

enough to accumulate significant savings or other assets. Under the best circumstances, they usually have difficulty buying a home or paying for a child's education. When times are bad, they live their lives under the constant threat of layoffs, factory closings, and unemployment.

The middle class may be under siege, but the working class always suffers disproportionately from downturns in the U.S. economy. Consequently, they are far more pessimistic about their futures than wealthier Americans. For instance, one survey found that people who make less than \$30,000 a year are more likely to expect to be laid off or take a pay cut and to say they have had trouble paying for medical care or paying the rent (Pew Research Center, 2011).

Their fears are real. To save money, many large companies first reduce their low-wage workforce. In 2012, American employers initiated 6,500 "extended mass layoff events" (where at least 50 employees from a single employer file for unemployment insurance benefits and are out of work for 30 days or more), resulting in the loss of more than 1.25 million jobs, mostly in manufacturing and retail (U.S. Bureau of Labor Statistics, 2013c).

To survive psychologically in an economically unstable world, many working-class people resort to defining their jobs as irrelevant to their core identity. Instead of focusing on the dreariness or the insignificance of their work, they may come to view it as a noble act of sacrifice. A bricklayer put it simply: "My job is to work for my family" (Sennett & Cobb, 1972, p. 135). Framing their work as sacrifice allows them to escape the disappointment of an unfulfilling job and orient their lives toward their children's and grandchildren's futures, something that gives them a sense of control they can't get through their jobs.

But it is especially difficult for working-class parents to sacrifice "successfully." Upper-class and middle-class parents make sacrifices so their children will have a life *like* theirs. Working-class parents sacrifice so their children will *not* have a life like theirs. Their lives are not a "model" but a "warning." The danger of this type of sacrifice is that if the children do fulfill the parents' wishes and rise above their quality of life, the parents may eventually become a burden or an embarrassment to them. Thus, people who struggle to make ends meet are sometimes caught in a vicious trap. In addition, they must deal with public perceptions of them and their work that are decidedly negative.

MIKE ROSE

The Mind at Work

Author Mike Rose (2004) grew up in a modest home, the son of working-class immigrants. Most of the adults in his family and in his neighborhood never graduated from high school, and all of them worked in blue-collar or service jobs their whole lives. He was fully aware, early on, that these manual laborers did not occupy a particularly valued place in American society. Low-paying jobs are often labeled "unskilled." Such workers are consistently marginalized, either by more affluent people who treat them as if they are invisible or by widely held cultural stereotypes that they are unintelligent and unrefined. Because their work doesn't usually require advanced educational credentials, there's a belief that those who do it aren't that bright.

Rose set out to examine these stereotypes. He observed working-class people on the job—waitresses, hair stylists, plumbers, welders, and so on—and took detailed notes of their activities. Once he became aware of the rhythms of their work, he began asking them questions, casual ones to start with and more specific ones as he got to know them better.

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What he found was that apparently “mindless” working-class occupations require high levels of skill, judgment, and intelligence. Hair stylists, for example, must show an astonishing amount of aesthetic and mental agility when they turn vague requests (“I want something light and summery”) into an actual hairstyle pleasing to the client. They must also have command of a remarkable range of knowledge—nutrition, hair growth patterns, the biology of skin, hair treatment chemicals, and popular images of beauty—in order to provide their clients not only with a look they want but with advice on how to maintain a stylish appearance. As one stylist described it,

You’ve got to add up all these pieces of the puzzle, and then at the end you’ve got to come up with a thought, OK, it’s gotta be this length, it’s gotta be layered here, it’s gotta be textured there . . . It’s not like we just start cutting. By the time I take my client to the shampoo bowl, after the consultation, I already have a little road map as to how I’m going to cut this haircut. (quoted in Rose, 2004, p. 33)

Similarly, working-class women who wait on tables in inexpensive diners and coffee shops must have advanced information-processing skills, including a sharp memory and the ability to make lightning-fast mathematical calculations. On the surface, restaurant work seems highly structured and routine—from the physical layout that guides people’s movements to the norms of dining that are well known to customers and waitstaff. Once seated, customers expect a series of events to unfold along a familiar time line. Indeed, their satisfaction (and the size of the tip they leave) is based on the manner in which the service meets these expectations.

On closer inspection, however, the restaurant environment is exceedingly complex and unpredictable. For instance, customers enter at different times and make requests at different stages of their meals, so each table proceeds at a different pace. This staggering of schedules maximizes the restaurant’s flow of trade, but it increases the physical and cognitive demands on waitresses, especially during peak hours or when customers are particularly demanding. The meals themselves develop under their own different timetables. Some items cook quickly; others take a long time. Some meals have only a limited amount of time in which they can be served. So servers must also be aware of the temporal rhythm of the kitchen. And since the restaurant’s profit depends on the constant turnover of customers, all this occurs under the pressure to move people along quickly.

Our collective failure to acknowledge the qualities and skills that even lower-status jobs require has helped to undermine a large chunk of the American working-class population. Rose’s research is less of an objective assessment of these occupations than it is a plea to broaden our definitions of intelligence and to see dignity in the jobs that keep American society running.

The Poor In an affluent society like the United States, the people at the very bottom of the social class structure face constant humiliation in their everyday lives. You’ve heard the old saying “Money can’t buy happiness.” The implication is that true satisfaction in life is more than just a matter of being wealthy. Indeed, research shows that compared with others, people with high incomes aren’t happier, don’t spend more time in enjoyable activities, and tend to be more tense (Kahneman, Krueger, Schkade, Schwarz, & Stone, 2006). Yet such information provides little comfort to the **poor**, those people who are chronically unemployed or underemployed and who can’t pay their bills, don’t know where their next meal is coming from or whether their job will exist tomorrow, suffer from ill health, or have no home. The legendary vaudeville singer Sophie Tucker once said, “I’ve been rich and I’ve been poor—and believe me, rich is better.”

What Poverty Means in the United States

We hear the word *poverty* all the time. In common usage, poverty is usually conceived in monetary terms, as the lack of sufficient funds to ensure an adequate lifestyle. Sociologists, though, often distinguish between absolute and relative poverty. The term **absolute poverty** refers to the minimal requirements a human being needs to survive. The term **relative poverty** refers to one's economic position compared with the living standards of the majority in a given society. Absolute poverty means not having enough money for minimal food, clothing, and shelter. But relative poverty is more difficult to gauge. It reflects culturally defined aspirations and expectations. Poor people "generally feel better if they know that their position in life does not compare too badly with others in society" (quoted in D. Altman, 2003, p. 21). An annual family income of \$5,000, which would constitute abject poverty in the United States, is perhaps five times higher than the *average* income in many developing countries. As Kentucky senator and presidential candidate Rand Paul once said, "The poor in our country are enormously better off than the rest of the world" (Paul, 2010, p. 16). Although such a statement reflects a common perception that life in a U.S. slum is luxurious when compared with life in destitute regions in other parts of the world, it overlooks the very real suffering associated with American poverty.

The Poverty Line The U.S. government uses an absolute definition of poverty to identify people who can't afford what they need to survive. The U.S. **poverty line** identifies the amount of yearly income a family requires to meet its basic needs. Those who fall below the line are officially poor. The official poverty line is based on pretax cash income only, which doesn't include food stamps, Medicaid, public housing, and other noncash benefits. The line varies by family size, and it's adjusted each year to account for inflation. But it doesn't take into account regional differences in cost of living. In 2014, the official poverty line for a family of four—two parents and two children—was an annual income of \$24,008.

That dollar amount is established by the U.S. Department of Agriculture and for decades has been based on something called the Thrifty Food Plan. This plan, developed in the early 1960s, is used to calculate the cost of a subsistence diet, which is the bare minimum a family needs to survive. This cost is then multiplied by three because research at the time showed that the average family spent one third of its income on food each year. The resulting amount was adopted in 1969 as the government's official poverty line. Even though the plan is modified periodically to account for changes in dietary recommendations, the formula itself and the basic definition of poverty have remained the same for nearly five decades.

Many policymakers, economists, sociologists, and concerned citizens question whether the current poverty line provides an accurate picture of basic needs in the United States. Several things have changed since the early 1960s. For instance, today food costs account for less than 14% of the average family's budget because the price of other things, such as housing and medical care, has increased at much higher rates (U.S. Bureau of Labor Statistics, 2013b). In addition, there were fewer dual-earner and single-parent families in the past, meaning that fewer families had to pay for child care. In short, today's family has many more expenses and therefore probably spends a greater proportion of its total income on nonfood items. The consequence is that the official poverty line is probably set too low and therefore underestimates the hardships that struggling Americans experience (Swarns, 2008a).

In 2011, the U.S. Census Bureau proposed a new way of determining the poverty line called the Supplemental Poverty Measure. This new formula is based on an estimate of expenditures on food, clothing, shelter, and utilities. It also takes into consideration medical spending, taxes, commuting costs, and child care. Using this model, the poverty line for a family of four would rise by around

\$3,000 (Short, 2013). Others have proposed a measure, called the Self-Sufficiency Standard, that uses the costs of *all* basic needs—housing, utilities, food, child care, health care, transportation, taxes, and so on—to compute a poverty threshold (D. Pearce, 2014). These costs are adjusted for geographic variation in cost of living. Using either of these alternative models would likely raise the poverty threshold for a family of four to an annual income of around \$30,000.

Some economists suggest that the exclusive focus on income in setting the poverty line underestimates the harmful long-term effects of poverty. Obviously, when families don't have enough income, they can't buy what they need—adequate food, clothing, and shelter. But when families don't have any assets, such as savings and home equity, they lose economic security and their ability to plan, dream, and pass on opportunities to their children (Block, Korteweg, & Woodward, 2013).

Deciding who is and isn't officially poor is not just a matter of words and labels. When the poverty line is too low, we fail to recognize the problems of the many families who have difficulty making ends meet but who are not officially defined as poor. A needy family earning an amount slightly above the poverty line may not qualify for a variety of public assistance programs, such as housing benefits, Head Start, Medicaid, or Temporary Assistance for Needy Families. As a result, its standard of living may not be as good as that of a family that earns slightly less but qualifies for these programs.

The Near-Poor Interestingly, the government seems to agree implicitly that the poverty line is set too low. The U.S. Bureau of the Census defines the 14.7 million people who earn up to 25% more than the official poverty line amount as the *near-poor* or *working poor*. These individuals and families are not “officially” poor, but face difficulties making ends meet. Those who fall into this category can be eligible for certain government assistance programs. For instance, the Affordable Health Care Act (also known as “Obamacare”) extends Medicaid coverage to people earning 38% above the official poverty line.

The existence of the near-poor is fraught with irony. For one thing, they tend to defy stereotypes of how poor people live. Half live in married-couple households, 49% live in the suburbs, 42% have private health insurance, and 28% work full time (DeParle, Gebeloff, & Tavernise, 2011). And because of the recent recession, they tend to be older and better educated than the near-poor were 30 years ago. In 1979, 26% of low-wage workers (those earning less than \$10 an hour) were teenagers and 25% had some college experience; today teenagers make up only 12% of low-wage workers and 43% have spent some time in college (Dube, 2013).

When nothing out of the ordinary happens, the near-poor can manage. But an unexpected event—a sickness, an injury, the breakdown of a major appliance or automobile, a layoff—can destroy a family financially and sink it into poverty. As one near-poor mother of two put it, “We’re O.K. unless something—anything at all—goes wrong” (quoted in Davey, 2011, p. A22). A recent study found that 47% of Americans either could not pay for an emergency expense costing \$400 or would have to sell something or borrow money to cover it (Federal Reserve, 2015).

Near-poor families must sometimes juggle scarce resources simply to survive. A study of 34,000 people nationwide found that during the cold winter months, families spend less on food and reduce their caloric intake by an average of 10% in order to pay their fuel bills (Bhattacharya, DeLeire, Haider, & Currie, 2003). Imagine being a poor single mother with a sick child. One trip to the doctor might cost an entire week's food budget or a month of rent. Dental work or an eye examination is easily sacrificed when other pressing bills need to be paid. If she depends on a car to get to work and it breaks down, a few hundred dollars to fix it might mean not paying the electric bill that month. When gasoline prices approach \$5 a gallon—as they did for a while in 2012—many near-poor families find that they have to cut down on food purchases so they can afford to drive to work. These are choices that wealthier families never face.

The Poverty Rate The **poverty rate**—the percentage of residents whose income falls below the official poverty line—is the figure that the U.S. government uses to track the success of its efforts to reduce poverty. Exhibit 10.5 shows how the poverty rate has fluctuated over the past few decades. In 2013 (the most recent year for which data were available), 14.5% of the population—or more than 45 million Americans—fell below the official poverty line, up from 11.3% in 2000 but down from over 15% in 2012. Nearly half of these people (44.3%) are in “deep poverty,” living on less than half the official poverty line (Mishel, Bivens, Gould, Shierholz, 2013). If we add in the near-poor, the number of people who suffer financially in this country increases to over 60 million, or about 19.2% of the population (DeNavas-Walt & Proctor, 2014).

When used to describe national trends in poverty, this overall poverty figure can obscure important differences among subgroups of the population. In 2013, 9.6% of people who identify themselves as non-Hispanic Whites and 10.5% of Asian Americans fell below the poverty line. That same year, 27.2% of Blacks and 23.5% of Latino/as (who could be of any race) were considered poor. The poverty rate in the South (16.1%) and West (14.7%) is higher than the rate in the Midwest (12.9%) and Northeast (12.7%). Finally, poverty is higher in rural areas (16.1%) than in metropolitan areas (14.2%), although it's highest in inner cities (19.1%; DeNavas-Walt & Proctor, 2014).

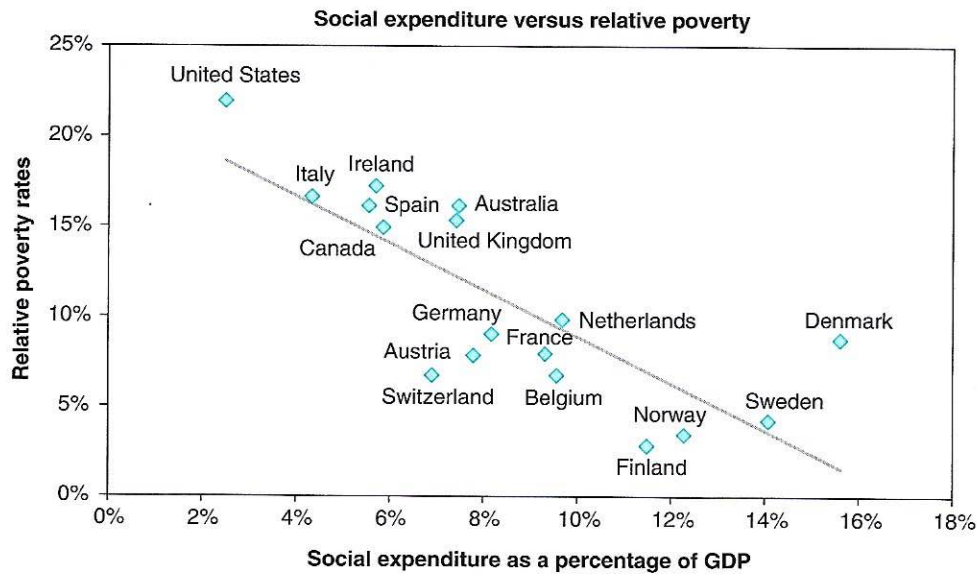
Although racial and ethnic minorities have consistently been rated among the poorest Americans, other groups have seen their status change over time. Before Social Security was instituted in 1935, many of the most destitute were elderly. As recently as 1970, 25% of U.S. residents over the age of 65 fell below the poverty line. Today, only 9.5% of the people in this age group are poor (DeNavas-Walt & Proctor, 2014). Exhibit 10.6 shows how the poverty rate of older Americans has declined.

Children's fortunes have gone in the reverse direction. About 14.7 million American children under the age of 18 (19.9%) live in households that are officially poor. This is a disproportionate share of the people in poverty (DeNavas-Walt & Proctor, 2014). As you would suspect, poverty figures for children vary dramatically along ethnoracial lines. About 38% of African American and 30% of Latino/a children under 18 live in poverty—compared with 16% of non-Hispanic White children and 10% of Asian children (ProQuest Statistical Abstract, 2015).

The United States has one of the highest child poverty rates of any industrialized nation (UNICEF, 2014a). To put that 19.9% figure into perspective, the average child poverty rate in the 33 other member nations of the Organization for Economic Cooperation and Development (2014) is 13%. Rates in Scandinavian countries are especially low, ranging from 3.7% to 7.0% (Bertelsmann Stiftung, 2011).

To make matters worse, about 8 million poor American children now live in “high-poverty” neighborhoods (defined as areas with poverty rates of 30% or more). That marks a 25% increase since 2000. Growing up in these neighborhoods increases the risk of health problems, teen pregnancy, dropping out of school, and a host of other social and economic problems that limit a child's ability to successfully transition into adulthood (Mather & Dupuis, 2012).

Several factors explain why the poverty rate among U.S. children is high compared with that of older U.S. residents. For one thing, family structure is closely related to child poverty. The poverty rate for families headed by single mothers is 30.6%, compared with 15.9% for families headed by single fathers and 5.8% for married-couple families (DeNavas-Walt & Proctor, 2014). In addition, government spending on programs for the elderly (Medicare, Social Security) has increased dramatically over the past four decades (Mishel et al., 2013), while spending on families and children (cash assistance, health care, food and nutritional aid, etc.) has dropped and will continue to drop into the foreseeable future (Davey, 2011; Steuerle, 2007). Not surprisingly, young families with children are six times as likely to be poor as elderly families (cited in Tavernise, 2011b). Worldwide, there is a strong correlation between the amount of money a country spends on social programs and rates of poverty (see Exhibit 10.7).

EXHIBIT 10.7 Government Spending and Relative Poverty, 2012

SOURCE: Reprinted from L. Mishel, J. Bivens, E. Gould, & H. Shierholz, 2013, *The State of Working America*.

The Consequences of Poverty

Poverty isn't just about rates, trends, and official definitions. It is a never-ending burden borne on the shoulders of those who are least equipped to endure it. Being poor clearly influences people's physical and intellectual well-being.

Poverty and Health With each step down the income ladder comes increased risk of headaches, varicose veins, respiratory infection, hypertension, stress-related illness, low-birth-weight babies, stroke, diabetes, and heart disease (Krugman, 2008; Pérez-Peña, 2003; Shweder, 1997). Recent studies have found a troubling increase in tropical parasitic diseases like Dengue fever and typhus in poverty-stricken areas of the U.S. South and Southwest that were heretofore confined to poor countries in Latin America. These parasites thrive where there is poor street drainage, plumbing, sanitation, and garbage disposal (Hotez, 2012).

Among children, decades of research show that rates of chronic illness, injury, ear disease, asthma, and physical inactivity all increase as socioeconomic status decreases (Chen, Matthews, & Boyce, 2002). Some researchers point out that poverty begins to affect a child's health even before he or she is born. Poor pregnant women are less likely to receive quality prenatal care and more likely to be exposed to environmental toxins that can harm fetal development than wealthier women (Furstenberg, 2011).

It might be tempting to attribute such class disparities to the unhealthy lifestyles of people on the bottom socioeconomic rungs of society. However, it is impossible to ignore the institutional activities that aggravate the problem. For instance, consider rules that determine eligibility for government programs for the needy (see Chapter 6). Poor children whose Supplemental Nutrition Assistance Program benefits are cut or reduced because their parents' income rises slightly above the eligibility threshold, are significantly more likely to be in poor health, be at risk for developmental delays,

and experience child food insecurity than those whose families remain eligible to receive benefits (Children's Health Watch, 2013).

Even after controlling for age, sex, race, family size, and education, the risk of death steadily increases as income goes down (Marmot, 2004). And the gap is growing. According to data from the U.S. Department of Health and Human Services, in 1980, the most affluent U.S. citizens could expect to live 2.8 years longer than the poorest citizens; today the difference in live expectancy is about 6.5 years (cited in Sanders, 2011). The greater the economic inequality in a community, the more likely it is that the poor people living there will die before the age of 75 (cited in Sanger-Katz, 2015). The health status of poor people in the United States is so bad that volunteer medical groups that were created to provide free medical services in destitute third-world countries like Ghana, Tanzania, and Haiti now set up mobile medical facilities in poor rural areas of the United States (Towell, 2007).

Not only do people without sufficient economic means face greater health risks than others, they may also lack the ability to get effective medical care when they need it. According to recent data from the U.S. Department of Health and Human Services (R. A. Cohen & Martinez, 2015), 11.5% of the U.S. population was uninsured in 2014. While this represents a 25% decrease compared to 2013 (Sanger-Katz, 2014) and the lowest level since 2008 (principally due to subsidies provided by the Affordable Care Act), it means that about 36 million Americans (including about 4 million children) still have no health insurance.

The effects of being able to afford health insurance can't be overstated. A nationwide study found that uninsured people are significantly more likely than people covered by private insurance to receive cancer diagnoses in late stages, diminishing their chances of survival (Halpern, et al., 2008). But when the state of Massachusetts adopted mandatory health care coverage for all its residents in 2006, the death rate in the state dropped significantly. The decline was steepest in those counties that had the highest proportion of poor and uninsured people prior to the adoption of the law (Sommers, Long, & Baicker, 2014).

In addition to inadequate or nonexistent health care, approximately 14.3% of American households are "food insecure"—meaning that some members don't have enough to eat or the family uses strategies like eating less varied diets, participating in food assistance programs, or getting emergency food from community food pantries (ProQuest Statistical Abstract, 2015). That means that about 33 million adults and 16 million children live in households that experience hunger or the risk of hunger.

As you will recall from Chapter 6, lower-income families actually pay higher-than-average prices for food (Brookings Institution, 2006). Large supermarket chains, for example, hesitate to open stores in very poor neighborhoods because of security fears. Hence, residents who are without transportation must rely on small neighborhood grocery stores, which usually charge more for food than large supermarkets do.

Poverty and Education The educational deck is likewise stacked against poor people. A recent report by the Education Trust (Ushomirsky & Williams, 2015) showed that nationally the highest poverty school districts receive about 10% (or about \$1,200) less state and local funding per student than the lowest poverty districts. That might not sound like much, but for a 1,000-student high school, that works out to \$1.2 million in missing resources every year.

Moreover, teachers in poor districts tend to be less experienced and are paid less than teachers in more affluent districts (LaCoste-Caputo, 2007). Without adequate resources, teachers become frustrated and do not teach; children become cynical and do not learn. The consequences are striking. While differences in standardized test scores between black and white students have narrowed over the past 50 years, differences between rich and poor students have grown dramatically. The achievement

gap between children from high- and low-income families is roughly 30% to 40% greater among children born in 2001 than among those born 25 years earlier (Reardon, 2011).

Even if they graduate from high school, most poor children can't afford to attend college. Those who do are more likely to attend community colleges or state universities, which are less expensive but lack the prestige, and often the quality, of their more expensive counterparts. In one study, 15% of high-income students who graduated from high school in 2004 enrolled in a highly selective university; however fewer than 5% of middle-income and 2% of low-income students did (Reardon, 2013).

Despite nationwide efforts to increase access to higher education, universities have not been particularly successful in recruiting and retaining poor students (Pérez-Peña, 2013). The top colleges in the admit roughly the same number of poor students as they did a generation ago (Pérez-Peña, 2014). In 2012, 74% of the entering class at selective top-tier universities came from the quarter of households with the highest income; only 3% came from the bottom quarter (Krugman, 2012). Of course, students without family wealth do sometimes attend top universities with the help of need-based scholarships. But these schools, by and large, have no systematic plans for identifying, recruiting, or admitting low-income students.

Furthermore, once they get into college, poor students don't fare as well as their more affluent counterparts. In a National Center for Education Statistics study that has been tracking college students for the past 13 years, 14% of those from the most disadvantaged quarter of the population earned a bachelor's degree. In contrast, 60% of those from the most advantaged quarter earned a degree (cited in Dynarski, 2015).

Such a gap is especially significant because a bachelor's degree is essential in today's global economy where 6 out of every 10 jobs require postsecondary education and training (Mather & Jarosz, 2014). According to the U.S. Bureau of the Census (ProQuest Statistical Abstract, 2015), people with some college experience but no degree earn, on average, just under \$34,000 a year. College graduates on average earn more than \$59,000 a year. These numbers demonstrate that the educational system often seals the fate of poor people instead of helping them succeed within the U.S. class structure.

Out on the Streets The most publicly visible consequence of poverty is homelessness. No one knows for sure exactly how many homeless people live in the United States. The National Alliance to End Homelessness (2015) estimates that on any given night, there are more than 578,000 homeless people, 31% of whom are completely unsheltered. Approximately 63% of homeless people are single adults, 37% are people in families, and a little less than 1% are unaccompanied youth and children. Of homeless adults, 18% are employed, and 13% are military veterans (U.S. Conference of Mayors, 2014).

The causes of homelessness in the United States are typically institutional ones: stagnating wages, changes in welfare programs, and, perhaps most important, lack of affordable housing. Nearly three quarters of homeless families cite lack of affordable housing as the principal cause of their homelessness (U.S. Conference of Mayors, 2014). When rising wealth at the top of society drives up housing prices, the poor are left unable to afford decent housing (Shipler, 2004).

According to the federal government, housing is considered "affordable" if it costs no more than 30% of a family's income. The poorest fifth of the population spend about 78% of their wages on housing. By comparison, the wealthiest fifth of the population spend only 19% of their income on housing (cited in Swartz, 2007). In 2015, the nationwide median housing wage—the minimum amount of money a person would have to make to afford a modest two-bedroom apartment—was \$19.35 an hour (or an annual income of over \$40,000, assuming full-time, year-round employment). That's two and a half times the federal minimum wage (\$7.25 an hour) and four dollars more than the average

wage earned by renters nationwide (\$15.16 an hour). Nowhere in the United States does a full-time, minimum-wage job provide enough income to afford adequate housing, and in some states—New York, California, Connecticut, New Jersey, and Massachusetts to name a few—a household would need the income of at least three minimum-wage jobs. In Hawaii, *four* minimum-wage jobs wouldn't be enough (National Low Income Housing Coalition, 2015).

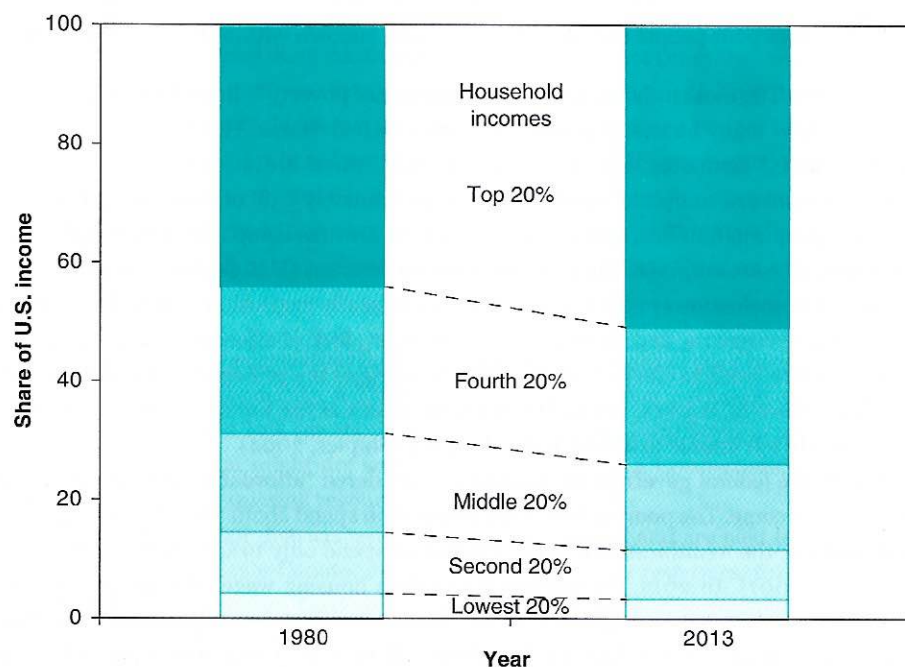
Why Poverty Persists

Even in the best of times, a prosperous country such as the United States has a sizable population of poor people. Why, in such an affluent society, is poverty a permanent fixture? To explain the persistence of poverty, we must look at enduring imbalances in income and wealth, the structural role poverty plays in larger social institutions, and the dominant cultural beliefs and attitudes that help support it.

Enduring Disparities in Income and Wealth One obvious reason poverty is so persistent in the United States is the way income and wealth are distributed. According to the U.S. Bureau of the Census (ProQuest Statistical Abstract, 2015), the average annual income of the top 5% of U.S. households is \$196,000 while the average annual income of the bottom 20% of households is under \$21,000.

This wide income gap between the richest and poorest segments of the population has been growing steadily over the past few decades (see Exhibit 10.8). The most affluent 1% of American households now accounts for 17% of all the income earned in a given year, up from under 8% in 1979. Since 1979, incomes of the top 1% have grown 275%; during the same time, incomes for the bottom 20% have grown only 18% (Congressional Budget Office, 2014).

EXHIBIT 10.8 The Increasing Gap in Household Incomes



SOURCE: ProQuest Statistical Abstract, 2015, Table 716.

Meanwhile, compensation for those at the very top continues to soar. In 1964, the average compensation for a top executive in an American company was about \$822,000. In 2014, chief executives at the S&P 500 companies averaged \$13.5 million in total compensation. In the early 1980s, corporate executives earned \$42 for every \$1 earned by the average production worker; by 2014, that figure had increased to \$373 (AFL-CIO, 2015). We may want to believe that personal effort and hard work solely determine our success, but it's hard to imagine that a CEO of, say, an electronics company works 373 times harder than a person who actually assembles the TVs and cell phones.

Over the past few years, the public has become increasingly angry over the escalation of executive pay. A 2011 Harris poll found that two thirds of adults do not believe that successful Wall Street executives deserve to make the kind of money they earn (Harris Interactive, 2011). In 2010, Congress passed what are known as the Dodd-Frank reforms, which give shareholders greater voice in determining executives' salaries and bonuses. But to date, executive compensation remains disproportionately high. In 2015, the bonus pool for Wall Street executives was nearly double the *total* earnings of all Americans working full time at the federal minimum wage (S. Anderson, 2015).

Tax laws also work to the advantage of those at the top. The rich do pay a lot of taxes as a total percentage of all taxes collected; however, they don't pay a lot of taxes as a percentage of what they earn and can afford. In the 1940s, the tax rate for the wealthiest tax bracket was about 90%; in 1980 it was 49%. Today it's 39.6%. Incidentally, the income threshold for individuals in that top bracket is \$413,200. Any earnings above that are taxed at the same rate. In other words, someone making \$40 million a year pays the same tax percentage as someone making \$414,000 a year (Tax Foundation, 2015). At the state and local level, the effective tax rate for the poorest fifth of households is about 11%; for the wealthiest 1%, it's only 5.4% (Institute on Taxation and Economic Policy, 2015).

As a result, the United States has the greatest income disparity between poor and wealthy citizens of any industrialized nation (Mather & Jarosz, 2014). As we've seen, the wealthiest fifth of U.S. families earn almost nine times more than the poorest fifth (ProQuest Statistical Abstract, 2015). In France, the richest fifth earn seven times more than the poorest fifth, and in Japan they earn four times more (Phillips, 2002). But to be fair, the income gap between rich and poor is worse in some developing countries. For example, in Thailand, Indonesia, and the Philippines, the richest 10% of residents earn over three quarters of their country's income (Kulikowski, 2014). Similar disparities exist in Latin American countries and in most of sub-Saharan Africa.

Inequalities in income lead to even more striking inequalities in wealth. A lifetime of high earnings and inheritance from privileged parents creates a lasting advantage in ownership of property; of durable consumer goods such as cars, houses, and furniture; and of financial assets such as stocks, bonds, savings, and life insurance. The wealthiest 1% of U.S. households controls 35% of all the country's wealth. By comparison, the bottom 90% controls only 23% of all the wealth (Mishel et al., 2013). The six members of the Walton family (the owners of Wal-Mart) have more wealth among them than the poorest 43% of U.S. families *combined* (AFL-CIO, 2015). We will never live in a society with a perfectly equal distribution of income and wealth. Some people will always earn more, have more, and maybe even deserve more than others. But the magnitude of the gap between rich and poor in the United States challenges the notion that we live in a society where everyone is valued equally. As disparities in income and wealth grow, so does the gap in quality of life and access to opportunity between those at the top of society and those at the bottom.

The Social "Benefits" of Poverty Recall the structural-functionalist assertion that stratification is necessary because it ensures that the most qualified and valuable people in society will occupy the most important positions. Social conditions exist and persist only if they are functional to society in

some way. But functional for whom? If you were to survey people on the street and ask them if poverty is a good or bad thing, most, I'm sure, would say, "Bad." Yet according to sociologist Herbert Gans (1971, 1996), within a free-market economy and competitive society such as the United States, poverty plays a necessary institutional role. Although structural functionalism has often been criticized for its propensity to justify the status quo, Gans combines it with conflict thinking to identify several economic and social "functions" served by poverty that benefit all other classes in society:

- Poverty provides a ready pool of low-wage laborers who are available to do society's "dirty work." Poor people work at low wages primarily because they have little choice. When large numbers of poor people compete for scarce jobs, business owners can pay lower wages. The company responsible for the hazardous task of cleaning up the toxic and radioactive waste at a Japanese nuclear plant ravaged by the 2011 earthquake targeted poor and unskilled workers in its recruitment ads (Tabuchi, 2014).
- Poverty ensures that there will be enough individuals, especially during times of high unemployment, to populate an all-volunteer military. To people with limited educational and occupational opportunities, military service holds the promise of an escape from poverty through stable employment, comprehensive insurance coverage, a living wage, free schooling, and the development of marketable skills. Historically, American armed forces have drawn disproportionately from the lower socioeconomic rungs of society (Asoni & Sanandaji, 2013). That's especially true when unemployment is high (Kelty, Kleykamp, & Segal, 2010). During the height of the wars in Iraq and Afghanistan American casualties were overwhelmingly from families of modest means who lived in sparsely populated rural counties (Cushing & Bishop, 2005; Golway, 2004). By 2006, 34% of U.S. military personnel killed in Iraq came from the poorest quarter of families, while only 17% came from the richest quarter (cited in "Price Paid," 2006).
- Poverty supports occupations that either serve the poor or protect the rest of society from them: police officers, welfare workers, social workers, lawyers, pawnshop owners, and so on. Even drug dealers and loan sharks depend on the presence of a large population of poor people willing to pay for their illegal services.
- Poverty is the reason some people purchase goods and services that would otherwise go unused: secondhand appliances; day-old bread, fruits, and vegetables; deteriorated housing; dilapidated cars; care from incompetent physicians; legal advice from inept attorneys; and so forth. In 2002, dozens of Coca-Cola employees in Texas revealed that, for years, they had been required to sell expired Coke to stores in poor neighborhoods. They were instructed to strip cans from their boxes, stuff them into fresh boxes with new dates stamped on the side, and stock them on store shelves in poor neighborhoods as if they were new (Winter, 2002). Clearly, this merchandise had little or no monetary value outside the poverty market; it was believed that the beverages couldn't be sold to wealthier Coke drinkers because they'd have noticed the difference.
- Poverty is a visible reminder to the rest of society of the "legitimacy" of the conventional values of hard work, thrift, and honesty. By violating, or seeming to violate, these mainstream values, the poor reaffirm these virtues. If poor people are thought to be lazy, their presence reinforces the ethic of hard work; if the poor single mother is condemned, the two-parent family is idealized.

- Poverty provides scapegoats for society's institutional problems. The alleged laziness of the jobless poor and the anger aimed at street people and beggars distract us from the failure of the economic system to adequately deal with the needs of all citizens. Likewise, the alleged personal shortcomings of slum dwellers and the homeless deflect attention from shoddy practices within the housing industry.

This explanation of poverty's persistence can easily be dismissed as cold and heartless. We certainly don't want to admit that poor people allow the rest of us to avoid unpleasant or even dangerous tasks and enjoy comfortable and pleasant lifestyles. Yet this explanation is quite compelling. Just as society needs talented people to fill its important occupational positions, it also needs a stable population of poor people to fill its "less important" positions. If society fostered full equality, who would do the dirty work?

If we are truly serious about reducing poverty, we must find alternative ways of performing the societal functions it currently fulfills. But such a change will assuredly come at a cost to those who can now take advantage of poverty's presence. In short, poverty will be eliminated only when it becomes dysfunctional for people who *aren't* poor.

The Ideology of Competitive Individualism Poverty also persists because of cultural beliefs and values that support the economic status quo. An important component of this value system in U.S. society is the belief in **competitive individualism** (Feagin, 1975; M. Lewis, 1978; Neubeck, 1986). As children, most of us are taught that nobody deserves a free ride. The way to be successful is to work hard, strive toward goals, and compete well against others. We are taught that we are fully responsible for our own economic fates. Rags-to-riches stories of people who rose above terrible conditions to make it to the top reinforce the notion that anybody can be successful if she or he simply has the desire and puts in the necessary effort.

The dark side of the U.S. belief in competitive individualism is that it all too easily justifies the unequal distribution of rewards and the existence of poverty. If people who are financially successful are thought to deserve their advantages, allegedly because of individual hard work and desire, then the people who are struggling financially must likewise deserve their plight—because of their *lack* of hard work and desire. People in the United States have an intense need to believe that good things happen to good people and bad things happen to bad people (Huber & Form, 1973; Lerner, 1970). In short, most of us want to believe that if a poor person is suffering, he or she "must have" done something to deserve it. The people who succeed, in contrast, "must have" been born smarter, stayed in school longer, or worked harder. The belief in competitive individualism gives people the sense that they can control their own fate.

But the depth of such beliefs sometimes depends on people's political leanings. For instance, a recent national poll found that a majority of people who identify as conservative say that poverty is due to lack of effort while those who identify as liberal are significantly more likely to cite circumstances beyond one's control as the cause (Pew Research Center, 2014d). Similarly, socioeconomic status can influence these attitudes. When asked why people succeed, lower-income people are more likely than wealthy people to downplay competitive individualism and cite things like "coming from a wealthy family" or "knowing the right people." Upper-class individuals, on the other hand, are more likely than their lower-income counterparts to contend that opportunities for success and advancement are available to everyone, meaning that success is a result of individual merit. They are likely to cite "natural ability," "a good education," and "hard work" as factors that are essential to getting ahead in life. Hence, they can justify inequality by emphasizing equal chances (cited in J. Scott & Leonhardt,

2005). Notice, in the following passage, how one economist blames poverty on the willful actions of poor people who decide not to take advantage of available economic opportunities:

Some poor people may choose not to work as hard as investment bankers working 70 hours a week. . . . One of the most amazing phenomena of recent years is why so many people . . . have not responded to the opportunities out there. (quoted in Stille, 2001, p. 19)

The belief system that such a comment reflects doesn't take into consideration the possibility that the competition itself may not be fair. Competitive individualism assumes that opportunities to learn a high-level trade or skill or enter a profession are available to everyone. Every person is supposed to have the chance to "be all that she or he can be." But the system may be rigged to favor those who already have power and privilege.

The Culture of Poverty A variation of the belief in competitive individualism is the argument that poor people as a group possess beliefs, norms, values, and goals that are significantly different from those of the rest of society and that perpetuate a particular lifestyle that keeps them poor. Oscar Lewis (1968), one of the earliest proponents of this *culture-of-poverty thesis*, maintained that poor people, resigned to their position in society, develop a unique value structure to deal with the unlikelihood that they will ever become successful by the standards of the larger society. This culture is at odds with the dominant culture—in the United States, the middle-class belief in self-discipline and hard work.

According to Lewis, although the culture of poverty may keep people trapped in what appears (to the outside observer) to be an intolerable life, it nevertheless provides its own pleasures. Street life in the inner city is exhilarating compared with a world where jobs are dull, arduous, and difficult to obtain and hold (P. Peterson, 1991). It's more fun to hang out, tell exaggerated stories, and exhibit one's latest purchases and conquests than to work and struggle in the "conventional" world. This extreme "present-orientedness"—the inability to live for the future (Banfield, 1970)—and not the lack of income or wealth is the principal cause of poverty, according to this view.

Once the culture of poverty comes into existence, Lewis argued, it is remarkably persistent: You can take the child out of the inner city, but you can't take the inner city out of the child—that sort of thing. Furthermore, it is passed down from generation to generation. By age 6 or 7, he said, most children have absorbed the basic values and attitudes of their subculture, rendering them unable to take advantage of any opportunities that may present themselves later in life. Others have argued that a poor family with a history of welfare dependence tends to raise children who lack ambition, a solid work ethic, and self-reliance (Auletta, 1982).

But the contention that there is a stable, enduring culture of poverty may be overstated. For instance, according to one sociologist, 54% of Americans between 25 and 60 will experience poverty or near-poverty for at least one year during the course of their lives (Rank, 2013). In other words, most people tend to move in and out of poverty.

Furthermore, not all poor people receive public assistance. As you recall, the U.S. poverty rate hovers around 14.5% (it's about 12.4% for families; DeNavas-Walt & Proctor, 2014). But according to the U.S. Bureau of the Census, only 2.9% of households receive some form of public assistance in 2012 (Irving, 2014). And people who do receive government assistance tend to enter and leave the system, making it difficult to sustain a tradition of dependence across generations.

Critics of the culture-of-poverty approach also contend that behavior that seems to be characteristic of poor people is likely to be caused by institutional impediments, such as a tradition of racial or ethnic prejudice and discrimination, residential segregation, limited economic opportunities, and

occupational obstacles against advancement (W. J. Wilson, 1980). Poor African Americans, for example, still struggle to overcome the disadvantages of slavery and the Jim Crow laws that subjugated their ancestors. Other root causes of poverty include skyrocketing health care costs, the growing lack of affordable housing, and a changing economy that has all but eliminated entire classes of high-paying, low-skilled jobs.

Despite the lack of supportive evidence, the culture-of-poverty explanation remains popular. Many people strongly believe that poor people live by a different set of moral standards and therefore will remain in poverty unless forced to change their values. If poverty is a “way of life,” then giving poor people enough money to raise them out of poverty is not the answer; changing their troublesome culture is. Most Americans—particularly those who identify as conservative—feel that government aid to the poor does more harm than good (Pew Research Center, 2014d). During the 2012 presidential campaign, the chair of the House Budget Committee (who was also the Republican vice presidential candidate at the time) echoed these sentiments when he proposed a sharp reduction in government assistance programs: “We don’t want to turn the safety net into a hammock that lulls able-bodied people to lives of dependency and complacency, that drains them of their will and their incentive to make the most of their lives” (quoted in McAuliff, 2012, p. 1).

So it follows that the contemporary U.S. welfare system reflects the belief that the best way to reduce poverty is to change poor people’s lifestyles. In 1994, more than 5 million U.S. families received the most common form of government assistance, Temporary Assistance to Needy Families (TANF). By 2014, that figure had dropped to 1.5 million (ProQuest Statistical Abstract, 2015). You might think that such a drop reflects the fact that fewer citizens need government aid, but much of the reduction was actually due to the eligibility limitations of a new welfare system that began in 1996. This system includes a mandatory work requirement (or enrollment in vocational training or community service) after 2 years of receiving assistance and a 5-year lifetime limit to benefits for any family. Despite soaring unemployment rates and the worst economic recession in decades, 16 states have cut their welfare caseloads since 2008, sometimes by as much as 50% (cited in DeParle, 2012).

Contrary to popular belief, the financial help that people receive on public assistance is not enough to sustain a life that is remotely comfortable. According to the Center on Budget and Policy Priorities, TANF benefit levels are so low that they are not enough to provide family income above half of the poverty line in *any* state. And since 1996, the value of cash assistance benefits has declined by 20% or more in 37 states. In six states, it’s dropped by over 40% (Floyd & Schott, 2013). In 2013, Congress cut Food Stamp benefits by over \$400 a year for a family of four (Severson & Hu, 2013).

Some of the people who left welfare have, in fact, found sustained employment (Duncan & Chase-Lansdale, 2001). However, more than half of the decrease in welfare rolls in the first decade after welfare reform went into effect reflected a decline in government assistance to families that were poor enough to qualify for aid rather than an increase in the number of families who no longer needed the assistance.

You’d think that with all the political rhetoric over “ending welfare as we know it,” the welfare system would be the largest drain on the federal budget. However, programs to assist the poor constitute only about 11% of the entire federal budget. In 2013, the federal government spent approximately \$170 billion on welfare assistance, including Temporary Assistance for Needy Families, food and nutrition programs, and housing assistance. That same year, it spent more than \$1.5 *trillion* on Social Security, unemployment insurance, and Medicare—the government-subsidized health care program for the elderly (usgovernmentspending.com, 2013).

Nonetheless, the assumptions behind welfare reform are clear: Making work mandatory will teach welfare recipients important work values and habits, make poor single mothers models of these values

for their children, and cut the nation's welfare rolls. The underlying idea is that hard work will lead to the moral and financial rewards of family self-reliance. It will cure poverty and welfare dependence and ensure that new generations of children from single-parent families will be able to enter the American mainstream. Like competitive individualism, however, this ideology protects the nonpoor, the larger social structure, and the economic system while blaming poor people for their own plight.

GLOBAL DEVELOPMENT AND INEQUALITY

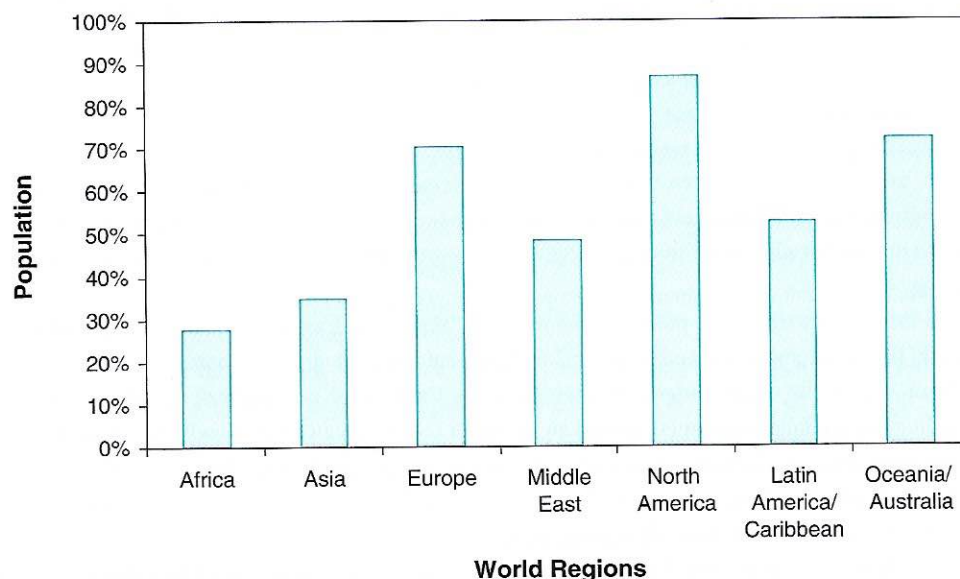
As you've seen elsewhere in this book, it is becoming increasingly difficult to understand life in any one society without understanding that society's place in the larger global context. The trend toward globalization (see Chapter 9) may have brought the world's inhabitants closer together, but they are not all benefiting equally. Nations have differing amounts of power to ensure that their interests are met. The more developed and less developed countries of the world experience serious inequalities in wealth that have immediate consequences for their citizens.

The Global Economic Gap

Just as an economic gap exists between rich and poor citizens within a single country, economic gaps exist between rich and poor countries. For instance, although wireless technologies can reach just about every corner of the globe, Internet access varies dramatically from region to region (see Exhibit 10.9). Consider these other facts:

- The average per-capita yearly income in Western Europe, the United States, Canada, Japan, and other developed countries is \$37,470; in the less developed countries of the world, it's \$8,060 (Population Reference Bureau, 2014c).

EXHIBIT 10.9 World Internet Usage, 2014



SOURCE: Internet World Stats, 2015.