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38 Who Has How Much and Why

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While many economists and politicians have applauded the expansion of the U.S. economy during the 1990s, a number of sociologists point out that income inequality is greater now than it was in the 1960s: The rich have gotten richer, the middle class has been shrinking, and the working class is barely surviving. In this selection, Andrew Hacker explains why he believes that in terms of income and wealth, the United States is one of the most stratified nations in the industrialized world.

YES, THE RICH ARE GETTING RICHER

John F. Kennedy defended the importance of business prosperity by arguing that "a rising tide lifts all boats." It was a deft figure of speech: We imagine tugboats, tankers, and superliners all together on the high water.

However, recent decades have failed to validate Kennedy's thesis. Of course, there can be no denying that the tide of wealth in America has swelled. Between 1976 and 1996, the amount of money in the hands of America's households rose from $2.9 trillion to $4.8 trillion, after the 1976 figure is adjusted to 1996-value dollars. All told, the income of the average household went from $39,415 to $47,123, also in constant dollars, resulting in a twenty-year gain of 19.6 percent.

[Table 1] shows how various segments of the society fared during those two decades. Its figures, which come from annual Census Bureau surveys, simply divide the total number of households into five equal groups, ranging from the poorest to the best-off. So in 1996, each fifth contained 20.2 million homes, consisting of families or of individuals living alone or together. Thus the incomes of those in the middle fifth ranged from $27,760 to $44,006, with an average of $35,486. The Census also specifies the incomes of the richest 5 percent of all households. Lastly, figures are given for the share of all household income received by each segment. Thus in 1996, the middle fifth ended up with 15.1 percent of the total, or $719 billion from the $4.8 trillion.

Clearly, all boats did not rise equally with this tide. Here were the twenty-year percentage increases—and one decrease—in the average income for each of the quintiles and also for the top 5 percent:

Richest 5%	+59.9%	Middle 20%	+5.3%
Top 20%	+35.4%	Fourth 20%	+4.5%
Second 20%	+12.4%	Bottom 20%	−0.9%

While all segments of the population enjoyed an increase in income, the top fifth did thirteen times better than the fourth fifth. And measured by their shares of the aggregate, not just the bottom fifth but the three above it all ended up losing ground. Indeed, the overall share received by those segments, comprising four of every five households, dropped from 56.7 percent to 51.0 percent. At the same time, the average income of the richest 5 percent rose from a comfortable $126,131 to an affluent $201,684.

. . . Two factors intertwine. On the one hand, more of the 1996 households had two or more incomes coming in. Thus the $115,514 average for the top fifth could represent, say, $72,035 from one spouse and $43,479 from the other. But it is noteworthy that while there were also more dual earnings down in the fourth quintile, their income average rose by only $601 during the two decades.

The second factor is that 1976 to 1996 saw the creation of more high individual incomes at one end of the scale and more low incomes at the other. Thus the proportion of men earning more than $50,000—again, computed in constant dollars—grew from 14.9 percent to 17.6 percent. But overall, the median income for men dropped from $24,898 to $23,834, due to declining wages for those in the bottom tiers. All indications are that these disparities will continue in the decades ahead.

CHANGING STATES

If income disparities are on the rise, they are also being compressed. . . . In 1960, income in the richest state (Connecticut) was 2.6 times that of the poorest state (Mississippi). By 1996, the gap (Alaska versus West Virginia) had been reduced to a ratio of 2.0. And if the 1996 comparison stays with the contiguous states (New Jersey versus West Virginia), the richest–poorest ratio declines to 1.8.

Closing the gap has nurtured a national homogeneity. This is illustrated vividly in the shopping mall, which has emerged as America's most distinctive institution. Set down in malls in New Hampshire or New Mexico, we would be hard pressed to say where in the country we are. All have Gaps and Radio Shacks, multiplexes playing the same movies, and though food markets may have regional names, their merchandise is much the same.

Mobility also plays a role. The 1990 Census reported that over half the residents of New Hampshire, Florida, Wyoming, Nevada, Oregon, Arizona, Colorado, California, and Alaska had been born elsewhere. And by now, Maryland, Idaho, Delaware, Washington, Virginia, and New Mexico are likely to have joined the list. New

TABLE 1 How Households Divided the Nation's Income, 1976 and 1996 (in 1996-value dollars)

1976			*1996*	
Share of All Income	*Segment Average*	*Household Segments*	*Segment Average*	*Share of All Income*
43.3%	$85,335	Top 20%	$115,514	49.0%
24.8%	$48,876	Second 20%	$54,922	23.2%
17.1%	$33,701	Middle 20%	$35,486	15.1%
10.4%	$20,496	Fourth 20%	$21,097	9.0%
4.4%	$8,672	Bottom 20%	$8,596	3.7%
100.0%	$39,416	All Households	$47,123	100.0%
16.0%	$126,131	Richest 5%	$201,684	21.4%

arrivals adapt quite easily, since each year sees more Americans sharing common attitudes and attributes.

Among the more striking developments has been the economic rise of the South. In 1960, the six poorest states were all from that region, while by 1996 only three were. Indeed, household income doubled in Arkansas, Mississippi, and South Carolina. Among the losers, Ohio dropped to nine places behind Virginia, and New York's income fell below the national median [see Table 2].

WOMEN AND CHILDREN LAST?

All parents want their children to have a good start in life, and one underpinning is a family budget ample enough to provide a range of opportunities. Yet a rising proportion of children are growing up in homes without the means even for basic necessities.

In 1995, a third of all youngsters lived in homes with incomes of less than $25,000, and one in five were in homes where the income was below $15,000. At issue is what is required for growing up in modern America. More often than not, low incomes bring inferior local schools and inadequate exposure to the manners demanded by the wider world. As a result, millions of American children are deprived of a chance to develop whatever promise they have. Of course, poverty is not the only factor. We all know of youngsters, especially from immigrant families—who move far beyond the world of their parents. Still, two causes of the increased impoverishment of children should be singled out.

Of America's 70.3 million children aged eighteen or under, 31.3 percent are living with only one parent, or with a relative other than a parent, or in a foster home. The 68.7 percent with both of their parents in their home is an all-time low. In 1970, for example, the proportion was 85.2 percent. While it can be questioned whether two parents are necessary for a child's optimal development, the fact remains that single parents earn a lot less money. For two-parent families, the median income is $49,969, almost double the $26,990 for the relatively small group of single fathers and more than three times the $16,235 for single mothers. (The two-parent and one-parent families do not differ much in size. Those with two parents average 1.49 children; and those with single mothers average 1.34.) Nor is childhood poverty due only to marital breakups. Among today's single mothers, an all-time high of 35.6 percent have never been married. In 1970, the proportion was 7.1 percent.

Racial disparities are also reflected in the changing composition of families. As [Table 3] shows, even when black children are raised by two parents, their households are twice as likely as white two-parent homes to have incomes under $15,000. While the $43,946 median income for two-parent black families is fairly close to the $50,594 for whites, the overall black median is only 52.6 percent of the white figure. Moreover, the typical black woman who is raising children on her own must make do with $12,989, compared with $18,099 for the white single mother. These figures suggest that the United States disproportionately denies opportunities to black children. Stated another way, one reason why America's

TABLE 2 A Dozen Gainers and Losers

Gainers' Rank	*1960*	*1996*	*Losers' Rank*	*1960*	*1996*
Wisconsin	14th	7th	Michigan	5th	13th
Colorado	20th	6th	Ohio	7th	23rd
Iowa	30th	24th	New York	9th	27th
Virginia	34th	14th	Indiana	16th	26th
Georgia	40th	31st	New Mexico	25th	49th
North Carolina	46th	28th	West Virginia	37th	50th

TABLE 3 The Coming Generation: Incomes of Families Where Children Are Being Raised

Incomes of White Families	*All White Families*	*Two Parents (76.3%)*	*Mother Only (18.7%)**
Over $40,000	54.0%	65.0%	15.6%
$15,000–$40,000	32.6%	29.3%	42.6%
Under $15,000	13.4%	5.7%	41.8%
White Median	$43,091	$50,594	$18,099
Per Black $1,000	$1,901	$1,151	$1,393
Incomes of Black Families	*All Black Families*	*Two Parents (39.7%)*	*Mother Only (54.0%)**
Over $40,000	28.1%	55.9%	8.5%
$15,000–$40,000	36.6%	35.3%	36.0%
Under $15,000	35.3%	8.8%	55.5%
Black Median	$22,671	$43,946	$12,989
Per White $1,000	$526	$869	$718

*The remaining 6.3 percent of black children and 5.0 percent of white children are living with their fathers or with other relatives or are in foster care.

children are not being allowed to show their true talents is that many of them are of African origin.

THE SALARY SPECTRUM

[Table 4] does not list the incomes of corporate chairmen, medical school professors, or investment firm partners. . . . This table records the wages and salaries of full-time workers in forty-two typical occupations.

Despite its reputation as a high-wage economy, the midpoint pay for America's full-time workers in 1996 was a rather modest $25,480, not really enough to give a family a middle-class living standard. The median for the 51.9 million employed men was $28,964, and for the 39.0 million women it was $21,736. (So an average working couple might bring in $50,700, which explains why there are so many dual-earner households.) The table's figures raise several questions and suggest some partial answers.

Women as a group are paid less, but is that because they are clustered in lower-wage occupations? The earnings of bank tellers, hairdressers, and sewing-machine operators suggest that this is the case. Yet the pay for nurses and elementary school teachers—jobs traditionally held by women—have surpassed that of many occupations dominated by men. (Teachers' unions tend to remain strong, while those of construction workers have lost much of their dominant force.) Moreover, each year finds more women in better-paid positions such as pharmacists, financial managers, and college professors.

Indeed, women now account for 38.9 percent of all pharmacists, compared with 12.1 percent in 1970. For insurance adjusters, the respective figures are 71.9 percent and 29.6 percent. And women now make up 54.2 percent of the nation's bartenders, as against 21.1 percent twenty-six years earlier. Yet these shifts do not always bring better earnings. When insurance adjuster was mainly a man's occupation, it paid well for inspecting dented cars and burned-out buildings. Today, most are women who tap claims into computers.

Many of the amenities we desire depend on a supply of low-wage workers. This is clearly the case with those who launder our linen and park

TABLE 4 Median Pay for Full-time Wage and Salary Workers, 1996 (with percentage of women in each occupation)

Above National Median			*Below National Median*		
	Earnings[1]	*Women*[2]		*Earnings*	*Women*
Lawyers (salaried)	$59,748	35.3%	Printing operators	$25,168	11.0%
Pharmacists	$51,584	38.9%	Automotive mechanics	$24,856	0.9%
Engineers	$49,348	8.6%	Flight attendants	$21,684	81.4%
Computer analysts	$46,332	28.3%	Secretaries	$21,112	98.5%
College faculty	$45,240	38.0%	Factory assemblers	$19,656	42.0%
Financial managers	$40,664	55.4%	Taxicab drivers	$19,448	8.4%
Computer programmers	$40,144	30.1%	Data entry keyers	$19,032	86.2%
Architects	$39,520	19.4%	Meat cutters	$19,032	21.7%
Registered nurses	$36,244	91.5%	Telephone operators	$18,876	88.9%
High school teachers	$36,244	54.8%	Security guards	$17,316	19.6%
Journalists	$35,776	50.0%	Bakers	$17,004	38.8%
Police officers	$34,684	12.4%	Bank tellers	$16,380	90.7%
Elementary school teachers	$34,424	82.8%	Bartenders	$16,120	54.2%
			Janitors and cleaners	$15,652	27.6%
Librarians	$34,320	82.9%	Hairdressers	$15,184	88.3%
Electricians	$31,772	2.2%	Garage workers	$14,352	3.3%
Realtors	$31,460	51.3%	Waiters and waitresses	$14,092	70.1%
Electronic repairers	$31,304	5.5%	Hotel clerks	$13,884	71.2%
Motor vehicle salespeople	$30,836	8.8%	Cooks and chefs	$13,728	35.2%
Designers	$30,784	48.0%	Laundry workers	$13,208	70.3%
Clergy	$27,768	11.5%			
Insurance adjusters	$26,312	71.9%	Sewing machine operators	$13,208	83.0%

[1]All workers, median earnings: $25,480

[2]Median percentage of women: 42.9%

our cars. But it is also true of hotel clerks, most of whom are young people who haven't yet chosen a long-term career. Waiters and waitresses also tend to be younger or are older women bringing in a household's second income. Sewing-machine operators, many of whom are recent immigrants, often labor under third-world conditions. Were they to demand more than their current pay, their employers would probably send their work to an actual third-world country.

ARE WE STILL NUMBER ONE?

For most of the twentieth century, the United States has led the world in industrial production, technological innovation, and personal standards of living. In 1970, for example, America ranked first in per capita output. Our nearest rivals were Sweden, Canada, Denmark, and Switzerland, which like us had escaped being World War II battlegrounds. At that time, even advanced countries such as the Netherlands and Britain were only half as productive as the United States. Yet there were signs that change was under way: A once bomb-scarred Germany had risen to sixth place.

The per capita figures for 1995, the most recent at this writing, show dramatic changes. The United States has fallen to sixth place [see Table 5], a sad descent considering that its primacy once seemed beyond challenge. Three other countries—Austria, France, and Belgium—were less than $100 behind America in per capita GDP. Most striking is that in the quarter-century, Japan tripled its per capita production. Although Sweden and the United Kingdom dropped in the rankings, their output still improved while America's was treading water.

Perhaps embarrassed by the GDP measure, which gave the United States sixth place, American

TABLE 5 Per Capita Gross Domestic Product and Purchasing Power (per $1,000 for the United States)

GDP per Capita, 1970		*GDP per Capita, 1995*		*Purchasing Power, 1995*	
1. UNITED STATES	$1,000	Switzerland	$1,506	UNITED STATES	$1,000
2. Sweden	$857	Japan	$1,469	Switzerland	$958
3. Canada	$776	Norway	$1,158	Japan	$819
4. Denmark	$663	Denmark	$1,108	Norway	$813
5. Switzerland	$662	Germany	$1,020	Belgium	$803
6. Germany*	$641	UNITED STATES	$1,000	Austria	$788
7. Norway	$622	Austria	$997	Denmark	$787
8. France	$613	France	$926	Canada	$783
9. Australia	$572	Belgium	$916	France	$779
10. Belgium	$556	Netherlands	$890	Germany	$744
11. Netherlands	$497	Sweden	$880	Netherlands	$739
12. United Kingdom	$450	Finland	$763	Italy	$736
13. Austria	$409	Canada	$718	United Kingdom	$714
14. Japan	$404	Italy	$705	Sweden	$687
15. Italy	$365	United Kingdom	$693	Finland	$658

*West Germany only.

economists devised an alternative gauge. This index computes "personal purchasing power" for each country, by noting differing price levels. Example: While hourly wages in Britain and America are quite similar ($9.37 versus $9.56), the same basket of goods in Britain costs 42.2 percent more. With this new formula, the United States is once again number one, but not because our economy is more innovative or efficient. Prices are lower here due to a combination of choice and circumstance.

Other countries raise much of their public revenue from some variant of a "value-added tax," which is factored into the price of purchases. This charge tends to be "invisible" since it is seldom put on price tags or sales slips. But it clearly raises prices, as can be seen by what a gallon of gasoline costs here and abroad: Austria, $3.13; Italy, $3.46; Norway, $3.79; Japan, $4.14; United States, $1.24. Other countries tax themselves to provide funds for social services and public amenities. Americans have chosen lower taxes and prices and reduced levels of benefits.

America is the world's largest market, measured by the amount of money available for shopping. With one dominant language, national advertising media, and familiar brand names, economies of scale can be reflected in reduced prices. We have also mastered the delivery of bargains at complexes such as Price Cosco and Wal-Mart, and via mail from Lands' End and L. L. Bean. Other countries are beginning to build supermarkets and shopping centers, but they are still well behind America.

So, yes, the United States has the world's highest living standard—if gauged by the sums we devote to personal purchases. But being the leader in consumption is not necessarily a cause for congratulation. If production is what creates national wealth and the prospect of a prosperous future, America is no longer first and is unlikely to regain its primacy.

CRITICAL-THINKING QUESTIONS

1. What data does Hacker offer to support his argument that in the United States the rich are getting richer and the poor are getting poorer? Why does he predict that such disparities will continue?
2. According to Hacker, how do geographical mobility, sex, race, marital status, and occupation affect families' socioeconomic status?
3. How would you explain the increasing social stratification in the United States?