CONFRONTING ECONOMIC INEQUALITY

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Why do some jobs pay so much more than others? Does everyone who works full-time deserve a living wage?

Marjorie Kamys Cotera/Bob Daemmrich Photography/Alamy Stock Photo
LEARNING QUESTIONS

7.1 What is the difference between income and wealth?
7.2 How do major sociological theories explain income inequality?
7.3 What is social stratification and how does it work in society?
7.4 How do we distinguish social classes in the United States?
7.5 How has social mobility changed in the United States?
7.6 What are the impacts of class position on education, health, and other social outcomes?
7.7 What programs might address income inequality?

What Is Economic Inequality?

7.1 What is the difference between income and wealth?

What kind of car do you drive? Do you have enough funds for a car? The lifestyles that people in a society can afford differ according to their place on the economic ladder of society. This unequal distribution of economic resources (e.g., income and wealth) is known as economic inequality.

Economic inequality exists in every society. The extent and reasons for that inequality vary from society to society, however. Sociologists look at the reasons why: Why do some people seem to reap great benefits from work while others struggle to make ends meet? Are these differences the result of varying degrees of talent or hard work or luck? Are men and women, White people and people of color, native-born and immigrant members of society equally represented among the rich and the middle class and the poor? Or do we see some other patterns here?

CONSIDER THIS

On the basis of your own experience and observations, which is more important to attain a good career with a high salary—parental income and the quality of the schools you attend or individual motivation and determination? Why?

Although we focus on economic inequality in this chapter, as you know from discussions of intersectionality in previous chapters, economic inequality relates to and is influenced by other forms of inequality, such as those based on gender, race, and sexual orientation. Sociology gives us the tools to examine why these patterns occur and how they relate to our own experiences.

Measuring Inequality

When we talk about economic inequality, we usually are discussing income and wealth. Income is money received in exchange for services or investments, such as a paycheck, stock return, or Social Security benefits. Wealth, on the other hand, is the worth of your assets (e.g., savings accounts, houses, cars, and investment portfolios holding stocks and bonds) minus your debts.

Income Inequality. No doubt you already know that relatively few people reap large salaries. When we look at what people earn, we expect that those with good educations and special, in-demand skills will earn more than those...
with less education and fewer valuable skills. People with great responsibilities also should earn more than others, right? For example, the president of the United States earns five times as much as the average employee of the federal government.

The president of the United States does not earn the highest income in the nation, however. Among the highest paid workers in our society are the CEOs of major corporations. Compared with the average worker, how much more do you think a CEO earns? Five times as much? Fifty? One hundred? In fact, CEOs in the United States earn more than 312 times the average nonsupervisory worker in their firms. Figure 7.1 shows how this ratio changed from 1965 to 2017. In 1965, CEOs made 20 times the average worker. In the 1990s, as more companies compensated CEOs in stocks, as well as cash, the ratio increased dramatically (Mishel and Schieder 2017). This change in compensation also made many CEOs personally invested in the stock value of the company and focused on short-term, rather than long-term, profits (Bower and Paine 2017).

In examining income inequality, we can also consider how various classes of individuals are doing in the economy. As the economy cycles through good times and bad, how are people at the top, in the middle, and at the bottom doing? In Figure 7.2, we can see that from 1970 to 2016, the earnings of those at the top increased much more than those in the middle and lower classes. The incomes of those in the top 10 percent of earners grew by 73 percent, while the earnings of those at the bottom rose by just under half that (36 percent). The middle earners saw their income increase by somewhat more than those at the bottom but much less than those at the top (44 percent) (DeSilver 2018).

After earning a BA in sociology, I spent a year as a VISTA volunteer in rural Alabama, then went on to Brown University for a master’s in sociology. I subsequently made a career in public service, working in child welfare, corrections, policy work, and higher education reform. After a nearly twenty-five-year break in my education, I earned a PhD in sociology and have been teaching for twenty years. My long career applying sociology to real-world problems helps me make sociology real and important for students.
Wealth Inequality. To really understand economic inequality, we need to look at wealth as well as income. It stands to reason that one cannot accumulate substantial wealth without a good income. After all, if you have meager earnings, there is little chance that you will have money left over to save for a house or to invest in the stock market. When individuals and families have assets that they inherit or that their parents can share with them, they have an advantage over families with little household wealth.

The wealth gap in the United States is even more significant than the income gap, as shown in Figure 7.3. This figure divides up all the wealth in the United States as if it constituted 100 slices of pie. You can see that the top 20 percent of the population holds nearly 90 percent of all the nation’s wealth, or ninety slices of pie. Meanwhile, the middle 20 percent has just two slices, and the poorest 40 percent get no pie at all, having zero or negative wealth (debt) (Ingraham 2017; Wolff 2017).

How does income inequality in the United States compare with that in other postindustrial nations? As see in Figure 7.4, compared with other economically advanced nations, the United States ranks first on a measure of economic inequality called the Gini coefficient (Kochkar and Cilluffo 2018). This measures how much income would need to be distributed to have a completely equal society—the higher the coefficient, the more economic inequality.

CONSIDER THIS

What would it be like to live in a society with no inequality at all compared with one in which there are sharp differences between the rich and the poor?

Why? What has led to this increasing economic inequality in the United States over the past several decades? Some factors include changes in technology, globalization, the declining power of unions, tax policies favoring the wealthy, the erosion of social safety nets (e.g., access to welfare, public housing, food assistance), and the increasing costs of college (DeSilver 2017).
EXPLORING THE CONCENTRATION OF WEALTH

In this exercise, you will watch a short video about the Gilded Age in the United States.

1. As part of the American Experience series from PBS, this video showcases a time in American history when the economy was booming and the United States was emerging as an economic superpower. Take notes as you watch this video and read the accompanying article: http://time.com/5122375/american-inequality-gilded-age/. One of the rich individuals attending the gala ball mentioned in the video states that “We own America . . . and we intend to keep it if we can.” What do you think he meant by that statement?

2. Describe at least two similarities and two differences between the United States during the Gilded Age and today.

3. One of the speakers in the video posed the question, “Are we two nations, the poor and the wealthy? Or, are we one nation where everyone has a chance to succeed?” Given current economic inequality, how would you answer that question?

4. How can studying the Gilded Age help policy makers in the United States today?

Check Your Understanding
• Why are sociologists interested in inequality?
• How can we measure income inequality?
• What is the difference between wealth and income?
• Is income or wealth more concentrated?
• Why has economic inequality in the United States increased over the past several decades?

Meritocracy and the Functions of Inequality

Few of us would argue that we should all earn the same income no matter what we do or how we contribute (or not) to society. Most would suggest that some inequality is essential and productive for a society like ours. People who study hard, earn degrees, and work at demanding jobs should earn more than those who choose to slack off. Following this line of reasoning, as we discussed in Chapter 2, structural functionalists suggest that inequality is functional for society (Davis and Moore 1945). Our economic system should recognize and reward those who are talented and do the work that a society needs.

From the structural functionalist perspective, we need inequality to make sure that positions serving essential functions—caring for the sick, teaching children, disposing of trash, managing companies, ensuring public
In this activity, you will assess the impact of inequality across various grade distribution patterns.

How much inequality is good for teaching and learning? Suppose there are twenty-five students in a class.

Imagine that you could know ahead of time what the grade distributions were going to be in a class before you took it. Which of these six options would you choose?

<table>
<thead>
<tr>
<th>Grade</th>
<th>Option 1</th>
<th>Option 2</th>
<th>Option 3</th>
<th>Option 4</th>
<th>Option 5</th>
<th>Option 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>1</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>2</td>
<td>5</td>
<td>20</td>
<td>5</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>3</td>
<td>5</td>
<td></td>
<td></td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>D</td>
<td>7</td>
<td>5</td>
<td>10</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>F</td>
<td>12</td>
<td>5</td>
<td></td>
<td>5</td>
<td></td>
<td>2</td>
</tr>
</tbody>
</table>

Write your answers to the following questions:

1. Which distribution would most encourage you to work hard? Why?
2. Which distribution seems the worst to you? Why?
3. If you had to design your ideal distribution system, what would it look like? Describe the merits and potential downsides of your system and why you think it would be the best possible system of distributing grades.

CONSIDER THIS

Is the United States a meritocracy? Do all children in U.S. society have an equal chance to develop their skills and talents? Do leaders always recognize merit and reward it accordingly?

If hard work and merit determine rewards, however, how do we explain the fact that in the United States, on average, full-time working women earn less than full-time working men? Also, a child may work very hard and excel in his public school, but if that school is of low quality, that child’s effort may not be rewarded in the same way as that of a child who has the advantage of attending a high-quality school (with highly qualified teachers, many advanced course options, extracurricular activities, tutoring assistance, etc.). The theory of meritocracy assumes a level playing field, which in many cases is simply not the case (Stewart 2018).
Marx and Weber on Inequality

As we learned in Chapter 2, Karl Marx (Marx, Engels, and Bender 1988), the founder of the conflict perspective, saw things very differently from structural functionalists. He argued that the distribution of rewards is based on social class—not merit. Marx pointed out that throughout history, there have always been two classes—the owners of the means of production (bourgeoisie) and those who work for them (proletariat).

According to Marx, control of the means of production—how the economy creates goods and services for consumption and trade—is key to wealth. Economic inequality is a consequence of the fact that the interests of the bourgeoisie (to make profit by lowering costs and keeping wages low) and the interests of the proletariat (to make a good living) are incompatible. The bourgeoisie make a profit by employing the proletariat at wages lower than the true value of their labor. Marx predicted that the proletariat would eventually rise up against the bourgeoisie in a revolution.

Marx also wrote, however, that the bourgeoisie may fool the proletariat into accepting a high level of economic inequality. If the wealthy control the media and cultural messages, they may be able to convince the workers that the economic system is just and that the wealthy and the poor deserve their fates. A powerful ideology, or set of beliefs, about how wealth is created may convince the workers to support policies that benefit the bourgeoisie. For example, if they are convinced that the wealthy deserve their riches (and that if they work hard enough, they can be wealthy, too), they might support policies that would lower taxes on the wealthy and cut programs that benefit low-income households. When members of a class embrace values that work against their own interests, they have developed what Marx called a false consciousness.

Max Weber (Weber, Gerth, and Mills 1958) expanded on some of Marx’s ideas about classes. For Weber, class position is not just about whether you own capital but also about your own “human capital” (skill sets) and social status. Weber pointed out that skilled workers can demand more money from the owners of production than unskilled laborers. They also have a higher standing in society. Weber suggested that three traits determine socioeconomic status or social standing: class, status (or prestige), and party (e.g. a person’s position in a political party). In this understanding of social class, we consider how much someone may earn in a job, the esteem in which others hold that position, and the power their political position exerts. In some cases, all these elements align. A doctor may earn a large salary, be held in high regard, and be able to exert her political influence over others. On the other hand, a drug dealer may earn lots of money and may be quite a powerful figure to those who work for him, but he may have little prestige or influence in general society.

Check Your Understanding

• How does structural functionalism explain economic inequality?
• How does Marx’s theory explain economic inequality?
• Why might the proletariat support policies that support the bourgeoisie at their own expense?
• According to Weber, what is the basis of economic inequality?

Understanding Social Stratification

7.3 What is social stratification and how does it work in society?

The way valuable goods and desired intangibles (like social status and prestige) are distributed in society is known as social stratification. It is hard to imagine a gathering of humans not organized according to some hierarchy, whether based on physical strength, birthright,
as pointless because no one around you has gone to college will likely lead you to follow the culture of poverty norm of slacking off in school and dropping out before graduating. The culture of poverty thesis suggests that the poor could move out of poverty if they changed their attitudes and worked harder.

As Figure 7.7 reveals, most people in the United States do not believe in the culture of poverty thesis. However, there is a marked political divide, with far more Republicans than Democrats maintaining that poverty and wealth result from individual effort rather than societal forces. Meanwhile, many government policies rely on the ideas behind the culture of poverty. Welfare reform, shaped in the 1990s by proponents of the culture of poverty, frayed the safety net, particularly for single adults without children. In some states, individuals may lose their eligibility for SNAP after being on the program just a few months.

Check Your Understanding

• What is social class?
• How do scholars distinguish social classes from one another?
• How many people in the United States experience poverty or near poverty during their lifetimes?
• How many college students are food insecure?
• To what does the term “culture of poverty” refer?
• How have theories on the culture of poverty influenced policies toward the poor?

Mobility within and across Generations

7.5 How has social mobility changed in the United States?

Mobility is the movement between social classes in a society. Individuals may experience upward mobility, when they climb up the economic ladder, or downward mobility, when their class position falls. An individual may start out as a member of a working-class family, earn a college education, and secure a place in the middle class. We would refer to that as upward mobility. Intergenerational mobility is a change in social class from one generation to the next. A person from a poor family who graduates from college and gains employment as an accountant and a middle-class salary provides an example of this type of class mobility.

It is interesting to examine how the United States, known as the land of opportunity, compares with other nations in terms of economic mobility. Research conducted by the Organisation for Economic Co-operation and Development ranks nations by the number of generations it would take to move from the bottom 10 percent to the average (mean) income in society. As you can see in Figure 7.8, the United States is in the middle of the pack. Compared with countries like Denmark, Sweden, Finland, and Norway, where individuals at the bottom can advance to the middle class in two or three generations, it tends to take individuals in the United States five generations to achieve the same mobility. Meanwhile, it would take residents of nations like India and China even longer (Organisation for Economic Co-operation and Development 2018).

FIGURE 7.7
Political Divide on Beliefs about the Rich and Poor

<table>
<thead>
<tr>
<th></th>
<th>Why a person is poor</th>
<th>Why a person is rich</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lack of effort</td>
<td>Worked harder</td>
</tr>
<tr>
<td></td>
<td>Circumstances beyond control</td>
<td>Had advantages in life</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>43</td>
</tr>
<tr>
<td>Rep/Lean Rep</td>
<td>48</td>
<td>71</td>
</tr>
<tr>
<td>Dem/Lean Dem</td>
<td>18</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>52</td>
<td>42</td>
</tr>
</tbody>
</table>


Note: Don’t know responses not shown.
Changes in the Economy

As you can see, the society in which you live affects your ability to move up the social class ladder. **Structural mobility** occurs when changes in a society’s institutions lead to upward or downward mobility for whole classes or groups of people. For example, with more advanced technology and globalization, U.S. workers compete for jobs with people in other nations, unions have lost power, automation has increased, and people with just a high school education have lost most avenues to the middle class. Today, most young adults must go to school longer, continually acquire new skills, and, in many cases, take on debt to attain a lifestyle similar to that of their parents. As shown in Figure 7.9, whereas more than 90 percent of people born in 1940 made more money than their parents, just 50 percent of those born in 1984 have higher incomes than their parents.

Check Your Understanding

• What are upward and downward mobility?
• What is intergenerational mobility?
• How does the United States compare with other nations in terms of intergenerational mobility?
• What is structural mobility, and how does it affect individual mobility?

Consequences of Inequality

7.6 What are the impacts of class position on education, health, and other social outcomes?

Economic inequality relates to other forms of social inequality. For example, economic inequality influences (and is influenced by) the type of
education you receive and where you live. Economic inequality can even affect how long you live!

**Education**

If you ask most people in the United States about the best way to get ahead, they will say that getting a good education is the surest ticket to a good job. We know, however, that there is an achievement gap between wealthy students and those at the bottom of the economic pyramid. Test scores for wealthy students are better than those of middle-class students, which are higher than those of students from low-income families (Owens 2018). As you will see in Chapter 12, children who live in higher income communities tend to go to better resourced schools and to graduate from college at much higher rates than other students.

**CONSIDER THIS**

Think about the high school you attended. Did most students go to college? Could you observe rankings within your high school by social class? If you compare your high school with those attended by the students enrolled in this class with you, what do you find? What does this tell us about the relationship between high quality schooling and social class?

The major reasons many college students fail to earn their degrees include the high costs of tuition; the stresses of managing work, family obligations, and academic demands; poor advising; and lack of adequate preparation for college-level academic work ( Marcus 2018).

Approximately 30 percent of students who take out college loans fail to complete their degrees, which means that they carry debt for attending college but do not benefit from the added earnings that come with a college degree ( Steele and Williams 2016). Some will never be able to pay what they owe on their student loans. The 44 million people in the United States with student loans owe a total of $15 trillion (Friedman 2018).

**Housing**

Increasing rental and home prices, decreases in tax-supported housing assistance programs, policies that favor homeowners over renters, concentration of ownership
among landlords, and a decline in public housing have contributed to historically high housing costs (Desmond 2018). Young adults face particularly difficult housing challenges. Since 2000, rent and home prices have increased, respectively, 71 percent and 61 percent, but income for Millennials has increased just 31 percent. About 8 percent of (nonstudent) Millennials count on help from parents to pay their rent, and another 15 percent live with their parents because of high housing costs (Carter 2018).

When people fall short on their rent, they often face eviction, leading them into deeper poverty. They may lose security deposits attached to their old leases and incur expenses as they secure temporary housing. Many then find themselves homeless and without enough funds to pay security deposits and rent for new apartments.

Where children grow up matters. When children grow up in better neighborhoods and out of concentrated poverty, their social class outcomes as adults are much better (Badger and Bui 2018). They earn higher incomes than those children who remained in poorer neighborhoods (Chyn 2016). They also have much lower rates of imprisonment. Just a short distance can make the difference between being incarcerated and staying out of prison. For example, the incarceration rates of Black men in the Watts and Compton neighborhoods of Los Angeles—less than three miles apart—differ dramatically. With a 44 percent incarceration rate in Watts, Black men in that neighborhood are more than 7 times as likely to face incarceration as those living in Compton, which has just over a 6 percent incarceration rate for Black men (Chetty et al. 2018).

A June 18, 2017, snapshot of a slum in Kolkata, India. Almost one in four people across the world live on less than $3.20 a day.

Debajyoti Chakraborty/NurPhoto/Getty Images
Life Expectancy

As we discuss more in Chapter 13, social class affects health and life spans. Quality of neighborhoods, rather than geography, is key. For example, in St. Paul, Minnesota, the average life expectancy for those who live in the poor neighborhood on the east side of St. Paul’s Rondo neighborhood is sixty-five years. In the lower part of the wealthy Historic Hill neighborhood, just a fifteen-minute walk away, residents tend to live eighty-six years. In short, the more money you have, the safer and healthier your environment tends to be, and the more likely you are to live a long, healthy life.

Global Inequality

Looking at data compiled by the World Bank (2018a), we can see that stratification exists among, as well as within, nations. There are high-income (like the United States and Canada), upper-middle-income (like Mexico and Brazil), lower-middle-income (like Cambodia and India), and lower-income (like Haiti and Niger) countries. We can also see that inequality is a global phenomenon. Using the standard of the U.S. dollar, nearly half of the world’s population (46 percent) lives on less than $5.50 a day. Nearly a quarter (23 percent) lives on less than $3.20 a day, while nearly one in ten lives on less than $1.90 a day (World Bank 2018b). The richest 1 percent hold half of the world’s wealth, a share that has increased from 42 percent in 2008 at the peak of the global financial crisis (Credit Suisse 2018).

As mentioned earlier, rates of economic inequality vary from nation to nation. As Figure 7.10 shows, the United States has higher rates than many other nations. If we want to look at why, we need to examine policies that affect structural mobility in various nations. As you can see from the map, when comparing how much income the top 1 percent of earners in each nation holds, European nations have relatively little inequality. We look at why next.

Check Your Understanding

- What is the relationship between income and educational achievement?
- How are poverty and homelessness related?
- What is the relationship between educational inequality and economic inequality?
- How is where you live related to your life expectancy?
- How is economic inequality a global phenomenon?

Addressing Inequality

7.7 What programs might address income inequality?

National and global policies can mitigate or increase inequality. During times of increasing inequality, leaders tend to face political pressure to enact policies to decrease inequality and help those suffering from it. Those who cannot respond effectively risk the public’s wrath and demands for a change in leadership. After decades of increasing
inequality in the United States, political change came in the form of the election of Donald Trump as president in 2016. As automation and globalization created greater wealth for a few, while decreasing middle-class jobs for many, increasing numbers of voters felt abandoned by traditional political figures. Trump promised that “the forgotten men and women of our country will be forgotten no longer” and that he would bring jobs back to the United States (Jackson and Stanglin 2017).

President Trump greets supporters in Hershey, Pennsylvania, on November 4, 2016, two days before the 2016 presidential election.

Mark Makela/Getty Images News/Getty Images

President Trump’s economic policies, however, tended to repeat President Ronald Reagan’s “trickle down” policies, which threw gasoline on the economic inequality fire in the early 1980s. Reagan believed that cutting corporate taxes and weakening regulations on businesses would lead to greater investments in the United States and more jobs that would lead wealth to “trickle down” to workers. Instead, corporations took the no-strings-attached tax breaks and invested in nations with cheaper workforces, leading to rapid deindustrialization and fewer jobs and greater economic inequality in the United States.

In his first two years in office, President Trump, with help from a Republican-led Congress, enacted a $2.3 trillion tax cut. He also imposed tariffs on goods from other nations, changed long-standing treaties on trade, and weakened regulations on business, the environment, and consumer protection. Most of the benefits went to corporations and the wealthy. As Figure 7.11 indicates, from the tax cut, on average, a family in the bottom fifth of the nation’s income quintile received $60 in tax relief, those in the middle gained $900, the top 20 percent received a $7,640 break in taxes, and the top 1 percent got a tax break.

**FIGURE 7.11**

**Average Benefit from Tax Bill**

<table>
<thead>
<tr>
<th>AVERAGE BENEFIT FROM TAX BILL</th>
<th>PERCENTAGE CHANGE IN AFTER-TAX INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $10K</td>
<td>$10</td>
</tr>
<tr>
<td>$10K–$20K</td>
<td>$50</td>
</tr>
<tr>
<td>$20K–$30K</td>
<td>$180</td>
</tr>
<tr>
<td>$30K–$40K</td>
<td>$360</td>
</tr>
<tr>
<td>$40K–$50K</td>
<td>$570</td>
</tr>
<tr>
<td>$50K–$75K</td>
<td>$870</td>
</tr>
<tr>
<td>$75K–$100K</td>
<td>$1,310</td>
</tr>
<tr>
<td>$100K–$200K</td>
<td>$2,260</td>
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<tr>
<td>$200K–$500K</td>
<td>$6,560</td>
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<td>$500K–$1M</td>
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<td></td>
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<tr>
<td></td>
<td>$69,660</td>
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<tr>
<td>Less than $10K</td>
<td>0.1%</td>
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<tr>
<td>$10K–$20K</td>
<td>0.3%</td>
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<td>$20K–$30K</td>
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<td>4.3%</td>
</tr>
<tr>
<td>More than $1M</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

Source: Tax Policy Center
Credit: Danielle Kurtzleben & Katie Park/NPR
of more than $50,000 (Tax Policy Center 2017). Some people ended up paying more in taxes (some taxes were raised as part of the tax deal). More than half of taxpayers have not seen any benefit from the tax break (Segarra 2018). Likewise, other Trump policies, such as tariffs and deregulation, have benefited some businesses at the expense of others, while hurting lower income people and the environment (which we discuss in Chapter 15).

In comparison with the United States, nations in the European Union have higher tax rates and more broad programs for social support, like free college, universal health, and job retraining. As seen in Figure 7.12, if nations adopt policies that mirror those of the United States, global income inequality will rise—the rich will get richer and the poor will get poorer. On the other hand, if they implement policies like those in the European Union, we can expect income inequality to decline. There will be less disparity in incomes across social classes, with better outcomes in education, health, public safety, and mobility. In other words, policies that influence structural mobility make real differences in economic inequality rates. Individuals can work very hard to succeed, but whether they make it depends largely on government policies (Alvaredo et al. 2018).

We can see evidence of the impact of government policies on economic inequality throughout the history of the United States. For example, policies under President Roosevelt’s New Deal, enacted during the Great Depression in the 1930s (e.g., unemployment insurance, Social Security, the right of unions to bargain with employers, the Works Progress Administration, the federal minimum age) established a safety net for the needy and put millions of people to work. In the early 1960s, social science research and the civil rights movement brought more public attention to high poverty rates. Almost one in four people (22.4 percent of the population) lived in poverty in 1960, and President Lyndon Johnson launched the War on Poverty to tackle this social problem. The programs carried out under the War on Poverty that began in the mid-1960s (e.g., Medicare, Medicaid, food stamps, the federal work study program, and Head Start) helped lead to a steep decline in poverty rates in the United States. By 1980, the poverty rate had dropped to one in eight (12 percent of the population) (Fontenot, Semega, and Kollar 2018).

The poverty rate has not declined for the past 40 years, however, and economic inequality has increased. As noted earlier, if we want to reduce both, it makes sense to look at how the United States might implement some policies similar to those in the European Union. We also need to examine the efficacy of other possible policies, such as raising the federal minimum wage or establishing a universal basic income. Data for both are now available, as many states and cities have already raised their minimum wages, and experiments with universal basic incomes have started to spread (in countries like Canada, Finland, and Spain) (Reynolds 2018). In 2019, the Democrat-led House of Representatives passed a bill to raise the minimum wage to $15 per hour, but the Republican-controlled Senate would not consider it (Stolberg and Smialek 2019).

Social scientists have a major role to play in policymaking efforts to reduce inequality. For example, the

![FIGURE 7.12](image-url)

Rising Global Income Inequality Is Not Inevitable in the Future


Note: EU = European Union.
HOW DO WE MEASURE INCOME INEQUALITY?

Levels of income inequality are often represented by the Gini index (also referred to as the Gini coefficient or ratio). It ranges from 0 to 1, where 0 indicates complete equality (everyone has the same income) and 1 indicates complete inequality (a single person has all the income). In real life, it ranges from .25 for Sweden at the low end to .63 for South Africa at the high end, with the United States somewhere in between with a Gini index of .45.

In this online activity, you will explore differences in income inequality among states, using data from the U.S. Census Bureau’s American Community Survey.

*Requires the Vantage version of Sociology in Action.

FIGURE 7.13
U.S. Income Inequality (Five-Year Average, 2013–2017)

Bridgespan Group, a global nonprofit consulting organization, evaluated six ways in which an investment of $1 billion could significantly improve the lives of the poor and working poor. Such an investment in early childhood development would yield $5.5 billion to $11 billion in lifetime earnings. A similar investment in establishing clear pathways to careers would yield $7 billion to $15 billion in lifetime earnings. If put toward reducing incarceration and unintended pregnancies, the money would yield benefits three to eight times the initial investment (Murphy, Boyd, and Bielak 2016). Of course, for these or any policies to work, we need effective programs to implement them.

Sociologists like Brad Rose, this chapter’s Sociologist in Action, design and evaluate such programs.

CONSIDER THIS

Now, having read this chapter, consider again whether parental income and the quality of schools you attend or individual motivation and determination are more important to attain a good career with a high salary. Why? Did your answers change from those you gave when answering this question at the beginning of the chapter? Why?
Sociologists conduct program evaluations to determine the merit, worth, and effects of a program or initiative. They conduct applied, “real-world” research to answer questions such as the following: Is the program or initiative carried out effectively? What is the impact of the program? Should the program be continued or expanded? Should it be duplicated?

As an applied sociologist who conducts evaluations of a wide range of programs—from those serving homeless people to those assisting college and university faculty—my sociological education has helped me design and carry out evaluation research to determine the effectiveness of programs, initiatives, and policies. I have evaluated

1. the effectiveness of job training programs for homeless women;
2. a professional development program designed to help prepare preservice and in-service K–12 teachers to work with special-needs students;
3. a statewide AmeriCorps program that seeks to enhance the capacity of nonprofit organizations to serve their constituencies;
4. a federally funded national organization efforts to deliver technical assistance and training to state departments of education so that they are optimally positioned to meet the learning needs of deaf, blind, and otherwise disabled students;
5. a program that addresses the needs of first-generation, primarily minority, college students as they enter their first year of college;
6. a multisite after-school program for elementary school-aged students staffed by college and university students; and
7. a college’s Urban Resource Institute’s efforts to support the urban development of one of Massachusetts’s small cities.

I have also conducted an evaluation of a national foundation’s multicollege/university initiative to increase the number of minority students earning PhDs and pursuing academic careers in the arts and sciences. For this project and the others, my sociological training allowed me to design an effective evaluation strategy, collect appropriate information, analyze data, and provide critical analyses that helped my clients to strengthen their programs and initiatives.

During the minority PhD initiative evaluation, I gathered information that documented the program’s achievements and challenges. For example, we looked at how many students the program has successfully shepherded through the PhD process and the difficulties involved in efforts to increase that number. On the basis of my findings, I made suggestions that could strengthen their ability to help more minority students earn PhDs.

My sociological understanding of organizations, the impact of social structure on opportunities, economic inequality, and poverty, race, and gender allows me, in all my evaluation work, to view the systemic rather than merely personal dimensions of the issues the programs and initiatives seek to address. In doing so, I am able to assist clients as they address many of the social challenges—from homelessness to the underrepresentation of minorities in higher education—that confront contemporary American society.

**Discussion Question:** Brad Rose writes that his sociological training allows him to “view the systemic rather than merely personal dimensions of the issues the programs and initiatives seek to address.” Do you think he could effectively analyze social programs and initiatives without using a sociological perspective? Why?

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**Check Your Understanding**

- How do the policies enacted under President Trump compare with those carried out under President Reagan?
- What are some European Union policies that lead to lower poverty rates?
- How has the United States reduced poverty in the past?
- What are some proposals scholars and policy advocates have made recently to reduce economic inequality in the United States?
Conclusion

Although social class serves as a key determinant of life chances and identity, class doesn’t explain all aspects of inequality. The life chances of racial and ethnic minority group members, for example, are typically worse than those of Whites in the same social class. Also, women still tend to earn less than their male colleagues, and they suffer the effects of poverty to a greater degree than men because of discrimination and gendered family responsibilities. We will see in the following chapter how gender and sexuality play out in organizing social relationships.

REVIEW

7.1 What is the difference between income and wealth?
Income is money received in exchange for services or investments, such as a paycheck, stock return, or Social Security benefits. Wealth, on the other hand, is the worth of your assets, like savings accounts, houses, cars, and investment portfolios, minus debts.

7.2 How do major sociological theories explain income inequality?
Structural functionalism posits that merit works to distribute goods and services so that social stratification mirrors the contributions individuals make to society. In contrast, conflict theory contends that the powerful manage the economy to benefit themselves, exploiting workers so that they can maximize profits.

7.3 What is social stratification and how does it work in society?
Social stratification refers to the ways in which valuable goods and desired intangibles like social status and prestige are distributed to different groups in society.

7.4 How do we distinguish social classes in the United States?
Social class refers to distinctions among groups of people based on income, occupation, and education. In the United States, we have five social classes: the upper, upper middle, middle, lower/working, and lowest.

7.5 How has social mobility changed in the United States?
Over the past fifty years, economic inequality in the United States has increased. Structural changes have transformed the labor force, making workers more contingent, shrinking the middle class, and narrowing the paths of mobility for more citizens.

7.6 What are the impacts of class position on education, health, and other social outcomes?
Those at the top of the social structure tend to enjoy better health, longer lives, better schools, higher educational achievement, safer neighborhoods, and more opportunities for mobility. Furthermore, they can pass along these advantages to their children.
What programs might address income inequality?

Policies and programs that enhance the wages and working conditions of low-wage workers and provide stronger support for education, health care, and alternatives to prison are promising approaches to reducing income inequality. In addition, raising taxes on the wealthiest Americans would reduce inequality and increase funds for social supports.

**KEY TERMS**

- caste 121
- class-based 121
- culture of poverty 124
- downward mobility 125
- economic inequality 115
- estates 121
- income 115
- intergenerational mobility 125
- meritocracy 119
- social class 121
- social class reproduction 122
- social stratification 120
- socioeconomic status 120
- structural mobility 126
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- wealth 115

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