CHAPTER ONE

Why Increasing Inequality Is a Danger to Us All

It seems that people have always argued about how resources in society are shared. Disagreement usually centers around whether the share we get is an equitable and fair reward for our hard work, effort, and sacrifice. One school of thought believes that those who receive more must somehow deserve their higher incomes. Another view generally sees society as basically unfair. Scarce resources are passed out on the basis of inheritance by the wealthy to their offspring. This depiction asserts that persons in a ruling class or powerful elite maintain their positions of influence by use of coercion, oppression, naked aggression, and force. Such an elite preys upon the weak of society in maintaining and increasing its intrenched, high position.

This privileged class is often accused of cruel indifference toward the suffering going on within the masses they dominate. A famous quote attributed to Marie Antoinette just prior to the bloody French Revolution in the 18th century, starkly illustrates this attitude. The story is told that as queen of France, at the apex of an incredibly opulent and decadent court society, she was informed that the peasants had no bread, that they were literally starving to death. Her alleged offhand quote, "Let them eat cake," earned her a place of infamy within history.

There is evidence that she never voiced such incredible indifference.[1] Yet, if her lack of concern may not have stemmed from genuine cruelty, Marie Antoinette was ignorant regarding the true condition of the poor within French society. Being so out of touch with her starving subjects literally cost her head! The parallel message for any society with an economic elite which bleeds the very financial life from its citizenry ought to be crystal clear. To continue--through chicanery, fraud, and naked force--to

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[1]Bergen Evans, *Dictionary of Quotations* (New York: Delacorte, 1968), p. 85. The quotation was first recorded by Rousseau and attributed to an unknown princess, who said it well before Marie Antionette was born. Even though Marie may not have originated these words, another calloused member of the aristocracy did. These words serve to illustrate the indifference of a privileged economic elite to the suffering of common people.

steal from the poor to enrich those who are already abundantly wealthy carries an eventually extreme penalty. To follow a path of economic gluttony, while those around us literally starve, all but guarantees some form of French Revolution for contemporary society.

The Shrinking Middle Class

A more subdued but similar debate began simmering within the popular press in the United States during the last decade. Two interrelated threads which are not easily separated continued to reappear as major themes: (1) America has lost its economic dominance and leadership among the nations of the world; (2) Principally as a result of our country's precipitous decline, middle- and low-income Americans are less well off than what was promised for the economic reforms of the Reagan and Bush administrations. It is especially around the issue of a "shrinking middle class" that the debate has been fiercely fought. Concern was initially kicked off in 1982 with the publication of Bluestone and Harrison's book, *The Deindustrialization of America.*[2] The authors documented a decline in employment within unionized smokestack and goods-producing industries along with a parallel growth in nonunionized high technology and service-producing industries. Critics have surmised from these developments that the middle class is disappearing. A bipolarization of the earnings structure can be the only result. The substantially higher pay of manufacturing jobs has been replaced with low-paying service sector jobs--the McDonaldization of the work force.

Early commentrary by the mass media threw cold water on any notion that structural causes in the American economy could be to blame. *U.S. News and World Report*, for example, cited demographic trends as the primary cause for declining family income (the growth of new households, baby boomers glutting the job market and depressing wages, increasing divorce resulting in poor, female-headed households, etc.).[3] *Newsweek* presented some brief counter evidence to reject this notion,[4] while the

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[2]Barry Bluestone and Bennett Harrison, *The Deindustrialization of America* (New York: Basic Books, 1982).

[3]Karmin, Monroe W. "Is Middle Class Really Doomed to Shrivel Away?" *U.S. News and World Report* 9 (August 20, 1984):65.

[4] Robert J. Samuelson, "The Myth of the Missing Middle," *Newsweek* (July 1, 1985):50.

business community's *Forbes* magazine descended to the level of blaming the victim, concluding that "the most important contributor to the poverty statistics...is the fact that so many unmarried teenagers choose to have children they cannot support."[5] The same judgemental tone is echoed in a later article in *Forbes* as well:

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[5]William Baldwin, "Chicken Little's Income Statistics," *Forbes* 137 (March 24, 1986):68-69.

> So the statistics may be telling us more about families than about economic failure. If couples get divorced, if unmarried teenagers in a Chicago slum have babies, if a flood of inexperienced workers join the work force, that will drive down the income statistics. But it doesn't in itself mean the economy is falling apart.[6]

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[6]Jerry Flint, "Too Much Ain't Enough," *Forbes* 140 (July 13, 1987): 92 ff.

Less biased and more thorough, objective articles have been published in the popular press as well .[7] An article in *Business Week* briefly concluded that the income erosion was probably real ,and that to dismiss it as "merely" demographic was of little solace to a young family just getting its start.[8] The author concludes that unless economic growth produces an equitable distribution of benefits, something is deeply wrong with democratic capitalism. A *Time* magazine article sought to underline the importance of a healthy middle class:

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[7]Charlotte Salkowski, "Growth in Living Standard Slows for the American Middle Class," *Christian Science Monitor* (January 8, 1986): 1ff.

[8]Robert Kuttner, "A Shrinking Middle Class is a Call to Action," *Business Week* (September 16, 1985): 16.

> Any substantial decline of the middle class--even if it is partially psychological-would be ominous for the U.S. as a whole. It is the middle class whose values and ambitions set the tone for the country. Without it the U.S. could become a house divided in which Middle Americans would no longer serve as a powerful voice for political compromise...Virtually everyone agrees that America needs to maintain its middle class.[9]

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[9] "Is the Middle Class Shrinking?" *Time* (November 3, 1986):54-56.

Press coverage in the 1990s was more sympathetic to the dangerous consequences of growing income gaps between the rich and the poor. Perhaps this was because of the nearly unanimous opinion (discussed in a later section) given by a retinue of sociologists, political scientists, and economists that income inequality has increased. The dire effects are no longer possible to ignore. The very magazines that once lampooned the idea that growing inequality could be a threat now speak of its dangers. *The Wall Street Journal* reports that the widening rich-poor gap is a "threat to the social fabric."[10] In turn, the normally conservative *U.S. News and World Report* now states that:

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[10] Paulette Thomas, "Widening Rich-Poor Gap is a Threat to the 'Social Fabric,' White House Says," *Wall Street Journal* (February 15, 1994):A2.

> The growing income disparity between the rich and just about everybody else in America helps explain the country's current economic malaise and the deep pessimism that most citizens feel today about their future prospects...Our rivals in Japan and in most of Europe...have also managed to achieve better economic growth than America, and they have spread it in such a way that most people benefit...You dont' have to be a Marxist to believe that America as a whole would be a happier place if the fruits of economic growth had been spread a little more widely...it is time we faced up to the fact that something enormous and unattractive is happening to what we still imagine to be a middle-class nation.[11]

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[11] Paul R. Krugman, "Disparity and Despair," *U.S. News and World Report* (March 23, 1992):54-55.

A *Business Week* article concludes that heightened income inequality in the United States is undermining the ideal of equal opportunity, and that our country will continue to suffer both socially and economically if this is allowed to continue.[12] The *Washington Post* has dubbed this "the rich and poor problem," and traces the themes of inequity and income monopolization through current popular media reports--while arguing that the trends deserve even more attention.[13] The *Post*'s Robert Kuttner argues that such inequities can reach deep levels and become intrenched as unfairness is perpetuated from one generation to another in unexpected ways. A case in point is how affluent parents can subsdize their college-age children in low-paying internships with high career promise, while fledgling graduates from middle class or poor families are shut out because they cannot afford an apprenticeship position below a living wage.[14] The growth of income disparities, for Kuttner, is class warfare at its worst. He worries that politics today is dominated by a favored economic elite that promotes ugly social divisions and scapegoating, while ignoring the real pocketbook concerns of ordinary people.[15]

A Declining Consumer Base

Barbara Ehrenreich adopts a parallel theme echoing the grave consequences to growing income inequality in a *New York Times Magazine* article. She points out that in the area of consumer goods we have already become a two-tier society.[16] The middle is disappearing from the retail industry (Korvettes, Gimbels) while remaining middle income retailers such as Sears and Penney scramble to reposition for a more upscale market. The stores and chains that prosper tend to serve clientele at either extreme of the income spectrum: Saks and Bloomingdale's for the affluent; Kmart and Woolco for the underclass. While this may initially appear frivilous to those of us who are not involved with marketing, it should also be remembered that America is probably the most

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[12]Aaron Bernstein, "Inequality: How the Gap Between Rich and Poor Hurts the Economy," *Business Week* (August 15, 1994):78-81.

[13]Richard Harwood, "The Rich and Poor Problem," *The Washington Post National Weekly Edition* (June 19-25, 1995):29.

[14]Robert Kuttner, "Kids, Parents and the Economy," *The Washington Post National Weekly Edition* (July 3-9, 1995):5.

[15]Robert Kuttner, "The Real Class War," *The Washington Post National Weekly Edition* (July 31-August 6, 1995):5.

[16]Barbara Ehrenreich, "Is The Middle Class Doomed?" *New YorkT imes Magazine* (September 7, 1986):44 ff.

consumer-oriented country in the world.[17] No one knows for sure what types of reaction could ensue if today's relatively plentiful flow of goods becomes tomorrow's trickle. Moreover, the newly working poor who now staff the shops in malls may have their class-consciousness expanded as they sell to the wealthy luxury goods they themselves can no longer possibly afford. The outcome may be a nation cut in half. Religious sectarianism may increase along with political extremism, perhaps culminating in the rise of a reactionary, militant right.[18]

A Threat to Democracy

Is this overly dramatic? Can we expect a fundamental alteration in the American way of life, a threat to our basic democratic institutions if economic inequality gets worse? One is tempted to dismiss popular media articles as sensationalistic and exaggerated, no matter how persuasive they seem. But throughout the past two decades it has become more apparent to average citizens that there is little hope in capturing the American dream of a stable and secure middle-class income. In a country that has defined itself as "the land of opportunity"--reality now provides a jarring contrast of institutionalized low income, a theme which will be developed later in this book. Continued erosion of income seems guaranteed to leave many unhappy. When viable means no longer exist to achieve financial security, tensions will build to a boiling point.

Under such stressful conditions, it should be expected that a negative backlash would eventually develop. A long standing theory holds that revolutions, collective violence, and social unrest will follow in the aftermath of generalized feelings of relative deprivation. Revolutions are said to be more likely after a long period of economic development, followed by a sharp reversal of fortune.[19] In short, continuous progress breeds high expectations, whereas an abrupt economic reversal highlights the gap with reality, thereby increasing discontent. Using a Frustration-Agression approach, Gurr sees

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[17]For a detailed discussion of consumerism in America and its associated insatiability, together with the spiritual malaise and accompanying huge environmental costs connected with its development, see Alan Thein Durning, *How Much is Enough?* (New York: W.W. Norton, 1992).

[18]Ehrenreich, Barbara. "Is The Middle Class Doomed?", p. 63.

[19]James C. Davies, "Toward a Theory of Revolution," *American Sociological Review* Vol. 6(1962):5-19; James C. Davies, "The J-Curve of Rising and Declining Satisfactions as a Cause of Some Great Revolutions and a Contained Rebellion." In H.D. Graham and T.R. Gurr (eds.) *Violence in America* (New York:Praeger, 1969).

revolution growing from sharp feelings of relative deprivation among large numbers of dissastisfied people.[20]

Such social-psychological approaches have come under heavy criticism in the past two decades. Among shortcomings listed are the lack of good empirical evidence, the well-known gap between attitude and behavior, vague concept/measurement specification, and questions regarding the causal order between relative deprivation and collective action.[21] No doubt the most basic criticism is the leap of faith researchers must take between macro events--such as revolutions--premised upon micro conditions--such as feelings.[22] In the end, these psychological theories disregard how political mobilization takes place via organized elites contending for power.[23]

Yet on a case study basis, how income inequality begets political violence is clearly illustrated by events in Panama. In this example, income deterioration led to mobilized collective action as opposed to individualized, random violence. Weeks of violent demonstrations plagued the city of Colon as the poor made an attempt to focus public attention on their declining living standards in comparison to the wealthy who had not suffered any setbacks.[24] Although Panama has one of the highest per-capita income levels of any developing country ($1,935), it is cursed by outrageous maldistribution of income. Over one-third of its population lives in extreme poverty as officially defined by

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[20]T. R. Gurr, *Why Men Rebel* (New Jersey: Princeton University Press, 1970).

[21]Joan Neff Gurney and Kathleen J. Tierney, "Relative Deprivation and Social Movements: A Critical Look at Twenty Years of Theory and Research." *Sociological Quarterly* 23(1982):33-47.

[22]Theda Skocpol, "Explaining Revolutions: In Quest of a Social Structural Approach," in L.A. Coser and O.N. Larsen (eds.) *The Uses of Controversy in Sociology* (New York: The Free Press, 1976), p. 158.

[23]Adam Szirmai, *Inequality Observed: A Study of Attitudes Towards Income Inequality* (Brookfield, Vt.: Avebury, 1988), p. 305.

[24]Nathaniel Sheppard Jr., "In Panama, Gap Between Rich and Poor Grows at Alarming Rate," *Chicago Tribune* (May 7, 1992):Section 1A:32.

the government, and even this proportion had increased by 59 percent during the year leading up to the riots.

A more familiar example of inequality begetting violence unfolded closer to home. In the wake of the acquittal of the white policemen who beat black motorist Rodney King while arresting him, Los Angeles erupted in an explosion of violence, arson, looting, and death. After it was all over, the death toll stood at 58, recorded injuries tallied 2,383 victims (including 228 who were in critical condition), and property damage had soared above $785 million.[25] The Rodney King verdict was the proverbial spark that set off the powder keg. While police brutality is a serious problem, the underlying issue has more to do with racism coupled with severe income inequality. Los Angeles is without doubt one of the most racially and ethnically heterogeneous cities in the United States, if not in the world.[26] Projections indicate that non-Hispanic whites will become a minority of its inhabitants by the turn of the century. Thus, the underlying conditions for racial conflict were in place long before the latest explosion of violence.

But since its inception, the City of Angels has also been under the heel of upper class domination by wealthy and powerful business elites.[27] As of 1980, income disparities among households in Los Angeles County put the city within the top 5 percent of the most unequal counties in the nation.[28] Even to a casual visitor, the contrasts offered by Rodeo Drive and Beverly Hills as opposed to East Los Angeles are quite dramatic. The picture of Porsches driving by large pools of homeless people in the downtown area form vivid and lasting snapshots which reflect the depravity of such piercing inequality.

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[25]News Services, "Bush Announces Riot Crimes Probe," *Minneapolis Star Tribune* (May 6, 1992):1A, 12A.

[26]David Rieff, *Los Angeles: Capital of the Third World* (New York:Simon & Schuster, 1991).

[27]Mike Davis, *City of Quartz: Excavating the Future in Los Angeles* (New York: Verso, 1990).

[28]Denny Braun, *The Rich Get Richer: The Rise of Income Inequality in the United States and the World,* 1st edition (Chicago: Nelson-Hall, 1990), p. 238.

Preceding the riots, economic deterioration for broad segments of Angelenos rose over the 1969 to 1987 period. Median family income went down in constant dollars. The poverty rate climbed from 11.0 percent to 15.6 percent--a rate rise of 42 percent in less than two decades. Although the poverty rate for white persons actually declined in the 1969-87 period, ending at 6.9 percent, it went up sharply for all minorities. By 1987, rates were double and triple that of whites: Asians were at 14.2 percent while one in four black or Latino residents were poor.[29] The ratio of income going to the poorest 20 percent of families went down compared to the percentage going to the richest quintile.[30] In short, while this Pacific-rim city went through an unprecedented economic boom, large segments of its inhabitants (many of whom are minorities and/or recent immigrants) actually became worse off than before the explosive growth began. The beating of Rodney King was reprehensible. But the beating was merely the catalyst to an explosive brew of income inequality and racial injustice.

The ability of a given society to meet the basic needs of its citizens would seem a major indicator of its health and staying power. The very foundations of democracy may depend upon a government's ability to maintain the economic well-being of its population. Yet case studies, in the end, only provide anecdotal proof of an income inequality/political violence relationship. Evidence from sociology of a more quantitative nature does indicate, however, that political extremism and violence will result when income inequality increases. For example, income inequality has been found to be the most important predictor of police-caused homicides. U.S. states which were most economically unequal were also the most likely to have the largest rate of killings committed by policemen.[31]

In an important comparative study, Edward Muller analyzed over 50 countries where income inequality data existed. It was discovered that the death rate from political violence in countries (regime repressiveness, coups, revolutions, disappearances, etc.) actually goes up as income inequality increases.[32] As a result, countries which follow a

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[29]Paul Ong, *The Widening Divide: Income Inequality and Poverty in Los Angeles* (Los Angeles: UCLA Graduate School of Architecture and Urban Planning, 1989), p. 119.

[30]Ibid., pp. 15-16.

[31]David Jacobs and David Britt, "Inequality and Police Use of Deadly Force: An Empirical Assessment of a Conflict Hypothesis" *Social Problems* 26,4(1979):403-412.

[32]Edward A Muller, "Income Inequality, Regime Repressiveness, and Political Violence," *American Sociological Review* 50(1985):47-61; Edward N. Muller and

strategy of development which ignores distributional equality are more likely to experience higher levels of mass political violence. On the international scene, this is called the "Brazil Model"--named after the country so closely identified with rapid accumulation of wealth through efforts to aid rich land-owners and industrialists while virtually ignoring the welfare of the poorer masses.

Further development of this research, examining the impact of income inequality upon democracy, led to an even more important discovery. Muller's latest research of 64 countries clearly shows that progressive economic development within LDCs will not necessarily yield greater increases in democracy. Greater income inequality among countries at intermediate levels of economic development has actually led to substantial declines in levels of democracy, despite gains in Gross Domestic Product per capita.[33] In essence, no matter how wealthy a country becomes, it is still vulnerable to political violence and instability if its distribution of income is fundamentally unequal. Conversely, even if a country is relatively poor--democratic institutions will survive and flourish if income is distributed in a fair manner. It may have become a cliche' to state that the very survival of our democratic way of life is dependent upon how a government treats its citizens, but concrete evidence now gives new meaning to this axiom.[34]

It is important to note that the income inequality/political violence thesis has also been seriously challenged, and that some scholars dispute its very existence. A moderate caution by Zwicky states that research results may vary, depending upon the time period used in various studies.[35] In essence, the income inequality/political violence relationship evident among nations during the 1960s seems to have disappeared in the 1970s. Zwicky does identify a more potent predictive variable of political violence,

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Mitchell A. Seligson, "Inequality and Insurgency," *American Political Science Review* 81,2(June, 1987):427-451. See also Michael Timberlake and Kirk R. Williams, "Structural Position in the World-System, Inequality, and Political Violence," *Journal of Political and Military Sociology* 15,1(1987):1-15; Sunil Kukreja and James D. Miley, "Government Repression: A Test of the Conflict, World-System Position, and Modernization Hypotheses," International Journal of Contemporary Sociology 26,3/4(1989):147-157.

[33]Edward N. Muller, "Economic Determinants of Democracy," *American Sociological Review* 60, 6 (December, 1995), pp. 980-981.

[34] Edward N. Muller, "Democracy, Economic Development, and Income Inequality." *American Sociological Review,* 53(1988):66.

[35]Heinrich Zwicky, "Income Inequality and Violent Conflicts in Developing Countries," *Research in Inequality and Social Conflict* 1(1989):78.

however, by measuring the degree of increasing inequality. In the end, for Zwicky it is not necessarily the level of income inequality, but the rate of change in this variable that is the culprit feeding violence. Although his panel design is an improvement over typical studies, Zwicky's research does have the drawback of being limited to developing countries only.

One of the most outspoken and persuasive critics disputing the income inequality/political violence connection has been Erich Weede. In cross-national research which attempted to use improved data and measurement techniques, Weede found that income inequality did not contribute to political violence within countries.[36] In questioning Muller's research, Weede has pointed out that relevant predictive variables were left out (together with the country of Taiwan), which would have radically altered Muller's conclusions.[37] Muller's research has also been criticized on the basis of how democracy was measured (Bollen and Jackman 1989) and using a questionable data source for deaths due to political violence.[38] Nonetheless, Muller has capably defended his findings, proving they remain strong using a variety of different data sets and substituting diverse independent variables.[39]

Mark Irving Lichbach has offered an even broader and more thorough critique of the income inequality/political violence theme. After reviewing an exhaustive array of 43 studies in several different disciplines, Lichbach concludes that research results frequently contradict one another, while the belief that economic inequality produces political violence remains unproven[40]. Much of the confusion and disagreemnt has been caused by differences in how economic inequality and political violence are measured, which nations are included in the analysis, variation in control variables employed, dissimilarity in time frames, and the absence of explanatory theory.

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[36]Erich Weede, "Some New Evidence on Correlates of Political Violence:Income Inequality, Regime Repressiveness, and Economic Development," *European Sociological Review* 3,2(September, 1987):106.

[37]Erich Weede, "Democracy and Income Inequality Reconsidered," *American Sociological Review* 54,5:865-868.

[38]Kenneth A. Bollen and Robert W. Jackman, ""Democracy, Stability, and Dichotomies," *American Sociological Review* 54,4(1989):612-613; John Hartman and Wey Hsiao, "Inequality and Violence Issues: Issues of Theory and Measurement," *American Sociological Review* 53,5(1988):795.

[39]Edward A. Muller, "Inequality, Repression, and Violence: Issues of Theory and Research Design," *American Sociological Review* 53,5(1988):799-806; Edward A Muller, "Democracy and Inequality (Reply to Weede)," *American Sociological Review* 54,5(1989):868-871.

[40]Mark Irving Lichbach, "An Evaluation of 'Does Economic Inequality Breed Political Conflict?' Studies," *World Politics* 41,4(July, 1989):431-470.

While Lichbach does a good job of identifying contradictory findings, this weakness remains true of nearly all research. In the social sciences, it is rare to get complete agreement on any causal association--let alone a reasonable consensus. Scholars may approve of his call for clearly defined theory to more firmly guide this type of research in the future. Yet anyone who has witnessed the endless nit-picking and bickering among theorists will realize such a path may not necessarily lead to enlightenment either. In the end, Lichbach does not explain the persistence of the income inequality-political conflict nexus, which has tended to surface in most sociological studies over the past few decades. He also is unbiased in identifying the strengths of this approach: data are now more comprehensive, a consensus on measuring the dependent variable has evolved (deaths due to domestic political conflicts), control variables are more relevant, and statistical techniques are better.[41]

Such improvements can be seen in the most recent study of political violence. Terry Boswell and William J. Dixon utilize a sophisticated empirical model in their 63 nation study which employs a plethora of competing causal variables to explain political violence. The measurement of independent variables is built with complex mixtures of variables found to be predictive in past research. Among the independent, predictive variables is income inequality, which is again found to be significantly related to political violence.[42] Lastly, the very latest study (again by Boswell and Dixon) introduces a Marxist component to the equation, essentially meeting Lichbach's call for a more developed theoretical base.[43] Once again, the effect of higher incomeward inequality causing more political violence proves to be strong and robust. Rising income inequality--as measured by the percent of income received by the richest twenty percent of a country's population-- effectively explains mounting deaths due to violent rebellion, no matter what combination of competing independent variables are used. The ongoing debate over whether there really is a connection between growing income inequality and political violence will continue in the future. Up to this point, however, income inequality has endured as a compelling variable predicting political violence. Its negative impact persists in study after study. Thus, to dismiss the importance of income inequality as a contributor to political violence would be unwarranted and rash.

An Increase in Crime

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[41]Ibid., p. 451.

[42]Terry Boswell and William J. Dixon, "Dependency and Rebellion: A Cross-National Analysis," *American Sociological Review* 55(August, 1990):549-550.

[43]Terry Boswell and William J. Dixon, "Marx's Theory of Rebellion: A Cross-National Analysis of Class Exploitation, Economic Development, and Violent Revolt," *American Sociological Review* 58(October, 1993):681-702.

The income inequality/violence relationship has received particular attention domestically with reference to crime rates. Nearly all research distinguishes between relative income inequality (usually measured by the Gini ratio, which will be explained later) versus absolute income inequality (generally measured by the percent of persons under poverty). Judith and Peter Blau have been the most lucid in framing the essential research question, which alludes to frustration-agression and relative deprivation.[44] In particular, the Blaus point out that income inequality need not necessarily spawn political rebellion. Inequities can be so great as to deprive the lower strata of the strength to organize successful collective action such as a strike or revolution. For the Blaus, great inequality spells a potential for violence. When collective action is blocked, unrest remains diffuse and finds its outlet in criminal violence such as murder, rape, robbery, and assault.

Another strand of theory is also generally included in the inequality/crime relationship via the concept of anomie.[45] Racial and ethnic discrimination, layered together with growing income inequality, spawns prevalent disorganization and distrust. This discontent is reflected in a sense of social injustice brought on by the gap between real life versus the egalitarian values and norms of American society. In short, excessive income inequality undermines the legitimacy of society and leads to general demoralization. Under conditions of great income inequality, respect for the law goes down as crime goes up.[46]

Thus, there is good theoretical reason to suspect a strong relationship between income inequality and criminal violence--whether this stems from a relative deprivation or disorganization /anomie tradition. On a case study basis, Brazil provides a fitting example. This country has a comparatively high gross national product (GNP) per capita for less developed countries, at $2,770 in 1992.[47] But Brazil also has long held the record for the world's highest recorded level of relative income inequality--with over one half of all household income going to the wealthiest 10 percent of its population while the poorest fifth of households receive only 2.1% of all income.[48] Nowhere is this extreme inequality more evident than in the city of Rio de Janeiro, which could be described as

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[44]Judith R. Blau and Peter M. Blau, "The Cost of Inequality:Metropolitan Structure and Violent Crime," *American Sociological Revie,* 47(1982):114-129.

[45]Emile Durkheim, *Suicide*, Translated by George Simpson (New York: Free Press, 1964, 1897}).

[46]Steven F.Messner, "Social Development, Social Equality, and Homicide: A Cross-National Test of a Durkheimian Model," *Social Forces* 61(1982):225-240.

[47]International Economics Department, *World Development Indicators 1994* (Washington, D.C.: World Bank, 1995), Table 1.

[48]Ibid., Table 30.

two blocks of Paris, winding along breathtakingly scenic beaches, that is surrounded by Ethiopia. If poverty is the norm in the hilly favellas, opulence rules in the nightclubs of Rio for the privileged few who are wealthy. The contrast spawns violence, which has emerged in Rio's homicide rate. While New York City, which is roughly the same size as Rio, had 1,896 murders during 1988, Rio suffers from a virtual avalanche of homicide--recording 500 killings in the month of April, 1989, alone.[49] Traffic from tourism has plunged as a result of this mushrooming violence, which has culminated in: a rising homicide rate (one-fourth increase in two years); ten people being shot through the head in just 24 hours; armed robberies occuring at funeral processions; death squads made up of moonlighting policemen, etc[50] The widespread, everyday routinesss of such terminal violence leads to a culture of institutionalized indifference where grief over death becomes almost completely unknown.[51]

The overall empirical evidence documenting the income inequality/criminal violence relationship is quite impressive as well. In a global context, a remarkably consistent finding is that income inequality is directly related to homicide levels[52] This relationship is particularly lethal when overlayered by economic discrimination against racial, religious, or ethnic groups.[53] When U.S. data is examined, the same trends identified on a global level repeat themselves within our boundaries. Although there are a few exceptions, most research studies do corroborate the positive relationship between relative income inequality and high crime rates[54] as well as absolute deprivation (high poverty rates) and increased crime.[55]

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[49]Roger Cohen, ""Rio's Murder Wave Takes on the Aura of a Class Struggle," *Wall Street Journal* (May 9, 1989):A1,A15.

[50]Nancy Gibbs, "So You Think Your City's Got Crime?" *Time* 135,10(March 5, 1990):54-55.

[51]Nancy Scheper-Hughes, *Death Without Weeping: The Violence of Everyday Life in Brazil* (Berkeley, CA: University of California Press, 1992).

[52]Harvey Krahn, Timothy F. Hartnagel, and John W. Gartrell, "Income Inequality and Homicide Rates: Cross-National Data and Criminological Theories." *Criminology* 24(1986):269-95.

[53]Steven F. Messner, "Economic Discrimination and Societal Homicide Rates: Further Evidence on the Cost of Inequality." *American Sociological Review* 54(1989):606.

[54]Miles D. Harer, *Relative Deprivation and Crime: The Effects of Income Inequality on Black and White Arrest*

The effect of income inequality is evident in the increase of rape, robbery, and murder among states in the U.S. The more relative income inequality in a state, the higher its murder rates is.[56] The rate of increase for income inequality is directly related to higher rates of robbery (where it is the most important predictor) and rape, which may reflect the anomy and disorganization produced by a rapid change in relative income. Whether income inequality is regarded as reflective of societal disorganization or relative deprivation, its ill effect upon American society is obvious when measured by violent crime rates. The increase of inequality is the highest predictor of robbery and significantly predictive of rape, while high levels of income inequality significantly predict higher murder rates. Figure 1.1 graphically illustrates the rise in murder rates as poverty levels among American families increase.

(FIGURE 1.1 about Here)

Given the affinity between income inequality and criminal violence, it will come as no surprise that the two trends have been rising in tandem over the past two decades. The Federal Bureau of Investigation (FBI) categorizes violent crimes as murder, forcible rape, robbery, and aggravated assault. The rates are measured as the number of offenses in these categories known to the police, per 100,000 population. In 1979, 549 persons per 100,000 had encountered at least one of these crimes; by 1992 this composite criminal violence rate had risen to 758 per 100,000--for an increase in the violent crime *rate* of 38 percent.[57] While the over-all murder rate is down slightly by four percent in this time period, there are ominous signs of future growth. A whole new generation appears to be undergoing an apprenticeship in homicide. Murder rates by teenagers have increased at an explosive rate in the last decade, doubling for white male teens and tripling for black male teens.[58] In fact, the number of homicides among juveniles involving handguns increased fivefold between 1984 and 1993. With such an explosion

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Rates. Ph.D. Dissertation, Pennsylvania State University, 1987.

[55]Belknap, Joanne. *The Effects of Poverty, Income Inequality, and Unemployment on Crime Rates*. Ph.D. Dissertation, Michigan State University, 1986.

[56]Denny Braun, "Negative Consequences to the Rise of Income Inequality," *Research in Politics and Society,* 5(1995):23.

[57]U.S. Bureau of the Census, *Statistical Abstract of the United States 1994* on CD ROM (Washington, D.C.: U.S. Government Printing Office, 1994), Table 301.

[58]Jim Dawson, "Youth Homicide Reaching Grim Highs," *Minneapolis Star Tribune,* February 18, 1995:6A.

of youthful murders and the projected teen increase of 20 percent over the next decade, arrests of juveniles for violent crimes will double by the year 2010.[59] Most would agree that even now the United States has an unacceptable level of criminal violence, especially in comparison to other industrial countries. Our murder rate of 12.4 per 100,000 in the 1975-80 period compares dismally with Canada (2.7), Australia (2.5), Britain (1.6), Germany (1.2), and Japan (0.9).[60]

The American propensity for violence ultimately shows up in our crowded prisons. The incarceration rate in the U.S., now at 519 per 100,000 persons, is 5 to 14 times higher than our trading partners: England (93), France (84), Germany (80), and Japan (36).[61] Indeed, America has the dubious record of having the second highest imprisonment rate in the world, barely below that of Russia (558) but well ahead of South Africa (368). By 1995, nearly five million people in our country were under some correctional supervision. One and a half million persons were actually behind bars, with another 2.8 million on probation and 671,000 on parole.[62]

While no one can feel good about the deluge of violent crime in our nation, many might derive comfort from our elevated imprisonment rates. Yet this may be a delusion. Rather than controlling crime, little evidence exists that imprisonment actually lessens crime. Criminal justice experts point out that "get-tough" efforts will not work. During the past two decades, the added billions spent for additional police and more prisons resulted in a five-fold increase in prisoners, yet our violent crime rates have continued to soar.[63] If locking up those who break the law truly contributes to a safer society, the United States should be the safest country in the world. It is clearly not.

While persons who commit violent crime should not go free, our criminal justice system is not without a bias that may enflame crime even further. Not only are have-nots resentful, and shutoff from any hope of achieving success--income inequality is also associated with harsher punishment. Those who are less well-off are more likely to do time and generally receive longer sentences.[64] This could create a downward cycle for

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[59]Anonymous, "Violent Juvenile Crime Up Sharply, " *Minneapolis Star Tribune*, September 8, 1995:7A.

[60]Pierre Thomas, "Getting to the Bottom Line on Crime," *The Washington Post National Weekly Edition*, July 18-24, 1995:31.

[61]News Services, "Inmate Census Highest of all Time," *Minneapolis Star Tribune,* September 13, 1994:7A.

[62]Associated Press, "Federal and State Prisons Getting Even More Crowded," *Minneapolis Star Tribune* August 10, 1995:19A.

[63]Sharon Schmickle, "Crime Experts see Flaws in Bill's Focus," *Minneapolis Star Tribune,* August 14, 1994:16A.

[64]Martha A. Myers, "Economic Inequality and Discrimination in Sentencing," *Social Forces* 65,3(March, 1987):754-755.

those in poverty. Since the poor experience discriminatory sentencing, their anger could feed even more violent crime in an effort at retribution.

Without doubt, our national crime policies have been reactive rather than proactive. The cost associated with containing crimes after they have been committed is exorbinant. At this point, the United States is spending $163 billion per year as a result of crime:

> Crime costs include better than $31.8 billion at the state and federal level for police, $24.9 billion for corrections, $36.9 billion in retail losses, $20 billion in insurance fraud, and $17.6 billion for individual property losses and medical expenses. Still $15 billion more is spent on private security, $9.3 billion on court costs and $7.2 billion on prosecution and public defense...[In total] this is nearly two-thirds of what America spends on national defense and more than five times as much as the federal government spends on education.[65]

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[65]Thomas, "Bottom Line," p. 31.

The average cost to house an inmate is now $25,000 per year. Even the mounting toll of homicide victims costs a large amount. An outright killing costs $7,000 in various services within Washington, D.C. If the victim lives and recovers without complications, the price tag goes up to an average $21,000 (keep in mind that these are public costs, since most victims are also uninsured).[66]

The economic crime ledger does not even begin to address the human cost in suffering, which cannot be assigned a dollar amount. But the focus on money brings us to the heart of the matter. Income inequality breeds violent crime which costs all of us, even if we are not directly in the line of fire. The price is not only set in dollars. It increases our fear level and stunts our personal freedom to appear in public life wherever we may choose. It decreases the general quality of life, even within the safe confines of suburbia, because the threats are always lurking on the freeway, around a corner, at a shopping mall, and so on. The punitive approach to crime seems to focus more on the symptoms than the disease. By spending more money on programs designed for prevention, investing in education, creating opportunities for training, providing meaningful jobs, guaranteeing health insurance for all, and fighting the poverty that breeds crime--we attack the insidious nature of crime at its root. Above all, by reducing income inequality, we reduce crime.

Deteriorating Family Life

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[66]Katherine McFate, "The Grim Economics of Violence," *Focus* (October, 1994):7.

We thus have a multitude of reasons for being concerned with preventing and lessening income inequality, both within our own society and those of our neighbors in this one-world community we are part of. If survival of basic democratic institutions in our own country or world unrest still seems remote or unlikely, there is much reason for worry closer to home. Beginning in 1973, the average real wage of American workers in constant (inflation adjusted) dollars began to drop sharply.[67] A 10.5 percent drop in hourly wages occured just in the 1977 through 1989 period alone, whereas average wages fell an additional 2.8 percent from 1989 through 1994.[68] A study done by Danziger and Gottschalk shows that the share of national income going to American families with children declined by nearly 20 percent within one decade.[69] American families with children have lost a large amount of real income, especially in the bottom three quintile groups (poorest 60 percent of families)--but families with children in the lowest group lost proportionately more income. In fact, the poorest fifth of families lost over 30 percent of their income (in constant dollars, after inflation is subtracted out) between 1973 and 1990.[70]

Given these trends, in the past two decades women have increasingly entered the labor force in an effort to maintain living standards. Although there are many positive consequences to this trend, an unrecognized fact is that the doubling of female participation in the labor force since 1940 is equivalent to a 20 percent increase in the average family's paid workweek. People work more and have less time for leisure or family activities because of economic deterioration.

Disaster can also ensue with divorce, which has grown sharply within the past several decades. For example, disposable income falls 73 percent for ex-wives within a year of the divorce whereas it rises by 42 percent for ex-husbands.[71] While the

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[67]Bennett Harrison and Barry Bluestone, *The Great U-Turn: Corporate Restructuring and the Polarizing of America*, (New York: Basic Books, 1988), pp. 112-113. See also David Kotz, "Feeling Overworked? Here's Why," *Utne Reader* 28 (July/August, 1988):56-60.

[68]Lawrence Mishel and Jared Bernstein, *The State of Working America 1994-95* (New York: M. E. Sharpe, 1994), p.113..

[69]Sheldon Danziger and Peter Gottschalk, "Families with Children Have Fared Worse." *Challenge* 29 (March-April, 1986):40-47.

[70]Danziger, Sandra K. and Sheldon Danziger, "Child Poverty and Public Policy: Toward a Comprehensive Antipoverty Agenda," *Daedalus* 122(Winter, 1993): p. 63.

[71] Lenore Weitzman, *The Divorce Revolution* (New York: Free Press, 1987), p.323.

"feminization of poverty" can be easily documented statistically,[72] such trends bode poorly for the children who are assigned to the custody of these women, which happens in 90 percent of the cases. A vicious downward spiral is also apparent with divorce. To begin with, as relative income inequality increases, so does the divorce rate.[73] Parents that are least well-off economically are the most likely candidates for divorce.[74] Two parent families under poverty have twice the risk of breaking up than non-poor two parent families[75] Once divorced, women with children have at best only a three-out-of-four chance of getting a child support award; of those supposed to receive support, only three-out-of-four women do. In the end, barely one half of divorced women with children in the home actually receive any financial support from their ex-husbands. When they do get support, it tends to be paltry (the mean award, which typically includes more than one child, is $277 per month).[76] At rock bottom, income inequality is both a cause of divorce--and a consequence of divorce. Others have eloquently addressed the emotional pain and psychological consequences to the explosion in divorce.[77] The impact on children forced to grow up under poverty, however, is dealt with below.

The grave effects of income inequality and poverty upon children led the Carnegie Corporation of New York to form a task force on meeting the needs of young children. In their report, the task force identified a "quiet crisis" unfolding in America for

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[72]William P. O'Hare, *America's Welfare Population: Who Gets What* (Washington, D.C.: Population Reference Bureau, 1987); William P. O'Hare, "Poverty in America: Trends and New Patterns," *Population Bulletin* 40,3 (1985).

[73]Morton Owen Schapiro, "Socio-Economic Effects of Relative Income and Relative Cohort Size," *Social Science Research* 17(1988), p. 377.

[74]Graham B. Spanier and Paul C. Glick, "Marital Instability in the United States: Some Correlates and Recent Changes," *Family Relations* 31(July, 1981):329-338.

[75]Arloc Sherman, *Wasting America's Future: The Children's Defense Fund Report on the Costs of Child Poverty* (Boston: Beacon Press, 1994), p. 37.

[76]U.S. Bureau of the Census, *Statistical Abstract of the United States 1994* on CD ROM (Washington, D.C.: U.S. Government Printing Office, 1994), Table 604.

[77]Sylvia Ann Hewlett, *When the Bough Breaks: The Cost of Neglecting Our Children* (New York: Basic Books, 1991), pp.88-94, 107-116.

the especially susceptible children who are under three.[78] The crisis was made up of the explosions in unmarried mothers, divorce, children in poverty, foster care, eroding health care, abuse, neglect, etc. Although to some degree, children from all walks of life may be exposed to these threats, such dangers are magnified for poor families and their children.

Probably the best advocate for children who are forced to struggle with the very real perils of poverty has been the Children's Defense Fund, based in Washington, D.C. This organization has been tireless in its zeal to protect poor children through a variety of channels: political pressure, education, research, and prayer. Without its existence, the state of poor children in America would be even worse. Yet the evidence this group brings to bear, documenting in detail the harmful effects of poverty--paints a grotesque picture. When parents experience a job or income loss, they are more prone to stress and depression. Having a depressed and stressed mother also increases the likelihood that children will have more medical, sleep, behavioral, and attention deficit problems as they grow up. Poor mothers tend to use more harsh and inconsistent discipline with their children.[79] Parents under stress value obedience more and are more likely to use physical punishment--which frequently can lead to outright child abuse. Without doubt, poverty has been the single most predictable risk factor for child abuse and neglect. The rate of abuse for children in families with annual incomes below $15,000 was 4.5 times higher than families above this level.[80] Current research finds a consistent and disproportionately large rate of abuse and neglect among lower class families, with the most severe cases of maltreatment among the poorest of poor families. Among families reported for physical abuse, 29 percent included an unemployed caregiver (42 percent among neglect cases).[81] Poor children experience more problems with conduct disorder, behavioral problems, depression, low levels of self-confidence, and social adaptation. Recent research shows that the longer a child must exist under poverty, the more likely the child is to suffer from frequent mood changes, and from feelings of being unloved, fearfulness, confusion, and worthlessness. Such children are reported more often by poor mothers as being high strung, obsessive, unhappy, withdrawn, clinging, too demanding, and overly dependent.[82] For those children currently living under poverty, the same study found more disruptive behaviors with the following symptoms: cheats,

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[78]Carnegie Task Force, *Starting Points: Meeting the Needs of Young Children* (New York: Carnegie Corporation, 1994), pp. 3-22.

[79]Arloc Sherman, *Wasting America's Future*, pp. 30-36.

[80]Ibid., p.85.

[81]Joan I. Vondra, "Childhood Poverty and Child Maltreatment," in Judith A. Chafel (Ed.), *Child Poverty and Public Policy* (Washington, D.C. : the Urban Institute Press, 1993), p. 128.

[82] Jane D. McLeod and Michael J. Shanahan, "Poverty, Parenting, and Children's Mental Health," *American Sociological Review* 58(June, 1993): p. 357.

argues, bullies, disobedient, trouble getting along, impulsive, not liked, restless, stubborn, strong temper, and destructive. Poor mothers are significantly more likely to spank and to be less emotionally responsive to their children (scolding, not answering children's questions, voice not conveying positive feelings).

Not only are you cursed if you are a child who must grow up poor, once you can bear children--you end up having a greater probability of bringing offspring into this world who are also likely to live under poverty. It is a fact that poor teenage women who have below average basic skills are more than five times as likely to have children as nonpoor teenage women with average or better basic skills.[83] Fully 83 percent of teenagers who give birth are from economically disadvantaged households.[84] Nearly one half of teenagers who give birth end up on welfare within four years; the same fate awaits approximately three out of four unmarried teens.[85] And thus the cycle of poverty is perpetuated.

Ill-Health and Early Death

Poverty and rising income inequality are likely to produce both physical and social-psychological stress for individuals and families who must suffer its ill-effects. This, in turn, can lead to increasing susceptibility to illness and an early death. Poverty and absolute deprivation bear directly upon our chances of staying alive. For example, the mortality rate among American children in families elgible to receive Aid to Families with Dependent Children (AFDC) is three times higher than among non-poor children.[86] A study in Maine found that poor children were at a greater risk of disease-related deaths (3.5 times higher). They were 2.6 times more likely to die of accidents and five times more likely to die of homicide than non-poor children. Applying these findings to the United States as a whole would mean that 10,000 children die from poverty each year.[87]

Part of this higher death rate is because women in poverty are much less likely to get any prenatal care, which leads to complications in pregnancy and low birth weights of infants upon delivery. Pediatricians agree that an infant born with a birth weight below 2,500 grams (about 5.47 pounds) poses an exceptional health risk, where survival

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[83]Clifford M. Johnson, et. al., *Child Poverty in America* (Washington, D.C.: Children's Defense Fund, 1991), p. 16.

[84]Children's Defense Fund, *The State of America's Children Yearbook 1995* (Washington, D.C.: Children's Defense Fund, 1995), p. 82.

[85]Carnegie Task Force, *Starting Points*, p. 21.

[86]M. D. Nelson, Jr., "Socioeconomic Status and Childhood Mortality in North Carolina," *American Journal of Public Health* 82(August, 1992):1131-1133.

[87]Johnson, *Child Poverty in America*, p. 16.

becomes very tenuous.[88] Because of increasing financial barriers and inadequate health care provision, more than one-third of pregnant women (1.3 million per year) receive insufficient prenatal care. One-fourth of women have no coverage at the start of their preganancy, and 15 percent are not covered at the time of delivery.[89] This ultimately means that 7 percent of all American babies are low-weight (13 percent of all Black babies). The situation has even become worse, since a baby born in 1992 was more likely to be born at low birthweight than a baby born in 1980.[90]

The infant mortality rate is the number of deaths to infants before reaching age one divided by the number of live births in a calendar year, multiplied by 1,000. It has been called the most sensitive single index of the overall well-being in a country, since it readily reflects the poor provision of basic human needs such as enough to eat, adequate shelter, universal health care, immunization against disease, and so on. All of the above translates into a higher infant mortality rate in the United States, which plummeted from sixth lowest in the world in the mid-1950s to 21st lowest by 1994.[91]

It is not hard to understand why. Immunizations for children are far below acceptable standards in the United States. Only two-out-of-three two year olds were completely immunized against preventable childhood diseases in 1993, which left one million of these toddlers without protection from tetanus, polio, hepatitis, measles, etc.[92] There are 37 million Americans today who are not covered under any health insurance plan, mostly because they cannot afford to enroll and/or their employers do not provide such a job benefit. In 1993 alone, the number of children without health insurance increased by 806,000. By that year, one in seven children nationally did not have health insurance (9.4 million kids), while one-half million pregnant women were uninsured.[93] If current trends continue, less than half of the nation's children will be covered by employer-based health insurance plans in the year 2000. The impact of free or low-cost comprehensive, universal health care upon the health status of low income families cannot be over-emphasized. Gregg Olsen, for example, reports that while the United States and Canada spend an approximately equal percentage of their Gross Domestic

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[88]Katherin O'Regan and Michael Wiseman, "Birth Weights and the Geography of Poverty," *Focus* 12,2(Winter, 1989), p. 17.

[89]Sylvia Hewlett, *When the Bough Breaks*, p. 34.

[90]Children's Defense Fund, *America's Children 1995*, p. 28.

[91]Ibid.; U.S. Bureau of the Census, *Statistical Abstract*, Table 1353.

[92]Children's Defense Fund, *America's Children 1995*, p. 29.

[93]Ibid., p. 27.

Product (GDP) upon social welfare programs--average health standards of Canadians are much higher than for Americans because of universal health coverage in Canada.[94]

Although children are more vulnerable to the ravages of poverty and inequality, adults also suffer. Not surprisingly, poverty shortens life. Even within categories of health, affluent men have a lower risk of dying than poor men. Controlling for economic conditions also removes most of the gap between white and Black mortality rates as well.[95] When Americans as a whole are ranked into wealth deciles, the ratio of those who died in the poorest group exceeds the ratio in the richest ten percent by three-to-one. Of course, we all must die sometime, but being wealthy helps a person postpone the "day of reckoning." Both the positive effect of economic wealth and the negative effect of poverty remain strong and consistent, even when race, marital status, age, education, geographic region, and small town residence are held constant.

Despite the major effects of poverty and wealth upon mortality, and contrary to practices followed in Great Britain and other European countries, data is lacking on income and health within the United States. What knowledge we have of their high correlation comes from specialized, periodic surveys. The last such study, done by the National Center for Health Statistics, looks at self-assessed health status and bed disability days per year. Not surprisingly, low income people have worse health. Low income people are three to four times more likely to encounter disease than persons of moderate- to high-income levels. Low income carries a risk factor of ill health twice as large as lifestyle threats more frequently championed in the media, such as diet, exercise, alcohol, and cholesterol. Yet, the impact of low income is ignored. Comparing families

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[94]Gregg M. Olsen, "Locating the Canadian Welfare State: Family Policy and Health Care in Canada, Sweden, and the United States," *Canadian Journal of Sociology* 19,1(1994), pp. 3, 15-17.

[95]Paul L. Menchik, "Permanent and Transitory Economic Status as Determinants of Mortality Among Nonwhite and White Older males: Does Poverty Kill?" Institute for Research on Poverty, Discussion Paper # 936 (Madison, WI: University of Wisconsin, 1991), p. 19. There is some evidence that the income/mortality rate relationship may actually be curvilinear, i.e., a U-shaped curve (Adamchak and Robinson, 1986: 214). This study is based upon data drawn in the 1967-72 period, however, at the height of the War on Poverty begun in President Johnson's administration. Since huge inroads were made at this time in reducing poverty, especially for the elderly, the rates calculated for this period for the poor may be more atypical than for current data. This is not to deny that a curvilinear relationship may exist. Wilkinson (1990:395) found more of a "J-shaped" curve in Great Britain on the effects of income upon health. In short, ill-health was especially manifest among the poor, but dropped sharply for the middle-income groups. Ill health climbed somewhat among upper-income groups, but came no where close to equalling the high levels of bad health among low income persons Researchers need to explore these nuances more closely. Ill health among the wealthy may be due to entirely different causes (rich diets, more alcohol consumption, etc.) than ill health among the poor (lack of nutrition, health insurance coverage, etc.).

in 1985 that had income under $5,000 to families with income over $25,000, analysts found that nearly 30 percent of low income persons must limit their activities due to chronic conditions (only 8.7 percent of well off persons must do this). Low income persons report an average of 13.2 bed-disability days per year, compared to only 4.5 for persons of moderate income.[96] In 1993, over forty four percent of low income persons (less than $15,000 per year) reported "poor" or only "fair" health, while only 12 percent of those with moderate income ($25,000 and over) believed they are in these categories. Again, almost one fourth (23 percent) of low income persons report they were hospitalized in the previous year *and* sometime in the four years preceding the last year, compared to 9 percent of those with moderate income.[97]

The dynamics of how disease and death spread as a result of poverty can be seen in a research study by Mary Merva and Richard Fowles.[98] Death rate measurements were taken of the thirty largest metropolitan areas in the United States between 1976 to 1990. Their research-- representing the communities of 80 million Americans--showed a clear link between deteriorating economic opportunities and rising death rates. A one percent rise in the unemployment rate results in a 5.6 percent increase in deaths due to heart disease and a 3.1 percent rise in deaths due to stroke. Although this may sound insignificant, the actual 2 percentage point rise in unemployment occuring from mid-1990 to mid-1992 caused 35,000 more heart attack deaths and nearly 3,000 more stroke deaths within these 30 metropolitan areas. The reasearchers also found a statisically significant relationship between rising poverty rates and increases in deaths due to suicides and accidents.

Corroborating research in Great Britain found that members of the economically active population who become unemployed or move into the lowest income category suffer a 30 or 40 percent increase in death rates.[99] Yet, it is more than a matter of absolute poverty or low income. Among the world's 23 wealthiest countries who belong to the Organization for Economic Cooperation and Development (OECD), relative

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[96]Nancy Krieger and Elzabeth Fee, "What's Class Got to do with It? The State of Health Data in the United States Today," *Socialist Review* 23,1(March, 1993), pp. 61-62.

[97]Tabulations from the 1993 General Social Survey. James Davis and Tom W. Smith, *General Social Surveys, 1972-93* [machine-readable data file]. Chicago: National Opinion Research Center, producer, 1993; Storss, CT: the Roper Center for Public Opinion Research, University of Connecticut, distributor.

[98]Mary Merva and Richard Fowles, *Effects of Diminished Economic Opportunities on Social Stress: Heart Attacks, Strokes, and Crime* (Washington, D.C.: Economic Policy Institute, 1992.

[99]Richard G. Wilkinson, "Income Distribution and Mortality: A 'Natural' Experiment." *Sociology of Health and Illness* 12,4(December, 1990):406-407.

income inequality is equally important in predicting morbidity and death. Relative income distribution is frequently measured as the percent of all income going to the wealthiest 20 percent of households, wealthiest 10 percent, and/or poorest 20 percent. What this means is that those nations where income differentials between rich and poor are smallest also have the highest average life expectancy. Almost two thirds of the variation in national mortality rates may be accounted for by differences in income distribution alone. In the end, if the United States were to adopt an income distribution more like that of Japan, Sweden, or Norway--it might add two years to average life expectancy.[100]

Inadequate, Dangerous, and Crowded Housing

During the last decade, a large number of low and moderate income American families experienced downward mobility in their housing status. Frank Levy unleashes a depressing statistic which sharply illustrates just how bad the housing situation is for newly formed families. The typical father of today's baby-boomer faced housing costs that were equivalent to about 14 percent of his gross monthly pay. Even as long ago as 1983, a 30 year old man had to allocate a staggering 44 percent of his income for house payments. Indeed, Levy reports that for males in previous generations, the average increase in earnings was 30 percent between ages 40 and 50. By 1983, however, this had actually changed to a *minus* 14 percent for men who turned 40 in 1973.[101]

Despite more women working, increasing proportions of younger families are being frozen out of the housing market. Tracing the changes in housing between 1980 and 1990, one study discovered:

1. A disappearance of small, afordable housing for those with lower incomes--slowing the ability of young persons to establish independent households;

2. An increase in overcrowding (the first since the Great Depression of the 1930s);

3. Growing problems in affordability for home ownership and especially for renting;

4. A decline in the overall rate of home ownership (the first since the Great Depression);

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[100]Richard G. Wilkinson, "National Mortality Rates: The Impact of Inequality." *American Journal of Public Health* 82,8(August, 1992), p. 1083.

[101]Frank Levy, *Dollars and Dreams:The Changing American Income Distribution* (New York: Russell Sage, 1987), pp. 79-80.

5. Major losses of home ownership concentrated among the young with soaring ownership rates for the elderly, culminating in a gap increase going from 18 percentage points in 1980 to 30 points in 1990;

6. Much more severe affordability and home ownership problems for minorities, those with low income, and females who headed their own households:

7. Increasing polarization between affluent (mainly middle-aged to elderly) persons, who are *generously housed* in spacious, affordable homes, versus the young, who are *precariously housed* in rental units they cannot afford.[102]

It is particularly with young first-time home buyers (25 to 34 year age group) that problems abound. During the last decade especially, stagnating or eroding income among the young, together with sharp increases in the costs of owning relative to renting, exerted a downward pressure on home ownership rates. While this age cohort's home ownership rate stood at 51 percent in 1980, it was down to 45 percent in 1990 (a 12 percent drop in the rate over the entire decade). The lessened home ownership potential of these younger cohorts represents a retreat from the American Dream of having your own house. Advantages accrue to owning your own home, which is why so many of us want to buy one. There is more security of tenure, outdoor and indoor space, amenities (garages, dishwashers, fireplaces, etc.), equity buidup, and the important tax advantage of being able to deduct mortgage interest.[103] In short, although owning your own home makes the best financial sense, an entire generation is being frozen out of making this choice.

Many persons are too poor to buy a home. What is seldom realized is that many families may also be too poor to rent an apartment as well--which has without doubt contributed to the explosion of homelessness Over the past fifteen years, the gap between low-income renters and the availability of low-rent units has been rising. The number of low-income renters (poorest 25 percent of all households) was 5.3 million in 1970, but there were 5.8 million low-rent units (costing 30 percent or less of the income of low-income renters) available. By 1991, there were 8.0 million low-income renters but only 2.8 million low-rent units.[104] Much of this was due to deliberate policies instituted under the Reagan Presidency in the last decade. Programs in the U.S. Department of Housing and Urban Development (HUD) which encouraged the

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[102]Dowell Myers and Jennifer R. Wolch, "The Polarization of Housing Status, in Reynolds Farley (Ed.), *State of the Union: America in the 1990s (Volume 1: Economic Trends)* (New York: Russell Sage, 1995), pp. 323-325.

[103]Myers and Wolch, "Polarization," p. 294, 292.

[104]Children's Defense Fund, *The State of America's Children Yearbook 1994* (Washington, D.C.: Children's Defense Fund, 1994), p. 39.

construction of subsudized housing for the poor were slashed to the bone. A large part of the deterioration in housing is also due to the shredding of the social safety net during the 1980s, a process that is continuing unabated in the 1990s. Cuts to Aid to Families with Dependent Children (AFDC), Food Stamps, and other programs to assist low income families in providing for their basic human needs will be discussed in a later section. It is noteworthy that while the poor have always struggled to achieve adequate housing, it became much more difficult because of the retrenchment in social programs that began in 1980. The major impact of these cuts was to reduce the already paltry income of our very poorest citizens. Thus, by the end of the 1980s the U.S. Department of Housing and Urban Development (HUD) estimated that the national average fair market rent for a modest two bedroom apartment was more than half of the monthly income for a family of three at the poverty line. By 1987, nearly two out of three poor families spent more than half of their income on housing--a doubling in the proportion since 1974, when only one in three poor families were forced to do so.[105] Almost three out of four poor married couples with children were were paying 50 percent or more of their income for housing in 1993.[106]

Even when poor families are able to obtain housing at an exorbinant cost to them, their distress does not diminish. What follows is a grim "rule of three." Overall, poor children are more than three times as likely to live in inadequate housing than non-poor children. Because of poverty, poor families move twice as often, are more likely to go without heat and electricity because of broken equipment or utility shutoffs, and are more exposed to leaky pipes and water damage. Thus, poor children are more exposed to damp, moldy housing which leads to higher rates of asthma and respiratory problems. The cockroaches which infest and flourish under such conditions further spread allergies. Poor children are three times as likely to live in homes with rats and mice, exposing them to contagion from bites and more allergies from rat urine. Poor children are three times more likely to be exposed to peeling paint, which can cause lead poisoning if eaten, and are three times more likely to suffer from overcrowding. Finally, poor children are 50 percent more likely to live in mobile homes than non-poor children. House fires in such homes are three times as likely to result in a child's death.[107]

Bettering Yourself Is Difficult

Given the conditions outlined above which people of low income must face, it will be no surprise that poor children experience a learning deficit. Problems that occur disproportionately among poor children lead to a lack of behavioral and cognitive skills upon entering school, low achievement and motivation in school, lower math and reading aptitude scores, a greater probability of not finishing high school, and less

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[105]Clifford M. Johnson, *Child Poverty in America*, p. 14.

[106]Children's Defense Fund, *The State of America's Children Yearbook 1994,* p. 42.

[107]Arloc Sherman, *Wasting America's Future*, pp. 18-23.

likelihood of attending college.[108] Even before school, problems start with the inability of poor parents to afford stimulating toys, children's books, and good quality child care. Once in school, poor children are almost certain to attend inferior schools within central cities that have inadequate textbooks and learning materials. They frequently lack funds for enriching learning experiences that require a field trip, laboratory or studio materials, and so on. They are less likely to have access to a computer, educational magazines, or even encyclopedias at home.. For every year a child must live under poverty, her chances of falling behind a full grade in school increases by two percentage points--whereas the probability of her becoming a dropout increases by three percentage points. In fact, students whose families rank in the bottom fifth of income are almost 11 times more likely to become a high school dropout than youngsters coming from families in the richest fifth of income.[109]

Lest we mistakenly believe this a problem for "them," a current estimate is that one third of American students are poor.[110] In short, a lot of youngsters fall into the ranks of the disadvantaged. Furthermore, lack of access to education strikes the middle class as well. This is especially true with regard to the basic chance a person has of going on to college. A study tracing higher education trends of high school graduates from 1970 through 1988 has found that only 27 percent of 18- and 19-year old high school graduates from the bottom fifth of family income enroll in a four year college--compared to 60 percent from the richest fifth of families.[111] Predictably, a young adult's probabiliy of enrolling goes up with each income quintile--but the gap in attendance between the poorest and richest widened between the late 1970s and the late 1980s. And as any college student knows, being admitted and registering does not guarantee you will finish. Nationally, one half who enroll never receive a bachelor's degree. Recipiency of a bachelor's degree is even more stratified by income than college enrollment. A youth in the top fifth of family income had more than three times the chance of graduating than a youth in the lowest family income quintile (39 percent versus 12 percent). In the final analysis, while there is still some opportunity for upward mobility using higher education for low income youngsters, the dice are loaded against poor youngsters. It is also true the chances for educational success are less generous for middle-income students than for those from the wealthiest fifth of U.S. families. Put simply, once you encounter limiting economic opportunities, such as being born to a low- or middle-income family--your ability to climb the ladder of success becomes more precarious. Given all of the limitations reviewed to this point, it becomes obvious that pulling yourself up by your

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[108]Sandra K. Danziger, "Child Poverty and Public Policy," p. 71.

[109]Arloc Sherman, *Wasting America's Future*, pp. 23-28, 78-82.

[110]Children's Defense Fund, *The State of America's Children Yearbook 1995,* p. 92.

[111]Charles F. Manski, "Income and Higher Education," *Focus* 14,3(Winter, 1993), p. 15.

own bootstraps is largely an impossibility for those under poverty or who are from low-income backgrounds.

Sliding Economic Stability Caused by Wealth Inequality

A chilling picture is offered by Ravi Batra, an economist on the faculty at Southern Methodist University, who presents evidence tying in growth of wealth inequality with economic depressions. His thesis is that especially deep depressions (where unemployment, for example, reaches 25 percent) have occurred periodically since the American Revolution when the growth of wealth inequality reaches a magnitude where it de-stabilizes our basic economy.[112] Before explaining his conclusions in detail, it is important to note that wealth and income inequality are not the same, although they are related.[113] Basically, income inequality derives from mostly job-related earnings, although other sources of income can be very important (alimony and child support, rent, interest on savings, stock dividends, transfer payments such as Aid to Families with Dependent Children (AFDC), Social Security, Medicare, etc.). Wealth income is almost totally derived from ownership in stocks, bonds, and capital goods within the United States---i.e., it is the *capitalist* dimension of our society.

An average citizen may have some wealth equity, such as a house or IRA or pension investment, but the great majority do not own stocks --where the comparison becomes one of giants and dwarfs. For example, the top 1.0 percent of all U.S. families own over 60 percent of all corporate stock in the country.[114] The inequality in wealth within our society--what we receive in income plus the worth of the assets we own--is very much more lopsided than that of income alone. One of the easiest ways to remember wealth distribution in the United States is "the rule of thirds." In essence, by ranking all Americans in terms of their wealth in 1986, the bottom 90 percent have 33.4 percent of all wealth; those in the 90th to 99th percentile control 35.1 percent of all wealth in the

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[112]Ravi Batra, *The Great Depression of 1990* (New York: Dell Publishing, 1988).

[113]Daniel B. Radner and Denton R. Vaughan, "Wealth, Income, and the Economic Status of Aged Households," in Edward N. Wolff (ed.), *International Comparisons of the Distribution of Household Wealth* (New York: Oxford University Press, 1987), pp. 93-120.

[114]Daphne T. Greenwood, 1987. "Age, Income, and Household Size: Their Relation to Wealth Distribution in the United States," in Wolff, *Distribution of Household Wealth,* pp. 121-140.

country; the top one percent of our population owns the remaining 31.5 percent of wealth.[115] Ranking persons or households by either income or wealth shows extreme disparities, but the differences are much higher for wealth inequality in comparison to income. Indeed, the top 20 percent of families own nearly all of the financial net wealth in the United States (94.3 percent), although they receive only slightly more than one half of all money income (55.5 percent).[116] What does all of this mean?

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[115]Sidney L. Carroll, "American Family Fortunes as Economic Deadweight,' *Challenge* (May/June, 1991), p. 13.

[116]Edward N. Wolff, "The Rich Get Increasingly Richer: Latest Data on Household Wealth During the 1980s," *Research in Politics and Society,* 5(1995), p.38.

> There is some correlation between wealth and income but..at the lower end of the income scale we find that increases in income bring only small increases in wealth. This is because with higher income more money remains (after purchasing necessities) to purchase things that can be held as wealth (such as a home or corporate stock). But at the higher end of the income scale we find a significant jump in wealth. Quite simply this is because substantial wealth often brings higher income....In other words, we find that the causal relation between income and wealth becomes reversed as we reach higher levels of income and wealth--great wealth brings a high income. And as we find that great wealth is more likely to be inherited in the United States today,...we find that the base of many high incomes today is also inherited.[117]
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> [117]Harold R Kerbo, *Social Stratification and Inequality: Class Conflict in the United States*, (New York: McGraw-Hill, 1983), pp. 36-37.

The role of inheritance plays a crucial role in Batra's theory of wealth inequality causing economic depression. He points out that great inequality in wealth does not develop overnight, but mainly from inheritance. Thus, it usually takes one or two generations before its distribution becomes critically unequal--making depressions thankfully more rare in the American experience (generally, a 60 year cycle). It should be noted, however, that the rate of wealth concentration is likely to be curvilinear--increasing at astronomical rates just before the onset of depression. Batra notes that in 1922, 1.0 percent of U.S. families owned 31.6 percent of national wealth--but that just 7

years later this had risen to 36.3 percent.[118] Although this may not seem on the surface to be a startling figure, it represented the highest concentration in history for our country and a gigantic leap in the concentration of wealth from the typical glacial pace that the rates change.

The wealth inequality causes two other factors to come into play which set the stage for panic and depression: speculative fever and shaky loans made to higher-risk customers. The number of persons with no or few assets rises because of increasing income disparity; because of this, the borrowing needs of the poor are more pronounced. The banks, in their turn, are now awash in deposits from the very rich; they cannot afford to pay interest on the deposits without lending them out. Therefore, as the concentration of wealth increases, the number of banks with less credit-worthy loans also rises. This increases the potential number of bank failures if panic ensues (over 2000 banks suspended operation in 1931 alone). But what could kick off a rush on the banks?

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[118]Batra, *Great Depression of 1990,* pp.133-34.

> A side effect of the growing wealth disparity is the rise in speculative investments. As a person becomes wealthy, his aversion to risk declines. As wealth inequality grows, the overall riskiness of investments made by the rich also grows. It essentially reflects the human urge to make a quick profit. It means margin or installment buying of assets and goods only for resale and not for productive purposes. It means, for instance, increasing involvement of investors in futures markets. When others see the rich profiting quickly from speculative purchases, they tend to follow suit....Speculative fever tends to feed on itself, and by the time the general population rushes to join the bandwagon, the venture is usually nearing its last stage....Eventually even those normally too cautious for such ventures are tempted by "easy" profits.[119]
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> [119]Ibid., pp. 136-37.

Batra emphasizes that the speculative fever cannot begin in the absence of wealth disparity, since it is only the very rich who can afford to take such heady risks with potentially high but uncertain return. It is the concentration of wealth--great inequalities in the distribution of income--that is the centerpiece for his assertions. He ultimately concludes that high wealth disparity is responsible both for the surge in speculative mania and the fragility of the banking system. The real cause of great depressions is extreme inequality in the distribution of wealth.

One could argue against this negative scenario by stressing the real divergence between wealth and income, but it should be remembered that the two are closely related. Extreme wealth always ends up generating extremely high income. Thus, inequality

within the U.S. income distribution picture is an indicator of whether this growth in wealth inequality has reached the blast-off stage in its rate of growth. This point is quite important because accurate and recent wealth data is much harder to get than income data.[120] One source of wealth estimation is estate tax records, which are only filed after the person dies. Although inheritors wealth can be estimated from such archives, there is an obvious lag of up to date information. As we shall see later, income information is gathered and published yearly by the Census Bureau. It is thus possible to trace income inequities and their immediate consequences in our society more readily than analyzing disparity in wealth holding, which takes on a more historical, ex post facto character.

Batra's work shows the rate of wealth concentration steepening abruptly just before the onset of the Great Depression. If his theory is correct, it is important to monitor wealth accumulation with as much up-to-date data as possible. Fortunately, we do have a few recent special studies that tap this dimension of economic inequality. To begin with, there is great uneveness when wealth is looked at by itself. A handy way of measuring the distribution of wealth is to think of the Richter scale. This well known tool measures the severity of earth quakes, and is on a log-normal distribution. There is a massive difference between an earthquake with a magnitude of 5.0 compared to one of 8.0--much more than a three unit difference would be on a linear scale (such as a ruler). In short, units at the high end of the Richter scale have much greater severity consequences than at the low end.

So it is with wealth. A person who is one rung up the wealth ladder than you can have many times as much wealth. Carroll has ranked persons who fall into the top 60 percent of wealth (since the bottom 40 percent have no wealth to speak of).[121] If these persons are ranked in a cumalitive percentile distribution, we find that an individual at the halfway point (50th percentile) has an average net worth of $79,214. Fascinating things begin to happen by the time we analyze persons in the 90th percentile. Here, average net worth is $354,060. The 95th percentile yields $608,944, the 99th averages nearly two million dollars, the 99.5th percentile reports a net worth slightly over three million dollars, and the 99.75th percentile rings in slightly over five million dollars. The scale compresses dramatically at the upper end. The more wealthy you are, the greater your distance in net worth is from persons just below you on the wealth ladder.

How rich are the truely wealthy? Similar to the distribution inequities, the actual amounts of money involved are staggering. The 1986 Survey of Consumer Finances found the total net worth of the richest one percent of Americans was $3.72 trillion dollars. In that year, all consumers in the United States spent 2.8 trillion dollars. Even in 1991, the wealthiest one percent owned well over the total amount of coin and currency

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[120]Edward N. Wolff, *International Comparisons of the Distribution of Household Wealth (*New York: Oxford University Press, 1987), pp. 5-7.

[121]Carroll, "Economic Deadweight," pp. 13-14.

in circulation ($257 billion).[122] By the end of the 1980s, the United States had become the most unequal industrialized country in the world. While the top one percent of our wealth holders controlled 39 percent of all household wealth in 1989, comparable figures for France (26 percent in 1986), Canada (25 percent in 1984), Great Britain (18 percent in 1986), and Sweden (16 percent in 1986) are much smaller.[123]

There is no doubt that very wealthy Americans did profit as a result of all the political and economic bones tossed to them during the 1980s. One group of scholars, who have adopted a relative approach, measure the rich as persons in families with income that is over nine times their poverty line (about $95,000 for a family of four in 1987). By this measure, the percent who are rich nearly doubled in a fifteen year period--going from 3.1 percent in 1973 to 6.9 percent in 1987.[124] There are some who might argue that an income of $100,000 does not go very far for a family of four in today's world. But few would dispute that a yearly income of a million dollars would probably suffice. The ranks of millionaires rose by more than 14-fold during the last decade. Nearly 60,000 more persons became millionaires during the 1980s than had existed before, going from 4,414 taxpayers at the beginning of the decade to 63,642 at its end. But looking exclusively at taxpayers, which only measures the amount of money made during a year, under-estimates the true number of millionaires in our nation today. When net worth (assets minus liabilities, or wealth as we have been discussing) is looked at, there were 2.1 millionaires as of 1991. This represents an increase of 62 percent in just seven years.[125]

Edward Wolff has compared findings from the 1983 and 1989 Surveys of Consumer Finances to discover who has benefitted from the run-up of wealth in the United States during the 1980s. In this period, 55 percent of the increase in total real household wealth went to the top one-half of one percent of U.S. families, while 29 percent went to the next richest 9.5 percent of families. In essence, 84 percent of the increase in wealth during this period accrued to the wealthiest 10 percent of our population. The only other time during this century to witness such a skyrocketing rise in wealth was the period from 1922 to 1929--just before the stock market crash.[126]

It is also important to note that while there was a large growth in wealth during the 1980s, much of it due to an explosion in stock prices, most of us benefitted only slightly

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[122]Ibid., p. 14.

[123]Edward N. Wolff, "How the Pie is Sliced: America's Growing Concentration of Wealth," *The American Prospect* 22(Summer, 1995), p. 60.

[124]Sheldon Danziger, Peter Gottschalk, and Eugene Smolensky, "How the Rich have Fared, 1973-87," *American Economic Review* 79,2(May, 1989), p. 312.

[125]Paul Farhi, "Multiplying Millionaires," *Minneapolis Star Tribune* (July 14, 1992), p. 1Dff.

[126] Edward N. Wolff, "Latest Data on Household Wealth," pp. 37, 39.

while many of us actually lost net worth (Figure 1.2). In short, there was a huge transfer of funds from moderate- and low-income people to the very wealthiest which amounted to 256 billion dollars. The poorest fifth of American families actually had a negative net worth of -$2,000 in 1983 that had increased to -$14,000 by 1989; our next-poorest fifth saw their net worth slide from $10,000 to $7,000. What this means is that a large minority of our population has gone deeper into debt. As income has fallen, a large segment of the American population has borrowed and sold-off what few assets they have to maintain an adequate standard of living. Savings have entirely disappeared for many, while there are no longer any funds for the proverbial rainy day brought on by a layoff or illness. The bottom line: life for U.S. families has become very fragile and financially unstable.[127]

(Figure 1.2 About here)

Huge gaps in wealth also exist between whites and minorities. For example, for every dollar of median net worth held by a white household, black households have a little over 8 cents and Hispanic households about 11 cents.[128] This lack of wealth hinders minority families from advancing the economic prospects of their children. This is primarily because there are fewer resources to pass on to succeeding generations that would give them a boost in accumulating even more revenue at a later time. Wealth begets wealth. When you do not have it, you cannot play the game. High status Black families not only have more trouble than white families in transmitting their status to their children, Blacks are also more likely to experience a steeper "fall from grace." In essence, Black offspring are more than twice as likely as white offspring from white collar backgrounds to fall back into blue collar work. Finally, Black off spring from lower white collar families are much less likely to make the climb to upper white collar jobs than white offspring are. For minorities, then, lack of wealth inheritance is a two-edged sword: it serves to hinder upward mobility and offers no protection from downward mobility. The existing pattern of wealth distribution in the United States serves to intensify racial inequities and tensions while passing them on to the next generation.

Because of increasing wealth inequities, the future retirement plans of many Americans are also in great danger. The disparities in wealth among those approaching retirement are simply enormous. If those 51 to 61 years old are ranked by wealth holdings, average household wealth (at the 50th percentile) is $97,506, before pensions and expected Social Security benefits are factored in. But for those at the 30th percentile, less than $40,000 exists for retirement. At the 20th percentile, there is only $16,000 on

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[127]Julie Gozan, "Wealth for the Few," *Multinational Monitor* 13,12(December, 1992), p. 6.

[128]Melvin L. Oliver, Thomas M. Shapiro, and Julie E. Press, "'Them That's Got Shall Get': Inheritance and Achievement in Wealth Accumulation," *Research in Politics and Society* 5(1995), p. 79.

average.[129] While Social Security will help those with less wealth upon retirement, it was never intended as a full-scale income maintenance plan. Moreover, coupled with declining savings rates and the large drop in employers who offer pension plans to workers under 35 today--there is plenty to worry about in the future.

It is important to keep in mind the extreme inequality at the upper end of the wealth distribution , because persons in this rarified sanctum of privilege literally form the tail that wags the dog. According to Batra and other social scientists, this select group has so much financial clout they can either de-stabilize the U.S. economy by their investment behavior *or* be its saving grace. The general thrust of the 12 year Reagan/Bush administrations (1980-1992) was to pander to this select group with pro-rich policies such as cutting their taxes, encouraging a better business climate, easing regulatory restrictions, etc. The theory was that this privileged group would then re-invest their newly gained money to start new businesses, invest in product development, build factories, expand trade activities, and create a lot of new jobs for the rest of the population. Benefits would ultimately "trickle down" to everyone.

Comparative research shows that this did not happen, although the data do not yet reflect the full impact of the 1980s. The assets and investment decisions of the wealthiest U.S. families in 1950 and in 1983 have been examined to see if any significant shifts toward a "re-investment" in America took place.[130] Unfortunately, the opposite trend occurred. No matter what slice of the very wealthy is looked at--the top 0.5, top 1.0, or top 10.0 percent--the rich have increasingly failed to invest productively. The proportion of total liquid savings held by the nation's wealthiest 10 percent dropped from 11.3 percent (1953) to 4.6 percent (1983). The decrease in savings was even greater for the top 1.0 percent. In summary, there has been a slackening of the role that the very wealthy have played in the U.S. economy over time. They do not seem as concerned with investments directed toward rebuilding and growth of the economy--particularly by starting and/or owning their own businesses. In contrast, the very wealthy have increasingly tied up their money in consumption-oriented purchases or in tax-haven investments not directly concerned with business growth. The rich were passed the torch that was to light the way toward re-invigoration of our economy, ostensibly so that all of us could benefit. Unfortunately, they allowed the lamp to go out--leaving nearly all middle- and low-income Americans in the darkness of surging wealth inequality, stagnating income and swelling poverty.

There is an increasing awareness of the danger that the growing gap between rich and poor may eventually pose for the economy as a whole. There is now an expanding group of economists who believe that increasing inequality within the United States must inevitably result in lower economic growth. Income disparities discourage or prohibit

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[129]James P. Smith, *Unequal Wealth and Incentives to Save* (Santa Monica, CA: RAND, 1995), p. 5.

[130]Richard E. Ratcliff and Suzanne B. Maurer, "Saving and Investment Among the Wealthy: The Uses of Assets by High Income Families in 1950 and 1983," *Research in Politics and Society* 5(1995), pp. 99-125.

workers from being educated and trained to their fullest capacity, which translates directly into a less productive labor force. Mathematical models developed by economist Paul Romer at Berkeley, for example, clearly illustrate how income inequality hurts Gross Domestic Product by lowering efficiency.[131] Other studies show that the growth of jobs and income is slower in cities with wide wage inequities and faster in more egalitarian communities. In short, inequality can act as a brake on the economy that forces everyone to lose out, including the rich. Among metropolitan areas, for example, suburbanites forgo $690 in annual income for every $1,000 difference between their earnings and those of workers in the central city.[132] According to a new book put out by Andrew Glyn and David Miliband, countries which have more income equality also have higher productivity and economic growth rates (Japan, Germany, Norway, France, Belgium, and Sweden).[133] Countries with slower economic growth rates, such as the United States, New Zealand, Australia, and Swizerland, also have much higher levels of income inequality. Finally, if more proof is needed, a sophisticated study using historical panel data for advanced industrial countries and post-World War II cross sectional data of many nations has found that inequality lessens growth.[134] In the study, the proportion of income going to the middle class (41st to 60th percentile) was revealed as a significant variable that predicts greater increases in Gross Dometstic Product per capita. Deciphered, it means that a healthy and wealthy middle class is good for the country. Equality leads citizens to invest more in their country, and leads to appropriate redistributive government policies that promote growth. These policies as measured include income transfers such as Social Security, pensions, unemployment compensation, etc. but not health and education expenditures. The caveat is that the relationship holds true only for democracies, where the emergence of more egalitarian policies can be influenced by voters.

What all this comes down to in the end is a hidden cost for every citizen. Great inequality always levies a high price for society as a whole. Where gigantic differences in wealth and income are allowed to fester, costs mount via underutilization of human capital, drops in productivity are caused by reduced access to health care and education, expenses rise that are associated with surging crime, political decisions are made to reduce helpful social programs such as Medicare, Social Security, Head Start, and the

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[131] Aaron Bernstein, "Inequality: How the Gap Between Rich and Poor Huirts the Economy," *Business Week* (august 15, 1994), p.79.

[132] Ibid., p.82.

[133] Andrew Glyn and David Miliband Eds.), *Paying for Inequality: The Economic Cost of Social Injustice* (Concord, MA: Paul and Co., 1994).

[134] Thorsten Persson and Guido Tabellini, "Is Inequality Harmful for Growth?" *The American Economic Review* 84,3(June, 1994), pp. 600-621.

like.[135] The economy becomes unstable, and begins to lurch from one crisis to another. There is difficulty in shoring up the failing economy caused by lack of faith or funds from the middle class. Conclusively, the United States will continue its startling slide to economic loss, and will persist in failing to compete effectively in the international arena, if its great wealth and income inequities continue unabated.

How Much Is Enough? Social Justice and the Very Rich

Lastly, an important reason for being greatly concerned with the distribution of income is simply a matter of social justice. It can well be asked, "How much is enough?" In essence, what extremes of income disparity are we willing to tolerate in our society? The answer, of course, will lie in the eye of the beholder and will no doubt be greatly influenced by that person's relative position on the income spectrum. But the question can be answered, albeit with some degree of imprecision. There is evidence that Americans do have a normative value set with which they judge a person's earnings as either fair, too high, or too low.[136] More vitally, there is a mix of both merit and need factors that come into play when they consider what is a fair or unfair salary. The topic of how we perceive inequality is of such major importance that a large portion of chapter eight will address the issue.

Above all, however, is this basic truth: the question "How much is enough?" is rarely asked in American society. It should be. Despite the great increases in wealth going to only a tiny percentage of our population, there are many who will still argue that it is the inalienable right of every American to earn as much as he or she can get in a "free" and "open" competitive market economy. Time does not permit a specific refutation of this position, although any good sociology textbook on social stratification will do the job.[137] As the evidence unfolds in the following pages, it should also become apparent that the playing field we compete on to get higher income is uneven. Simply

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[135]Randy Albelda and Chris Tilly, "Unnecessary Evil: Why Inequality is Bad for Business," *Dollars and Sense* 198(March/April, 1995), p. 21.

[136]Guillermina Jasso and Peter H. Rossi, "Distributive Justice and Earned Income," *American Sociological Review* 42(August, 1977), pp. 639-651; Guillermina Jasso, "On the Justice of Earnings: A New Specification of the Justice Evaluation Function," *American Journal of Sociology* 83,6(1978):1398-1419; Guillermina Jasso, "A New Theory of Distributive Justice," *American Sociological Review* 45(February, 1980), pp. 3-32.

[137]One of the best available is Harold R. Kerbo, *Social Stratification and Inequality: Class Conflict in Historical and Comparative Perspective* 2nd Ed., (New York: McGraw-Hill, 1991).

put, the game is fixed in advance, with the wealthy and influential determining the rules of access and reward (income) within U.S. society. Most of us operate in a limited market of educational and employment opportunity (so we can hopefully avoid McDonald's in favor of McDonnell-Douglas), but we are excluded from large incomes because we failed the first litmus test---being born as sons and daughters to the truely wealthy in our society. It is these offspring who are doubly blessed, both because of the money they will inherit and because of the advantages which accrue to their social class that will permit them to take over the helms of our major corporations and banks in the future--eventually giving them still higher incomes.

One mechanism which creates such immense inequality in our society is overpayment of business executives. They are lavished with great salaries. It is important to point out that total compensation for these corporate executives includes much more than just a salary figure--although this is usually quite generous as well. In addition to salary, a bonus plan is nearly always included in the CEO's pay packet--which can include cash and deferred salary and bonus payments, as well as director's fees and commissions. Other added incentives include payments from long term compensation plans, restricted stock awards, thrift plan contributions, etc. One can easily see that a huge source of compensation comes directly from stock ownership, which includes holdings of the chief executive officer (CEO), his wife, and children.**[138]** Stock

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[138] Stock ownership is an indication of capitalism par excellance. A number of studies performed on a much wider scale (Wright 1978; Wright and Peronne 1977) show that income is actually predicted more accurately by Marxian class position, i.e., whether one owns the means of production--capital and stocks--versus having to earn one's living by selling one's labor (working for an employer). Status attainments that many of us rely on to increase our income, such as acquiring education or entering a lucrative profession, are simply less relevant in explaining income differences between people. Stock owners have higher incomes than non-owners with the same education, occupation, age, job tenure, etc. In essence, being a capitalist--regardless of educational and occupational factors--brings more income (Aldrich and Weiss 1981). Furthermore, when persons are examined within class categories there are not many differences by race and sex with respect to income. The large differences between men and women or blacks and whites is really due to class position: women and blacks simply have higher proportions within the working class. Empirical research using national samples within the United States and England (Robinson and Kelley 1979) also corroborates Wright's research. With this evidence in mind, the lack

gains in this category thus include net value realized in shares or cash from the exercise of stock options or stock appreciation rights granted in previous years. Typically, CEO pay is handsomely buttressed by such stock options. For the CEOs of large American firms with annual sales of $2 billion in 1992, stock options yielded an additional $735,000 to a base pay of $746,000. It is typical to add increases for performance, restricted stock, and bonus pay. This ultimately yields an average compensation of $2,505,000 for top executives--which translates to $1,300 per hour (40 hour work week/one month vacation).[139] Again, these are averages. Donald Pels--as CEO of LIN Broadcasting--reaped $186 million from stock options which were added to total a staggering compensation of $217 million in 1990 (the equivalent of $113,000 per hour).[140] During the same year, Chairman Stephen M. Wolf of UAL Corp. (parent company to United Airlines) earned $17 million in stock options while his company's earnings dropped by two-third's. Steven J. Ross, CEO of Time Warner, raked in average earnings of $16 million per year from 1973 through 1989.[141] Recently, his company laid off 605 workers because of "hard times" while Ross took home $78 million. This amount is two and one-half times the wages of the laid-off workers. To translate it into more understandable terms, if a person earned $50,000 per year for 40 years (which could be called lifetime earnings for most middle class people)--the sum would still only be 1/39th of what Ross made in that one year.[142]

How much is enough? *Forbes* magazine proudly monitors the pulse of corporate America by publishing salaries of its leading executives each year. During the last decade, the very *worst* year for corporations was 1987. Despite the October market collapse of 1987, when the Dow-Jones Industrial Average lost over 500 points in a single

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of correspondence between performance and education of corporate executives on the one hand, and their job performance on the other, should not be too surprising.

[139]Robert McCartney, "Stock Options and the Uneven Paying Field," *Washington Post National Weekly Edition* (February 10-16, 1992), pp. 23-24.

[140]Ibid., p. 23.

[141]Robert McCartney, "Pay Dirt: Shining a Light on the Salary Bloat of CEOs," *Washington Post National Weekly Edition* (February 3-9, 1992), pp. 22.

[142]Marilyn Geewax, "Let Them Eat Pink Slips," *Minneapolis Star Tribune* (October 14, 1991):11A.

day, it was still a good year's pay for nearly all of the top chief executive officers (CEOs) in America's largest 800 corporations. A full 273 CEO's earned $1 million or more, while the median compensation for all 800 was $762,253--an 8 percent increase over 1986.[143] Lee Iacocca, whose name has become a household word because of his frequent nice-guy, "just an average Joe" advertising appearances as Chrysler's CEO, wrapped up third place in the mega-million dollar sweep stakes with a wage of $17,656,000 in that year. In 1990, Iacocca took a 25 percent raise while earnings had fallen 17 percent at Chrysler and while workers were being asked to sacrifice.[144] In actuality, CEOs of automotive firms are the worst offenders in this contest of greed, frequently insisting on huge salaries despite running their companies into the ground. Roger Smith, while CEO of General Motors during the 1980s, engineered the collapse of market share for GM. This led to an implosion at GM causing the loss of $500 million per month in its North American operation and the closing of 21 plants in North America, which effectively cut in half the number of GM workers between 1985 to 1995. For this stellar performance, Smith was rewarded with an increase in his pension plan when he retired in August of 1990, from $700,000 to $1,200,000 a year. Every sixteen days in his retirement, Smith makes what an auto-assembly line worker makes in one year on the job.[145]

In actuality, even when executives do a poor job, they are given "golden parachutes" and luxuriant retirement packages to buy them off and ease them out the door. Examples abound. J.P. Bolduc, ousted as CEO of W.R. Grace & Co., received a $20 million severance bonus, which was $5 million more than his contract specified. Joseph E.Antonini, when forced out as Kmart's CEO, gained $3 million in severance despite the poor performance of his company. Robert J. Morgado was given $50 to $75 million for going along with his forced retirement. Such beneficent severance packages are on the rise, and are now routinely negotiated before hiring is formalized. Although

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[143] "Corporate America's Most Powerful People," *Forbes* (May 30, 1988): 154 ff. Apparently the old axiom that education will pay off in future earnings is a misnomer when it comes to top corporate executives. Forbes reports that the 87 chief executives who hold no college degree earned a median $735,000 in 1987 versus a median of $746,000 for the 378 with an undergraduate college degree. The 323 executives with graduate degrees earned a median of $773,000--leading to the inescapable conclusion that at this level it simply does not pay to pursue higher education. The "increase" in salary between a non-college and college graduate CEO comes to a paltry 1.5 percent per year.

[144]George F. Will, "CEO Megasalaries may Provoke new Bout of Antibusiness Fever," *Minneapolis Star Tribune* (September 1, 1991), p. 18A.

[145]Ralph Nader, "General Motors Careful to Protect Bloat at the Top," *Minneapolis Star Tribune* (December 31, 1991), p. 13A.

many are not contractual, they are still freely given despite poor executive performance. Why? According to Graef Crystal, the leading expert on CEO compensation in the United States, it is due to guilt. Crystal contends that directors of corporations personally know the CEO, have golfed with him, had them in their homes, etc. It is a lot more difficult for them to fire someone they know personally then to close a plant and throw 10,000 people out of work that they do not know.[146]

The feeding frenzy of CEO salaries took a breather at the end of the 1980s in the wake of several Wall Street scandals, the Savings and Loan default crisis, record bankruptcies, ensuing recession, and an angry public awakened to these lavish payouts while their own wages remained stagnant in jobs that were threatened by cutbacks. By 1995, avarice was unabashedly back in style. Two surveys of top CEO pay revealed huge gains for upper management. *The Wall Street Journal,* which commissioned a special survey of America's largest 350 corporations, found an 11.4 percent increase in CEO pay--about triple the 4.2 percent increase of their white collar employees.[147] The median compensation for this elite group, including all the bonuses, stock options, and the like, was $1,779,663 in 1994. *Forbes* annual survey of CEO pay in the nation's 800 largest corporations also found that nearly two-third's of top executives now receive more than one million dollars per year in total compensation.[148] The highest paid CEO in 1994 was Stephen Hilbert of Conseco Inc. at 39.6 million dollars. Being second (Lawrence Coss, Green Tree Financial Corporation, $28.9 million) or third (James Donald, DSC Communications, $25.2 million) was not exactly painful either. Even tenth place finisher Louis Gerstner Jr. at IBM was not entirely ill-served with a compensation of $12.3 million. Analyzing the total compensation for the 25 highest paid business executives over the past five years, *Forbes* calculates that all together these men reaped $1.5 billion.[149]

It is impossible to spend money at the rate many of these executives rake it in. In 1994 the average CEO compensation of the top 800 was just short of one million dollars (to be exact, $993,000--up 11 percent over the previous year). For executives of America's largest companies (averaging revenues of $21 billion), pay, bonuses, and stock options climbed by a whopping 23 percent in 1995.[150] This translates to over $2,100 per

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[146]Claudia H. Deutsch, "Going Away for Big Pay," *Minneapolis Star Tribune* (July 4, 1995), pp. 1D,4D.

[147]Joann S. Lublin, "Raking It In," *The Wall Street Journal* (April 12, 1995), p.R1,R13.

[148]Reuter, "CEO Paychecks Keep Getting Bigger," *Minneapolis Star Tribune* (May 9, 1995), p. 1D.

[149]Eric S. Hardy, "America's Highest-Paid Bosses," *Forbes* (May 22, 1995), p. 182.

[150]Associated Press, "Executive CompensationUp 23%," *Minneapolis Star Tribune* (March 6, 1996), D1.

hour, or slightly less than $84,000 per week. A person can only eat so many meals per day, own so many cars, live in so many houses, buy so many suits, ad nauseam with this deluge of money. What do they do with it? As shown in the previous discussion, they invest it in stocks so they can realize even greater profits. The singularly important point to note is that many of these top executives "earn" in less than a week what it takes the rest of us an entire year to make. Are we to conclude that these men (only 2 of the *Forbes* 800 are women) possess talents and skills so rare as to warrant such extravagant pay? Are the jobs they perform and the positions they command so crucial to the country's well-being that they somehow deserve these exorbinant sums? It is reasonable to point out the other side of the coin as well: by awarding such lavish sums to top corporate executives the message is also unmistakably being communicated to us that the tasks we may perform within our economy are relatively unimportant in the scheme of things.

Experts believe that compensation for U.S. corporate executives has reached scandalous proportions.[151] This has happened despite evidence to indicate that there is almost no relationship between compensation for the Chief Executive Officers (CEOs) of our largest corporations and performance. Are these corporate executives really worth the money they receive? Surprisingly, even the business magazine *Fortune* thinks not.[152] In a sophisticated multiple regression study,[153] compensation analysis revealed that

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[151]Graef S. Crystal, *In search of Excess: The Overcompensation of American Executives* (New York: Norton, 1991).

[152]Graef S. Crystal, "The Wacky, Wacky World of CEO Pay," *Fortune* (June 6, 1988):68 ff.

[153]For those who are statistical tyros, the very term "multiple regression" conjures up fear and anxiety. This reaction need not be the typical response. One does not need to know complex formulas and mathematical nuances to understand the results of regression analysis. In a word, we try to predict change in a dependent variable (CEO compensation in this example) by use of several independent variables (tenure with the corporation, company performance, CEO's ownership of company stock, etc.). The procedure is useful in isolating what variables are most important in causing change in the subject we are interested in. For the most part, income inequality will nearly always be the dependent variable being predicted in this book. I have tried to interpret regression results throughout the book in generalized layman terms. For scholars wishing to delve more deeply into the labyrinth of statistical results, I have included more detailed tables in the appendices.

rational factors one could expect to be used as justification for CEO pay accounted for only 39 percent of the variation in ultimate compensation. In essence, almost two-third's of corporate executive pay for the largest 170 U.S. industrial and service corporations cannot be logically accounted for. The good news was that among the rational factors examined which should figure as important in predicting executive pay, the corporation's financial performance was the most salient. Other, less important objective factors driving up executive pay were larger size of company, higher risk for corporations in volatile markets, and absence of governmental regulation of the industry (transportation and utility companies pay lower because of this).

On the other hand, factors which ought to matter in total compensation were found to have no relationship to CEO pay, such as the age of the executive or whether the corporation's board of directors came from within or outside of the company. The most remarkable finding was that it did not matter how much corporation stock was owned by the CEO in predicting "rational pay." The study found a multitude of executives who were lavishly awarded with stock options, who were even permitted to swap old option shares for newer, lower priced shares when the corporation's market performance was dismal.

Our industrial competitors did a much better job in the last decade than American business executives in building up their companies, earning increased market share, and enhancing their profits. This is despite the fact that they do not pay their corporate executives nearly as much. Corporations in Europe and Japan pay their CEOs at a more sensible rate. In 1990, the average CEO of a manufacturing company with an annual revenue of $250 million was paid $633,000 in salary and other compensation.[154] This was two-thirds more than the second place average which went to CEOs of comparable German companies and over twice as high as what typical Japanese executives earn ($308,000). What is more, U.S. Labor Secretary Robert Reich points out that an American CEO's money goes much further.[155] A typical CEO can buy three times as much in America with the same dollar as a similar Japanese executive in Japan and about twice as much as a German CEO in Germany. Within the past fifteen years top American executives increased their pay by 12 percent per year, which widened the gulf

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[154]John Burgess, "The Latest American Export: Higher Executive Salaries Are Showing Up Abroad," *The Washington Post National Weekly Edition* (October 28-November 3, 1991), p.25.

[155]Robert B. Reich, *The Work of Nations: Preparing Ourselves for 21st Century Capitalism* (New York: Vintage, 1992), p. 205.

between their compensation and that of their typical workers. Put differently, the average American CEO had an income only 12 times greater in 1960 (after taxes) than the average income of his company's workers. Even in the United States as recently as the mid-1970s this same ratio was "only" 40-to-1. But by the start of the 1990s typical CEO income was 70 times more than the average line worker. Compensation specialist Graef Crystal found that among the 292 executives of America's largest corporations, who remained CEOs of their companies between 1992-94, the typical CEO pay was 172 times greater than that of the average worker in the companies they headed. Crystal pulls no punches in his reaction to such outrageous over-payment: "The system is rotten..Pay is going crazy. It's a never-never land."[156]

A European corporation's chief executive officer typically receives pay that is 6 to 8 times that of an entry-level professional employee.[157] Put simply, most European and Japanese managers believe that an organization suffers when the CEO receives an astronomical multiple of the average employee's pay. An eloquent summary of these findings helps us take a step toward answering the question: "How much is enough?":

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[156]Marjorie Kelly, "Mushrooming Executive Pay Prompts Resentment, Problems," *Minneapolis Star Tribune* (October 9, 1995), p. D3.

[157]David Kirkpatrick, "Abroad, It's Another World." *Fortune*, (June, 1988):78.

> Some would even say that CEO pay at its most stupendous is just wrong. Plato, apparently the world's first compensation consultant, suggested that the highest paid person in the community should earn no more than five times the lowest. Management writer Peter Drucker relates approvingly that J. P. Morgan raised that ratio to around 20 and maintained it in his enterprises. There is nothing scientific about those numbers, but they reflect a society's instinctive sense of fairness....The CEO's fortunes should rise and fall with his company's. But at many corporations the board has adopted only half the principle. The CEO gets a terrific reward when the company does well....but he still gets a pretty good reward when it does badly.[158]

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[158]Crystall, "Wacky World," p. 74.

Finally, after reviewing the huge wealth and pay disparities discussed above, there appears to be an emerging answer to our question of "How much is enough?" It seems

safe to conclude that there is never enough for the very rich in our society--whether they are the chief executives of America's largest corporations, scions of the country's wealthiest families, or major recipients of the great bulk of stock dividends parcelled out every year. Yet the crucial issue is not whether income has become more unequally distributed within the United States, but rather just how bad the situation is. There are many who would argue that such a trend is both necessary and desirable for a society to develop economically (especially with reference to Third World countries), that the poor are always with us,[159] that the pace of change is glacial and consequently irrelevant, that the pattern will reverse itself when certain demographic trends play themselves out, and so on. All of these points will be addressed in subsequent sections and, in most cases, refuted. The economic news is exceedingly and undeniably bad, so it makes little sense to fiddle with rationalizations while Rome burns. Nonetheless, there may still be time to attempt to turn the decline around, before many of the tragic consequences described above come to pass. A framework to accomplish this will be offered in the concluding section.

It is also the intention of this book to describe income inequality between and among populations, rather than only address the trends revealing economic deterioration. It is a fact of life that if one area in the world or a given country is doing poorly, prosperity will also be found elsewhere. Different countries of the world will be compared on income inequality, as well as U.S. regions and states. Looking at income inequality both geographically and descriptively will help in isolating common factors which tend to produce it or, conversely, to promote greater egalitarianism in the distribution of income. Before turning to these tasks, however, the next chapter will review some of the theories advanced to explain income inequality between and within

[159]No one, it seems, ever states that "the rich are always with us." The implicit value assumption is that it is in the nature of things to have persons living under poverty, that their presence is perhaps a curse that we must accept with fatalism, that there is nothing we could possibly do to alleviate their suffering, that the natural order precludes a society from doing some thing so that poverty can be eradicated. In essence, there is a heavy status-quo orientation to the assumption that "the poor are always with us." Conversely, nothing is ever mentioned about eradicating extreme affluence. Somehow this condition is seen as right and just, and that to have large segments of the population living what could only be described as opulent lifestyles has no bearing upon the presence of the poor. In a word, if someone gets a bigger piece of the pie-someone else will inevitably get a smaller piece--all things being unequal. One could argue that this is not necessarily the case when the pie itself gets bigger over time. As we will see, however, the pie has been contracting since 1973--making the increasing inequities doubly painful.

societies. Such an exercise can provide a better perspective with which to understand the mass of studies dealing with income inequality. In our contemporary era of information overload, an adequate theoretical grounding can help us avoid overlooking the forest because of the trees.