

## Chapter 2

### CLASS RELATIONS AND THE PROBLEM OF INEQUALITY

#### GOALS OF THE CHAPTER

In this chapter, we explore inequalities in the distribution of economic, political, and social resources and how these inequalities relate to differences in opportunities and life chances. Differences in the control of major resources result in differences in actual day-to-day power. Small groups of very powerful people shape the lives of large groups of less powerful Americans. If necessary, the very powerful can even use government police and military forces to back up their decisions. To better understand the *why* and *how* of this resource and decision-making inequality we will first examine briefly four snapshots of U.S. society.

#### LEARNING OBJECTIVES

After reading and studying this chapter on the social problems associated with class relations and inequality in the United States, students should be able to address the following themes. Instructors may want to focus lectures and discussions on these objectives.

1. Recognize how hierarchies of social stratification and the relations of dominance and subordination play an important role in the everyday lives of Americans by distinguishing between the the class hierarchy, the racial hierarchy, and the gender hierarchy.
2. Understand that the structure and character of U.S. government has been shaped by the power and resources of corporate America. How does the farm crisis illustrate the major role of government in the U.S. economy?
3. Understanding the contrasting views of inequality as reflected in the order-market perspective and the critical power-conflict perspective.
4. Identify the persisting problem of income inequality and its effect upon the length and quality of American lives. Is wealth inequality related to this discussion?
5. Identify the sources capitalists' wealth over the last few centuries, including the period of mercantile and plantation capitalism, industrial capitalism, early monopoly capitalism, and advanced monopoly capitalism.

#### CHAPTER SUMMARY

Many social problems in this society are deeply rooted in the class system. In this chapter we have emphasized the importance of four major classes, which are defined according to their position in the capitalistic system of production and distribution. The classes are socially related. The top class is the capitalist class, composed of traditional capitalist owners and corporate executives whose economic ownership and control of capital investments worldwide are substantial. Next is a managerial class, an in-between class composed of managers and top professionals, to which the capitalist class has delegated substantial control over the means of production and distribution – over particular plants, warehouses, stores, and offices. The small-business class is composed of entrepreneurs whose incomes derive substantially from their own labor. Finally, the working class is that very large group of blue-collar and white-collar workers who generally have modest property and wealth to fall back on during hard times

and who must sell their labor power to those who own and control the means of production, distribution, and exchange.

These class relations regularly shape the everyday lives of all Americans. One's class position largely determines one's privileges, opportunities, and lifestyle. Powerful capitalists, because of their wealth and power, can live like kings and queens, through periods of inflation, depression, or recession, while ordinary workers suffer greatly from the ravages of unemployment and inflation.

Major income inequality has been a basic feature of U.S. society from the beginning of the republic to the present. Official data indicate that the top fifth of households has pulled in half, or nearly half, of all income, and the poorest fifth a very small share, since at least the 1930s. Income is important because, in our society, access to food, clothing, housing, medical care, education, and many other goods and services is determined by a household's income. More important than the money itself is what it can buy, in addition to the control and power a substantially greater-than-average income can provide.

Noting the substantial improvements in ordinary workers' incomes and living standards, many have argued a class convergence theory in regard to the concrete material achievements of working people since the Great Depression. However, although real incomes generally increased from World War II to the early 1970s, they have overall declined, in a down then up movement, since that time. The drop in living standards for many families makes the inequality of income and wealth across class lines even harder to bear. Indeed, such conditions can breed political protest and revolt, as has been seen in a few urban riots since the 1980s.

In the U.S. there is even greater inequality of wealth than of income. The top 1 percent of households control very large shares of the wealth, including cash, bonds, real estate, and corporate stock. In this group are the superrich top capitalist families such as the Rockefellers, Fords, Waltons, Gateses, and du Ponts. Most top capitalist families are tied into important corporations. Through trusts, holding companies, and other institutional arrangements, a top capitalist family can act as a powerful and influential unit, with substantial ownership and control of at least one major corporation.

In the last section of this chapter we briefly reviewed the history of U.S. capitalism since 1700. The expansive period of industrial capitalism, from about 1850 to 1890, saw large-scale industrialization and urbanization in the constant quest by capitalist industrialists for productivity and profits. The next period, early monopoly capitalism (1890-1940), witnessed a growing concentration of power in fewer and fewer monopoly corporations and a continuing series of economic crises, culminating in the Great Depression. Gradually, the federal government became more and more involved in attempts to save capitalism from its periodic crises of overproduction and underproduction. These attempts ranged from military intervention in the form of U.S. imperialism in countries overseas to domestic government programs to assist businesses and provide such assistance as major aid to unemployed workers. Beginning in the 1940s, the United States has moved into a late monopoly capitalism period, with more and more concentration of power in the hands of a few corporations and continuing government intervention to aid businesses and forestall protest from working people. Corporations have increasingly sought new outlets overseas for investment, preferably in countries with lower wages and conservative political climates.

Today the U.S. government is experiencing a recurring financial (deficit) crisis. The federal government's ability to intervene to sustain corporate growth and profitability is limited by the size of government expenditures and by demands of working people for support programs such as Social Security and unemployment compensation. Governments, both federal and local, are having difficulty meeting business needs and the social program needs of rank-and-file working people. This creates the potential for recurring societal crises and class conflict.

#### KEY CONCEPTS/IDEAS/TERMS/NAMES

Advanced monopoly capitalism  
Blue-collar  
Capital  
Capital class

Capital flight  
Class hierarch  
Corporations  
Early monopoly capitalism

Income  
Industrial capitalism  
Kingsley Davis  
Managerial class  
Mercantile and plantation capitalism  
Multinationals  
Oligopoly  
Political action committees (PAC)  
Real income  
Relative income

Richard Herrnstein & Charles Murray  
Small-business class  
Surplus labor  
Taxation  
The farm crisis  
The state  
Two-tiered society  
Wealth  
White-collar  
Working class

## CLASS PROJECT

Take a “stratification tour” of your city. Visit stores and public accommodations that cater to low-income, middle-income, and upper-income residents. Compare and contrast the place you visit in both qualitative and quantitative terms.

## EXAM QUESTIONS

### *Essay Questions*

1. Beyond workers, capitalists, managers and small business people, there are other important groups to consider in U.S. society. How does the text link other groups of Americans with these four major class categories
2. The “Government” and the “State” are only roughly equivalent terms. Identify some of the reasons the text refers to the U.S. government as a capitalist state.
3. How do order-market sociologists like Kingsley Davis explain the fact that different positions in society receive different incomes?
4. Using as examples (1) GM truck safety and (2) the Levi Strauss Co. and capital flight, briefly discuss the central features of a definition of classes in U.S. society.
5. Compare and contrast trends in income inequality with those of wealth inequality. Do either show a significant trend toward equality? Which of these two is more equitably distributed?
6. Why is income important? What kinds of differences does it make in people’s everyday lives?
7. Outline the distinguishing features of industrial capitalism, early monopoly capitalism, and advanced (late) monopoly capitalism.
8. Using illustrations from the text or from contemporary events, compare the effects of *regressive taxation* with *progressive taxation* on different classes.
9. On occasion, the U.S. has engaged in overseas imperialism to guarantee access to exploitable cheap labor, raw materials, and markets in poorer countries. Identify some specific historical and contemporary examples.

*Multiple Choice Questions*

10. The four major social classes of U.S. society that the textbook emphasizes are [c]
- capitalists (bourgeoisie), workers (proletariat), whites, and non-whites.
  - capitalists (bourgeoisie), workers (proletariat), males, and females.
  - capitalists (bourgeoisie), workers (proletariat), managers, and petty bourgeoisie (small business class).
  - blacks, whites, males, and females.
11. The authors of this text take the view that [a]
- the social classes in U.S. society relate to one another in terms of dependence and exploitation.
  - there is little difference in the life chances of persons of different social classes in the United States.
  - outside the area of employment, the concept of social class has little meaning in the United States today.
  - capitalists and the small business class do not have decisive control over the physical means of production, distribution, and exchange.
12. The capitalist class in the United States today [b]
- comprises the majority of Americans.
  - is a small percentage of the population but has extensive control over every aspect of U.S. society.
  - is dwindling in its influence because many of the old families are losing control of the corporations that they founded.
  - no longer exists.
13. Traditional capitalist owners [d]
- own their own companies or own controlling amounts of stock in a company.
  - own significant wealth.
  - make key decisions about investments and the distribution of profits.
  - all of the above.
14. In the United States today the proletariat (workers) [c]
- control a large share of productive property such as factories and offices.
  - can usually get along for several years during times of unemployment using their savings.
  - typically have modest levels of savings and own little except for personal property such as a car or perhaps a home.
  - usually advance rapidly up the occupational mobility ladders of their employers.

15. Today's working class in the United States consists [c]
- only of skilled and semi-skilled blue-collar workers.
  - of unskilled, semi-skilled, and skilled blue-collared workers.
  - of both blue-collar and white-collar workers.
  - of blue-collar workers, white-collar workers, and managers.
16. The managerial class in the United States today [a]
- is an in-between class to which capitalists often delegate substantial day-to-day control of the operation of plants and offices.
  - is rapidly replacing the capitalist class in importance because of its growing control over the means of production.
  - shares ownership of productive property with the capitalist class.
  - occupies the same status as it did in the very earliest days of capitalism.
17. The managerial class has [d]
- considerable influence over company-wide investment decisions.
  - the ability to control labor.
  - little or no say over company-wide investment decisions.
  - b and c above.
18. Top-level government decisions in the United States today are [b]
- largely made by the millions of low-level government employees.
  - largely made by government officials drawn primarily from capitalist, managerial, or related professional backgrounds.
  - made by a combination of the groups mentioned in a and b above.
  - made by capitalists and managers with interests of the working class in mind.
19. Modern capitalism in the United States today [c]
- is a highly competitive system with many competing and equal firms.
  - has been largely taken over by government control.
  - is characterized by centralization and concentration of private enterprises.
  - is dominated economically by small business.
20. Under modern capitalism government is obligated to [a]
- support the accumulation of profit by subsidizing such things as industrial development parks, urban renewal projects, airports, and highway and utility projects.
  - keep strictly out of the affairs of business.
  - pass laws to allow businesses to remain intensely competitive.
  - serve the economic needs of all classes.

21. The growth of government intervention in both the economy and society since the early 1900s [a]
- has been a means of defusing democratic, socialistic, and other workers' movements.
  - has taken place in spite of the desires of most capitalists to remain purely competitive and free-market-oriented.
  - was an inevitable outgrowth of the concept of laissez-faire.
  - reflects, exclusively, the needs of capitalists.
22. Government fiscal crises frequently occur [c]
- because the government refuses to pay for industrial development and urban renewal projects.
  - only because working class Americans want better social services in the areas of unemployment benefits and health care.
  - because government cannot easily meet the needs of corporate America for capital accumulation and worker demands for better services and tax relief all at the same time.
  - largely because of the excessive number of employees in the government bureaucracy.
23. Since the 1960s, agribusiness has [b]
- used its power to assure small farmers' access to overseas markets.
  - influenced U.S. farm policy to support agricultural exports.
  - influenced government policy to make bank loans available to family farmers.
  - advocated a government policy to protect family farmers.
24. From the order-market perspective, wealth and income inequality are a result of [d]
- the fact that those holding the best positions in a society are the most intelligent and thus deserve the greatest rewards.
  - a fundamental need in every society to give greater rewards to those who make the most significant contributions to a society in order to induce them to perform their specific tasks.
  - injustices inherent in capitalism.
  - both a and b.
25. From a power-conflict viewpoint, much wealth and income inequality is explained by the fact that [c]
- those holding the best positions in a society are the most intelligent and thus deserve the greatest rewards.
  - every society has a fundamental need to give greater rewards to those who make the most significant contributions in order to induce them to perform their specific tasks.
  - the United States is a highly stratified society in which powerful individuals and groups can shape the reward structure and take a disproportionate share of the resources and rewards whether or not they deserve them.
  - an "invisible hand" sees to it that the most qualified people conscientiously fill important jobs and positions.

26. In the United States today [a]
- income is important because such things as food, housing, clothing, and medical care, legal aid, and a college education are rationed according to income.
  - there is little correlation between average years of school completed and one's family income.
  - families in all income groups tend to spend a similar percentage of their incomes on food.
  - there is little correlation between income and wealth.
27. The distribution of income in the United States over the past thirty years has [c]
- become significantly more unequal.
  - become significantly more equal.
  - stayed about the same.
  - changed-to give the middle fifth of the population a significantly larger share.
28. In the United States today the [c]
- top one-fifth of the population receives about 25% of the total income.
  - lowest one-fifth of the population receives about 10% of the total income.
  - top one-fifth of the population receives almost half of the total income.
  - top one-fifth gets 15% of the total income.
29. Election to political office in the United States today is [b]
- not disproportionately influenced by people of greater wealth because of strict regulations on campaign contributions.
  - heavily influenced by members of the capitalist and managerial classes by large contributions to political campaigns and other financial assistance to politicians.
  - equally available to members of 0 social classes.
  - disproportionately influenced by working-class people.
30. Income inequality in the United States today [c]
- is rapidly disappearing because of the improvements in workers' incomes.
  - is still present although the real income of ordinary workers has risen steadily every year since 1947.
  - has persisted and the real incomes for many ordinary Americans have declined since 1970.
  - persists although real incomes for most workers increased during the 1970s.
31. Wealth inequality in the United States [b]
- is not as great as income inequality.
  - has existed since colonial times.
  - began with the shift from a farming society to an urban industrial society.
  - is rapidly decreasing today.

32. In the United States, wealth is distributed [c]
- a. about as equally as income.
  - b. more equally than income.
  - c. less equally than income.
  - d. about as equally as income except for the lowest fifth of the population.
33. Today the top tenth of Americans own [a]
- a. most of the nation's total wealth.
  - b. about half the nation's total wealth.
  - c. about one-quarter of the nation's total wealth.
  - d. about 10 percent of the nation's total wealth.
34. In a major recession or depression [c]
- a. people of all classes suffer to an equal degree.
  - b. the poor suffer less because they are used to getting by with less money.
  - c. the wealthy suffer less because of their greater financial "cushion."
  - d. the wealthy suffer more because they are usually the first to lose their assets.
35. Since 1980 [b]
- a. corporate income taxes have risen to more than 40 percent of all federal tax revenues.
  - b. individual income taxes have constituted a larger percentage of tax revenues than have corporate income taxes.
  - c. all corporations in the U.S. have paid income taxes every year.
  - d. the ratio of individual income tax revenues to corporate income tax revenues has remained fairly constant.
36. Which of the following is *not* a period in the development of capitalism (as outlined by the text)? [a]
- a. bourgeois capitalism
  - b. industrial capitalism
  - c. early monopoly capitalism
  - d. advanced or late monopoly capitalism
37. Imperialism [c]
- a. was a result of a quest for new world markets for American goods.
  - b. sometimes made use of U.S. armed forces to guarantee access to exploitable cheap labor, raw materials, and markets in the Third World.
  - c. both a and b.
  - d. neither a nor b.



38. A U.S. House Committee on Foreign Affairs reported that between 1798 and 1970, U.S. un-  
informed forces had been used in military interventions of other countries [b]
- a. 45 times.
  - b. 165 times.
  - c. about a dozen times.
  - d. 78 times.
39. Depressions and recessions occur [b]
- a. only in times when there is no competition among businesses.
  - b. during periods of overproduction and underemployment
  - c. only when labor insists on higher wages.
  - d. when welfare expenditures exceed 10% of the GNP.
40. Advanced or late monopoly capitalism, corporations [c]
- a. are less centralized and smaller than in earlier stages of capitalism.
  - b. generally limit their investments and operations to the continental United States.
  - c. have a heavy emphasis on consumerism and advertising.
  - d. are increasingly resistant to government intervention in the economy.
41. Military-related expenditures and arms production [b]
- a. were a low priority in the Reagan administrations of the 1980s.
  - b. have been very significant parts of government intervention in the U.S. economy since  
the 1940s.
  - c. represented about the same percent of the gross national product in the United States in  
the 1980s as they did in the 1940s.
  - d. have slipped to all-time lows since the United States is not at war.

*True-False Questions*

42. Power-conflict analysts define class primarily by differential economic power to shape the socie-  
ty. (*true*)
43. Members of the propertied, decision-making capitalist class own or control the means of produc-  
tion and distribution—the plants, offices, stores, and warehouses—and the working class usually  
sells its labor power to that employer class. (*true*)
44. It is unusual for corporate executives to make important investment and other business decisions  
without regards to consumer or worker concerns. (*false*)
45. Those at the top of the stratified, hierarchical system have the same levels of resources, such as  
ownership and control of property, income, and various types of wealth, as groups lower in the  
hierarchy. (*false*)
46. A person's class position is determined by position in the means of production. (*true*)

47. Large or small, capitalists today believe strongly in their right to own and control property such as factories, offices, and land and to make a privately controlled profit from that property without democratic input from workers or other citizens. (*true*)
48. The working class has significant control over the important decisions involving companywide investments. (*false*)
49. White-collar workers are composed of several different groups of workers including electricians, plumbers, unskilled laborers, laundry workers, and other service workers. (*false*)
50. Blue-collar workers are sometimes described as a “new middle class.” (*false*)
51. The managerial class is composed of middle-level and lower-level managers and top professionals, that typically have considerable say in companywide decisions about the overall investment of profits. (*false*)
52. Lower-level employees have often been found to want more democracy in their work. (*true*)
53. These individuals in the managerial class usually control the profits from, and structure of work at, their businesses, but as a rule they control little labor of others. (*false*)
54. homemakers who do not work outside the home are often linked to working-class male workers and share an interest in expanding workers’ wages, fringe benefits, and control of the workplace. (*true*)
55. Top government officials tend to work to help meet the needs of the dominant class. (*true*)
56. Much control of labor, property, investment, and resources that rests in the hands of members of the capitalist class and the managerial class is rarely expressed through the routine operation of small-to-large bureaucratized corporations. (*false*)
57. The power and resources of corporate America have shaped the structure and character of the U.S. government. (*true*)
58. The profit accumulation of corporations is unrelated to government projects and services such as government-subsidized industrial development parks, urban development projects, airports, and highway and utility projects built to facilitate business needs. (*false*)
59. Corporate-liberal capitalists have come to support government benefit programs and expanded police forces to reduce strikes and labor unrest. (*true*)
60. America’s family farm system has become the victim of a government policy manipulated by the interests of agribusiness. (*true*)
61. Fair access to bank loans has gradually increased the number of black farmers in the U.S. over the last several decades. (*false*)
62. Kingsley Davis’ view that the basic source of wealth and income inequality lies in the functional necessities of society reflects an order–market perspective. (*true*)

63. Today, racial and gender discrimination have little effect on the overall incomes of people of color. (*false*)
64. If one visualizes the income of Americans as a pyramid with the richest at the top and the poorest at the bottom, it is a pyramid with a very broad base and a very high top. (*true*)
65. Recent analyses of family expenditures for poor and nonpoor working families find that poor families have roughly the same income to spend as nonpoor working families. (*false*)
66. Gender discrimination targeting women workers is a major reason why the median income for female college graduates is only a little more than that for men with some college but no degree. (*true*)
67. Given the right of all citizens to vote, wealthy people do not disproportionately influence politicians by large contributions to political campaigns and other financial assistance. (*false*)
68. Comparison of federal campaign finance figures with U.S. Census data on race and ethnicity reveals that the most affluent whites in the U.S. mostly finance federal election campaigns. (*true*)
69. The inequality in income and wealth in the U.S. is now so great that the future of the country is likely threatened with instability as those with less may come to question the growing inequality. (*true*)
70. During industrial capitalism (1850-1890), the majority of the nonslave, male, working population in the U.S. was composed of farmers, artisans, merchants, and a few professionals. (*false*)
71. Advanced monopoly capitalism has seen increased centralization and mergers of corporations, increased emphasis on consumerism and advertising, and periodic government intervention in the society. (*true*)

#### *Fill-In Questions*

72. The \_\_\_\_\_ is a small percentage of the population but has extensive control over the economic system both in the U.S. and around the world. (*capitalist class*)
73. The modern working class, today's wage and salary proletariat, is made up of a number of subgroups, which are sometimes called \_\_\_\_\_ of the working class. (*fractions*)
74. The \_\_\_\_\_ is also composed of several different groups of workers, some better paid and highly skilled, others poorly paid and unskilled. (*blue-collar fraction*)
75. The \_\_\_\_\_ includes a range of workers, from secretaries and other clerical workers, to sales workers, to most technicians and engineers. (*white-collar fraction*)
76. Those in the managerial class, sometimes called the \_\_\_\_\_, tend to ally themselves with the capital class and its basic interests. (*coordinators*)
77. According to James O'Connor, the \_\_\_\_\_ has to take over more and more of the \_\_\_\_\_ of modern capitalism even though the profits of business are still privately controlled. (*state; social costs*)

78. \_\_\_\_\_ have come to support government benefit programs and expanded police forces to reduce strikes and labor unrest. (*Corporate-liberal capitalists*)
79. A moderate Republican analyst, named \_\_\_\_\_, has noted that at three points in U.S. history the Republican party used patriotic themes to gain substantial control over the federal government for a generation. (*Kevin Phillips*)
80. \_\_\_\_\_ is now the highest cause of preventable death among farmers. (*Suicide*)
81. In the book \_\_\_\_\_, authors Herrnstein and Murray argued that black and Latino Americans are inferior in intelligence to whites, and this alleged inferiority substantially explains the lower social status of these Americans of color. (*The Bell Curve*)
82. \_\_\_\_\_ is important to well-being in U.S. society because most goods and services are often rationed according to ability to pay. (*Income*)
83. \_\_\_\_\_ refers to the actual buying power of one's income after subtracting the effects of inflation. (*Real income*)
84. \_\_\_\_\_ adjusts incomes for differences in family size and then measures the distance of each income from the median. (*Relative income*)
85. \_\_\_\_\_ indicates those income values that are less than one-half of the median. (*Low relative income*)
86. \_\_\_\_\_ indicates values that are at least twice the median. (*High relative income*)
87. The subordination of non-European people during \_\_\_\_\_ began with the colonizing European's often genocidal attempts to uproot or destroy indigenous populations and take their land. (*mercantile and plantation capitalism*)
88. The new machinery and chemical processes introduced by \_\_\_\_\_ had increased not only the productivity of the growing class of industrial workers but also the pace and danger of their work. (*industrial capitalism*)
89. The U.S. became involved overseas in the market-building adventure called \_\_\_\_\_, a conspicuous feature of capitalism since this period. (*imperialism*)