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Cambridge University Press
978-0-521-86196-0 - Inequality: A Contemporary Approach to Race, Class, and Gender
Lisa A. Keister and Darby E. Southgate
Excerpt
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1 Basic Concepts

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1 Social Stratification and Opportunities

At the end of a day, Bill and Melinda Gates return to their estate on the shore of Lake Washington near Seattle. They might relax around their indoor/outdoor swimming pool, enjoy a game of tennis or basketball on one of their several athletic courts, or watch a movie in their personal state-of-the-art theater. Their three children can entertain themselves in the trampoline room, which has a 20-foot ceiling, or they might read a book in the family's extensive library. When it is time for dinner, several cooks assist in preparing the meal in one of six kitchens. Other members of the 300-person staff will clean up after dinner, help bathe the children in one of the 24 bathrooms, and put them to bed in one of 7 bedrooms. The Gates's main house comprises 66,000 square feet, making it 33 times the size of the average American house (i.e., about 2,000 square feet). In fact, the Gates's guest room alone is 1,900 square feet and the main reception hall is 2,300 square feet. All of this luxury is not cheap: The house cost more than $97 million to build and the Gates pay approximately $1 million in property taxes on the structure each year. Maintenance costs for salaries and repairs are higher than the total budget of many small American cities.

Across town near downtown Seattle, Brian and Laura Willis have a very different experience when they return home at the end of a day.

They live with their three children in a two-bedroom apartment, where the plumbing usually – but not always – works. Because their apartment is in a city-owned low-rent complex, they are seldom a high priority for the landlord's maintenance staff; plumbing repairs and other maintenance issues can take days. Other children live in the complex, but the Willis children typically are not allowed to play outside of their apartment because it is not uncommon for drug dealers to be in the hallways and prostitutes on the street. Brian and Laura try to entertain their children in the evening with games and books. However, almost half of their monthly income goes to pay the rent for their 880-square-foot apartment. After buying groceries, paying utility bills, and occasional visits to a health clinic (health insurance is too expensive), little money remains for clothes, toiletries, furnishings, and other necessities. Toys, games, cable television, family trips to restaurants or the movies, and other forms of entertainment are a rare luxury for the Willis family.

The differences between the lives of these two families are extreme but not unusual. Bill Gates has been the richest person in the world for more than a decade, and his wealth naturally enables him to live an extravagant lifestyle. Yet, he is not alone at the top: There are currently more millionaires and billionaires in America than at any other time in history. The number of billionaires in the United States (i.e., people with more than $1 billion in wealth) increased from slightly more than 80 in the early 1990s to more than 200 by 1998 (Figure 1.1); by 2000, there were 300 billionaires. More recently, this number declined because hard economic times have reduced in value the assets of many of the wealthy; however, the number of billionaires is still more than 200. As the number of billionaires grew, the country's richest families became increasingly richer. The average wealth owned by the Forbes 400 (i.e., the country's 400 richest people) increased dramatically during the 1990s (see Figure 1.1) even net of inflation. The wealth of these families increased slowly through the 1990s and then rose dramatically between 1995 and 2000. In 2000, the average wealth of the Forbes 400 was about $3 billion.

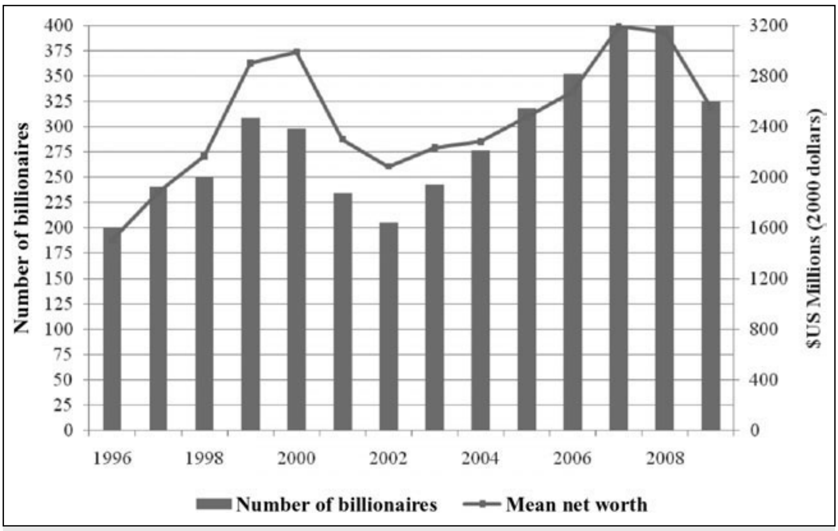

Figure 1.1 The richest of the rich.
Number of billionaires and mean wealth of the "Forbes 400 Richest Americans." *Data source: Forbes Magazine* (available at www.Forbes.com, accessed November 2010). Number of individuals in the "Forbes 400 Richest Americans" with a net worth greater than $1 billion (in 2000 dollars) and mean net worth of the full Forbes 400 list (converted to 2000 dollars).

However, not everyone has shared in the growing prosperity experienced by the very wealthy. The gap between rich and poor is enormous and has expanded in recent years, as indicated by two important measures of economic and social well-being: income and wealth. *Income* is money earned from work in the form of wages or salaries, government-transfer payments (e.g., social security payments), and other income, including interest and dividends on investments. *Income distribution* is a list of all individuals according to their total income; it reveals the percentage of people at various income levels. *Wealth* is defined by what people own, including homes, savings, investments, real estate, businesses, and vehicles. It is usually measured as *net worth* – that is, the sum of assets less the sum of debts. *Wealth distribution* is a list of all households according to their total wealth. Like income distribution, wealth distribution reveals the percentage of households at various wealth levels.

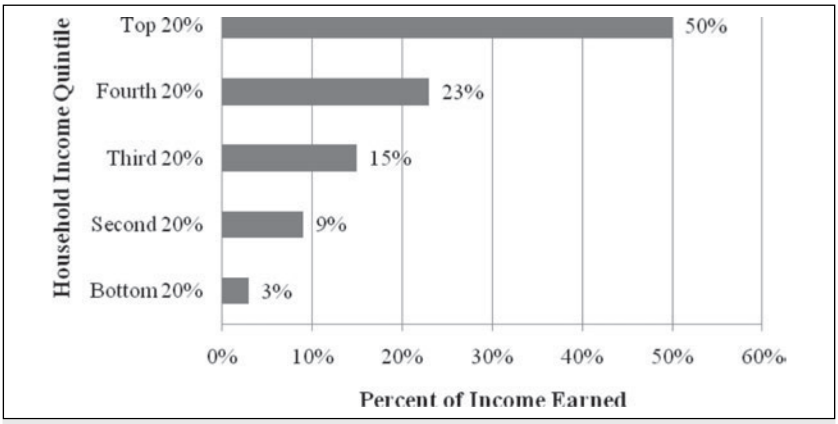

Figure 1.2 Income inequality.
Percentage of income earned, by position in the income distribution.
Data source: U.S. Census Bureau (2008).

Notice that income is measured for individuals, whereas wealth is measured for households: Income can be attributed to specific people in a household, whereas wealth (e.g., the family home) is usually owned jointly by more than one person.

A review of income distribution reveals that a small percentage of Americans in 2000 earned very high incomes, whereas most people had moderate to low incomes. In 2000, the top 20 percent of income earners earned 50 percent of total income, whereas the bottom 40 percent earned only 12 percent (Figure 1.2). In fact, the richest 1 percent of families earned 20 percent of total income. Inequality in wealth ownership is even more extreme. In 2001, the top 20 percent of wealth owners controlled 84 percent of all household wealth, whereas the bottom 40 percent shared less than 1 percent (Figure 1.3). In the case of wealth, the top 1 percent owned one-third of all assets. For some groups in the distribution, the differences are more startling. In particular, blacks and Hispanics own considerably less wealth than whites. Whereas the median black income is about 60 percent of the median white income, the median net worth for blacks is less than 10 percent of that for whites. Blacks also are more likely than whites to have

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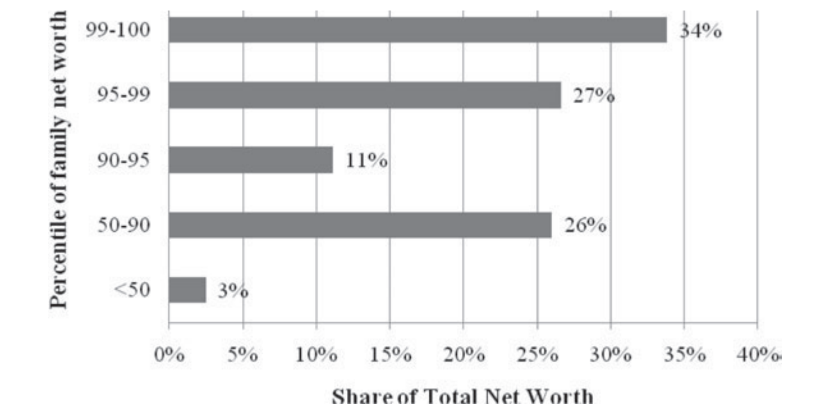

Figure 1.3 Wealth inequality.
Percentage of net worth owned by position in the wealth distribution.
Data source: Survey of Consumer Finance (2007).

no wealth or to have more debts than assets (Oliver and Shapiro 1995).

The United States is not alone in this inequality; indeed, it is one trait that nearly all societies share. Among the world's developed countries, however, the U.S. level of inequality in both income and wealth ownership is fairly high. Figure 1.4 shows that high-income U.S. families earn dramatically more than low-income families; the United States is particularly extreme among developed countries on this measure. The top 10 percent of families (by income) in the United States has 5.64 times more income, on average, than the bottom 10 percent. In many developed countries – particularly the countries of Northern Europe, such as Sweden and Finland – the ratio of rich to poor is much lower; there is inequality in these countries but it is not as extreme as in the United States. It is considerably more extreme in the United States than in Canada, its closest developed neighbor. The many possible explanations for differences in stratification across developed countries include historical differences, government policies regarding taxation and redistribution, economic trends, and social and demographic patterns, such as religious ideas about fertility. We discuss these differences in more

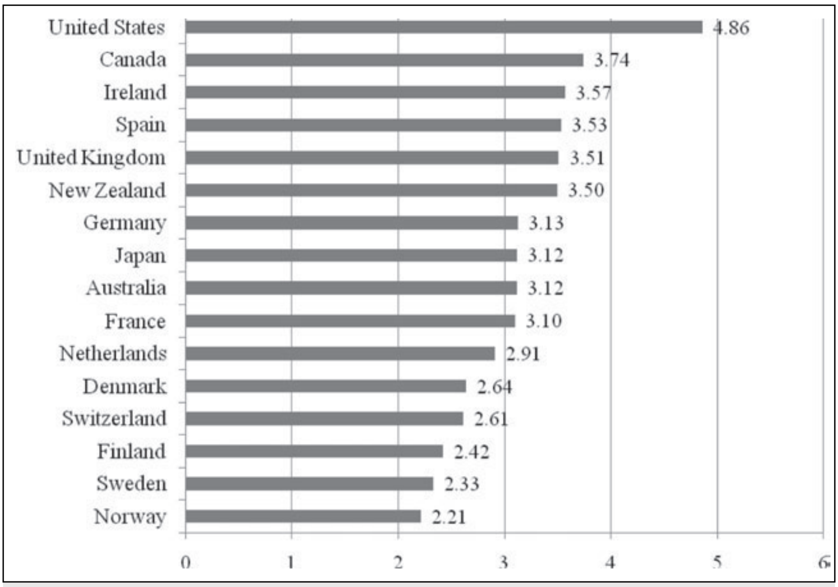

Figure 1.4 Family income in developed countries.
Ratio of the 90th percentile to the 10th percentile (2008).
Data source: Organisation for Economic Cooperation and Development (OECD).

depth in subsequent chapters; here, their existence is simply noted as important.

Of course, some countries are more unequal than the United States. Many developing countries, for example, have more severe stratification than developed countries, and evidence suggests that inequality initially increases during development. Unfortunately, it can be difficult to obtain accurate data on inequality in developing countries. In Saudi Arabia, for instance, we know about some of the wealthiest people, such as Prince Alwaleed bin Talal Alsaud, who lives even more lavishly than Bill and Melinda Gates. His 317-room palace in Riyadh covers 400,000 square feet and cost nearly $130 million to build. The estate includes luxuries such as a soccer field, other private athletic fields, 8 elevators, more than 500 televisions, and a staff larger than the population of many small cities in Saudi Arabia. It is difficult to compare this standard of living to the average in Saudi Arabia or to specify how much inequality there is because these data are not available from the government. However, we know that Saudi Arabia was home to 11 billionaires in 2005 (Forbes 2010). In the same year, the United Nations Development Programme (UNDP) ranked the country very low among developing countries on its human-poverty index, a measure of access to "a long life, knowledge, and a decent standard of living" (UNDP 2004).

Throughout history and in every known society, people and their families have had unequal access to important resources including education, jobs, income, and wealth. As a result, they have had unequal access to the benefits associated with those resources. The previous examples focus on financial inequalities, but differences in *power* and *prestige* are equally extreme throughout the world. Even in societies that have made equality a primary focus, inequality in access to resources including housing, education, and political influence ultimately emerges. In many societies, the reduction of economic and social inequality often is a major objective of social policy, and political leaders routinely appeal to the public sense of social justice to promote all types of initiatives. Although modern societies also spend large amounts to reduce inequality, every known economy still is characterized by some degree of stratification.

Inequality and Stratification: Guiding Questions

This subject of this book is inequality and *social stratification*. The objectives of modern social-stratification research are to describe the origins and nature of inequality, explain the scope of inequality, explore factors that contribute to persistent inequality, and identify and evaluate solutions to problems associated with inequality. Related to these basic objectives are efforts to identify differences in stratification throughout history and in various places, explain why some groups routinely fare better than others on outcomes such as educational attainment and wealth, and understand how much inequality a society is willing to tolerate. The following central questions that guide research on social inequality also guide the remainder of this book:

1. *What is social inequality, and how much inequality is there?* We explore how sociologists and other social scientists define inequality and which types of inequality they consider in their research. We consider whether there are social classes in the United States and other countries today and whether their nature has changed over time. We also draw distinctions between dimensions of stratification (e.g., income and wealth) and factors that contribute to stratification (e.g., race and gender).
2. *Why does inequality exist, and is it inevitable?* We discuss, evaluate, and apply ideas about the nature of social stratification from both classical and modern thinkers. We consider basic questions of whether individual choice and social opportunities explain the persistence of inequality, and we explore whether inequality is inevitable.
3. *Is there an elite class?* We discuss research on the upper class and the elite that proposes the idea that there is more movement into the elite than in previous generations. We discuss the challenges involved in identifying who is in the upper class, "old money" versus "new money," and what it means to be a middle-class millionaire. We describe traits of the upper class (including wealth ownership and debts), and we address how different theoretical approaches account for the upper class.
4. *Who are the people in the remainder of the distribution?* The middle class and poor attract less public attention but, of course, these groups include the bulk of the population. We devote an entire chapter to examining the broad territory between poverty and affluence and to exploring issues (e.g., labor relations and the decline in labor unions) that affect the working poor and middle-class Americans (i.e., neither very rich nor very poor). We then consider issues related to poverty, including what it means to be poor and how social theorists account for persistent poverty.