capitalist societies. Various middle-class groupings—managers and professionals, the self-employed—are not usefully lumped together with factory workers or the baristas at a national coffee chain.

But to ask the question, What is “middle” about the middle class? is to raise a whole host of problems for developing a “class analysis” of contemporary societies. There is no clear agreement on all of these problems, but the influential (and competing) models of neo-Marxist sociologist Erik Olin Wright and neo-Weberian sociologists Robert Erikson and John Goldthorpe—the

two leading variants in the literature today—converge on a number of critical points.⁶ Both Wright and Erikson/Goldthorpe treat class as rooted in income-generating labor market activities. In other words, work situation, rather than education level or income, is the defining characteristic of what we should mean by class. Each schema divides the working population into a number of classes—twelve according to Wright, and three, seven, or eleven in the collapsed or expanded versions of Erikson and Goldthorpe. One important distinction is between those individuals who own their own businesses, or are self-employed, and those who work for someone else. Among the employed, both analysts draw distinctions between those who have a type of expertise or skill that gives them some sort of market sinecure and those who do not and between those whose jobs entail supervising others or require employer trust from those that do not.

To be sure, some of these assets are worth more than others, and they can be combined in ways that reinforce their value. So the lawyer (with high skill/credential assets) who also owns her own law firm (or is a senior partner in a firm) that employs others to work under her is likely to command a far higher income than the lawyer working beneath other lawyers and supervisors (such as in a district attorney's office or as an associate in a law firm). Such complexities make the development of a precise and rigorous map of the class structure—with each individual placed in one and only one class location—difficult.

Both Wright's and Erikson and Goldthorpe's theories of class are deeply structural in the sense that they identify class locations by reference to types of assets and employment situation rather than to actual behavior. Classes, in other words, exist whether or not they ever engage in any sort of collective action to defend or promote their common interests. But in the classical notion of class, class is not simply a "thing" that exists on paper but—at least in certain crucial historical situations—is capable of acting as a group (or what Marx called "class struggle"). Great historical examples have included the struggle to extend the right to vote to nonpropertied workers and the movement to build unions and social democratic or labor parties. Such moments of independent collective action on the basis of classwide interests have, however, eroded significantly since World War II, rarely appearing beyond particular local situations or grievances or occasional (and often symbolic) large-scale demonstrations.

⁶ See Erik Olin Wright, *Class Counts* (New York: Cambridge University Press, 1997); Robert Erikson and John Goldthorpe, *Constant Flux* (Oxford: Clarendon Press, 1992), Chapter 2.

Some Peculiarities of Race and Gender Inequality in America

The classical theories of stratification have their clearest application in the case of class analysis. Indeed, following from Marx, many of the classical analysts of stratification were concerned first and foremost with problems of class inequality. But group conflicts on the basis of race/ethnicity and gender have some distinctive properties as well, and these must be part of any such discussion. Here are a few examples. The study of occupational segregation—the job ghettos where members of disadvantaged groups are far more likely employed—has been a staple of research on how labor markets work and disadvantage perpetuated. There are many examples. Many jobs remain typed as “male” or “female,” with the latter paying lower wages relative to the skill and education levels of the job. Further, even where inroads have been made in desegregating entry into desirable jobs, gender “niches” favoring men often persist. Forty years since the beginning of the modern women’s movement, only twelve of the *Fortune 500* companies (the biggest companies in America) are led by women (as of 2008).

Race and gender inequalities have been changing in some very important ways in recent decades. The rise of the civil rights movement in the 1950s and 1960s helped spur the creation of civil rights legislation and affirmative action policies that aided both racial minorities and women, and the women’s movement spurred further change. In education the impact has been especially large. The entrance of minorities and women into professional fields once dominated by white men has been a startling change over the past forty years. To take one example, before 1970, the percentage of women entering ABA-approved law schools was less than 5 percent; by 2004, 48 percent of entering law students were women. Similar growth in the proportion of women in a wide range of professional and managerial fields—and to a less extent racial and ethnic minorities—can be found. But progress has, in some respects, slowed in recent years. For example, the black–white income gap, after narrowing significantly between the 1960s and the early 1980s, has remained quite stubbornly large since there. The gender gap in earnings has similarly stalled, although among younger men and women it has continued to decline.

Immigration

Rates of immigration are rising all over the world, and in most places debates over immigrants and their place in the stratification system of their new

country is both sociologically important and politically contentious. This is no less true in the United States. Two critical questions are often debated. First, to what extent do immigrants displace American workers, or more generally does the presence of a growing pool of immigrant workers depress wages? Economists have divided on this question, although even studies finding the biggest effects offer estimates of wage loss to American workers as very modest (around 5 percent or less). Second, to what extent is rising immigration changing the social and political mix of poor populations? Because immigrants cannot vote until they obtain citizenship, the lack of political voice of a growing segment of the poor and working class is becoming increasingly important. This frequently neglected question has begun to be of concern, especially in many urban communities where immigrant populations are concentrated.

Immigration also plays a critical role in the maintenance (or even growth) of inequality in a couple of ways. First, immigrants provide a large low-wage labor pool. Although some immigrants are software engineers or physicists, in recent decades the vast bulk have come to the United States with skills or credentials that do not easily translate into middle-class jobs, and thus must instead settle for jobs at the bottom of the labor market. Much of the work in the agricultural sector, for example, is performed by immigrant labor. Americans enjoy one of the richest and most varied diets in the world (perhaps too rich, if rising rates of obesity are any indication). This would not be possible without a large immigrant labor force. Second, the growth of a luxury economy is fueled by immigrants who perform tasks such as child care, house cleaning, gardening, and food preparation and service. American households are far more likely today to have someone clean their houses for them, have their children in child care, or eat out regularly than they did a generation ago. This rising luxury consumption, which is reaching increasingly far down the income ladder, is again being fueled by immigrant labor.

Issues surrounding immigration are especially heated in the United States right now, as they are in many other rich countries. The controversies repeat an earlier historical pattern. Although we are virtually all immigrants or the children of immigrants (most by choice; descendants of slaves not), the historical pattern suggests that we become less welcoming once the size of the immigrant population grows large enough to pose an economic threat to native-born citizens. Just as nativist sentiment produced sharp political tensions after World War I, so too are we entering a period in which contention over immigration is growing. However the current political contest plays

itself out, there can be little question of the larger significance of immigration for the system of inequality.

||| POLITICAL INEQUALITY AND PUBLIC POLICY

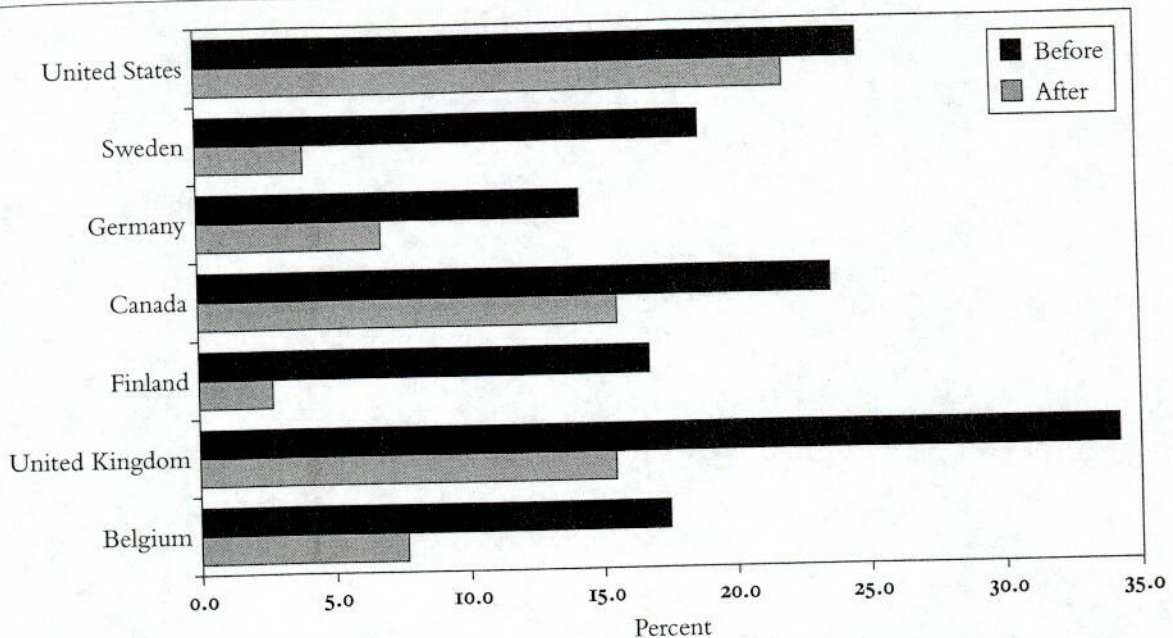
The political institutions of any society can both generate inequality or provide a source of its amelioration. Earlier I noted the important paradox that single parents with low education levels are much more likely to head a family living below the poverty line in the United States than in other rich countries. Why? Because other countries have a more generous and comprehensive welfare state than in the United States. We make political choices that produce such outcomes. The political system is very much part of the stratification system.

One way governments affect inequality is by taxing the rich more extensively than the middle class and the poor. Another is by operating a complex of programs known collectively as the welfare state. The welfare state includes those institutions that provide income transfers on the basis of either a social insurance model (such as Social Security) or means-tested benefits (such as food stamps or welfare). It also provides services such as health care (such as Medicare and Medicaid) and those designed to support low-wage workers (publicly subsidized child care, health insurance, job training and placement programs). A consistent body of evidence demonstrates that more generous welfare states reduce poverty and inequality, smooth out income fluctuations, reduce old-age poverty, and equalize health outcomes. In many postindustrial capitalist countries, market-based inequalities are growing sharply, but are reduced by welfare state interventions.

There are a number of ways in which the United States is unique, even among the liberal democratic countries most similar to the United States (e.g., Canada, Australia, and Britain). The tax system and welfare state institutions in America do less to reduce poverty and inequality than in any other rich country. We can see this in Figure 2.⁷ The figure shows two sets of data. The top bar for each country estimates percent of the population that would live in poverty if there were no government programs. The bottom bar takes into account all taxes, income transfers, and services provided by the government in question. Whereas pregovernment levels of inequality are high in

⁷ Figure 2 is based on an analysis of household-level income data matched with data on government spending conducted by the Luxembourg Income Study (LIS), as reported in U.S. Department of Labor, www.dol.gov/esa/whd/flsa. The data reported here are from 2000 but similar results would be found for more recent years.

FIGURE 2 PERCENTAGE OF POOR CHILDREN BEFORE AND AFTER GOVERNMENT



SOURCE: Luxembourg Income Study, 2000.

most countries, once government programs are factored in the poverty rate falls dramatically. However, this is much less true in the United States. Here the welfare state fails to compensate for most of the inequalities and poverty produced by the market. The two bars are not very different. We have the highest rate of poverty among the rich democracies, not so much because of market forces (although these are a factor), but because public policy does less to reduce poverty than anywhere else.

The American welfare state stands out in the rich democracies for its low levels of public spending; the United States currently devotes about 14 percent of its gross domestic product (GDP) on social spending programs, versus an average of 26.5 percent in western European welfare states, and 18 percent in other Anglo-American democracies. To put these figures in perspective note that a 1 percent increase in the proportion of the GDP devoted to social programs translates to about \$130 billion in new social spending (enough, for example, to provide adequate health insurance for everyone). We could point to many other examples of how U.S. public policy reinforces inequal-

ity: repeated tax cuts that disproportionately benefit the super-rich at a time when high-income households are already absorbing unprecedented shares of national income and the pointed refusal of Congress and the White House to adjust the federal minimum wage during the decade after 1997, leading to a 20 percent decline in real value (minimum wage declined overall by some 36 percent in real value between 1979 and 2006).⁸

What might account for these outcomes? Why is the United States a welfare state laggard, in spite of having among the highest per capita income in the world? Although political inequalities are present in all democratic societies, the American political system stands out as unique in the extent to which it enables some voices to be heard more readily than others. No other rich democratic country allows as much money into the political system, and the rate of increase in the flow of money in recent years has been shockingly high. No other rich democracy has as low a rate of voter participation as the United States or such large disparities in participation rates by income and class. And few other democratic countries have as decentralized a political system as the United States, giving powerful actors multiple opportunities to veto redistributive legislation they do not like. And finally, American citizens stand out in comparison to those of other countries in being reluctant to support social programs for the poor, as studies of public opinion have demonstrated. Each of these factors requires some attention.

Participatory Inequalities

Large, persisting disparities in participation among citizens eligible, both in elections and in many other types of political activities, is a hallmark of American politics. These disparities represent an important source of political inequality in their own right, but also have important consequences for government policy. Writing in 1949, V. O. Key asserted, "The blunt truth is that politicians are under no compulsion to pay much heed to classes and groups of citizens that do not vote."⁹ In democracies in which almost everyone votes there are fewer group differences. The United States, by contrast, has skewed rates of political participation. Well-resourced groups (for example, professionals or whites) will turn out at a 25 to 30 percent higher rate than will a low-resourced group (such as unskilled workers or Hispanics).

⁸ See U.S. Department of Labor, Compliance Assistance—Fair Labor Standards Act (FLSA), www.dol.gov/esa/whd/flsa (accessed April 2008).

⁹ V. O. Key, *Southern Politics in State and Nation* (New York: Knopf, 1949), p. 577.

Why does the United States have such high rates of group disparity in turnout? In the social science literature on who votes, there are two broad streams of explanation: individual-level explanations (such as education level, race/ethnicity, class, religion, community, and knowledge/interest in politics), and political and institutional explanations. Sociodemographic attributes of individuals such as education are powerful individual-level predictors, but they cannot account for the relatively low rate of voter turnout in the United States because such factors are present in all societies (and indeed the American population as a whole had far less education in the late nineteenth century than today, but turnout rates were far higher). Political and institutional explanations, by contrast, point to the role of mobilizing activities by parties and political organizations and election rules, such as voter registration requirements, holding national elections on a working day. There is much more variation across countries, and such factors provide a more useful understanding of the puzzle of the low voting rate in American politics.

The problem of unequal participation extends beyond voting to other types of political engagement. Research on *all* forms of political participation—including working on a political campaign, participating in a protest event, writing a letter to an elected official, civic volunteerism of any kind—finds large inequalities between resource-rich groups and disadvantaged groups. The definitive study in this area remains that of Sidney Verba, Kay Lehman Scholzman, and Henry Brady, who found evidence of larger disparities in most other types of political activity than in voting. For example, although 17 percent of individuals earning over \$75,000 a year in 1989 reported working on a political campaign, only 4 percent of those earning under \$15,000 did so. About 73 percent of the former reported being a member of a political organization, but only 29 percent of the latter did so. And 50 percent of the affluent group had written to an elected official at least once in the previous year, but only 25 percent of the low-income group had done so.¹⁰

The Party System

The institutional arrangements that shape and define the party system in the United States provide another key source of political inequality. The electoral rules established by the U.S. Constitution makes it essentially impossible for third parties to become viable. This key fact can largely be attributed to a single feature of the American constitutional order: a “first-past-the-post” electoral

¹⁰ Sidney Verba, Kay Lehman Scholzman, and Henry Brady, *Voice and Equality* (Cambridge, MA: Harvard University Press, 1995).

system in which the candidate (and party) winning the most votes in a single district wins the seat. This “majoritarian” system has proved remarkably durable in enforcing major party hegemony. The reasons are not hard to fathom. While the proportional representation systems found in most European democracies allow minority parties to gain representation in legislative bodies, in the United States only the candidate/party winning the most votes in legislative districts wins the seat. A new party seeking to build support cannot do so gradually by electing a few representatives and building a national reputation.

The two-party system had first become firmly established by 1840, with the Democratic Party and the Whig Party being dominant. There has been only one successful example of a third party entering the political system and displacing one of the dominant parties since then—the Republican Party breakthrough in the 1850s and 1860 (when Abraham Lincoln won the presidency on a Republican ticket), as the country fell into the crisis leading up to the Civil War. Since that time, American political history is littered with failed third-party efforts, even though many were launched by serious people with, in some cases, significant resources.¹¹

The stranglehold of the two-party system since the Civil War prevented a politically viable social democratic or labor party explicitly concerned with egalitarian outcomes from emerging. In this, the United States is unlike all other rich democratic countries. In fact, the now vast “American exceptionalism” literature first emerged as an effort to explain the failure of a socialist party to develop in the United States. The existence of a strong left party is important for two reasons. First, research on comparative politics consistently finds that strong left parties facilitate more generous welfare states. The path to welfare state generosity through party strength is twofold: when left parties control governments they can redirect taxing and spending policies toward redistributive outcomes; but even when out of government, strong left parties provide important electoral competition that can push centrist and conservative parties toward greater generosity.

Powerful left parties are also important for shaping public opinion and for keeping issues relating to poverty and inequality on the policy agenda. Parties do more than just seek votes; they also organize voters and political ideologies

¹¹ The most important of these party efforts were those of the Populists at the end of the nineteenth century, the Socialist and Communist parties in the first half of the twentieth century, the midwestern Progressive and Farmer-Labor parties in the 1930s, and in the recent era of increased third-party activism a plethora of efforts by Libertarians, Ross Perot's Reform Party, the Greens, and others. For an overview, see Micah L. Sifry, *Spoiling for a Fight: Third Party Politics in America* (New York: Routledge, 2002).

in a coherent spectrum, providing citizens with information that reminds them of egalitarian ideas and values, as the extensive literature on the cognitive bases of political beliefs suggests. When the party system includes strong left parties, political debates in the media are much more likely to include pro-equality viewpoints, and media coverage of groups and individuals making egalitarian arguments grows.

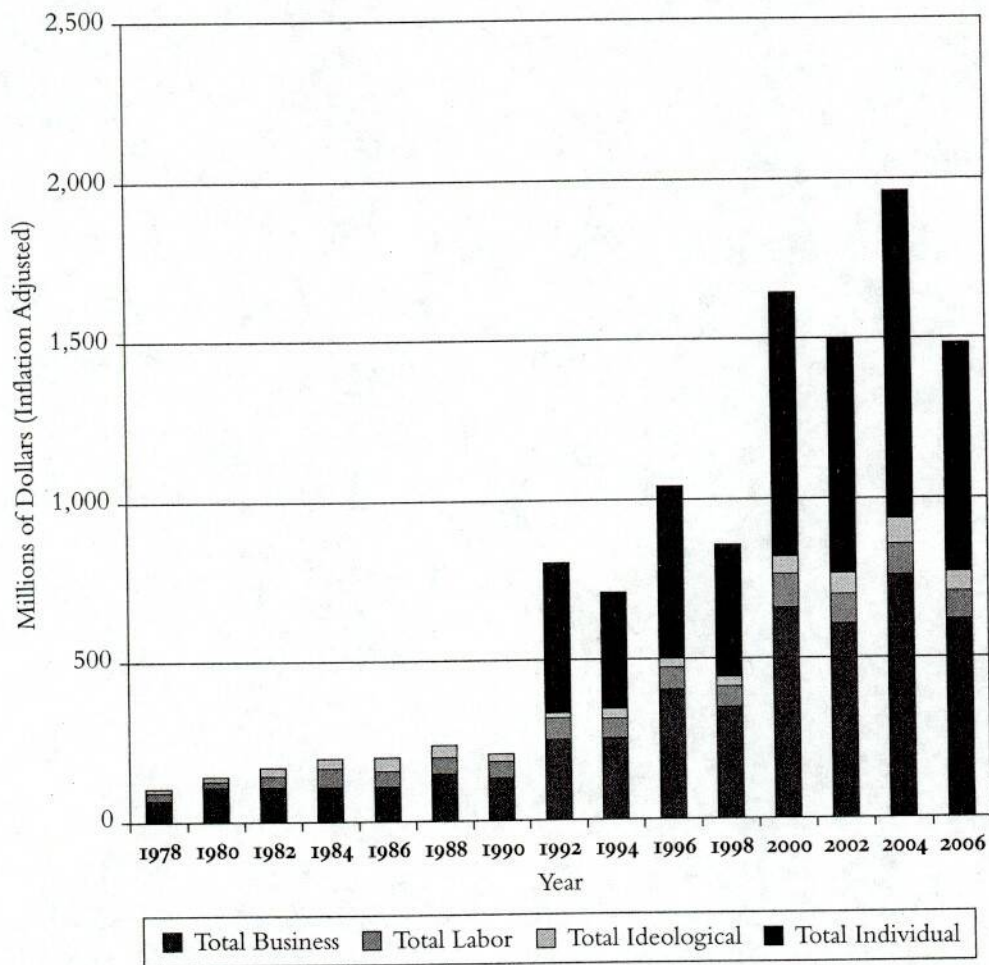
In the United States, however, such views are only more haphazardly present in ordinary political debate. The narrowness of the party system does not mean that egalitarian political ideas have always been absent from American politics. At times since the 1890s, and in certain parts of the country, the Democratic Party has operated as a kind of social democratic party, with organized labor and liberal groups having varying degrees of influence inside the party. But the Democratic Party has also, throughout its history, been strongly influenced by its strong southern wing, following the Civil War and the identification of the Republican Party with the cause of racial equality. The southern Democrats were deeply hostile to any policies challenging the Jim Crow system, which greatly narrowed the range of acceptable possibilities for egalitarian public policies even in those eras, such as the 1930s and 1960s, when momentum for equality peaked.

Political Money

Another source of political inequality is the unique role of money in the financing of American politics. Dramatic increases in the availability of money in the American political system in recent decades have often prompted concern among observers of American politics and sometimes among the very politicians living inside the money system. (Rising inequality and strong income growth at the top have given the rich more resources to "invest" in politics, and they have.) The basic facts are startling enough. Campaign finance data (Figure 3) suggests that since 1978, there has been a nearly 10-fold increase in real dollars contributed by business interests to candidates for American national elections as well as a steady and seemingly inexorable growth in contributions from affluent individuals. One would be hard-pressed to imagine that contributors give large amounts and get nothing in return, although specifying those impacts has proved tricky for researchers.

Where does this extraordinary flow of political money come from? The reporting of campaign contributions is now quite systematic, so we can develop a basic survey. Contributions come from individual donors or from political action committees (PACs) organized by a wide range of individual

FIGURE 3 TRENDS IN NATIONAL ELECTION CAMPAIGN FINANCE, 1978-2006



SOURCE: Author's Compilation, Federal Election Commission Reports (www.fec.gov) and Center for Responsive Politics (www.opensecrets.org). Individual contribution data available for 1992 on.

businesses, business associations, unions, and professional associations, as well as ideological groups such as the National Rifle Association (NRA) and Emily's List (a PAC that supports women candidates for office). PAC contributions can be reasonably divided into three broad categories: business related, labor, and ideological (with the latter running the gamut from far left to far right). In addition to money given by organized PACs, individuals account

for a large proportion of total donations, the vast majority of which are made by affluent individuals or families.¹² Combining the rising amounts being given by affluent individuals with the growing disparities between business and labor PACs, we find that from the standpoint of who gives there can be little doubt that the signals imparted to elected officials overwhelmingly favor the affluent.

How and in what ways does political money matter? Theories of "investor" influence on the parties and legislation have, as I noted, proved difficult to definitively test and prove. It is not often that there is hard evidence of outright vote buying. The primary effect of money can be thought of as shaping four distinct political outcomes: (1) who runs for political office (making a serious run for political office increasingly requires the capacity to raise huge amounts of money), (2) who wins (underfunded challengers face an almost impossible task), (3) the voting patterns of legislators (who may think about the needs of past, present, or hoped-for future donors), and (4) other outcomes such as facilitating access to legislators through the interest group process. At every stage of this process, there are compelling arguments and empirical evidence to suggest money skews outcomes; but equally important, in no area is money plausibly viewed as the single decisive factor.

Stronger arguments can be mounted for more subtle forms of influence, such as access to elected officials that money provides. Donors are much more likely to receive the opportunity to press their case to elected officials they have donated to than those who do not give. Such access may shape legislation at the margins, for example through the creation of special hidden tax breaks or exemptions inserted into legislation that can, in the aggregate, be quite expensive and deleterious to the overall purpose of a bill. Access ensures that special interests are listened to. But access alone does not drive the policy agenda.

Of perhaps equal or greater concern in relation to political money is its impact on agenda-setting organizations. Increasingly centralized corporate

¹² For example, in 2002, the Center for Responsive Politics was able to categorize about 70 percent of such donations for the 2000 election cycle, finding that individuals associated with business interests contributed a total of \$533.7 million to election campaigns, compared with less than \$1 million contributed by individuals associated with organized labor. Survey data on individual-level giving to political campaigns are consistent with this finding; patterns of significant giving are heavily skewed toward individuals from affluent households. For example, Verba et al. found that 56 percent of households with incomes over \$125,000 in 1989 donated to a political campaign (the average amount of all donations was \$1,183), but just 6 percent of households with incomes below \$15,000 did so (the average donation was \$86). See Verba, Scholzman, and Brady, *Voice and Equality*, pp. 191–196.

control over the media and the decline of independent media weakens advocacy of progressive causes such as calls for more equality. The remarkable growth in the resources flowing into conservative think tanks and foundations is perhaps even more important. Starting in the 1970s, business organizations and conservative foundations began providing resources on a heretofore unprecedented scale in support of policy formation organizations inside the Beltway. The growing capacity of these policy organizations to intervene in political debates, get their representatives into the media, and provide policy advice to presidents and Congress is well established. By all accounts, such organizations play a significant role in setting the policy agenda. To the extent that the policy organizations with the greatest resources are disproportionately promoting a conservative policy agenda—as numerous studies have found—they contribute to a larger environment in which many egalitarian policy ideas are simply not on the agenda for discussion.¹³

||| GLOBAL INEQUALITIES

The system of inequality in the United States, as in other countries, is heavily influenced by being situated in a global economy in which high levels of poverty and inequality are found. In Part V, several key aspects of the global system of inequality are examined. One of the most important widely discussed subjects in recent years is how the changing patterns of the global economy are influencing inequality in different countries, as well as the distribution of wealth between countries. Three changes in recent decades define the current era of rising globalization. First, there has been a steady increase in “flows” across borders: more trade between countries, higher rates of migration across borders (rising rates of immigration into the United States mirror the pattern found in many other rich countries), and—perhaps most important—capital for investment that is increasingly unconstrained by national borders. Many firms have found it profitable to relocate their operations from higher-wage wealthy countries to places in which they can find workers at a fraction of the cost. Truly multinational corporations, with operations in numerous countries, increasingly populate the peaks of the modern world economy. Workers travel across borders in growing numbers in pursuit

¹³ The absence of competing and similarly endowed policy organizations promoting progressive ideas has remained something of a mystery. Foundations supporting programs aimed at helping the poor and progressive civic activism have resources that far exceed that of conservative foundations supporting right-wing think tanks and so forth.

of economic opportunities. The global financial sector has become interconnected such that when something significant happens in the financial market of one country it will influence developments in many other parts of the world.

Second, alongside increased flows of trade, capital, and people have been changes in the hierarchy of countries across the globe (and the corresponding incomes and wealth of citizens in those countries). Some countries—especially countries in Southeast Asia like South Korea, Taiwan, Singapore, and more recently Brazil, Russia, China, and India—have and/or are expecting booming economic growth. Other countries, including most countries in Africa, have stagnated or even seen economic declines. Because the two largest countries in the world—China and India, with nearly one third of the world's population—are getting richer, as evidenced by rising household incomes and increasingly powerful domestic and global companies, overall global inequality has declined in recent decades. But the pattern of change has been uneven.

Third, the global economy has often been seen as a source of internal social and economic change, contributing to rising *intra*-country inequality in recent years. In this sense, the seemingly rosy picture of declining *between*-country inequality risks masking other inequality-producing aspects of globalization. The United States is far from alone in experiencing rising domestic inequality. The global economy has produced a class of global entrepreneurs who manage business or financial empires across borders, and receive extremely high levels of compensation to do so. It encourages companies to shift higher-wage manufacturing jobs to parts of the world in which wages are low. It creates opportunities for some but disadvantages for many others. The overall impact of globalization on *intra*-country inequalities is complicated, interacting in ways that make assessment difficult.

Finally, the rise of an increasingly global economy is often thought to threaten the autonomy of national governments. The idea is that if the government in a country like Germany or the United States were to raise taxes too high, let government budget deficits get too big, or provide overly generous government benefits for individuals, increasingly mobile international companies would be reluctant to maintain their investments in the German or American economy. Such a scenario would put powerful pressures on the government to conform to a lower-tax, lower-spending preference for companies seeking good investment returns.

This theory has, however, only partially borne out by developments over the last twenty years. Three outcomes appear consistent with the globaliza-

tion thesis. Unemployment levels are on average higher in the last twenty years than they were in the twenty years before that. Unions—the backbone of the social forces that helped create the welfare state in the first place—are in decline, frequently sharp decline, in almost all countries. And there has been a movement toward more “workfare” and service spending in the mix of programs supported by welfare states rather than cash grants (or “welfare”) programs. But the evidence that globalization undermines the capacity of governments to maintain generous welfare states has not yet occurred. Overall welfare state spending has not retrenched; while there is some evidence of year-to-year fluctuation in spending (depending on the rate of such factors as unemployment), the overall trend is clear: with but a couple of exceptions, countries have maintained generous levels of welfare state spending, even in the face of globalization.

|| DOES INEQUALITY MATTER?

The final section of the book is devoted to explorations of questions about how and why inequality matters. There are a variety of ways in which we might think about whether, or to what extent inequality matters. The high levels of inequality in the United States, compared to other rich democratic countries, means that the poor have fewer resources to acquire needed goods and services than they would in more egalitarian countries (and in the United States, the rich have vastly more to spend than the rich in other countries). This is a vitally important fact in its own right. The further down the income distribution, the more difficult it becomes for families to meet basic needs.

Another important consequence has been that economic prosperity has not been shared. While all Americans benefited in economic growth between the end of World War II and the early 1970s, that pattern has not held more recently. The very highest earning households have absorbed the bulk of the income being generated, whereas the college-educated population has seen more modest gains, and everyone else has largely stagnated.

But beyond the consequences of rising inequality for household well-being and shared prosperity, what else can be said? A few issues are worth paying attention to. One is political. Rising wealth at the top makes it easier for affluent individuals to “invest” in the political system, and the interests and concerns of the rich are unlikely to be those of the rest of the population.

Inequality of income and wealth may be linked to a variety of other kinds of outcomes that raise concerns. Rich families can purchase better education and intellectual enrichment for their children than poor families, raising the

possibility that meritocracy may be undermined by unequal inputs into the training and development of children. Medical care appears at least in part to be more unevenly distributed in inegalitarian societies; the rich receive more than their pro-rata share of health care, and hospitals and other medical facilities may be oriented more toward the needs and interests of their (more profitable) affluent clients. Rising inequality tends to create pockets of concentrated poverty, where survival may depend on the acquisition of a capacity for "street smarts" and even violence which is frowned upon in middle-class settings.

Another consequence of inequality is its consequences for happiness and satisfaction. To the extent that people look up to those who have more than they do, they never feel completely satisfied with the possessions they do own. Most Americans want bigger houses, faster cars, fancier jewelry, and so forth. One important consequence of this for many American families has been a willingness to take on high levels of debt to try to attain such lifestyles. The size of the debt burden carried by American families was one factor in the financial crisis that began in the fall of 2008. "Luxury fever," as the economist Robert Frank calls it, also affects subjective well-being—we are never fully satisfied with what we have. Even though America has higher average incomes than virtually all other countries in the world, we are no happier as a consequence. International surveys show that Americans are not as satisfied as would be expected based on average income levels.

||| CONCLUDING THOUGHTS

As students of inequality, we want to try to understand the vast and multifaceted ways in which inequalities have developed and how they operate to create a system of stratification. The organizing approach of this book is to highlight not just the brute facts of inequality between individuals and groups, and how these are changing in the current era of rising inequality, but also to situate these facts in historical and political context. Looking around the world, we find strong vibrant economies in societies with widely differing levels of inequality. More egalitarian countries, like many of those in Western Europe, manage to provide both high average incomes and at the same time, low rates of poverty. These outcomes are the result of conscious policy choices. It is not so much that America has higher rates of poverty and inequality because of the structure of its economy—although that is one factor—but also because, relative to our peer nations, we have political institutions and public policies that foster, rather than blunt, the forces of inequality.

It is for this reason that our approach in this book is to highlight the role of politics, and a political analysis of inequality, alongside the questions that social scientists more typically ask about stratification systems. This does not mean that classical approaches can be neglected. Indeed, we start by examining classic theories of inequality because these theoretical ideas provide an important point of departure for contemporary understandings.

At the same time, however, much intellectual progress has also been made in the past half century, as indeed we would expect. The classics of the field focused heavily on class inequality but often treated capitalism as an undifferentiated economic system. More recently, however, it has become clear that there is wide variation across time and space in how different types of capitalisms produce different kinds of stratification systems. Much attention has been focused on questions of class inequality and on rising levels of inequality and wealth in an effort to chart the sources of the changes that underpin these phenomena. We have developed much better and more sensitive tools for measuring economic inequality and broader theories for understanding how economic inequalities manifest themselves in other ways.

If there is one overriding conclusion that this survey into the state of inequality and the stratification system in America leads us to, it is that nothing is set in stone. There have been striking changes in the types of inequalities found around the world and in the United States over the past 150 years. A similar pattern can be expected to continue into the future. Indeed, the financial crisis that began in the fall of 2008 may well lead to significant changes in stratification systems in the United States and across the globe in the near future. Although the study of the sources and consequences of inequalities cannot by itself resolve the normative and philosophical questions of how much inequality is desirable or justifiable, it does provide a critical basis for thinking about some of the most pressing social questions of our age.