

CHAPTER 2

POVERTY AND WEALTH

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CHAPTER UPDATE

In this sixth edition of the text, <LINK>Chapter 2</LINK> has been updated in a number of ways. The new Tracking the Trends figure shows the declining belief that the United States is a “land of opportunity.” A new chapter-opening story highlights striking economic inequality in Palo Alto, California, one of the nation’s wealthiest communities. The theoretical analysis of poverty has been expanded. There is expanded and updated discussion of the concept of the “poverty line” in the United States, including how our government defines “poverty” differently from European governments. There is an extensive array of new data about economic inequality involving income and wealth, taxation, and poverty rates for various categories of the nation’s population.

The new REVEL learning experience includes informative readings and engaging video as well as a supplementary material on almost every page.

AUTHOR’S NOTE

Is economic inequality a problem? Most sociologists think that it is. And there is little question about the fact that economic inequality is increasing. Ask students do they think some who enroll in any particular course deserve a higher grade than others. Almost certainly, most will say the answer is “yes.” Ask why. My students commonly claimed that some students work harder than others; some have more experience with the subject matter than others, and some people may simply be better writers, better test takers, or simply smarter than others. Do similar arguments apply to economic inequality?

In general, as this chapter explains, conservatives say “yes,” with many adding that they favor a society with broad opportunity for people to perform and increase their skills over time. Conservatives tend to see the market system as a more-or-less fair arbiter of what people’s work is worth. Liberals are not so sure the market judges people fairly. For one thing, because people don’t start out in the same place, government programs are needed to level the playing field a little. In addition, markets tend to be dominated by powerful economic interests, which is to say, the rich. Radicals on the left, of course, make a stronger claim that a market system *per se* is going to generate lots of inequality, almost all of which is viewed as unfair.

In teaching this chapter, remember that there are many facts to convey. But, more important, is the opportunity to think and talk together about how we *define* economic inequality. The political analysis at the end of the chapter provides a comprehensive guide to conservative, liberal, and radical-left thinking about economic inequality, as well as poverty.

Finally, throughout our nation’s history, the population at large has accepted economic inequality, but people have done so with a catch—everyone should have some reasonable change of improving economic standing. As the Tracking the Trends figure at the beginning of this chapter shows, there has been a very significant erosion of belief in the claim that the United

States is a nation of economic opportunity. Do student think this trend can continue without some major shift in support for our political and economic systems?

CHAPTER OUTLINE

Economic Inequality in the United States
Inequality of Income and Wealth

Social Problems in Focus: Increasing Economic Inequality: When Does It Become a Problem?

The Trend toward Increasing Inequality

Taxation

The Rich and the Poor: A Social Profile
The Rich

The Poor

The Poverty Line

The Poverty Gap

Personal Stories: The Reality of Poverty: Living on the Edge

Who Are the Poor? A Closer Look

Age

Race

Gender

Family Patterns

Diversity: Race, Class, and Gender: The United States: A Land of Poor Children

Region

Working Families: Working Harder

The Working Poor

The Nonworking Poor

The Underclass

Problems Linked to Poverty

Poor Health

Substandard Housing

Homelessness

Limited Schooling

Crime and Punishment

Political Alienation

Responding to Poverty: The Welfare System

A Brief History of Welfare

The Colonial Era

The Early Industrial Era

Social Policy: An Undeserved Handout? The Truth about “Welfare”

The Twentieth Century

The 1996 Welfare Reform

Theories of Poverty

Structural-Functional Analysis: Some Poverty Is Inevitable

Constructing Social Problems: A Defining Moment: U.S. Society “Discovers” Poverty

Social Pathology Theories: Personal Deficiency

Social Disorganization Theory: Too Much Change

Modern Functional Theory: Some Inequality Is Useful

Symbolic-Interaction Analysis: Defining the Problem

Social-Conflict Analysis: Poverty Can Be Eliminated

Marxist Theory: Poverty and Capitalism

More Than Money: Cultural Capital

Multicultural Theory: Poverty, Race, and Ethnicity

Feminist Analysis: Poverty and Patriarchy

The Feminization of Poverty

Intersection Theory: Multiple Disadvantages

Politics and Poverty: Constructing Problems and Defining Solutions

Conservatives: Personal Responsibility

Liberals: Societal Responsibility

The Radical Left: Change the System

Going On from Here

Defining Solutions: Is Social Inequality a Problem?

LEARNING OBJECTIVES

- 2.1 Describe the distribution of income and wealth in the United States.
- 2.2 Assess the differences in the lives of the rich and the poor in the United States.
- 2.3 Analyze how poverty is linked to other social problems.
- 2.4 Explain the changing ways our society has used the social welfare system to respond to poverty.
- 2.5 Apply sociological theory to the issue of poverty.
- 2.6 Analyze economic inequality from various positions on the political spectrum.

DETAILED TEACHING OBJECTIVES

After reading <LINK>Chapter 2</LINK>, students should be able to:

- 1. Discuss social stratification and social class.
- 2. Discuss the concept of “life chances” and explain how social class shapes people’s life chances.

3. Distinguish between wealth and income. Describe the distribution of each in U.S. society.
4. Identify reasons for the trend toward increasing economic inequality.
5. Distinguish between progressive and regressive taxes.
6. Compare and contrast the social characteristics of the rich and poor in the United States.
7. Discuss the “poverty line” and the “poverty gap.”
8. Explain the relationships between poverty and age, race, gender, family patterns, and region.
9. Explain why working families today are working harder and receiving less.
10. Distinguish the working poor, the nonworking poor, and the underclass.
11. Explain how poverty in the United States is linked to poor health, substandard housing, homelessness, limited schooling, crime, and political alienation.
12. Distinguish between conservative and liberal views of the homeless.
13. Describe the role of the mass media in shaping how the public views crimes committed by the poor versus crimes committed by the wealthy.
14. Define social welfare programs and describe the characteristics of the largest social welfare programs in the United States.
15. Provide an overview of the history of social welfare in the United States.
16. Explain how the welfare system changed as a result of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act.
17. What do we gain by applying sociology’s theoretical approaches to issue of poverty? Provide one criticism or limitation of each theoretical approach.
18. Explain the “feminization of poverty.”
19. Explain how one’s position on the political spectrum guides the construction of poverty as a social problem as well as solutions to this problem.

JOHN'S CHAPTER CLOSE-UP: HOW OUR NATION DEFINES POVERTY

The so-called “poverty line” is a precise number that is set each year according to whether people are classified as “farm” or “nonfarm” and the number of people in the family or household. But few people have a very good idea of exactly what the poverty line really means. Put another way, even most sociologists do not have a very good understanding of the validity of this concept. As the chapter explains (see, especially, <PG>page 40</PG>), the poverty line is set at a level that may be said to approach absolute poverty—a level of income that is low enough to threaten human nutrition and health. Officials at the Department of Agriculture set the poverty line at about three times what they estimate a family has to spend for a basic, nutritious diet. Under this system, in 2012, the United States had a poverty rate of 15 percent of its population.

The U.S. system of defining “poverty” says nothing about *relative economic standing*. That is, by linking poverty to nutrition, we pay little attention to the fact that some households have far more income than others. In the nations of Western Europe, a different and more left-leaning way of defining poverty is applied that focuses on the poverty of some relative to the national average. While the precise calculations vary from place to place, the general idea is that the poverty line is set at about 60 percent of the median income level. Under such a system, people will be defined as poor not because of their income level in absolute terms, but because their income is too far below that of typical people.

To illustrate this difference, look at the data for the United States for 2012. The official poverty line for a nonfarm family of four was set at \$23,492 (15 percent of the population). Under the European system, the poverty line would be set at 60 percent of the median family income of \$62,000, or \$37,200. Using this measure, the extent of our country’s “poverty problem” doubles to include about 30 percent of the population.

JOHN'S PERSONAL VIDEO SELECTION

Go to a video website such as Youtube to find a very powerful video for this chapter by searching for “wealth inequality in America.” This video, which is just more than six minutes long, provides a very critical account of wealth inequality in the United States. The focus is on not only the extent of economic inequality but how much the reality of this inequality differs from what people think is the case and what they think should be the case. Dynamic graphics make the points very effectively.

Another good, short video that will begin a class discussion of the state of the U.S. middle-class today was done by the Pew Research Center. Use a search engine and enter “lost decade of the middle class.” This three-minute Pew report points out that the decade from 2000 to 2010 is the first in the lifetimes of most of us in which “average people’s” income did not increase. On the contrary, the middle class suffered a roughly 5 percent decline in household income during this period. As a result, the middle class got smaller—with some people moving up and some moving down. In addition, a large majority of those who remained in the middle class reported that maintaining their lifestyle had become harder than it used to be.

TEACHING SUGGESTIONS, EXERCISES, AND PROJECTS¹. The Price of Speeding

Here’s an interesting question to kick around in class. In the United States, traffic tickets can be expensive, but they are the same for everyone. So, if a person is driving 50 miles per hour in a 25 zone, the driver might get nabbed and face a fine of several hundred dollars, depending on the state and on any prior convictions.

If you are person with an average income, a fine of, say, \$235 is probably sufficient to get your attention. It may act as a deterrent. But what if you have an income well up in the top 1

percent, an income of, say, \$900,000 a year? For you, a \$235 speeding fine is a small distraction and imposes no real hardship.

By 2014, this is the type of thinking that has led a number of European nations to link speeding fines to income. A few years ago, a 27-year-old man was ticketed for driving 50 MPH in a 25 zone in Finland. The court asked for income records, which, in his case, showed that he had earned more than \$10 million the year before. The court then imposed a fine of some \$200,000 for his offense. This fine amounts to roughly 2 percent of the driver's annual income. Lower-income people with the same ticket would pay a fine based on a smaller share of a smaller annual income.

Using the Finnish system of unequal fines, a driver with an annual income of \$40,000 might receive a fine of about the same \$235 in our original example. But a driver with a million dollar income would pay \$20,000, or almost one hundred times as much. That way, the argument goes, everyone feels the same level of pain.

2. Kathleen A. Tiemann and her coauthors have devised a novel and creative technique for sensitizing students to social class inequality. Tiemann comments that the major difficulty involved is that most students believe success and failure are because of individual efforts. She proposes a “car (automobile) exercise” as a vehicle for demonstrating how stereotypes are so important in reference to people's lives—in this case, how the kind of automobile a person owns can be misleading in reference to his or her overall socioeconomic status (“What Kind of Car Am I? An Exercise to Sensitize Students to Social Class Inequality,” *Teaching Sociology*, Vol. 34, October 2006: pp 398–403).

3. Students who have taken an introductory sociology course prior to enrolling in social problems may have the background necessary to appreciate the concept of social

stratification and its implications for poverty. For those students who have not previously enrolled in introductory sociology, an analysis of social stratification and its inevitability in society can help set the stage for a better understanding of poverty. The major positions on this issue are, for the most part, referenced in the text's discussion, but you may wish to elaborate on them: Weber, Marx, Dahrendorf, Mills, Parsons, Davis and Moor, and Lenski. An excellent source in this regard is Melvin Tumin's classic work *Social Stratification: The Forms and Functions of Inequality* (Englewood Cliffs, NJ: Prentice Hall, 1985).

4. Over the past several years, the publication *Teaching Sociology* has included a number of articles concerning novel strategies for teaching about stratification, social classes, and social mobility. Several articles that may assist you in this regard are William Brislen and Clayton D. Peoples's "Using a Hypothetical Distribution of Grades to Introduce Social Stratification," *Teaching Sociology*, Vol. 33, January 2005: pp. 74–80; Wynne Wright and Elizabeth Ransom's "Stratification on the Menu: Using Restaurant Menus to Examine Social Class," *Teaching Sociology*, Vol. 33, July 2005: pp. 310–316; Laura Nichols, Joshua Berry, and Demetra Kalogrides's "Hop on the Bus: Driving Stratification Concepts Home," *Teaching Sociology*, Vol. 32, April 2004: pp. 213–221; Debra Wetcher-Hendricks and Wade Luquet's "Teaching Stratification with Crayons," *Teaching Sociology*, Vol. 31, July 2003: pp. 345–351; Angela J. Hattery's "Sleeping in the Box, Thinking Outside the Box: Student Reflections on Innovative Pedagogical Tools for Teaching About and Promoting a Greater Understanding of Social Class Inequality Among Undergraduates," *Teaching Sociology*, Vol. 31, October 2003: pp. 412–427; Mark Abrahamson's "Stratification, Mobility, and a Playing Cards Metaphor," *Teaching Sociology*, Vol. 22, April 1994: pp. 183–188; and Gregg Lee Carter's "Teaching the Idea of Contextual Effects," *Teaching Sociology*, Vol. 19, October 1991: pp. 526–531.

5. The text discusses the social implications of structural inequality. Catherine L. Coghlan and Denise W. Huggins have devised an exercise using a modified version of the game Monopoly to stimulate student reflection and class discussion on social stratification in the United States. Coghlan and Huggins point out that this exercise is effective in social problems courses (“‘That’s Not Fair!’ A Simulation Exercise in Social Stratification and Structural Inequality,” *Teaching Sociology*, Vol. 32, April 2004: pp. 177–187).

6. Students sometimes have difficulty evaluating how their “life chances” differ from the truly disadvantaged in our society. Margaret A. Miller has constructed a “Life Chances Exercise” (*Teaching Sociology*, Vol. 20, October 1992: pp. 316–320) that will be extremely helpful in sensitizing students to this concept.

7. David Shiman (*Economic & Social Justice: A Human Rights Perspective*) has developed an innovative method for exploring stratification that will work in a small-class setting. To engage your students in the Scramble for Wealth and Power, have all students form an even circle around a table with 100 pennies on it. At the sound of go, students are to gather as many pennies as they can without touching anyone else. (Students who touch others are disqualified.) Once all pennies are allocated, inform students that pennies represent wealth and power in society. The amount they possess will affect their capacity to satisfy their needs (e.g., basic education, adequate food and nutrition, good health care, adequate housing) and wants (e.g., higher education, cars, computers, toys, television, and other luxury items). Divide students into three groups: great wealth and power, some wealth and power, and little or no wealth and power. Allow students to give to others if they choose to, and if they donate, provide them with the honor of having their name listed on the board as a donor. Next, give each group the task of creating a plan for the fair distribution of the pennies (the world’s wealth). Each group must (a)

explain what needs to be done (if anything), (b) show why their plan is fair, and (c) describe what the group plans to do and why. Ask each group to appoint a spokesperson to explain their plan to the others. Afterward, announce that a vote will now be held on which plan to adopt. When participants are ready to vote, announce that participants with six or more pennies have five votes, those with three to five pennies have two votes, and those with two or fewer pennies have one-half vote. This strategy reinforces the fact that the distribution of power often reflects that of wealth. Have participants vote and tabulate the results. Announce which plan is to be implemented. Carry out this plan, redistributing the wealth if necessary. Discuss the exercise with students. Explain the role of one's social position in the social construction of (a) the social problem, (b) the proposed solutions, and (c) ideas of "fairness."

8. Amy Glassmeier and Pennsylvania State University created a Living Wage Calculator (<http://livingwage.mit.edu/>) that estimates the cost of living in each area in the United States. Have your students use the calculator to determine the typical expenses, the living wage, and typical wages for their hometown. Ask students to share their commentary on how realistic the minimum estimate of the cost of living for low-wage families is. Allow for an examination of the social forces that impact the social construction of "realistic."

9. Using the local minimum from the city in which your university/college is located, ask students to create a monthly family budget for a family of four. There are two working adults (both making minimum wage) and two children in the family. The budget should include housing (use the local want ads to determine housing costs), food, household supplies, electric, gas, water, telephone, childcare, medical care, transportation, entertainment, and miscellaneous. Students should share their experience on the exercise with the class, including what they were able to pay for, what they were forced to sacrifice, and their plans for adjusting to

life without certain necessities/luxuries (e.g., what you will do when you are ill if you do not have health insurance or how you will get to work if you cannot make a car payment). Allow students to note how one's social position in real society shapes one's views within the simulated experience.

10. Arrange a student debate on the issue of taxation. Each student should be given a take-home assignment that involves preparing an argument on the benefits of a society that imposes one of the following: both regressive and progressive taxation, neither regressive nor progressive taxation, progressive taxation only, or regressive taxation only. After students return to class with their written arguments, divide them into four teams based on their points of view. Allow for the four teams to debate against one another. After the debate, use the remaining class time to discuss how the various teams came to construct their ideas about taxation and the political viewpoints that feed their arguments (conservative, liberal, radical).

11. This exercise will help to explain the importance of social class in people's lives. First, ask your students to locate themselves within the class hierarchy (based on such indicators as parents' occupation, family income, education level, lineage). Second, encourage them to think about how their position within the socioeconomic hierarchy has provided them with specific advantages (or disadvantages). Furthermore, ask them to vocalize the contrasts that they can observe between the positions of most college students and that of the poor, particularly in reference to the ability of poor people to improve their life chances.

12. Many students believe that lots of people on welfare are exploiting the system by "feeding from the public trough" with no intention of getting back on their feet again. One strategy that you can utilize to clarify this issue is to have your students confront the welfare bureaucracy head-on, so to speak. Have them find out whether they are eligible for public

assistance, and if so, what kind, how much they would receive, and what they would have to go through to get it. What they will find out is that the public dole is not that easy to get on in the first place, and what is more, it does not provide enough assistance to make it very attractive.

Have your students report their experiences to the class.

13. To emphasize the way that inequality offers advantages and disadvantages, divide the class into four groups and then give each group a different amount of time to finish a quiz, the least amount of time being too brief to do a good job. In addition to the overall lesson on the consequences of structured inequality, you may find some variations in students' reactions depending on whether they "benefit" from the inequality.

14. Ask your students to conduct an observational analysis of other people's behavior in a shopping mall. Instruct them to watch for nonverbal symbols that provide information about these individuals' social class positions. In addition to noting such characteristics as people's clothing, hairstyle, and jewelry, they can also note the type of store the people choose to shop in or the names of stores printed on the bags where they have made purchases. Students should be able to describe *what* they used as evidence of a person's social class and also explain *why* the characteristics they observed tell them something about the person's social class affiliation.

ESSAY QUESTIONS

1. Profile the U.S. poor according to age, race, gender, family patterns, and residence.
2. Compare and contrast the underclass with the rest of the poor in the United States.
3. Identify several social problems linked to poverty as identified in the text.
4. Discuss the controversial history of social welfare in the United States.

5. Apply both the structural-functional approach and the social-conflict approach to the topic of poverty.
6. Evaluate the benefits and consequences of progressive and regressive taxation. Explain who benefits and who suffers with each.
7. Contrast how conservatives and liberals construct homelessness in different ways. Explain how political values are involved in constructing the problem and defining the solution.
8. Provide data in support of the thesis that economic inequality in the United States has been increasing.
9. Explain how conservatives and liberals evaluate the effectiveness of the welfare reform that took place in 1996. Explain how political values impact the measures of assessment.
10. How does the United States define “poverty?” How do European nations define poverty in a different way? Which approach do you support? Why?

WEB LINKS

A Biblical View of Wealth and Poverty

<http://www.leaderu.com/orgs/probe/docs/poverty.html>

Bread for the World: U.S. Poverty Statistics

http://www.bread.org/hunger/us/?utm_source=adwords&utm_medium=onlinead&utm_campaign=search&utm_term=us-poverty&utm_content=text&gclid=CKi9veaF17ECFYPAKgodDzsA-g

Canadian Council on Social Development

Economic and Social Justice

<http://www1.umn.edu/humanrts/edumat/hreduseries/tb1b/Section2/index.htm>

Explorations in Social Inequality

<http://www.trinity.edu/mkearl/strat.html>

The Geography of Poverty and Wealth

http://www.cid.harvard.edu/cidinthenews/articles/Sciam_0301_article.html

Ladies of Charity of the United States of America: The Feminization of Poverty

<http://aic.ladiesofcharity.us/advocacy/the-feminization-of-poverty/>

People Like Us: Social Class in America (Educator's Resources)

<http://www.pbs.org/peoplelikeus/>

A Profile of the Working Poor

<http://www.bls.gov/cps/cpswp2000.htm>

2008 Hunger and Homelessness Survey Results

<http://usmayors.org/pressreleases/uploads/RELEASEHUNGERHOMELESSNESS2008FINAL.pdf>

The Vanishing Middle Class: Inside Out.

<http://www.insideout.org/documentaries/middleclass/>

Waging a Living: Educator's Resources

<http://www.pbs.org/pov/wagingaliving/>

World Poverty: The Wealth Gap Widens

<http://www.socialistworld.net/eng/2006/12/20poverty.html>

FILM LIST

THE 51ST STATE: AMERICA'S WORKING POOR

(2007, 57 m, Insight Media)

This program explores the daily struggles facing the working poor in the United States. Students will gain an understanding of such issues as standard-of-living measurements, suburban poverty, welfare-to-work programs, and immigration issues.

THE AMERICAN RULING CLASS

(2007, 89 m, Bullfrog Films)

This is one of the most unusual films to be made in America in recent years—in terms of both form and content. The form is a “dramatic-documentary-musical,” and the content is our country’s most taboo topic: class, power, and privilege in our nominally democratic republic. The film explores the lives of two Yale students who seek their opportunities upon graduation. Barbara Ehrenreich, highlighted in this chapter, is featured in this film. Students will gain an understanding of how two privileged graduates come to decide whether they should seek to rule the world or to save it.

AMERICA’S WAR ON POVERTY

(1995, five installments, 60 m each, PBS Video)

This series provides a detailed history of the War on Poverty, beginning in the 1960s; each presentation includes an effective assessment of the lessons of the past, which we haven’t always learned from. After showing this video, discuss the effects that the Welfare Reform Act of 1996 has had on poverty in America today.

HOMELESS NOT HELPLESS: OPENING DOORS

(1992, 44 m, University of California Extension Center for Media and Independent Learning)

Narrated by Julian Bond, this eye-opening documentary on homelessness is unique in that it focuses on solutions: the program shows what is working and what is merely perpetuating poverty. This presentation explores a wide spectrum of programs, and the story is told by the people involved—in the streets, the missions, and the shelters.

NEW HARVEST, OLD SHAME

(1990, 60 m, PBS Video)

Thirty years after Edward R. Murrow’s shocking presentation, *Harvest of Shame*, this PBS *Frontline* looks at the continued plight of migrant farm workers and examines the forces that have kept their lives so desperate.

NO PLACE LIKE HOME

(1994, 25 m, Berkeley Media LLC)

This video offers a detailed portrayal of what it is like for a family to live in poverty and how the cycle of poverty and violence is transmitted from generation to generation.

PEOPLE LIKE US: SOCIAL CLASS IN AMERICA

(2002, 124 m, Insight Media)

This program explores social and economic class issues in the United States. It discusses race and class, social mobility, class structure, the black bourgeoisie, social stratification, and lifestyle choices. Students will have an opportunity to explore various perspectives on social class and see how one's position in the social strata shapes access to luxuries and necessities as well as life choices.

ROGER AND ME

(1989, 89 m, rental video)

This is Michael Moore's first well-known documentary film. It provides a graphic account of the deindustrialization of Flint, Michigan, and situates Flint within the global assembly line. Flint's major industry, General Motors, ceased production and moved to Mexico. The film captures the social problems generated by General Motor's departure.

SOCIAL CLASS

(2009, 36 m, Insight Media)

This program defines social class and considers its significance. It introduces basic concepts of social class, explains sociological perspectives, and examines such foundational perspectives on social class as functionalism and the ideas of Marx and Weber. The film also explores the effects of social class in the United States.

SOCIAL CLASS ISSUES IN THE USA

(1992, 60 m, RMI Productions, Inc.)

This film presents demographic data illustrating family income by ethnic group and illustrates how there is a steady increase of Americans below the poverty level. It focuses on the plight of the homeless.

SOCIAL STRATIFICATION

(2009, 30 m, Insight Media)

Looking at different types of social systems around the world and how they developed, this program relates social stratification to the means of existence, the culture, and micro-level interactions. This film illustrates how stratification has changed with industrialization and analyzes the conflict, functionalist, and interactionist views of stratification. The views of Karl Marx and Max Weber on class conflict are presented.

TEMPORARY DWELLINGS

(1992, 28 m, Filmmakers Library)

This is a heartening look at a group of Seattle's homeless community who took matters into their own hands and erected a series of large, tattered gray tents. Tent City was run by the homeless with firm ground rules: no drugs or alcohol, no weapons, no violence. All major decisions were put to a vote in this bold experiment in self-government. Tent City lasted until it achieved its goal. The mayor provided a shelter to be run by the residents themselves. The film shows that when the homeless have a sense of community and dignity, they can help themselves.

WAGE SLAVES: NOT GETTING BY IN AMERICA

(2002, 100 m, A&E Home Video)

The program chronicles the struggle of America's "working poor" to make ends meet in an increasingly (and often prohibitively) expensive society. In preparing her best-selling book, *Nickel and Dimed in America*, author Barbara Ehrenreich (highlighted in [Chapter 2](#) of the text) embarked on a grim odyssey through three cities and half a dozen minimum wage jobs. What emerges is a rare look at how prosperity appears from the bottom looking up, and a critical examination of the policies that shape the harsh realities of life among the working poor. Emphasis is placed upon five workers, most of them single parents, trying to survive on salaries ranging from \$6 to \$7 hourly. Students will gain insight on the ongoing debate about increasing the national minimum wage and improving the working conditions of those in the lowest financial brackets.

WAGING A LIVING

(2006, 76 m, PBS Educational Media)

Shot over a three-year period in the northeast and California, this observational documentary captures the dreams, frustrations, and accomplishments of a diverse group of people who struggle to live from paycheck to paycheck. By presenting an unvarnished look at the barriers that these workers must overcome to escape poverty, students will get a glimpse of the social construction of the American dreams among four working-poor families.

Chapter 2

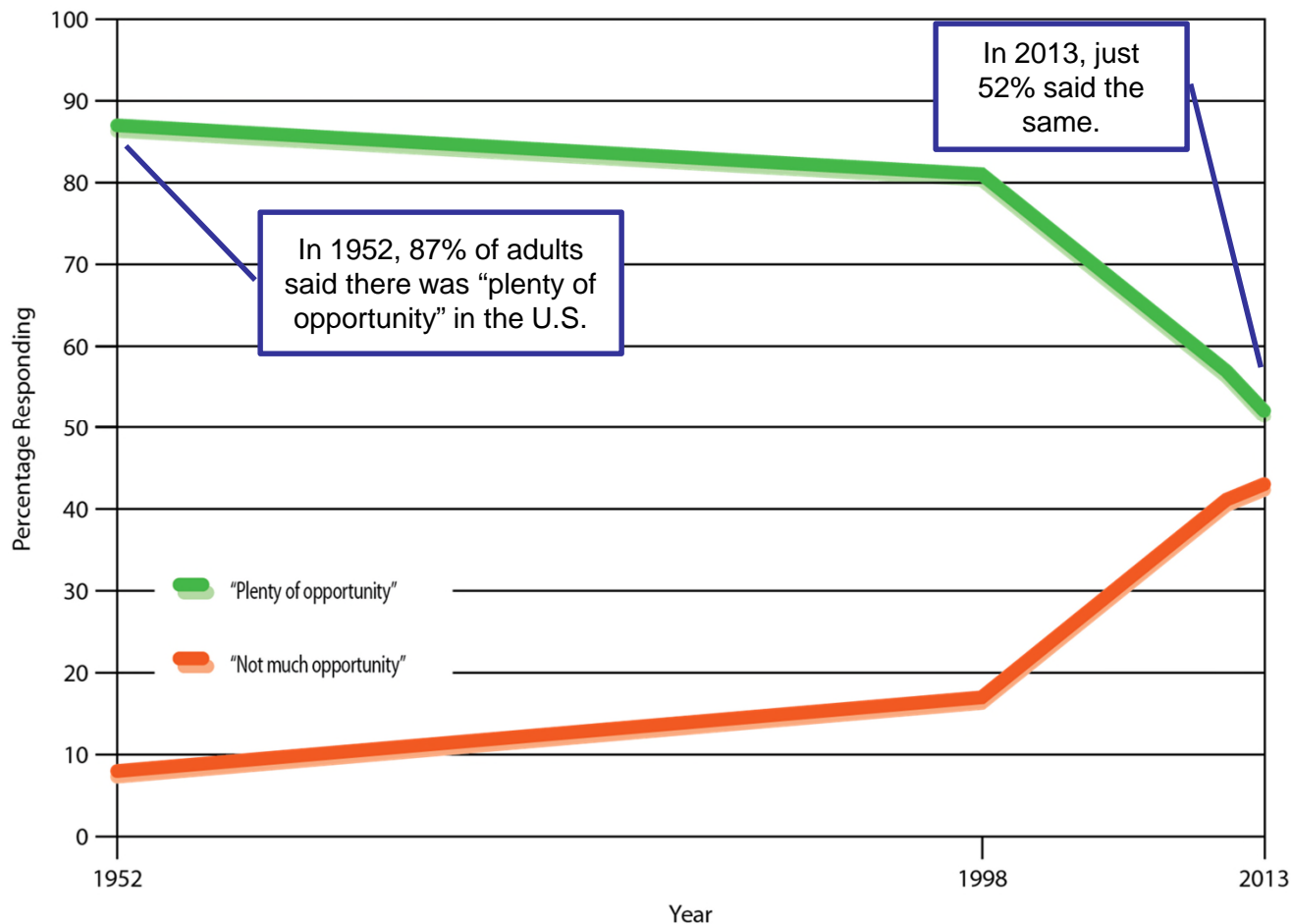
Poverty and Wealth

**SOCIAL
PROBLEMS**
SIXTH EDITION
JOHN J. MACIOMIS



Tracking the Trends: Wealth and Poverty

Survey Question: "How much opportunity does the average person have to get ahead?"



One of the defining qualities of U.S. society has always been providing opportunity for people to get ahead. But in 2013, 43% of U.S. adults claimed that "there is *not* much opportunity."

Q. *Do you think our society provides people who work hard the chance to get ahead?*

Economic Inequality in the United States

- **Social stratification** is a society's system of ranking categories of people in a hierarchy.
- Stratification produces **social classes**, categories of people who have similar access to resources and opportunities.

Economic Inequality in the United States

Any discussion of problems such as poverty must include **income** and **wealth**.

✓ *Income* is salary or wages from a job plus earnings from investments and other sources.

✓ *Wealth* is the value of all the economic assets owned by a person or family, minus any debts.



How much economic inequality is there in the United States today?

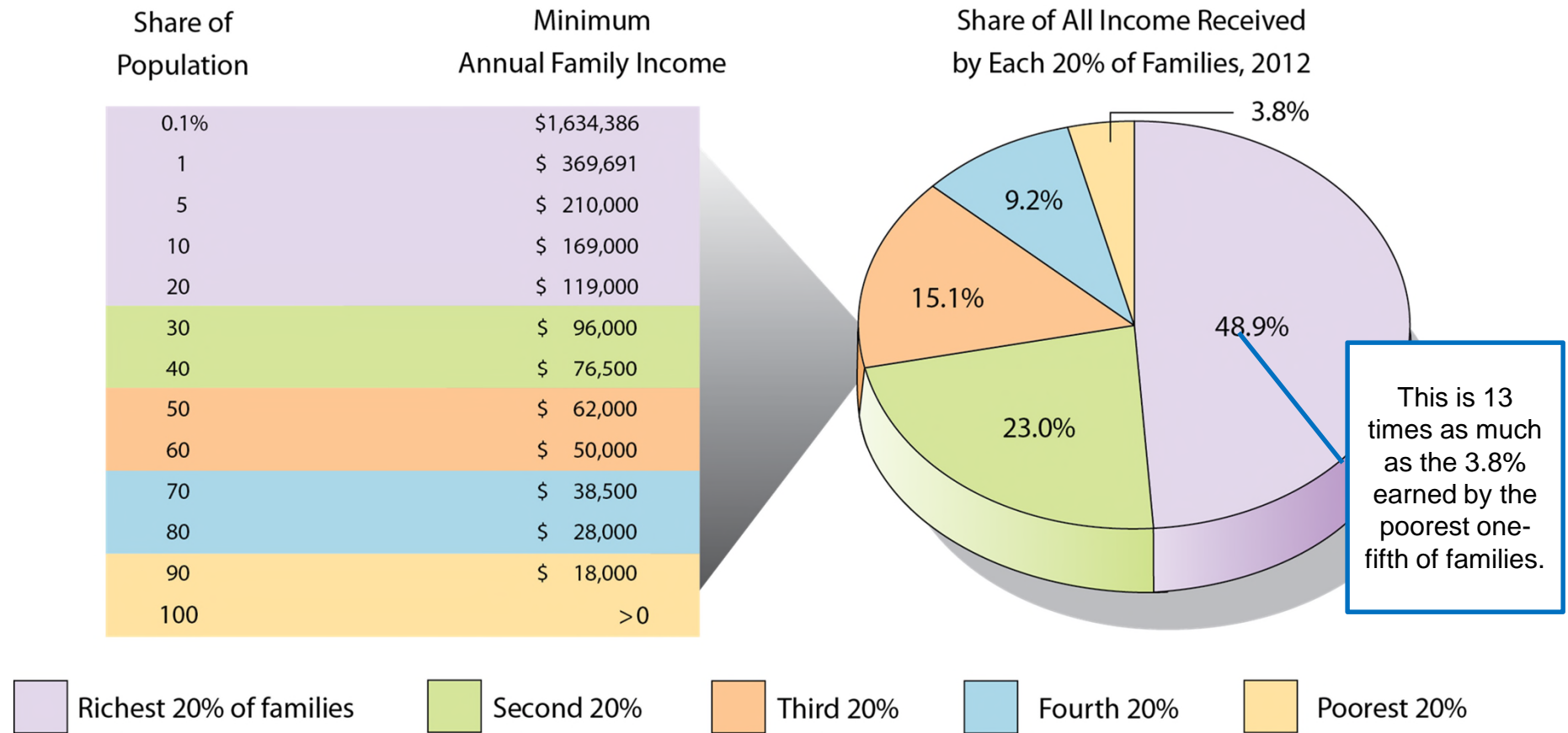


Figure 2-1 Distribution of Income in the United States

How much economic inequality is there in the United States today?

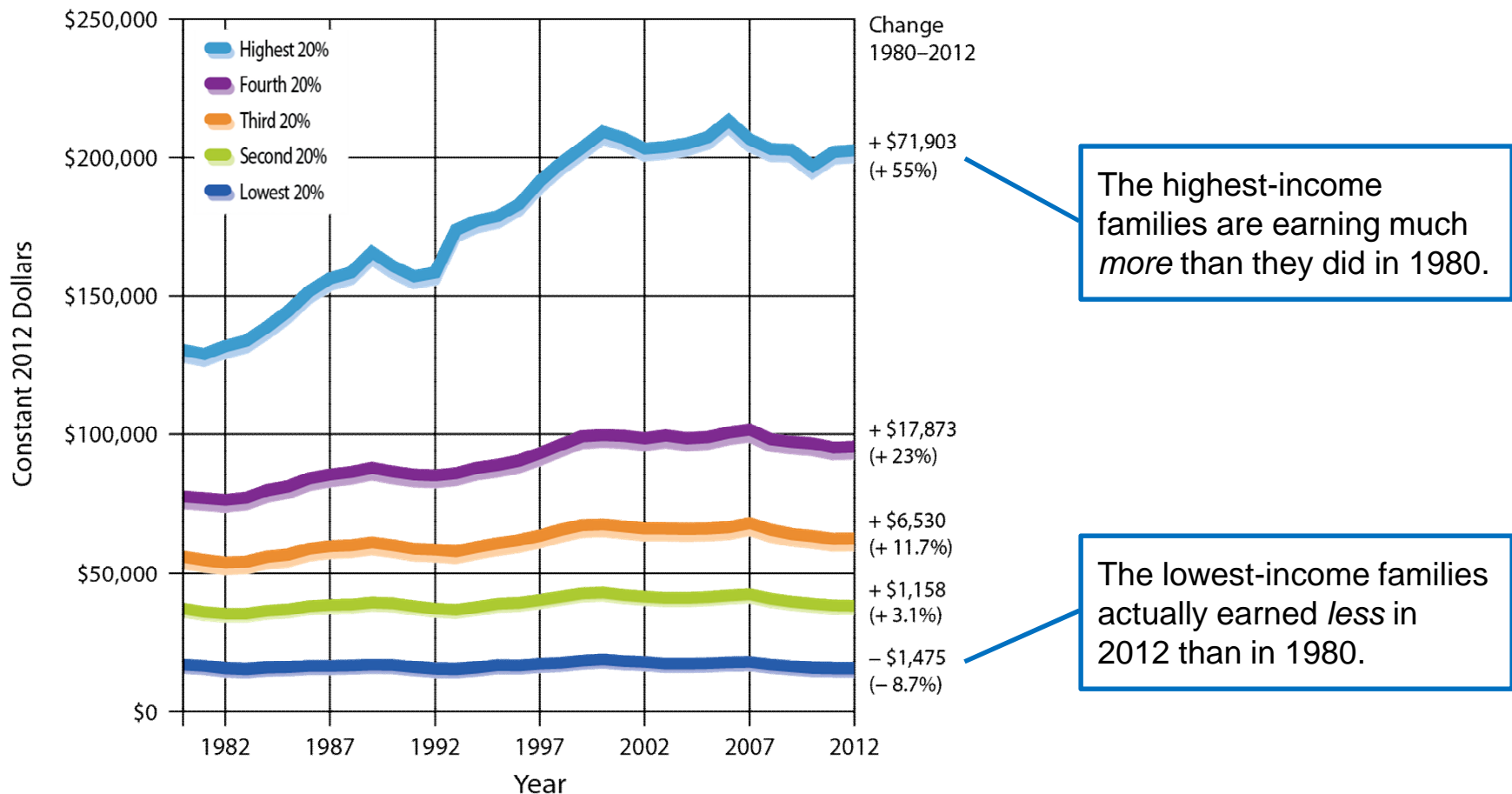
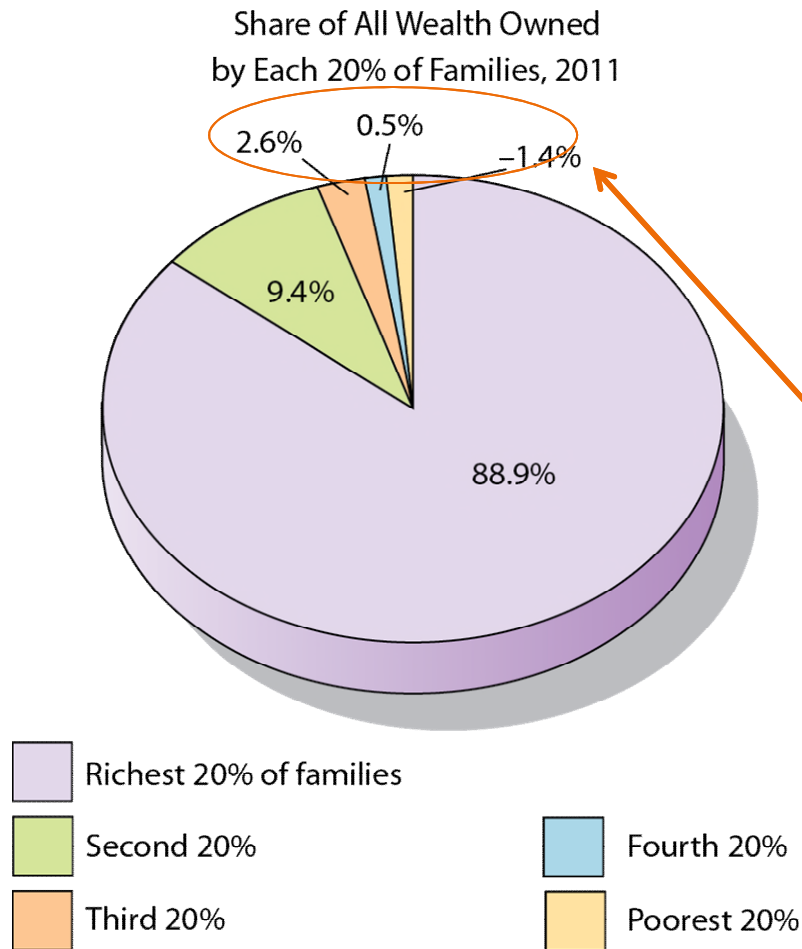


Figure 2-2 Mean Annual Income, U.S. Families, 1980-2012
(in 2012 dollars, adjusted for inflation)

How much economic inequality is there in the United States today?



Note that wealth is distributed much more unequally than income: 60% of families have less than 2% of all wealth.

Figure 2-3 Distribution of Wealth in the United States

How much economic inequality is there in the United States today?

Although the share of all income earned by the richest 1% of Americans fell during the recent recession, it was back up to almost 23% of all income in 2012.

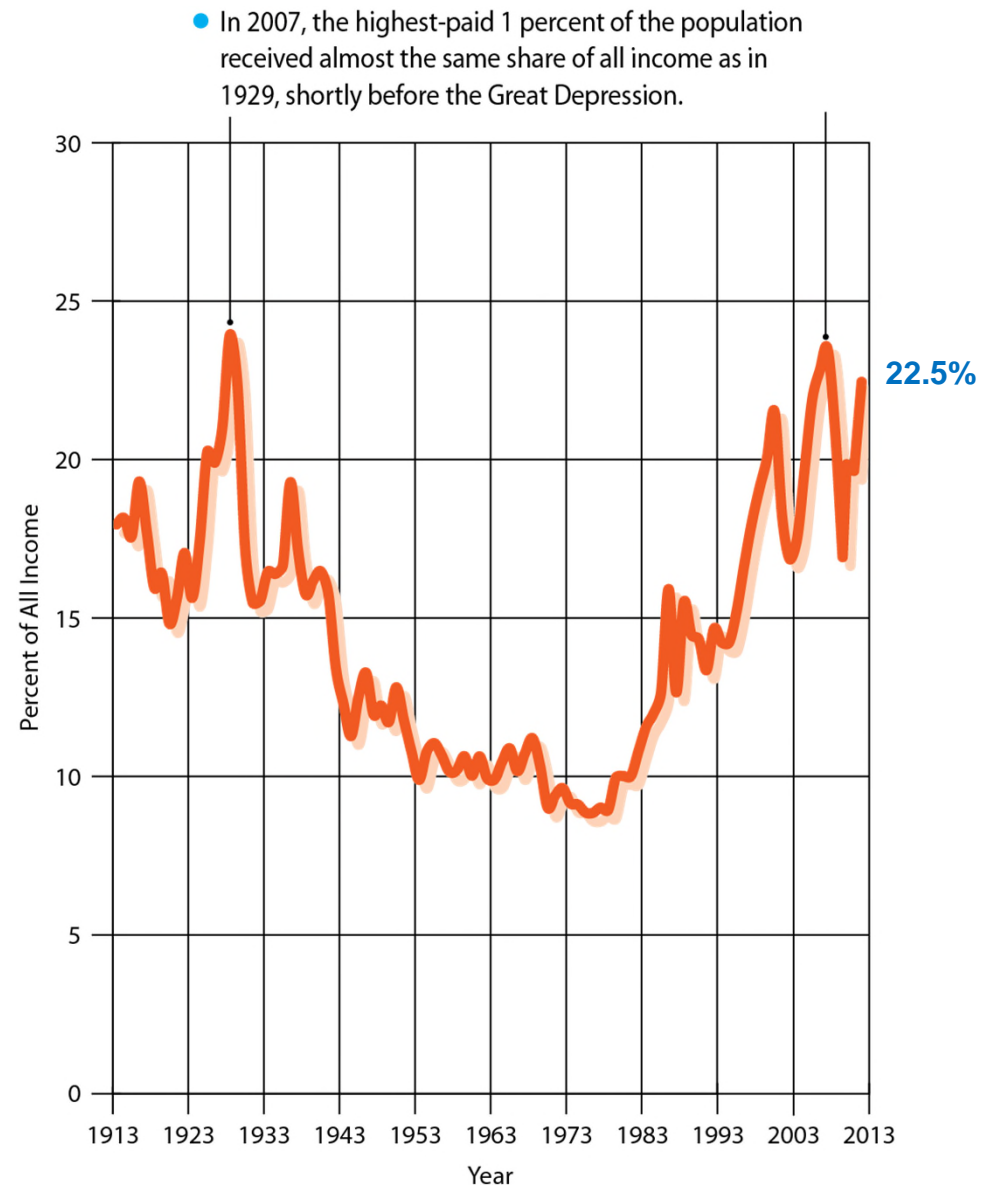


Figure 2-4 Share of All U.S. Income Earned by the Richest 1 Percent, 1913–2012

Taxation

- Taxation is used by the government to reduce economic inequality.
- Through **progressive taxation**, tax rates go up as income increases.

Table 2–1 Progressive Tax on Income, 2010

Share of Population	Adjusted Gross Income on Tax Return	Number of Tax Returns	Average Tax Rate	Share of Total Income Tax
Top 0.1%	\$1,634,386 or more	135,033	23%	18%
Top 1%	369,691 or more	1,350,335	23	37
Top 5%	161,579 or more	6,751,675	21	59
Top 10%	116,623 or more	13,503,349	18	71
Top 25%	69,126 or more	33,758,373	15	87
Top 50%	34,338 or more	67,516,746	13	98
Bottom 50%	34,337 or less	67,516,746	2	2

SOURCE: Internal Revenue Service (2012).

The Rich: A Social Profile

- Those families who fall within the top 10% of income distribution.
- Income of at least \$169,000; on average \$277,000
- More likely to be wealthy:
 - Older people
 - Men
 - Married couples
 - Non-Hispanic whites (67% of white families earn more than \$50,000, compared with 41% of African American and Hispanic families.)



The Poverty Line

Poverty line:

income level set by the government for the purpose of counting the poor

- Roughly 3x what a family needs to eat a basic, nutritious diet.

Table 2–2 U.S. Government Poverty Threshold, by Family Type, 2012

Family Size	Annual Household Income
One person	\$11,720
Two persons	14,937
Three persons	18,284
Four persons	23,492
Five persons	27,827
Six persons	31,471
Seven persons	35,473
Eight persons	39,688
Nine or more persons	47,297

The Poverty Rate

In 2012, there were 46.5 million people in poverty, for a poverty rate of 15%

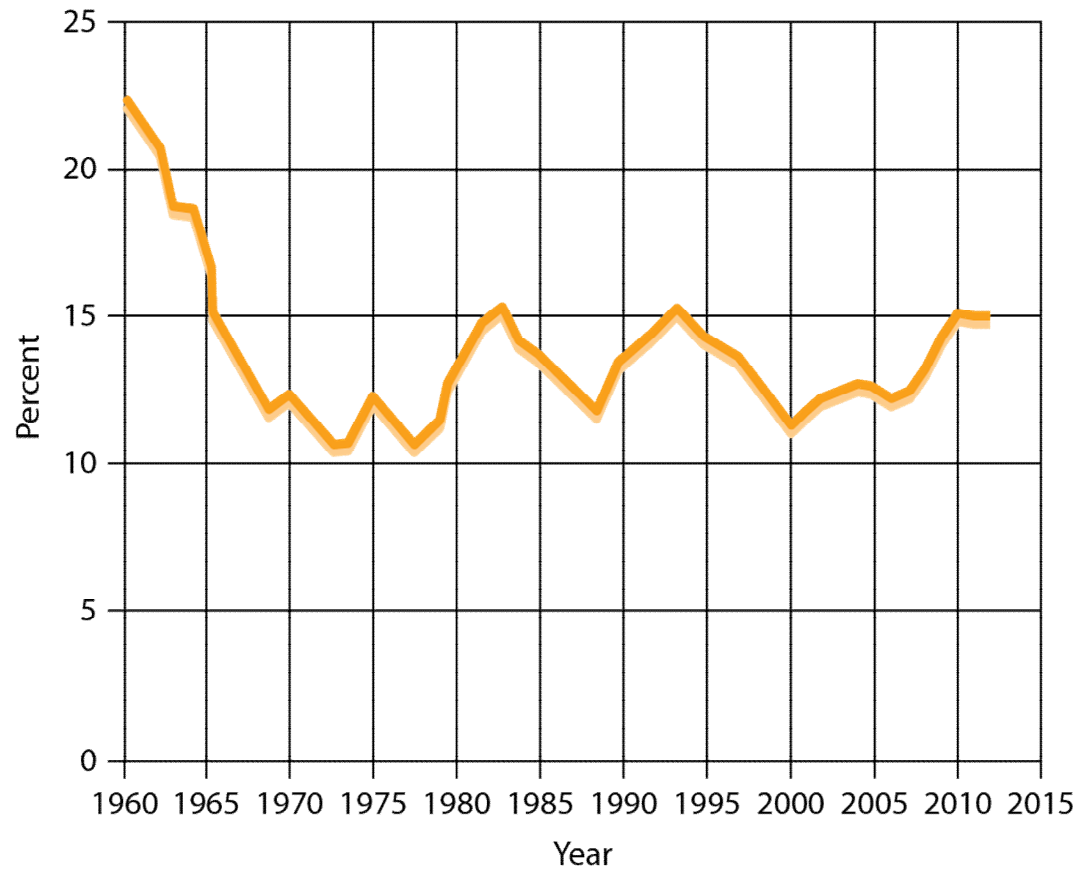


Figure 2-5 The Poverty Rate in the United States, 1960-2012

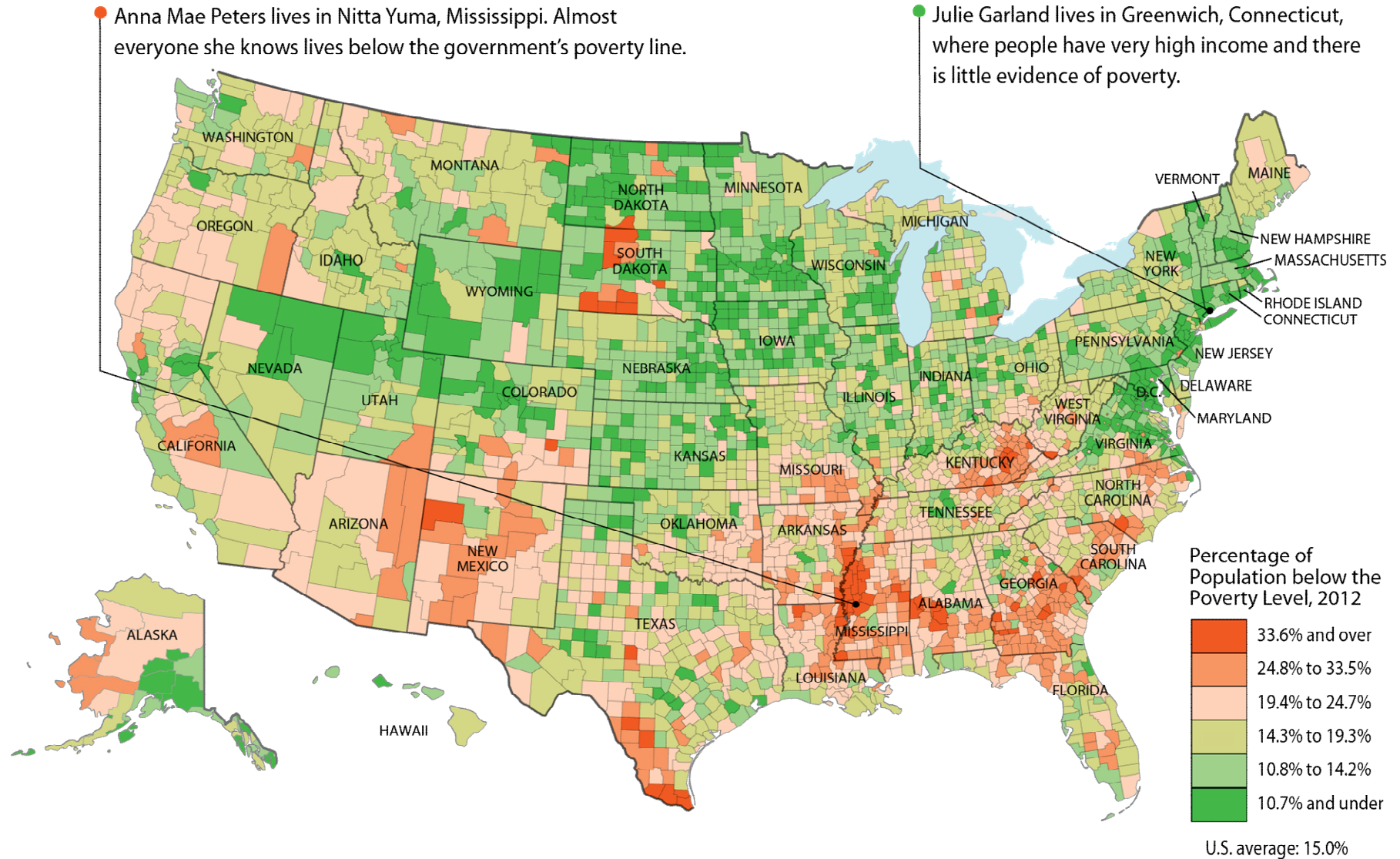
The Poverty Gap

- The **poverty gap** is the difference between the official poverty line and the actual income of the typical poor household.
- 2012: average poverty gap of \$10,635 for families with children
- Poverty gap has been increasing

The Poor: Who is at greatest risk?

- **Race:** African Americans and Hispanics
- **Age:** children
- **Gender:** women
- **Family Patterns:** single mothers
- **Region:** the South and the West





National Map 2-1 Poverty across the United States, 2012

Working vs. Nonworking Poor

Working Poor

- 15% of the heads of poor families work full time and remain below poverty line.
- Full-time work at the minimum wage yields income well below poverty line for family of four.

Nonworking Poor

- 55% of the heads of poor families don't work at all; 30% work part-time.
- Why?
 - Poor health
 - Lack of skills
 - Lack of jobs
 - Lack of child care

The Underclass

The **underclass**: poor people who live in areas with high concentrations of poverty and limited opportunities for schooling or work.

- *Persistent* poverty versus *temporary* poverty
- *Hypersegregation*, in inner cities and rural areas

Problems Linked to Poverty

Poor health

- Linked to a lack of good nutrition.
- The infant mortality rate among the poor is twice the rate among affluent people.
- Death comes earlier to the poor; more likely to die from infectious diseases and violence.

Problems Linked to Poverty

Substandard Housing

- decline in availability of low-rent apartments
- housing crisis starting in 2007

Homelessness

- About 610,000 people are homeless on a given night
- Up to 1.6 million people are homeless at some point during the year
- Average monthly income for homeless families is \$475

Problems Linked to Poverty

Limited schooling

- Poor children are less likely than rich children to complete high school.
- Fewer poor children enter college; they have less chance of completing an advanced degree.
- Tracking often defines poor children as less able.



Problems Linked to Poverty

Crime and Punishment

- A focus on “street crime” means the poor are more likely to face arrest, trial, conviction, and prison.
- The poor depend more on public defenders and court-appointed attorneys.
- Conviction of a crime increases difficulty of finding a good job.

Political Alienation

- Voters in 2012: 54% of people earning less than \$40,000; 80% of people earning at least \$100,000

Responding to Poverty: The Welfare System

Social welfare program: An organized effort by government, private organizations, or individuals to assist needy people defined as worthy of assistance

- Benefits people or activities defined as worthy
- Benefits most of the U.S. population
 - mortgage deduction, student loans, farm subsidies
- Reduces economic inequality, but only a little

A Brief History of Welfare

- Colonial Era
 - Limited to acts of personal kindness
- Early Industrial Era
 - Immigration: negative attitudes toward the poor
 - Scientific Charity Movement
- 20th Century
 - 1929 Depression: poverty as a *social problem*
 - Roosevelt's "New Deal"
 - 1964: War on Poverty

Recent Welfare Reform

- Changes in the welfare system
 - President Clinton pledged in 1992 to “end welfare as we know it.”
- Welfare Reform Act of 1996
 - Replaced federal AFDC program with a new state-related program: Temporary Assistance for Needy Families (TANF).
 - Requires able-bodied people receiving benefits to find a job or enroll for job retraining within two years.

Welfare Reform Act of 1996: A Success?

👍 **Conservatives:**
fewer people on
welfare, more with
jobs

👎 **Liberals:** welfare
assistance is
down, but poverty
is not



Structural Functional Analysis: Some Poverty is Inevitable

- **Social pathology theories**
 - Focus on personal deficiency
 - **Culture of poverty**, patterns that encourage poverty as a way of life
 - Bell curve: U.S. as a **meritocracy**; social standing corresponds to personal ability and effort
- **Social disorganization theory**
 - Breakdown in social order caused by rapid social change

Structural Functional Analysis: Some Poverty is Inevitable

- **Modern functional theory**
 - Davis and Moore – inequality of rewards actually helps society function efficiently
 - Herbert Gans – inequality is useful only to affluent people.

Symbolic Interaction Analysis: Defining the Problem

- Highlights the social construction of problems and solutions
- Explores the meanings that people attach to those who are poor
 - How views lead to particular understandings of who or what is responsible for poverty

Symbolic Interaction Analysis: Who's to Blame?

- William Ryan describes the process of “blaming the victim”:
 - Pick a social problem
 - Decide how people who suffer from the problem differ from everyone else
 - Define these differences as the cause of the problem
 - Respond to the problem by trying to change the victims, not the larger society

Social-Conflict Analysis: Poverty Can Be Eliminated

- **Marxist Theory:** Poverty and Capitalism
- Poverty involves more than money:
Cultural Capital
- **Multicultural Theory:** Poverty, Race, and
Ethnicity



Feminist Analysis: Poverty and Patriarchy

- **Patriarchy**: social pattern in which men dominate women
- Feminization of Poverty: high risk of poverty for families headed by single mothers
- **Intersection Theory**: Investigation of the interplay of race, class, and gender, often resulting in multiple dimensions of disadvantage



Politics and Poverty: Constructing Problems and Defining Solutions



- Conservatives: Personal Responsibility
 - Focus on personal responsibility, stressing the importance of self-reliance
 - *Relative* as opposed to *absolute* poverty
- Liberals: Societal Responsibility
 - Poverty as more *structural* than *individual*, with societal solutions

Politics and Poverty: Constructing Problems and Defining Solutions

- Radical Left: Change the System
 - Poverty is inherent in capitalist society.
 - Despite welfare programs, economic inequality is increasing.
 - Replace capitalism with a more humane economic system; nothing less than basic reformulation of the economy will solve poverty.