The Social Fallout of a High-Inequality Regime

By
DAVID B. GRUSKY and ALAIR MACLEAN

The spectacular takeoff in income inequality in the United States commenced long ago and has now become a fixed and seemingly stable foundation of our contemporary social life. Although there has been much research on the sources and causes of the takeoff, we know less about how people have come to forge new ways of living in the context of our high-inequality regime. How has rising income inequality changed the rules by which people come to participate in the key social institutions of our time (i.e., the family, the military, the prison, and the educational system)? How has it changed the rules by which rewards are allocated in the labor market? And how has it changed the lifestyles we lead, the attitudes we hold, and the politics in which we believe?

The purpose of this volume is to sketch out the “social fallout” of rising inequality across these various domains and to provide...
suggestive evidence on the scope of that fallout. This is of course no easy task. To date, the effects of rising inequality have proven difficult to tease out (see Porter 2014), but even so there seems little alternative but to forge forward and attempt to identify where the balance of evidence lies. We have little choice because we are entering a moment in history in which key policy decisions about inequality, mobility, and poverty are being made. If there is no avoiding those decisions, then of course we want them to be made with the best evidence that social science can muster, however imperfect that evidence inevitably is.

We begin our introduction by reviewing the facts of the takeoff in inequality. In the following section, we lay out two competing narratives about the social fallout, narratives that are highly stylized renditions of the trajectory of inequality history. We lead off with the venerable modernization narrative because, for all its flaws, it continues to inform much research in the field. The modernization narrative has, we will argue, lived on longer than it deserves because the field still lacks a well-developed alternative, even some 50 years into the inequality takeoff. The third section of this chapter is devoted to providing an alternative that we

NOTE: The Stanford Center on Poverty and Inequality is a program of the Institute for Research in the Social Sciences (IrisS) and is partly supported by Grant Number AE00101 from the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation (and awarded by the Substance Abuse Mental Health Service Administration). The contents of this report are solely the responsibility of the authors and do not reflect the official views of the Stanford Center on Poverty and Inequality or the U.S. Department of Health and Human Services (Office of the Assistant Secretary for Planning and Evaluation).
The Social Fallout of a High-Inequality Regime

The marketization narrative. We conclude by reviewing the eleven substantive chapters of this volume and how they speak to each of these accounts.

A Review of the Takeoff

As a backdrop to our introduction, it is useful to first lay out the long-term trajectory of income inequality, beginning with the the case of the United States and then briefly considering other countries as well. Because we are interested in trends over the very long term, our best source is the Internal Revenue Service (IRS) tax return data, and the time series presented in Figure 1 accordingly pertains to household “market income” (i.e., household income before taxes and transfers). The famous U-shaped trend emerges starkly in the classic results of Emmanuel Saez (2015) reproduced here. As shown in Figure 1, inequality drops precipitously in the late 1920s and during World War II, stabilizes at a comparatively low level over the next 30 years, and then takes off in the late 1970s and ultimately returns to the extreme levels that prevailed in the 1920s.

The foregoing results of course pertain to the top decile. What about the 1 percent that is so frequently featured in Occupy commentary? In Figure 2, it is shown that there is indeed good reason to feature the 1 percent in discussions of inequality, as they have been an important force driving the takeoff. The three trend lines in Figure 2 pertain to the top percentile (i.e., household income exceeding $392,000 in 2013), the next 4 percent (i.e., household income between...
$165,500 and $392,000 in 2013), and the bottom half of the top decile (i.e., household income between $116,500 and $150,000 in 2013). The simple but dramatic conclusion emerging here is that the fluctuations of the top decile are mainly (but not entirely) due to fluctuations within the top percentile. That is, the shares of the lower-income groups have not increased all that much in recent decades, whereas the share of the 1 percent has soared.

The foregoing results make it clear that, when the “golden years” of the 1940s, 1950s, and 1960s serve as a comparison point, there is no alternative but to characterize contemporary U.S. income inequality as extremely high. The share of national income going to the top percentile has roughly doubled during the half century following those golden years. This doubling has had the effect of returning us to the extreme levels of inequality that prevailed in the late 1920s.

The trend in wealth inequality is strikingly similar. Because our objective is to chart the long-run trend in U.S. wealth inequality, we again resort to recent analyses of administrative data (Saez and Zucman 2014; cf. Kopczuk and Saez 2004). Using IRS income tax data, Saez and Zucman (2014) turn to reported capital income (e.g., dividends, interest, rents) to impute levels of wealth, taking care to correct for forms of wealth that do not yield taxable income. The resulting time series, as shown in Figure 3, reveals the now-familiar U-shaped form, with the extreme concentration of the 1920s followed by a rapid “democratization” of wealth through the late 1940s; a period of relative stability up until the 1970s; a brief second wave of democratization in the 1970s; and then a sharp reconcentration of wealth in the 1980s, 1990s, and 2000s. It bears noting that this takeoff in wealth inequality is much more prominent for the top 0.1 percent than for the balance of the top 1 percent (see Saez and Zucman 2014). Within this more rarefied group, wealth inequality is clearly making a comeback: the top 0.1 percent wealth share is almost as high in 2012 as in the 1916 and 1929 peaks.

![FIGURE 3](image_url)

**FIGURE 3**
Trend in the Wealth Share of the Top 0.1 Percent

What accounts for the rapid increase in wealth at the top? This increase derives in large part from the rise in income earned by top wealth holders. As Saez and Zucman (2014) put it, income inequality has a “snowballing effect” on the wealth distribution, with top incomes leading to high rates of saving that then work to increase the concentration of wealth. The takeoff in inequality and in wealth are in this sense closely linked.

We now turn to the cross-national data and ask the analogous question: does the United States stand out as an unusually unequal country when compared to other rich countries? Because most countries have experienced substantial over-time change in their income distribution, the only way to carry out an empirically satisfying cross-national comparison is to do so over a relatively long time period, a constraint that again makes the tax-return data the best source. Although a great many methodological complications arise when using tax statistics for the purpose of making cross-national comparisons, the key advantages of doing so are (1) the available time series cover an unusually long sweep of history, and (2) it becomes possible to measure the income shares of the top 1 percent and hence speak directly to an especially prominent source of the takeoff in inequality. We thus draw on the recent research of Atkinson, Piketty, and Saez (2011) that is based on carefully harmonized tax statistics from 22 countries (also see Atkinson and Piketty 2007).

For purposes of brevity, we present trends in income inequality for just two classes of countries, the English-speaking countries (i.e., the United States, Canada, Ireland, the United Kingdom, Australia, and New Zealand) and the Central European countries (i.e., France, the Netherlands, Germany, and
Switzerland). We also include Japan in the latter category because its trajectory is similar to that of the Central European cases. The income data for all of these countries, which we have presented in Figures 4 and 5, pertain to the income share of the top 1 percent after excluding realized capital gains.

The trend line for the English-speaking countries, all of which run so-called liberal economies, assumes much the same U-shaped form that we reported for the U.S. case (see Figure 1). But a starkly different form emerges for the Central European countries and Japan. As shown in Figure 4, these countries do undergo a real decline in inequality during the first half of the twentieth century, but that decline is not followed by any subsequent rebound in inequality of the sort found in the United States and the other English-speaking countries. For the Central European countries (and Japan), one instead finds a rough stability in the amount of inequality or, in a few cases, even a continuing slight decline (i.e., the Netherlands especially and perhaps Switzerland).

The U.S. case thus stands out against that of other rich countries in at least two important respects. First, it is within that special class of countries experiencing a U-shaped trend, meaning that inequality has rebounded quite spectacularly in the latter part of the twentieth century. This rebound did not happen everywhere (as Figure 5 reveals). Second, even within that class of countries that did experience the rebound, Figure 4 shows that the United States experienced it in especially virulent form. We started off in the early twentieth century with especially extreme inequality and also ended up in the early twenty-first century with

---

**FIGURE 5**

Trend in the Top 1 Percent Share for Middle Europe and Japan

---

especially extreme inequality. It was only in the middle of the twentieth century, when the United States had reached the bottom of its U-shaped curve, that it registered a quite average amount of inequality and appeared to be a generic rich country. This now appears to have been an unusual and misleading moment in U.S. history.

The Modernization Narrative

Is the takeoff such a fundamental shock as to oblige us to abandon “modernization theory,” which has long stood as the field's principal account of long-term trend, in favor of some new account? To address this question, it is useful to begin by reviewing the main features of modernization theory, including recent efforts to bring these features into alignment with contemporary developments and facts. We proceed by considering how a modernization narrative makes sense of (1) the distribution of income and earnings, (2) the distribution of opportunities for securing high earnings or privileged class positions, and (3) the effects of income and class membership on attitudes and behaviors.

The trajectory of inequality

As was shown in Figure 1, inequality dropped dramatically in the late 1920s and during World War II, but then stabilized at a comparatively low level over the next 30 years. According to the classic Kuznets curve (see Kuznets 1955), the initial stages of capitalist development brought about an increase in income inequality as capital was increasingly concentrated among a small number of investors, whereas more advanced forms of capitalism entailed a growth in the size of the middle class and a consequent reversal of the upward trend. The causal dynamics behind the resulting inverted-U pattern remain unclear (see Acemoglu and Robinson 2002), but most sociologists attribute the late-industrial decline in inequality to the increasingly crucial role that the skilled working class played in production, the associated growth in working-class productivity, and the leverage that this growth in skills and productivity conferred on skilled workers.

The Kuznets curve does align nicely with the facts of inequality up to the early 1970s, but the dramatic upswing in inequality in the post-1970 period suggests that it cannot be used to explain recent history, at least not easily and straightforwardly. Although the Kuznets curve has therefore fallen largely out of fashion, the dominant account of recent trends in economic inequality may nonetheless be understood as a rather minor revision to modernization theory. The theory of skill-biased technical change (SBTC) has it that the demand for high-skill workers is rapidly increasing, that the supply of skilled workers cannot meet this rising demand, and that the resulting disequilibrium leads to an increased payoff for high-skill labor and a consequent increase in inequality (see Acemoglu and Autor 2010; Autor, Katz, and Kearney 2008; Goldin and Katz 2008). The silver lining behind this account is that the heightened demand for high-skill workers could
be a short-term disequilibrium that will, by virtue of the higher payoff to high-skill jobs, trigger a compensating growth in the supply of high-skill workers. As information about the high returns of a college education spreads, workers in pursuit of those returns should invest in college, and the resulting influx of college-educated workers should drive down the premium. The high returns generated by a shortage of educated labor may, by this logic, be understood as but a transitory deviation from the predictions of modernization theory.

**The trajectory of opportunity**

The second subnarrative of interest rests on a sharp distinction between the distribution of social rewards (e.g., income) and the distribution of opportunities for securing these rewards. In liberal welfare regimes, extreme income inequality may be tolerated, but only insofar as opportunities to attain higher income are not constrained. It is inequalities of opportunity that are regarded, then, as especially illegitimate. The modernization narrative of the postwar period of course has these inequalities of opportunity gradually weakening.

The main presumed force behind this weakening is the expansion of secondary and postsecondary schooling (e.g., Breen and Jonsson 2005). It is not merely that financial constraints on access to schooling become less important with the diffusion of loan and aid programs (e.g., the G.I. Bill). Although some variants of the modernization hypothesis emphasize this pathway, Hout (1988) and Torche (2014) have also shown that the association between class origins and destinations withers away among college graduates, the implication being that ongoing educational upgrading shifts the composition of the population toward a low-association regime and thereby induces an overall decline in fluidity.¹ This line of reasoning leads Beller and Hout (2006, 28) to conclude that the rising share of men with college degrees is “one major reason for the declining correlation between fathers’ and sons’ occupations.”

The more general point is that competitive market economies should work to reduce all forms of discrimination based on gender, race, and social origins. In his original formulation of the “taste for discrimination” model, Becker (1957) argued that discrimination would be eroded because it requires employers to pay a premium to hire members of the preferred class of labor, whether these be males, whites, or any other ascriptively defined classes. This taste is discriminatory because it rests on exogenous preferences for a certain category of labor that cannot be understood as arising from some larger concern for maximizing profitability or market share. When managers make hiring decisions in accord with such tastes, their firms will not be competitive with nondiscriminating firms because they must pay extra to secure labor from the preferred class (without any compensating increase in productivity). In standard renditions of this account, it is presumed that discriminating firms will gradually be selected out by the market, although it is also possible that some discriminating firms will change their hiring practices to remain competitive.

The latter economic account works in tandem with a sociological one that emphasizes the diffusion of modern personnel practices in the form of universalistic hiring practices (e.g., open hiring, credentialism) and bureaucratized pay scales and promotion procedures. The essence of such bureaucratic personnel
practices is a formal commitment to treating all workers equally and to meritor- 
cratic hiring and promotion. In its ideal-typical form, the spread of bureaucracy 
becomes an organizational process with its own dynamic, a process of diffusion 
that rests not on actual efficiencies, as with the economic subnarrative, but sim-
ply on the presumption that bureaucratic practices are efficient and that modern 
firm must therefore adopt them. This subnarrative, like the economic one, 
implies that firms will gradually come to embrace organizational procedures that 
reduce inequalities of opportunity.

The trajectory of class effects

The final component of the modernization narrative has class membership 
also becoming a gradually less encompassing and consequential identity. Within 
this narrative, the early industrial economy is represented as balkanized into big 
social classes (e.g., manager, farmer) that define interests, attitudes, and behavior. 
These classes became powerful in part because political parties and unions car-
rried out the ideological work needed to convert “imagined” and geographically 
disparate classes into culturally coherent communities. The key claim, however, 
is that this conversion process has become less reliable as (1) political parties 
abandon class-specific platforms in favor of “issue politics,” and (2) unions wither 
away altogether or become more narrowly instrumental by focusing on tangible 
benefits rather than some transformative class narrative. In the absence of 
organizations that explicitly train members into a class-based worldview, big 
classes increasingly become purely statistical categories deployed by social sci-
entists, not the deeply institutionalized communities of the past. The preceding 
account, while typically branded as “postmodernist,” is in fact closely allied to 
modernization theories that likewise treated class as a largely spent force (see 
Clark and Lipset 2001; Evans and Tilley, forthcoming; Inglehart 1997; Pakulski 
and Waters 2008; Weeden and Grusky 2005).

A Marketization Narrative

We have laid out the modernization narrative in some detail because it still moti-
vates much contemporary research and, at minimum, plays the role of a discred-
ited approach lurking in the background. It has become less appealing as an 
organizing narrative because it does not explain the rise of income inequality, the 
persistence of ascriptive forms of inequality, or the persistence of unequal oppor-
tunities for social mobility. It nonetheless remains prominent partly because an 
alternative is not yet available. Although there are any number of newer narra-
tives tailored to particular domains, it is worth asking whether a new overarching 
account might be developed with all the reach of a modernization or postmod-
erization narrative. The purpose of this section is to lay out one such possible 
narrative. We present it in a highly stylized form that, at best, captures incipient 
tendencies that may only be fully revealed in the distant future, if at all.
This new narrative delivers a rather different account of (1) the sources of inequality, (2) the role of a market ideology in legitimating inequality, (3) the role of commodification in extending inequality’s “reach,” (4) the implications of rising inequality for opportunity and mobility, and (5) the effects of rising inequality on class formation. We address each of these topics in turn.

Why is there so much inequality?

As noted above, at least one variant of the modernization narrative treats rising inequality as the outcome of a disjuncture between the demand for skilled labor and its supply, with the implication that it may only be a transitory deviation from a more equal condition. There is, however, another variant of the narrative that views the currently high payoff to skill and the resulting extreme inequality as a more permanent condition reflecting the effects of technological change. Under this variant, the high returns to skill are understood as reflecting the growing marginal product of skill, with the implication that such returns are typically deemed legitimate (or at least a necessary price to pay for a competitive and efficient market).

The marketization narrative rests, to the contrary, on the view that extreme inequality should be partly attributed to the many opportunities to collect rent at the top of the class structure. As will be discussed below, this rent tends to be camouflaged in various ways, especially by treating it as the outcome of competitive market processes. In referring to a “marketization narrative,” we are therefore making reference to how inequality is represented, not necessarily to how it is generated.

We adopt here the usual definition of rent as returns on an asset (e.g., labor) in excess of what is necessary to keep that asset in production in a fully competitive market. By this definition, rents exist when demand for an asset exceeds supply and when the supply of that asset is fixed through “natural” means or through social or political barriers that artificially restrict supply. The “fixed supply” condition implies that labor cannot respond to the price increases that arise when demand exceeds supply. In contemporary labor markets, rent takes on many forms, including the wage premiums associated with the minimum wage, the union wage and the associated “spillover” effects, and the wage premiums that accrue to licensing and related types of occupational closure (see Cha and Morgan 2010; Freeman and Medoff 1984; Grusky 2012; Katz and Summers 1989; Neumark and Wascher 2010; Red Bird and Grusky 2015; Weeden 2002; Weeden and Grusky 2013).²

It is well known that some of the institutions through which workers have historically been able to capture rents have weakened in the last 35 years. The two main developments of interest here are the decline in the real value of the minimum wage and in the proportion of the labor force that is unionized. By focusing on the decline of institutions that generate rents at the bottom of the wage distribution, the prevailing assumption is that rent destruction, not rent creation, is the main dynamic characterizing advanced industrial societies. The marketization approach understands instead that rent-destruction and rent-creation are asymmetric forces. That is, just as rent is gradually being destroyed for
workers at the bottom of the income distribution, it is also gradually being created at the top of the distribution (Grusky 2012).

This rent comes in a multitude of forms. The takeoff in CEO pay can be understood, for example, as arising in part because board members sitting at the behest of the CEO are making decisions about that CEO’s pay (e.g., Bebchuk and Fried 2010). This setup lends itself to board members favoring ample compensation packages because their own interests are best served by attending to the CEO. It should come as no surprise, for example, that CEO pay is higher when many of the outside directors have been appointed under the CEO. Likewise, the high returns to education partly arise because those who are well credentialed are protected from the competition that would occur under a system in which everyone, no matter how poor, had full and complete access to higher education. The highly educated are even further advantaged insofar as they practice occupations that have erected barriers to entry (e.g., licensure, certification) that then protect them from competition and allow monopoly prices to be charged.

We will not elaborate on the various forms and mechanisms of rent because the relevant literature is so well developed (e.g., Grusky 2012; Hacker and Pierson 2010; Stiglitz 2012). Instead, our main point is simply that rent is a driving force behind the rise of inequality and an intrinsic part of modern economies, certainly not the simple vestige that modernization theorists typically assume.

Camouflaging ideology

If the first distinguishing feature of the marketization perspective is that rent accounts for a good share of inequality, a second equally important feature is that our “market ideology” camouflages this result and instead treats inequality as the outcome of competitive market forces, thereby legitimating it. This feature of contemporary inequality is especially visible in the case of high CEO pay. Although such pay arises in part because of the board’s special interests and particularism (as discussed above), this particularism is effectively camouflaged by the practice of hiring outside consultants to examine the pay of peer firms and make recommendations accordingly. The pay level that is ultimately recommended is of course represented as set by a competitive market. It is indeed the case that one cannot expect CEOs to accept compensation below the prevailing compensation and that an individual firm may therefore have no reasonable alternative but to compensate at the prevailing level. It should not, however, additionally be concluded that this package reflects the marginal product of the CEO. Rather, it is nothing more or less than the prevailing package, and the prevailing package simply reflects the prevailing practice of allowing CEOs to appoint board members who are then beholden to them. The resulting “market pay” is accordingly the pay that is generated when nonmarket forces are allowed to affect the board’s compensation decisions.

The simple point here is that contemporary inequality is legitimated by a competitive market ideology even though it often arises from noncompetitive processes. This is especially the case at the top of the class structure. At the bottom of the class structure, the poor have long been lectured to the effect that the market’s discipline must simply be borne. The decline, for example, of manufacturing in the
United States is treated as nothing more than the usual "creative destruction" for which capitalism is famous, with the implication that the “losers” must take one for the team and get on with the market program. Although the competitive market ideology has perhaps some credence at the bottom of the class structure (as unions are dismantled and the minimum wage declines), it is more nearly pure ideology at the top, albeit an ideology with a powerful legitimating effect.

Why does this camouflaging ideology matter? It matters because the staying power of extreme inequality is partly attributable to it. If the marketization and modernization narratives differ, then, on the staying power of inequality and how fundamental it is to the modern condition, it is because the marketization narrative better appreciates that inequality is exceedingly well legitimated and “marketed.” Although the Occupy Wall Street movement may be understood as an effort to call this legitimation into question, it never converted into a mainstream movement in part because of the widespread appeal of the competing market ideology.

Relentless commodification

The third feature of the marketization perspective is that extreme inequality has multifarious and far-reaching effects because access to goods and services increasingly depends on the simple capacity to pay for them. It follows that those at the bottom of the income distribution are now doubly disadvantaged: it is not just that they have less money (relative to others), but it is also that access to goods, services, and opportunities increasingly requires precisely the money that they do not have. It may be said, then, that relentless commodification is what gives rising inequality its teeth.

This process is playing out very broadly. The market is gradually replacing the nuclear family, extended family, and neighborhood as the go-to source for delivering child care, domestic services, after-school education, financial services, old-age care, health care, and much more. The resulting commodification is closely related to the relentless differentiation and specialization of the sort that modernization theorists, such as Talcott Parsons, so frequently stressed. The marketization narrative emphasizes, however, the very special way in which such functions are differentiating: namely, they are differentiating out of the family and into the market, thus making the capacity to pay for these functions all-important.

It follows that rising inequality is especially consequential because those at the bottom of the distribution are disadvantaged in the competition for ever more services and are accordingly quite broadly affected. The obvious corollary is that when inequality increases within countries that have better resisted the forces of commodification (e.g., social democratic countries), the social fallout of that increase will be less thoroughgoing.

Inequality of opportunity

The long-standing distinction between inequality of “condition” (e.g., income inequality) and of “opportunity” (e.g., intergenerational income mobility) also becomes more blurred under a marketization hypothesis. The typical argument
in this regard has been that inequality of condition and of opportunity are analyti-
cally distinct and can easily change in opposing directions. It is sometimes sug-
gested, for example, that growing income inequality is untroubling because the
United States runs a high-mobility regime in which everyone has a fair opportu-
nity to rise to the top.

The marketization narrative suggests instead that high-inequality regimes will
tend to be low-mobility regimes. This is partly because, as income inequality
grows, interclass differences in family income will become greater, and children
born into privileged classes will accordingly have more resources that advantage
them in the competition to get ahead. These extra resources at the top can be
used to buy high-quality child care and preschool, educational toys and books,
the “finishing school” vacation (e.g., summer in Europe), after-school training
and test preparation, elite preparatory schools, and elite colleges (e.g., Putnam
2015; Kornrich and Furstenberg 2013). At the same time, an income infusion at
the top allows privileged parents to more readily afford privileged residential
neighborhoods, with accordingly improved access to high-quality public schools,
high-status networks, and other neighborhood amenities (e.g., libraries, low
crime rates, parks) that are likely to be class-reproductive.

It follows that economic ascription is treated very differently from other forms
of ascription within the marketization narrative. Under a conventional theory of
modernization, all forms of ascription are treated equally as inefficient residues
of an earlier period. This account ignores the fundamental distinction between
ascription on the basis of race, ethnicity, or gender and ascription based on social
and economic origins. The latter type of ascription becomes increasingly impor-
tant as (1) income inequality grows and allows privileged parents to spend more
on their children, and (2) the relentless forces of commodification work to
expand the reach of these resources across an ever-wider variety of capacity-
enhancing expenditures. It also bears noting that economic ascription of this sort
is protected against de-legitimation because of the sacredness of family ties and
helping one’s children and because the prerogative to spend one’s money as one
wishes is taken as a fundamental form of liberty.

The upshot is that, as against conventional modernization theory, ascription
based on family origins cannot be treated as some inefficient residue that will
automatically weaken of its own accord. There are instead powerful forces at
work that perpetuate this type of ascription even as racial or gender ascription
may continue to weaken.

The effects of class and income

We close this section with a brief discussion of the implications of marketiza-
tion for the effects of social class and income on attitudes, behaviors, and life-
styles. As may be recalled, a modernization narrative treats social class as an
organizational form that had resonance in the conflictual early industrial period
but that increasingly becomes a spent force as political parties and unions do ever
less class-reinforcing ideological work.
The marketization hypothesis, by contrast, treats social classes as “containers” of individuals or workers with similar incomes or wealth that have a bright future because (1) the income and wealth gaps between such classes are growing and bring about rising interclass differences in consumption and lifestyles, and (2) the relentless march of commodification means that there are ever more domains in which the privileged classes can display and realize their privilege. Although many sociologists have long held that class-based systems cannot be reduced to a simple economic hierarchy of income or wealth (e.g., Bourdieu 1984; Erikson and Goldthorpe 2002), a marketization narrative holds that such economic reductionism will increasingly come to be on the mark. As interclass gaps in income and wealth become larger, we will find that class members are more likely to live in the same neighborhoods, consume the same items, and vacation in the same types of places. This rising segregation of experience will further lead to growing marital homogamy and other forms of class-based homophily.

The marketization hypothesis has it, then, that social classes will grow ever more distinct and well formed as they become spatially segregated, as the income gaps between them widen, and as network “bridges” between them begin to dissipate. This is clearly an aggressive and speculative hypothesis, but it is not without some preliminary evidence behind it.

A Roadmap to the Chapters

The modernization and marketization narratives accordingly lead to rather different understandings of the future of economic inequality, the sources of such inequality, the development of economic ascription and mobility, the way in which differentiation generates inequality, and the long-term future of social classes. We now turn to the task of summarizing the eleven research chapters by relating their results to these competing modernization and marketization narratives. It is useful to organize this discussion around the four topical areas in the table of contents (i.e., sections I–IV).

The winning and losing groups in a high-inequality regime

The chapters of section I speak to the changing structure of the earnings and income distributions. The overall structure of these distributions has been well studied, but we know less about how particular groups (e.g., smaller ethnic groups) have fared over the last half century. The first three chapters in section I provide new evidence on the amount of inequality within and between groups defined by occupation, race, ethnicity, gender, and veteran status.

The chapter authored by C. Matthew Snipp and Sin Yi Cheung documents the declining size of racial, ethnic, and gender gaps in earnings (over the last 40 years). These declines, which speak to noneconomic forms of ascription, are noteworthy because they have occurred even as the earnings distribution has of course stretched out. Although some of the intergroup gaps are changing only slowly, the overall reduction in these ascriptive effects is nonetheless consistent
with a standard modernization account. In the chapter by Alair MacLean and Meredith Kleykamp, the focus shifts to the earnings gap between veterans and nonveterans, a gap that is again shown to be shrinking as the historic labor market advantage of veterans begins to dissipate.

The latter result runs contrary, however, to the general trend in occupational inequality. As Yu Xie and Alexandra Killewald report, between-occupation inequality has in fact increased over the last half century, although the rate of increase is no greater than that for within-occupation inequality. This growth in between-occupation inequality may stem from (1) an increase in the number of occupations that are closed via certification or licensure or (2) an increase in the demand for the services of already closed occupations (e.g., doctors). If the latter forces are at work, then the trends reported by Xie and Killewald may be understood as consistent with a rent-based account of the takeoff in income inequality.

**Openness and segregation in a high-inequality regime**

The second set of chapters addresses whether the growth in inequality is bringing about a decline in interclass mixing of various types. It is by no means necessary that such a decline will be in evidence. We can at least imagine an integrated society that combines extreme inequality with much mixing between the unequal classes, mixing that could come in the form of high rates of social mobility, substantial residential integration, and relatively weak marital resemblance (on education, income, or occupation). Although such an outcome is plausible, the marketization hypothesis implies, to the contrary, that a high-inequality regime brings about reductions in various forms of interclass mixing as professionals and managers use their extra money to assist with their children’s mobility and to increasingly consort with one another.

The evidence presented in section II suggests just such a reduction in interclass mixing. In the chapter by Robert D. Mare, a sharp increase in marital homogamy is reported for recent decades, an increase that nicely tracks the well-known trend in income inequality. There is likewise tentative evidence of a decline in social mobility. As reported by Pablo Mitnik, Erin Cumberworth, and David Grusky, an overall decline in social mobility cannot be teased out from the General Social Survey data, but there is some evidence that parents at the very top of the class structure are increasingly able to pass on their class position to their children. The third and final chapter within this section, a study by Devah Pager and Michelle Phelps of trends in incarceration rates, reveals a slight decline in such rates. The size of this decline is nonetheless minor and appears only after four decades of unrelenting increase in incarceration.

The overall picture, therefore, is one of declining interclass mixing as marital homogamy grows, the mobility regime rigidifies, and the poor are warehoused in prisons. The extremely high incarceration rates in the United States illustrate in especially sharp relief how we have combined extreme inequality with a high-segregation society. As recent research reveals, those at the top of the class structure increasingly traipse about in Manhattan, Silicon Valley, and various other elite or gated communities, while those at the bottom of the class structure are
increasingly segregated into inner-city and rural poverty ghettos (e.g., Reardon and Bischoff 2011). The unusually high incarceration rates in the United States amount to a decision to practice an especially extreme form of segregation in which those born into inner-city ghettos are further exposed to a high risk of being isolated in prison.

**Attitudes in a high-inequality regime**

The next set of articles explores how attitudes, political opinions, and morale are evolving as we move into a high-inequality regime. As was noted in the prior section, the effects of social class on attitudes and opinions are often hypothesized to be weakening, a “postmodernist” position that draws on the putative breakdown of deeply institutionalized social classes. In the chapter by Duane Alwin and Paula Tufis, the effects of social class on political attitudes are, far from weakening, in fact slightly increasing in strength. At the same time, the net effects of “culture” (e.g., social attitudes, religious attitudes) on political attitudes were also increasing, a result that is inconsistent with the view that the simple economic situation of individuals or classes is becoming all important.

The results presented by Michael Hout reveal, however, that the effects of income on happiness are increasing, just as a marketization hypothesis might have it. The sources of this rising effect are unclear, but Hout speculates that individual income becomes an ever better characterization of an individual's underlying standard of living as our collective investment in public goods and services gradually dissipates (i.e., “commodification”). Before the collective infrastructure had eroded, one's own income mattered less for happiness, given that low-income individuals could benefit from public goods in ways that supplemented and extended their own income. As commodification continued apace, an individual's access to goods and services depended increasingly on his or her own income, and the effects of individual economic standing (on happiness) accordingly strengthened. Although there are of course any number of other explanations available, the foregoing account is at least consistent with a marketization narrative.

**Behaviors in a high-inequality regime**

In section IV, the focus shifts from the effects of class on attitudes to its effects on behavioral outcomes, with three especially crucial outcomes considered (i.e., marriage, health, and death). As with section III, here again we care about (1) documenting the effects of social class on various types of individual-level outcomes and (2) exploring the implications of changes in the level of inequality for these outcomes.

The effects of rising inequality are featured in Robert Warren’s chapter on health outcomes. The main question that Warren takes on is whether the increasingly unequal conditions experienced by children will ultimately parlay into increasingly large inequalities in adult morbidity and mortality. The mechanisms through which this intergenerational transmission could occur partly draw on
those laid out by Mitnik, Cumberworth, and Grusky in their analysis of social mobility. Because of the well-known relationship between socioeconomic standing and health, Warren's model has to take into account that children from disadvantaged families are themselves likely to end up in disadvantaged labor market situations, a mechanism that then allows for the intergenerational transmission of inequality. In his concluding comments, Warren suggests that rising childhood inequality is likely to bring about a growth in adult health inequalities, although he concedes that his conclusion relies partly on (very plausible) inferences about the structure of the mediating effects. Likewise, Megan Sweeney finds evidence of a correspondence between trends in inequality and the variability of marriage timing, but she cannot reach any definitive conclusions about the sources of this correspondence.

In the last chapter in section IV, Deborah Carr addresses the effects of social class on the experience of dying, with her analyses creatively drawing on four data sets spanning the period from the 1980s to the present day. There are three forces at work, all consistent with a marketization narrative, that could well deliver a more stratified and unequal experience of death in the future. The most important is arguably commodification: that is, insofar as collective health-delivery institutions break down, the experience of death will no longer be as standardized and uniform and will come to depend instead on one’s capacity to purchase the preferred experience. Because this rising commodification goes hand-in-hand with rising income inequality among the elderly, the result is a one-two punch in which not only are differentiated experiences increasingly available, but those who are well off increasingly have the money to buy the experience they want. The third force at work is the emergence of ever more diverse treatment regimens that again open up the opportunity for differentiation on the basis of the capacity to purchase those regimens.

These three forces, all of which should work to increase difference, are by no means fully realized at this point. Although Carr finds some evidence of socioeconomic variability in the experience of death, she also shows that such variability is not, at least as yet, as substantial as one might have imagined.

Conclusions

At the risk of oversimplifying, we have sought to understand the chapters in this volume through the prism of a marketization narrative of inequality. This narrative raises the possibility that we are moving into a high-inequality regime marked by reduced interclass mixing, limited opportunities for mobility, and ever-sharpening class differences. It would be hard to imagine a trajectory more different from that suggested by a conventional modernization narrative.

The effects of rising inequality are compounded, we have suggested, insofar as access to goods and services increasingly depends on the capacity to pay for them. If the market is gradually replacing the government and the family as the main source of services, then the takeoff in inequality has unfettered effects rather than ones buffered by the universal provision of extramarket services. This
spreading commodification is closely related to the differentiation featured within modernization theory, but it is a particular type of differentiation in which the market alone is assuming those functions (e.g., child care, elder care) that have been shed by the family or the government.

The marketization narrative questions also the long-standing practice of treating the downstream effects of social origins as simply an “ascriptive process.” Under a standard theory of modernization, all forms of ascription are treated as residues of an earlier regime, and all are accordingly presumed to weaken over time. Although there is much evidence, some of which is presented in this volume, of a gradual decline in racial, ethnic, or gender ascription, a marketization narrative appreciates that economic ascription operates under rather different rules, none of which would suggest a gradual weakening. The special staying power of economic ascription is attributable not just to the increased income and wealth of privileged parents but also to the rise of a commodified world in which those resources can be spent broadly on all manner of goods and services that assist with economic reproduction (e.g., elite child care, after-school training, high-quality neighborhoods). This type of ascription has strong cultural protection given the sacredness of family ties, the moral injunction of helping one’s children, and the libertarian presumption that one’s money is legitimately spent however one wishes. If indeed we are moving into a low-mobility regime, it will likely occur under the protection of just such commitments.

This growing capacity of privileged parents to convey their privilege is but one expression of a newly strengthened class regime. Under a marketization perspective, the class structure becomes increasingly well formed because (1) the growing interclass gaps in wealth and income amplify differences in consumption and lifestyles and (2) the related forces of commodification increase the ways in which the privileged classes can display and realize their privilege. Even in the domain of death and dying, one might imagine a growing differentiation of “deathstyle” options will become available in the market, options that are open to anyone with the capacity to pay for them.

We have laid out this alternative narrative not as an inevitability, not as a cautionary tale, and certainly not as a characterization of the available evidence. Although some of the chapters in this volume contain hints of such processes, for the most part the marketization narrative merely speaks to one possible future. We mainly offer it up as a foil that distills some contemporary tendencies and that serves as a benchmark against which future trends and developments might be evaluated.

Notes

1. Although Florencia Torche finds that a strong intergenerational association reemerges among advanced-degree holders, the affected population is likely too small to have substantial implications for the overall amount of class reproduction.

2. We address here the rents that accrue to individuals by virtue of their labor assets and are less concerned with the rents accruing to firms (except insofar as these rents are shared unevenly between capitalists and workers).
References


Evans, Geofffrey, and James Tilley. Forthcoming. How parties shape class politics: Explaining the decline of the class basis of party support. *British Journal of Political Science*.


