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ECONOMIC INEQUALITY AND SOCIAL PROBLEMS

LEARNING QUESTION

2.1 What are social class and economic inequality?
Think about the last time you noticed that someone had a lot more money than you. Now think about a time you encountered someone much poorer than you. What were those experiences like? How did you feel? Did you think about how they became rich or poor? Did you make any judgments about them based on those assumptions? Did you make any judgments about yourself? Does it surprise you that, while individuals’ efforts sometimes affect how much money they have, large-scale factors such as government policies and the national and global economies, gender roles, and institutional racism are the primary causes of economic inequality? In this chapter, we show how social forces affect the distribution of income and wealth inequality.

**Defining Economic Inequality**

It is no secret that some people have more money, property, and material goods than others. This income or wealth gap among individuals, groups, or even entire countries is known as economic inequality. Economic inequality differs from economic growth or contraction, which refers to how much money, goods, and resources exist overall. John Iceland (2013, p. 81) describes these two concepts using the analogy of a delicious pie. The shifting size of the pie overall—a small, medium, or large pie—illustrates economic growth or contraction. On the other hand, economic inequality refers to how the pie is cut into different-size pieces (with some getting bigger pieces than others). The two do not necessarily correlate. For example, in a society with a booming economy but a high degree of economic inequality, a few people may get huge slices of a very large pie while most people get only a few crumbs of that big pie.

**HOW I GOT ACTIVE IN SOCIOLOGY**

**DAWN NORRIS**

One day, after a long conversation about social class, my friend told me, “You’re in the wrong major.” At the time I was a psychology major, so she urged me to take an introductory sociology course. I did, and that semester I realized there was a field of study that examined all the things I had always questioned about society.

During my politically active undergraduate career, I used sociology to work on a presidential candidate’s campaign and to participate in social movements. I also loved explaining sociology to my classmates and doing research. As I approached graduation, I had the opportunity to attend a sociology conference. It was there that I realized I could also work toward social justice through teaching and research. Today, I am thrilled that my career allows me to introduce others to what I hold so dear—a love of sociology.

Almost all societies are stratified or separated into ranked groups with different levels of material goods (aka pie), prestige, and power. Types of stratification include slavery, caste, estate, and social class systems.

**Slavery**

In a slavery system of stratification, some people own other people as property. In these types of societies, enslavement is legal and movement out of slave status is impossible. The pre–Civil War United States operated under a slavery system in which people designated as Black were defined as “inferior” and without the rights of citizens. Most lived as enslaved people and were forced to work under brutal conditions for White slave owners.

**Caste**

The caste system, outlawed in most places but still practiced informally in some countries, forbids movement up or down in the social and economic hierarchy. People must remain in the caste into which they were born and interact almost exclusively with others in their own caste. Cultural and religious beliefs justify this system. People tend to be reluctant to challenge the system because they believe that deities intend for them to inhabit their own caste.
Estate

In the estate system, which operated in Europe from about 500 A.D. to the late 1700s, most people stayed in the hierarchical position into which they were born. Under special circumstances (e.g., through marriage, becoming a member of the clergy, losing an inheritance), however, a few people moved up or down in the hierarchy. Feudal societies, which contained nobility, serfs, clergy, and knights, had estate systems of stratification.

Social Class

In the social class system (the focus of this chapter), people can move up or down in the hierarchy. Sociologists use education level, occupation, and income to indicate people’s class positions. Social class also includes cultural characteristics, such as tastes and preferences. Upper, middle, working, and lower classes are examples of social class categories. The United States and other democratic Global North (highly economically developed) countries (e.g., France, Denmark, Japan, Germany) operate under social class systems. The degree of movement available within class systems varies from society to society. Also, aspects of multiple forms of stratification may exist in one society. For example, throughout history, what is now the United States has exhibited slavery, caste, and class systems of inequality. While predominantly a class system today, the repercussions and influences of caste and slavery forms of inequality remain.

A society’s form of social stratification relates to its social structure (e.g., culture, social institutions, laws). For example, in feudal societies, a cultural belief that the royal family is ordained by God leads people to support the hierarchical structure. In the United States, a core cultural belief is that the nation is a meritocracy, a society in which the greatest economic rewards go to people who work the hardest and do the best work. This belief supports the class system of stratification.

CONFRONTING SOCIAL PROBLEMS 2.1

COMPARING SOCIAL CLASS AND ECONOMIC INEQUALITY

What are social class and economic inequality?

In this activity, you will demonstrate your understanding of social class and economic inequality.

Write brief answers to the following questions.
1. In your own words, define social class and economic inequality.
2. Provide one example of a social class and one example of economic inequality.
3. How are social class and economic inequality related?

Check Your Understanding

1. How does economic inequality differ from economic growth or contraction?
2. What is social class? How does it differ from other systems of stratification?
3. What three factors do sociologists use to measure social class?

EXPLAINING ECONOMIC INEQUALITY

LEARNING QUESTION

2.2 What are the two major sociological viewpoints on economic inequality?
Sociologists use theories to understand patterns of economic inequality. As noted in Chapter 1, theories are like lenses that shape what we see. For example, if we look at a green-and-red brochure through a lens that is particularly good at picking up green print, we will focus on the words in green. If we switch to a lens that highlights red ink, we will pay more attention to the red words. Likewise, looking at economic inequality through the lens of social reproduction theory versus the Davis–Moore hypothesis provides a very different picture that leads to different explanations and responses. It even influences whether we view economic inequality as a social problem at all.

Social Reproduction Theory

Social reproduction theory reflects the viewpoint that inequality is bad for society. Karl Marx’s (1867/1977) idea that society is composed of groups competing for power forms the basis of this theory. According to social reproduction theorists, a system of unequal access to resources (such as money, education, nutrition, safe neighborhoods) causes economic inequality, and this leads to unequal opportunities for some groups of people, through no fault of their own. Social reproduction theorists argue that the upper classes use their money and power to make sure that this unequal access continues.

If we use social reproduction theory to examine economic inequality, we look for evidence that (1) high economic inequality levels harm society; (2) wealthier people restrict access to resources (especially by making laws that benefit the wealthy and hurt the poor); (3) talented, hardworking people experience difficulty moving up in class; (4) people tend to remain in the social class into which they were born; and (5) people born wealthy remain wealthy regardless of how hard they work (or even if they work!).

Davis–Moore Hypothesis

The second explanation, the Davis–Moore hypothesis (Davis & Moore, 1945), reflects the viewpoint that inequality is good for society because it ensures that people who contribute the most to society gain the most rewards. This explanation is built on the functionalist theoretical perspective that claims a social condition (such as economic inequality) will not exist unless it serves a purpose for society. People favoring this explanation argue that people take on careers to which they are most suited and are rewarded based on their contributions to society. Economic inequality based on these different rewards inspires motivated, talented people to train for the most critical occupations and ensures that the best and brightest people will fill those jobs.

If we use the Davis–Moore hypothesis to examine economic inequality, we look for evidence that (1) economic inequality benefits society, (2) people who perform lower-level jobs are still relatively happy in their jobs because these jobs are a good fit for them, (3) people who carry out the most important tasks gain the most rewards, and (4) the most talented, hardworking people regularly enter the most important and difficult occupations, regardless of their starting social class.

Overall, we can use these two explanations of economic inequality to help us answer several questions: What causes inequality? What are its effects? Do high levels of inequality create social problems? And if so, how can we reduce economic inequality in society?
CONFRONTING SOCIAL PROBLEMS 2.2
REFLECTING ON BELIEFS ABOUT ECONOMIC INEQUALITY

What are the two major sociological viewpoints on economic inequality?

In this activity, you will reflect on what you were taught about economic inequality as you were growing up. Which of the perspectives discussed in this chapter—the Davis–Moore hypothesis or social reproduction theory—comes closest to what you were raised to believe about economic inequality in the United States or your home country? Write one or two sentences in explanation. Your instructor may ask you to share your answer.

Check Your Understanding

1. According to social reproduction theory, why does inequality exist?
2. According to the Davis–Moore hypothesis, why does inequality exist?

WEALTH AND INCOME GAPS: HOW MUCH INEQUALITY EXISTS?

LEARNING QUESTION

2.3 How are wealth and income distributed in the United States and globally?

Sociologists typically look at gaps in wealth and income to determine the extent of economic inequality. Wealth is the value of your assets (what you own, like a house, car, or boat) minus the value of your debts (what you owe), whereas income refers to money earned or received through paid work, renting out property, government benefits (e.g., a Social Security check), and the like. Sociologists examine economic inequalities at several levels. For example, they may look at inequality among people in a country or, alternately, among the countries themselves.

Wealth Inequality in the United States and Globally

A small percentage of people own most of the world’s wealth. In fact, the richest 1% of people in the world own just under half (45%) of the world’s wealth (Credit Suisse, 2021). As seen in Figure 2.1, wealth inequality in the United States is higher than in any other Global North nation. As you will see, a country’s policies and laws can create higher or lower levels of economic inequality.

As Figure 2.1 indicates, the richest 10% of U.S. households own almost 80% of the United States’ wealth (Wolff, 2021). Furthermore, just the wealthiest 1% of U.S. households alone own a little more than 35% of all U.S. wealth (Credit Suisse, 2021; Wolff, 2021). In contrast, the richest 1% of French, Italian, and U.K. households own about 22% to 23% of their respective nation’s wealth, and Japan’s richest 1% own about 18% of Japanese wealth (Credit Suisse, 2021).

Today, there are high levels of inequality even within the top 1% of the wealthiest people in the United States. The wealthiest 0.1% of people in the United States own almost one fifth (19%) of all U.S. wealth (Zucman, 2018). This is a huge increase from 50 years ago. In 1978, the wealthiest 0.1% of people in the United States owned 7% of all U.S. wealth (Zucman, 2018).

Stock ownership, or investments in publicly owned businesses, is one asset that goes into calculating wealth. As of 2019, only 15% of all households in the United States owned stock directly, and less than half owned stock in any form, including through indirect ownership such as retirement accounts. Moreover, the wealthiest 10% of Americans owned 94% of the monetary value of all stocks, and the richest 1% of Americans—alone—owned 55% of the total stock value in the United States (Wolff, 2021).
Homeownership is another form and means of making wealth. As Figure 2.2 indicates, the average price of homes has increased markedly over the past 25 years (U.S. Census Bureau, 2021). This means that many homeowners gained wealth over those years. Not everyone owns their home, however. About 65% of Americans are homeowners, and rates vary by race. As of 2021, among non-Hispanic Whites, 74.2% owned their homes, compared to 56.2% of all other races. Black Americans (44.6%) were least likely to be homeowners, followed by Hispanic Americans (47.5%). Meanwhile, the cost of renting a home has also gone way up, as seen in Figure 2.3. This means that nonhomeowners not only miss out on gaining wealth through their homes but also have to spend more and more of their income on rent (U.S. Census Bureau, 2021).

As Figure 2.4 shows, today, the poorest 80% of the U.S. population own very little—just over 10%—of the United States’ wealth. In fact, some people in the United States owe more than the value...
of what they own! This is referred to as negative wealth. Not since just before the stock market crash of 1929 has there been such a high level of economic inequality.

The cash payments given to middle- and lower-income Americans during the COVID-19 pandemic led to a slight decline in poverty, providing a good example of how policies can influence economic inequality (Credit Suisse, 2020, pp. 29–30). Redistribution policies are laws or procedures that allow the government to move money/resources from one group of people to another (and/or to public institutions) to reduce economic inequality.
Inequalities as Social Problems

Part I

Inequality in the United States and Globally

Like wealth inequality, U.S. income inequality has increased over the past several decades. Between 1979 and 2018, the after-tax income of the wealthiest 1% of people in the United States grew by 111%. However, the after-tax income of the poorest 20% grew by less than half that amount (40%), and the after-tax income for those in the middle-income groups grew even less (37%) during that same period (Congressional Budget Office, 2021). Meanwhile, globally, income inequality has decreased over the past several decades as industrialization has spread into relatively poorer countries. Despite this economic growth (the pie getting bigger) in many nations, however, income inequality (i.e., differences in the size of each slice of pie) within nations has increased (United Nations, 2020).

CONFRONTING SOCIAL PROBLEMS 2.3
LOOKING AT WEALTH AND INCOME INEQUALITY

How are wealth and income distributed in the United States and globally?

In this exercise, you will interpret figures on trends in wealth and income inequality. Write your answers to the following questions and be prepared to share them.

1. Using Figure 2.2, compare the change in distribution in wealth among the top 96% to 99% and the top 90% to 95% since 1962.
2. Using Figure 2.3, compare the change in distribution in income among lower- and middle-income Americans.

Check Your Understanding

1. How unequal is the distribution of wealth and income among individuals in the United States?
2. How has the extent of wealth and income inequality among individuals changed in the United States over time?
3. How does economic inequality among U.S. individuals compare with those in other Global North countries?

THE QUESTION OF MOBILITY

LEARNING QUESTION

2.4 What is the likelihood of moving up or down in social class in the United States?

In a meritocracy, the importance, extent, and quality of your work determine your economic rewards and social class. Therefore, even if you are born into a lower social class, you should be able to work hard and move up into the middle or upper classes. This ability to move up or down in social class is called mobility.

There are two types of mobility: intergenerational and intragenerational mobility. In intergenerational mobility, one generation moves up or down in social class compared with the previous generation. For example, a child might achieve a higher social class than their parents. In intragenerational mobility, an individual moves up or down in social class within their own lifetime. An example is a middle-class person who loses their job and eventually falls into the lower class.
During most decades of the 1900s, intergenerational income mobility increased in the United States (Pfeffer & Hertel, 2015) and in most other Global North countries (Breen, 2004). However, since about 1980, as economic inequality has increased, intergenerational income mobility in the United States has begun to decrease (Pfeffer & Hertel, 2015). Figure 2.5 shows the substantial decrease in the percentage of people who earned more than their parents by age 30.

**FIGURE 2.5** The Fading American Dream

Intra- and intergenerational income mobility has also decreased in the United States since 1980. People are less likely to move up in income brackets throughout their lives regardless of the social class into which they were born (Carr & Wiemers, 2016). This is an example of social class reproduction, remaining in the same social class into which you were born.

The decrease in both mobility types suggests that despite the myth of “pulling yourself up by your bootstraps,” the United States is not actually a meritocracy. Although merit may still play some role in people’s success, the strongest predictor of the social class they end up in is the class into which they were born.

The next section lays out the causes of increased economic inequality in the United States. If we know the causes, we can design effective solutions.

**Why Mobility Has Declined in Recent Decades**

In the United States, factors leading to greater economic inequality include neoliberal economic policies, globalization, a stagnant minimum wage, automation/new technology, and the decline of labor unions. These structural factors have made it more difficult for people to move up the social class ladder and have led to many falling from the middle class to the lower class. These economic forces intersect with race, gender, and other socially constructed categorizations of people, with some groups favored over others.

**Neoliberal Economic Policies**

Broadly speaking, neoliberalism is a political and economic perspective that promotes an economic marketplace free of government regulations (a free-market economic system). Neoliberal economic policies typically advocate for reducing taxes, government regulations, and workers’ rights. In short, neoliberals would like to strengthen the power of corporations and weaken the influence of the government and workers.

Source: Chetty et al. (2017).
Since 1980, neoliberal policies have lowered tax rates for corporations and the wealthy. For example, a law passed in 2017 lowered the U.S. corporate tax from 35% to 21% (Pomerleau, 2018). The highest individual federal tax rate (for the wealthiest individuals) before 1980 was 70% but has dropped dramatically since then. Today, it stands at 37% (Internal Revenue Service, 2020). Meanwhile, federal tax loopholes and deductions tend to favor wealthier people (Schlozman et al., 2017). For example, the wealthiest 1% of people (incomes of $553,200+) paid state and local taxes on only about 7% of their income, whereas people with the lowest 20% of incomes paid state and local taxes on about 11% of their income (Wiehe et al., 2018).

**Globalization**

Globalization, the process of creating a world economy with few restrictions on trade, has increased economic inequality among nations and ensured that multinational corporations have more power than in the past. With improved transportation systems and computer technology, companies can operate where labor is cheapest. Without strong international organizations to counter them, multinational corporations can create their goods in nations with low taxes, few government regulations, and minimal workers’ rights.

**Automation/Technology**

New technology has automated many of the jobs previously done by people. Although new technology also creates some jobs, they are fewer in number and many require advanced training. So people who have technological skills have relatively good chances of securing a job, but workers with few skills find themselves limited to minimum-wage jobs. This divide between people who have and do not have technological skills increases economic inequality.

**Decline of Unions**

Neoliberal policies, globalization, and automation have contributed to the decline of unions. Labor unions are organizations that bring employees together to fight for better wages, benefits, and worker protections collectively. Labor union membership has boosted income and benefits, such as health insurance and paid sick days, for union members as well as for some of their nonunion counterparts in the same industry (Rosenfield et al., 2016). As seen in Figure 2.6, nonunion members tend to earn just 84% of full-time union members’ median weekly earnings ($958 vs. $1,144) (U.S. Department of Labor, 2020).

**Figure 2.6 Weekly Median Earnings by Union Membership—Full-Time Employees 2020**

Today, however, a smaller percentage of people are benefiting from the gains that labor unions can provide. In the past few decades, union membership in the United States has fallen from 20.1% of employees in 1983 to 10.8% of employees in 2020 (U.S. Department of Labor, 2020). Figure 2.7 illustrates this decline, which is due in part to less leverage over owners who can automate and move operations to less union-friendly places and anti-union laws and court decisions in the United States.

As of 2021, 27 U.S. states have adopted “right-to-work” laws (National Conference of State Legislatures, 2021). Despite the name, these laws do not guarantee anyone a job. Instead, they make it illegal for unions to require nonunion members to pay dues. But laws still require unions to represent all the employees—even those who do not pay dues. So unions must try to do the same job of representing workers’ rights with fewer resources, leaving them less effective. The June 2018 Janus v. AFSCME U.S. Supreme Court decision affirmed the legality of so-called right-to-work laws (U.S. Supreme Court, 2018).

Right-to-work laws leave both union and nonunion employees with lower pay, even when controlling for other factors that could affect wages (Gould & Kimball, 2015). They also make it less likely for employees to have health benefits (Gould & Shierholz, 2011). These limits on unions reduce their power and resources, potentially increasing economic inequality as pay and benefits continue to decrease.

**FIGURE 2.7 Union Membership (1983–2020)**


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**CONFRONTING SOCIAL PROBLEMS 2.4 MOVING UP OR DOWN IN SOCIAL CLASS**

**What is the likelihood of moving up or down in social class in the United States?**

*In this activity, you will think about your chances of social mobility as compared to your parents.*

Write your answers to the following questions. Your instructor may ask you to share your answers.

1. Do you expect to experience intergenerational mobility? That is, do you expect to end up in a higher or lower social class than your parents?

2. How does the information in this chapter inform your answer?
### Check Your Understanding

1. Why is mobility essential for an actual meritocracy to exist?

2. How has the likelihood of intergenerational mobility in the United States changed over time? How about intragenerational mobility?

3. What is social class reproduction?

4. Why has mobility in the United States decreased over the past several decades?

### Social Problems That Cause Economic Inequality

#### Learning Question

2.5 What has led to high levels of economic inequality in the United States?

While the structural changes described above have led to higher levels of inequality in the United States and within other nations, other factors also contribute to economic inequality. Social problems such as racism, sexism, and educational inequality can create or perpetuate wealth and income gaps among various groups in society.

#### Racism

The United States’ history of racial discrimination created structural barriers to economic opportunities for people of color that still impact many people today. From the annihilation of most American Indians, the enslavement of African Americans, and the internment of Japanese Americans to discrimination against Black and Latinx people in mortgage lending, the United States has a history of keeping income and wealth opportunities away from people of color that continues today (Edin & Kefalas, 2005; Pager et al., 2009; Patterson & Fosse, 2015). We discuss redlining’s impact on homeownership and wealth more in Chapter 3.

As you can see in Figure 2.8, Hispanic and Black full-time employees earn only 75% and 79% (respectively) of what White full-time employees earn and only 58% and 62% of what Asian full-time employees earn (U.S. Department of Labor, 2021). But keep in mind that the relatively higher earnings of Asians are

#### Figure 2.8: Income by Race—Full-Time Workers

![Graph showing median weekly income by race for full-time workers.](https://www.bls.gov/news.release/wkyeng.nr0.htm)
a bit deceiving. When we break Asians into subgroups, Southeastern Asian (e.g., Vietnam, Laos) immigrants' earnings lag behind those of Whites and of more recent Asian immigrants, who tend to have higher levels of education. You will learn more about the impact of racial discrimination in Chapter 3.

**Sexism**

Figure 2.9 illustrates gender-based income inequality. You can see that women earn 83% of what men make (U.S. Department of Labor, 2021). When comparing men and women who work the same job, women earn less than men in almost every occupation (Hegewisch & Mefferd, 2021).

Gender discrimination creates economic inequality in several ways. First, occupations are often (unofficially) segregated by gender. Because society expects women to be the primary caretakers in a family, women are more likely to choose jobs that provide them with the flexibility to do so, and these jobs generally pay less than other jobs. Women are expected to (and in fact do) spend more hours caring for children and doing household chores (Hess et al., 2020). There are also relatively few female mentors for women in male-dominated jobs.

**FIGURE 2.9  ■ Income by Gender—Full-Time Workers**


COVID-19 further increased economic inequality between men and women (Karageorge, 2020). Women’s labor force participation rate fell to a 33-year low (Bureau of Labor Statistics, 2020; Ewing-Nelson, 2021; Karageorge, 2020). The industries hit hardest by the pandemic and suffered the greatest job losses, such as retail and hospitality, had mostly female employees. Many women were forced to leave their jobs to care for their children, who were at home after schools and daycares closed. Some were single parents, and others made less than their partner and felt obliged to be the one to give up their job and stay. It will likely take many years for women’s economic standing to recover (Karageorge, 2020). These patterns have been even stronger for Black and Latina women, people without a college degree, and young workers (Credit Suisse, 2020, p. 37). We discuss all this in more detail in Chapter 4.

**Educational Inequalities**

As Figure 2.10 shows, different education levels also can lead to income inequality. Full-time employees ages 25 and older who did not graduate from high school earn only 43% of what a 4-year college graduate working full-time makes. High school graduates working full-time earn 56% of college graduates' earnings (U.S. Department of Labor, 2021).

A college education increases the chances of upward mobility for those in the lower classes. But as you will read more about in Chapter 13, neighborhood and regional inequalities in funding for the U.S. K–12 education system make it tough for people born in low-income areas to gain the necessary skills for college admission and success. Additionally, many states have reduced their funding for
universities, so schools have had to increase tuition to cover their expenses (Koch, 2019), obliging many students to work many hours a week, leaving little time to study (Carnevale, 2019).

By contrast, wealthy children enter an elite school-to-career “pipeline.” They attend expensive first-rate preschools, followed by well-funded, high-quality public schools or elite private K–12 preparatory schools that groom them for college. These children tend to attend exceptional state or private 4-year colleges or (for the wealthiest children) elite Ivy League universities such as Harvard or Yale. Children fortunate enough to be born into the upper class are thus prepared to enter prestigious, well-paying, powerful occupations. These include high-level careers in law, business, and finance—areas where they can maintain their strong influence on policies that benefit the wealthy.

Social and Cultural Capital

In addition to exposure to stronger formal education, wealthier children develop valuable social capital, connections to people who can help them access jobs or other positions to advance in society. Wealthy children are more likely to have prestigious connections that can help them get ahead. For example, someone from an upper-class family may have a family friend who can help them obtain a coveted position clerking for a prominent judge, whereas a working-class person’s family friend may be able to help them get a cashier position at the local diner.

Children from higher social classes also benefit from cultural capital, or the informal knowledge, tastes, and preferences learned in a specific social class. For example, middle-class children may know more than working-class children about the timeline and expectations for applying to college. Middle-class cultural capital makes navigating middle-class institutions, such as college and white-collar workplaces, much easier. This paves the way for entering and succeeding in college, as well as prestigious, well-paying occupations.

CONFRONTING SOCIAL PROBLEMS 2.5
INEQUALITY AND MOBILITY

What has led to high levels of economic inequality in the United States?

In this activity, you will use your creative thinking skills to illustrate the factors that contribute to economic inequality.

Write a fictional short story that shows that you understand at least one of the factors that contributes to economic inequality. The story should be at least one paragraph. It can feature a single character or a group of people. Your instructor may ask you to work in a small group.
Check Your Understanding

1. How do race, gender, and education level relate to economic inequality?
2. What are cultural capital and social capital, and how do they affect mobility?

SOCIAL PROBLEMS CAUSED BY ECONOMIC INEQUALITY

LEARNING QUESTION

2.6 What are some social problems caused by high levels of economic inequality?

High levels of economic inequality—regardless of how much money each person has—create problems for individuals and entire societies. These problems include physical and mental health problems, human rights violations, society’s loss of talented people’s contributions, limited social class mobility, environmental problems, violence, and government problems, just to name a few. In fact, this chapter on economic inequality comes first because it connects to all the other social problems covered in this book. Be sure to keep economic inequality’s influence in mind as you read the subsequent chapters.

Health Problems and Human Rights Violations

High economic inequality levels lead to higher rates of physical and mental health problems and reduced life expectancy. Lower-income people’s typical lack of access to high-quality health care (particularly within the United States) contributes to lower levels of mental and physical health. Additionally, however, people in more economically unequal societies are less happy, less likely to feel like they are part of a community, less trusting, and more anxious about their social status (Buttrick & Oishi, 2017). We discuss these health inequalities in greater detail in Chapter 14. Societies with high levels of economic inequality also tend to have more human rights violations, including voter suppression, erosion of democracy (Washington Center for Equitable Growth, 2021), government repression, and elimination of basic human rights (Repucci & Slipowitz, 2021), all of which negatively impact health.

Loss of Contributions to Society

Countries with high levels of economic inequality are less likely to have occupational (Gugushvili, 2017) and income (Narayan et al., 2018, p. 141) mobility than other societies. This means that talented people from lower social classes—such as someone who has the ability and drive to become an outstanding medical doctor (or even find a cure for cancer!)—may not have the opportunities needed to achieve their goals. In these cases, inequality hurts both individuals and society—which loses the benefits of their potential contributions.

Harm to the Environment

Too much economic inequality also creates unequal levels of political power, which makes it harder for poorer people to prevent the placement of pollutants in their neighborhoods. For example, in Japan, residents are used to negotiating with companies about pollution and keeping it under control. However, the growing power, money, and privilege gap between the residents and industry representatives has reduced residents’ bargaining power and led to a decline in air quality in urban Japan’s residential and commercial areas (Kasuga & Takaya, 2017). High levels of economic inequality also lead to increased consumption, which encourages more production and depletes natural resources. We discuss these issues in Chapter 8.
Increased Violence

Rates of violent crimes, including homicide (McLean et al., 2019; Wilkinson & Pickett, 2009) and intimate partner violence (Yapp & Pickett, 2019), are higher in counties, states, and countries with higher levels of economic inequality. In fact, economic inequality is one of the best predictors of homicide rates (Ferguson & Smith, 2021). Non-violent property crimes are also higher in U.S. neighborhoods with higher economic inequality levels (Metz & Burdina, 2018).

Government Instability

Finally, high levels of economic inequality produce numerous problems for governments. As inequality rises, governments tend to become less stable (Houle, 2019). Economic inequality creates political polarization (Winkler, 2019) and is associated with terrorism (Korotayev et al., 2021) and antigovernment demonstrations (BBC, 2019). For example, most people arrested at the 2021 U.S. Capitol insurrection were “havenots” who had a history of serious financial problems (Panetta, 2021). Another example is Brazil, whose protestors over the past several years have been demanding better public resources (OECD, 2021a). High economic inequality levels can even lead to support for authoritarian leaders (Sprong et al., 2019).

Problems for Individuals

High economic inequality levels also affect individuals’ everyday lives. Countries with more economic inequality have higher suicide rates (Padmanathan et al., 2020), higher overall death rates (Elgar, Stefaniak, & Wohl, 2020), and lower life expectancies (Szczepaniak & Geise, 2021) for their populations. People in countries or areas with high economic inequality levels are also more likely to be sick (Massa & Chiavegatto Fhilo, 2021), are less happy (Szczepaniak & Geise, 2021), have higher anxiety and depression levels (Haugan, Muggleton, & Myhr, 2021), and have less trust in others (Yang & Xin, 2020) than people living in countries with less economic inequality.

Economic downturns can exacerbate inequality and play havoc on individuals and families as we saw during and after the Great Recession of 2008. One of the key reasons both the Trump and Biden administrations gave cash relief during the pandemic was to mitigate economic inequality and its negative effects. They understand that economic inequality fuels political instability.
CONFRONTING SOCIAL PROBLEMS 2.6
SOCIAL PROBLEMS AND ECONOMIC INEQUALITY

What are some social problems caused by high levels of economic inequality?

In this activity, you will consider the social problems that result from economic inequality.

1. List three social problems created by economic inequality.
2. List two questions you still have about the relationships between social problems and economic inequality.
3. List one thing that you learned about economic inequality that surprised you.

Check Your Understanding

1. Why should you care about how much economic inequality exists in society?
2. What kinds of problems can high levels of economic inequality create for society?
3. What kinds of problems can high levels of economic inequality create for individuals?

SOLVING THE SOCIAL PROBLEM OF ECONOMIC INEQUALITY: POLICIES, MOVEMENTS, AND ACTION

LEARNING QUESTION

2.7 What can we do to reduce economic inequality?

As you have read, government policies can create and exacerbate economic inequality or address and reduce it. How can you get your government to confront economic inequality? Here’s a hint: Sociological tools can help you do so!

Evaluating Solutions

As you evaluate potential solutions to economic inequality, it will help to revisit social reproduction theory and the Davis–Moore hypothesis. They provide criteria by which to measure successful solutions. As you will see, both perspectives suggest ways to reduce high levels of economic inequality that will strengthen societies and benefit individuals.

Solutions Based on Social Reproduction Theory

To review, social reproduction theory states that powerful people’s control of resources and laws limits poorer people’s resources and opportunities, which creates excessive economic inequality. A successful solution based on social reproduction theory would ensure that

- people born rich don’t stay rich simply because they were born into wealth and people born poor don’t stay poor simply because they were born into poverty;
- similar resources for economic success are available to everyone, regardless of social class;
- talented, hardworking people can achieve their occupational and financial goals, regardless of their class of origin; and
- laws and policies do not advantage some people over others.
Solutions Based on the Davis–Moore Hypothesis

Recall that this perspective states that economic inequality is good because it ensures that people are willing to do the most difficult and important jobs (for the most rewards) and that people take the jobs they are most capable of doing well. However, hard evidence shows that when levels of economic inequality become too high, they harm individuals and society.

A successful solution based on the Davis–Moore hypothesis would ensure that

- the smartest, most talented people enter the most important and challenging jobs, and they are happy and fulfilled in those jobs;
- people enter jobs that best fit their skills, talents, and work ethic, ensuring that society overall benefits from a good person–job fit;
- people move up in social class if they are talented and work hard;
- people are not rewarded if they do not contribute to society, even if they are born rich; and
- the most difficult and important jobs pay the most.

Consider the aims of both perspectives as you evaluate the policies that countries have implemented.

U.S. Policies That Decreased Economic Inequality in the Past

Remember, U.S. economic inequality has not always been as extreme as it is today. Government policies have helped reduce economic inequality during various times in the history of the nation. We now look at two collections of such policies: the New Deal and the War on Poverty.

The New Deal

The New Deal era, from 1933 to 1939, was a collection of programs and regulations devised by President Franklin D. Roosevelt’s administration to reverse the high unemployment rates and financial system collapse brought on by the Great Depression (Berkin et al., 2011). Programs such as the Public Works Administration boosted employment by hiring people to build roads, bridges, airports, and other elements of U.S. infrastructure. Laws such as the Glass–Steagall Act of 1933 ensured that the risky bank practices that brought on the Great Depression could no longer occur (Krugman, 2012). The New Deal also provided direct money transfers to those in need. For example, the Food Stamp Plan redistributed tax revenue to poor people to help them buy groceries (Moran, 2011).

New Deal programs helped bring about economic recovery and reduced economic inequality (Billigton & Ridge, 1981). Workers’ rights were written into law. The National Labor Relations Act of 1935 guaranteed workers the right to form labor unions and engage in collective bargaining for better wages and working conditions (Kennedy, 2001). The Fair Labor Standards Act of 1938 established a maximum number of weekly hours employees could work, set a minimum hourly wage, and made child labor illegal. Many workers’ wages rose as a result, even as weekly working hours fell (Clements, 2008).

These programs, along with the effects of World War II, helped the economy recover and the poor, working, and middle classes gain more income and opportunities to climb the social class ladder. In 1928, just before the Great Depression, the richest 1% of Americans received about 24% of all U.S. income; by 1940, after New Deal programs went into effect, their share had decreased to about 16% (Piketty & Saez, 2013).

The War on Poverty

Although the New Deal helped reduce inequality, poverty rates were still high, ranging from 19% to 22% between 1959 and 1964, and even higher for children and adults over age 65 (Semega, Fontenot, & Kollar, 2017). President Lyndon B. Johnson declared a war on poverty and initiated
a collection of poverty-fighting programs, including Head Start, Work Study (to help college students fund their education), Medicaid (health insurance for impoverished people), and the Job Corps, and expanded funding for subsidized public housing and community health centers. President Johnson also increased Social Security payments and created Medicare (health care coverage for people over age 65) to reduce senior citizens’ poverty rates (Bailey & Danziger, 2013).

Although some analysts claim the War on Poverty failed (because poverty still exists), the policies did help reduce U.S. poverty rates, especially for senior citizens, as shown in Figure 2.11. Between 1963 and 1973, economic inequality decreased, with wages growing for low earners and remaining steady for high earners (Bailey & Danziger, 2013).

Today, some of the War on Poverty programs still exist, but a comprehensive, well-funded government approach to combating poverty and economic inequality has given way to neoliberal policies that focus on benefiting big businesses. The result is higher levels of economic inequality.

**Current Policies and Economic Inequality**

There is no “quick fix” for high levels of economic inequality. We must consider each country’s political and social circumstances to successfully address it. However, if we know what causes economic inequality and what policies have successfully reduced it, we can start working toward a solution.
Economic Redistribution Policies

Countries with higher tax rates generally have less income inequality and higher mobility rates. As Figure 2.12 shows, the typical tax rate for a single, childless U.S. worker with an average salary is low compared to those for workers in other Global North nations. While the United States does redistribute tax money, its tax rates are lower and less progressive than those of other Global North nations. As Figure 2.13 reveals, Ireland, Belgium, and Denmark, among many other countries, have substantially reduced their income inequality by 41%, 37%, and 36% (respectively) by implementing progressive tax policies and cash transfers. U.S. redistributive policies are comparatively minimal, resulting in only an 18% reduction in income inequality (OECD, 2018, p. 10). Progressive tax policies are the first step in economic redistribution and in reducing economic inequality.

Redistribution policies that reduce economic inequality can also increase intergenerational mobility. For example, as Figure 2.14 shows, in Nordic countries (such as Denmark), people’s incomes are much less closely associated with their parents’ incomes than they are in the United States (Narayan et al., 2018, p. 141).

Minimum-wage laws also influence economic inequality. In contrast to several other Global North countries (see Figure 2.15), the United States has suppressed the federal minimum wage to very low levels that have not kept up with inflation or economic growth. This means each dollar buys fewer goods than it used to buy (see Figure 2.16). Raising the federal minimum wage would boost the incomes of millions of workers and reduce income inequality.
Chapter 2 • Analyzing Economic Inequalities

**FIGURE 2.13** Percent Reduction in Income Inequality Through Redistributive Policies

[Graph showing percent reduction in income inequality for the United States, Norway, Belgium, and Ireland.]


**FIGURE 2.14** Social Class Reproduction by Country

[Graph showing income persistence between generations for the United States, Ireland, Norway, and Denmark.]

*Note:* Higher numbers reflect less mobility.


**FIGURE 2.15** 2019 Hourly Minimum Wage by Country in U.S. Dollars

[Graph showing minimum wage in U.S. dollars for the U.S., U.K., Netherlands, Belgium, and Luxembourg.]

*Note:* Although many U.S. states have raised their minimum wage, many more have remained at this low federal level (Economic Policy Institute, 2021).


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Inequalities as Social Problems

Part I

Inequalities as Social Problems

Solutions Involving Labor Unions

As we saw with New Deal legislation, ensuring workers’ and unions’ rights is another way to reduce economic inequality. But the reverse has happened in the United States as labor union membership and power have declined. As noted earlier, labor union membership has dropped to almost half of what it was three decades ago (U.S. Department of Labor, 2020).

Strengthening unions involves investing in infrastructure (that will create more union jobs), ensuring that unemployment insurance meets the needs of laborers, and increasing voting rights (AFL-CIO, 2021). Unions can also benefit from laws that protect the right to join unions, prohibit the importation of products made with forced labor, and include laborers as stakeholders in all relevant bills (AFL-CIO, 2021). In many cases, elected officials vote directly on these issues, so contacting them with your opinion on them may sway their vote.

Social Movements to Reduce Economic Inequality

When many people get together to try to make a change in society, they may create a social movement. Social movements have existed throughout U.S. history. Several social movements geared toward reducing economic inequality have developed in recent years. One example is the $15/hour minimum wage movement.

The $15/ Hour Minimum Wage Movement

Begun in 2012 when 200 fast-food workers in New York City organized and walked out of work to demand higher wages and union rights, the movement has spread across the nation and the globe. Low-wage workers from all sorts of occupations (including adjunct professors) have joined the movement and pressured elected officials to support their efforts. Since 2014, 30 states and Washington, D.C. have raised their minimum wage. As of 2021, California, Connecticut, Florida, Massachusetts, New Jersey, Illinois, Maryland, and Rhode Island have passed laws to incrementally bring their minimum wage to $15.00 an hour, and pressure is mounting on Congress and the president to raise the federal minimum wage as well (EPI, 2021).

How Sociological Tools Can Help Us Understand and Address Economic Inequality

This chapter provides many examples of policies, past and present, that impact levels of economic inequality. You can start working toward reducing economic inequality by using your sociological imagination to recognize how large-scale forces, such as our economic policies and our cultural beliefs about why people are poor, affect your life and the lives of others. You can then use sociological frameworks like social reproduction theory and the Davis–Moore hypothesis to evaluate proposed social programs and policies. You can also join a social movement to push government officials to enact those that will reduce inequality.

FIGURE 2.16 Decrease in Purchasing Power of U.S. Minimum Wage, 1968–2019

Many sociologists put their skills to work at nonprofit and government organizations, as community organizers, researchers, and program evaluators. For example, Jonathan Fuentes (see the “Sociologist in Action” box) uses his understanding of culture and institutions to help people find jobs. Likewise, researchers at the nonprofit Economic Policy Institute in Washington, D.C., look for social patterns in economic inequality, track new government policies on wages and taxes, and critically evaluate how power plays a role in the creation of laws. Like others who do sociological work and activism every day, you can be an effective part of the change you want to see in society by using the sociological tools you have gained.

**Sociologist in Action**

**Using Sociology to Help People Get Better Jobs**

**Jonathan Fuentes**

As an undergraduate student in sociology, I learned how institutional and cultural factors can shape an individual’s opportunities and life chances. Today, I work in case management and realize how these factors impact clients’ lives and their ability to access a very important resource—employment. The data collection and analysis skills I obtained as a sociology major also help me understand my clients’ needs and customize a plan for them that takes into account the impact of societal forces.

As an employment case manager for Catholic Charities, I assist low-income clients with their job searches through résumé building, applying for jobs, and preparing for interviews. When a client seeks help with their employment search, the solution is not always as straightforward as creating a résumé. Often, my clients deal with problems that expand past the scope of employment. In addition to services directly related to finding a job, I also assist with preventing evictions and utility disconnection, providing financial assistance to families, improving food security, and making referrals to other organizations for additional services.

Before addressing my clients’ needs, I conduct an intake. This allows me to learn in depth about a client’s life and their current situation. Through a series of questions, I collect information on the clients’ demographics, life events, income, education, and employment history. I then identify factors that can limit a client’s access to employment, which helps me create a descriptive baseline and framework that I can reference when seeking services and resources for the client. Cultural, social, institutional, or even physical factors outside of the control of my clients can constrain their potential employment outcomes.

I once worked with a client who was a doctor in his home country. He was authorized to work in the United States; however, he did not speak English fluently. This created a barrier to employment, as he could not communicate during interviews. Another client I assisted had just finished a graduate program in the medical field but had recently lost a job and transitioned into a homeless shelter. Most job applications require a home address. Once the housing issue was resolved, we discovered that the brief event of homelessness had led to a lowering of his credit score. This could have become another obstacle to finding employment, as it has become common practice for employers to require a credit review in addition to a background check.

Ultimately, my work in case management is geared toward helping clients meet their needs. To do so, I have to make sense of the information a client provides. By using data collection and analysis skills, I can note and understand the structural and cultural factors that shape a client’s life experience. With that knowledge, I can assist my clients by creating alternative pathways to employment.

Jonathan Fuentes graduated from St. Mary’s College of Maryland with a bachelor’s degree in sociology. He worked as an employment case manager at Catholic Charities in Washington, D.C., and is currently a graduate student at the University of Mannheim.

**Discussion Questions:** How have structural and cultural factors, such as those Jonathan describes, affected your ability to get a job? Why?
CONFRONTING SOCIAL PROBLEMS 2.7
REDDUCING ECONOMIC INEQUALITY

What can we do to reduce economic inequality?

In this activity, you will evaluate solutions to reducing inequality.
Write your answers to the following questions.
1. Which approaches to reducing inequality given in this section of the chapter best meet the criteria for a “good” solution according to social reproduction theory?
2. Which approaches to reducing inequality given in this section of the chapter best meet the criteria for a “good” solution according to the Davis–Moore hypothesis?

Check Your Understanding

1. What policies has the United States implemented in the past to decrease economic inequality?
2. What policies have other Global North nations used to successfully reduce economic inequality?
3. What current policies support high levels of economic inequality in the United States?
4. How can you use sociological tools to reduce inequality in the United States?

CONCLUSION

This chapter reveals how economic inequality can motivate people to work and contribute to society, but too much inequality harms both individuals and society. It also provides examples of how you can use your sociological skills to help reduce economic inequality. Your knowledge of the power of social structure can help you evaluate and propose policies that address economic inequality. In Chapter 3, you’ll read about a related social problem with serious negative consequences—racism—and what you can do to combat that as well.

REVIEW

1. What are social class and economic inequality?
   Social class is a position in a hierarchical society, defined by education, occupation, and income. In a class-based society, upward or downward movement is permissible. Economic inequality refers to the income and/or wealth gap among individuals, groups, or countries. People often remain in the social class in which they were born, in part because high levels of economic inequality make it difficult to move up or down in social class.

2. What are the two major sociological viewpoints on economic inequality?
   Social reproduction theory maintains that high economic inequality levels exist because of conscious efforts of the wealthiest people, who want to keep their advantages in society. Social reproduction theorists also argue that too much economic inequality is bad for individuals and society and does not allow talented, hardworking people to reach their full potential. People who favor the Davis–Moore hypothesis believe some economic inequality is good because without it, people would not invest money and time to get the training to do difficult jobs (e.g., medical doctor).
3. **How are wealth and income distributed in the United States and globally?**

   Within the United States, wealth and income are distributed very unequally, with the wealthiest 1% owning almost 40% of all U.S. wealth (vs. the poorest 80%, who own only 10% of U.S. wealth). Although economic inequality exists around the world, many other Global North countries have smaller wealth gaps. Economic inequality within the United States has grown sharply since the late 1970s. On the global level, economic inequality has decreased somewhat among nations but increased within nations. Women and people of color are especially likely to be on the lower end of the wealth and income scales.

4. **What is the likelihood of moving up or down in social class in the United States?**

   Since the early 1980s, mobility has decreased in the United States. Social class reproduction is now much more likely than it was in the decades before 1980, especially for people born into the wealthiest and poorest families. As economic inequality increases, the likelihood of moving into a different social class than the one into which you were born decreases. Mobility is more likely in many other Global North nations than in the United States because of those countries' strong redistribution policies that reduce economic inequality and promote mobility. Racist and sexist policies and other structural factors also limit mobility for members of nondominant groups.

5. **What has led to high levels of economic inequality in the United States?**

   Neoliberal policies, globalization, automation, and the decline of unions have increased economic inequality. Other social problems, such as racism, fixed gender roles, and educational inequalities, also contribute to economic inequality.

6. **What are some social problems caused by high levels of economic inequality?**

   High levels of economic inequality lead to physical and mental health problems, human rights violations, society’s loss of talented people’s contributions, limited social class mobility, environmental problems, violence, and political instability.

7. **What can we do to reduce economic inequality?**

   There are several ways to reduce economic inequality, including progressive taxation policies, wealth redistribution, a higher minimum wage, and strengthening unions. You can help tackle economic inequality by using sociological concepts and skills to help inform and promote inequality-reducing policies and social movements, and by fighting racism and sexism. You can also work in a helping profession as a paid employee or volunteer.

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**DISCUSSION QUESTION**

1. Why should you care about how much economic inequality exists in your society?

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**KEY TERMS**

- Cultural capital (p. 32)
- Davis–Moore hypothesis (p. 22)
- Economic inequality (p. 20)
- Globalization (p. 28)
- Income (p. 23)
- Intergenerational mobility (p. 26)
- Intrigenerational mobility (p. 26)
- Meritocracy (p. 21)
- Mobility (p. 26)
- Negative wealth (p. 25)
- Neoliberalism (p. 27)
- Redistribution policies (p. 25)
- Social capital (p. 32)
- Social class (p. 21)
- Social class reproduction (p. 27)
- Social reproduction theory (p. 22)
- Social structure (p. 21)
- Stratified (p. 20)
- Wealth (p. 23)