feel toward them is envy. This quadrant embraces the classic middleman minorities, such as Jews in medieval Europe, Chinese in Malaysia, Tutsi in Rwanda, and Indians in East Africa. In a stable social structure, people show public respect for and defer to members of envied out-groups, but if the social order breaks down, these out-groups may become targets of communal hatred and violence because they are not liked and are not perceived as people “like us.”

The top-left quadrant includes out-groups that are viewed as warm, and thus likable, but as not competent. Those falling into this category include people who have experienced some misfortune but are otherwise perceived as “people like me,” such as the disabled, the elderly, the blind, or the mentally retarded. One could imagine being in their shoes but for an accident of fate, and so the relevant emotion is pity. We like the members of these out-groups, but recognizing their lack of competence, we also feel sorry for
Roosevelt and his New Deal and then under Harry S. Truman and his Fair Deal.

The economic policies of both “Deals,” in combination with strong deflationary pressures during the 1930s and the Second World War, led to a remarkable compression of the income distribution and a sharp decline of inequality during the 1940s (Goldin and Margo 1992). By 1952, when Republicans finally reoccupied the White House, the share of income going to the top 10 percent of taxpayers had fallen from 45 percent to 32 percent; that going to the top 5 percent had dropped from 35 percent to 21 percent; and that accruing to the top 1 percent had declined from 20 percent to 10 percent. These figures represent respective declines of roughly 30, 40, and 50 percent from the peak levels of inequality in 1928 measured by Piketty and Saez.

Source: Piketty and Saez (2003).

Figure 2.1 Share of Income Earned by Top Segments of Taxpayer Income Distribution, 1922 to 2002
available until the 1990s, they are not considered here.) Although white and black households both experienced rising incomes over the period, very little progress was made in closing the racial gap, despite policies and programs instituted during and after the civil rights era. In real terms, the size of the racial gap actually grew from 1972 to 1988, going from $16,700 to $19,700 before falling back to $18,000, around which it has fluctuated ever since. In other words, three decades of affirmative action efforts and antidiscrimination policies have not closed the gap between black and white incomes. To put it bluntly, racial inequality remains a basic feature of the U.S. stratification system.

Since the civil rights era, of course, the United States has changed demographically in rather dramatic ways, and Latinos recently overtook African Americans as the nation’s largest minority. His-
households after the great U-turn are clearly indicated in the figure. Whereas the incomes of households at the bottom of the distribution stagnated and the median inched slowly upward, incomes at the top of the distribution rose dramatically. Among households in the lowest quintile, for example, average income stood at $8,800 in 1972 and had risen to $10,200 by 2002, an increase of $1,400, or 16 percent, in twenty years. Those at the middle of the income distribution fared little better. Over three decades, the median household income grew from $37,000 to $43,400, for a real gain of $6,400, or 17 percent. In contrast, average income for the highest quintile increased by 66 percent, going from $88,700 in 1972 to $147,000 in 2002, for a real gain of $58,300.

Figure 2.3 illustrates a basic feature of inequality in the post-in-
than from a deterioration in the economic position of men. In 1973 the median personal income for males stood at $28,900; thirty years later it was only $29,900, a real increase of only $1,000, or 3.5 percent. Among women, median personal income rose from $10,000 in 1973 to $17,300 in 2003, an increase of $7,300, or 73 percent. Although this pay raise is nothing to scoff at, thirty years of progress still leaves the average woman receiving less income than the average male got back in 1951, and 43 percent less than that of the average male today.

Earlier we noted that median household income rose by 17 percent from 1972 to 2002. Given that male median income rose by only 3.5 percent over the same period, there is only one reasonable explanation for the continued increase in household income during

Source: U.S. Bureau of the Census.
a period of stagnant male income: female household members entered the labor force in large numbers to generate additional income that offset the declining fortunes of men. Although middle-income households managed to achieve modest income gains after the great U-turn, more household members—usually wives—had to work to do so. In other words, in the post-industrial political economy of the United States, it increasingly requires two earners for a household to remain in the middle class.

The importance of having two incomes is illustrated in figure 2.6, which shows the change in median income since 1987 among one- and two-earner households. Naturally, two-earner households have more income than those with one breadwinner, but we are interested in relative change, not absolute amounts, so each series has been divided by its value in 1987 to indicate proportional growth.
since that date. As can be seen, from 1987 through 1990 the incomes of one- and two-earner households moved together, but thereafter they began to depart. The recession of the early 1990s hit all households hard, but whereas two-earner households saw their incomes drop, they never dipped below the median for 1987, and by 1992 they had begun to rebound. In contrast, the median income of one-earner households fell to 96 percent of the 1987 value and did not make it back to parity until 1997. Thus, one-earner households experienced an entire decade with no growth in income, whereas two-earner households were able to hang on during the recession and increase their incomes by 10 percent by 1997. By the year 2003, two-earner households enjoyed a median income that was 19 percent above what they reported in 1987, whereas the median income earned by one-worker households was only 8 percent more.

Source: U.S. Bureau of the Census.
America’s New Inequality

The purpose of this chapter has been to provide a general description of what happened to Americans with respect to income stratification during the twentieth century. As we have noted, the past one hundred years have been tumultuous for both the world and the United States, including two periods of globalization, both accompanied by massive shifts in trade, investment, population, and social structure. The first era of globalization was accompanied by high levels of inequality that in the United States peaked in the late 1920s, when the effects of the First World War, isolationism, and protectionism brought national and global economies crashing down.
doubled their private recruitment efforts (Durand and Arias 2000). The number of contract workers entering the United States grew to 17,000 in 1920, and legal immigration reached an unprecedented 51,000 persons. American insecurities about all things foreign came to a head during the recession that followed the war, and the red scare of 1918 to 1921 was accompanied by a wave of anti-immigrant hysteria. Congress passed the first quota law in 1921 to curtail immigration from southern and eastern Europe and enacted an even stricter version in 1924. During this period, both legal immigration and contract migration by Mexicans fell, reaching lows in 1922 of 18,000 and 12,000, respectively. But economic recovery led to the sustained economic boom known as the Roaring Twenties, and given the new restrictions on European immigration and steadily

![Figure 4.1 Mexican Migration to the United States, 1900 to 1930](image-url)
Table 4.1  Distribution of People Depicted on Magazine Covers, by Race, Ethnicity, and Gender, Compared to Distribution Among Immigrants and U.S. Population

<table>
<thead>
<tr>
<th>Variable and Distribution</th>
<th>Actual Data</th>
<th>Cover Photos</th>
<th>Cover Illustrations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Immigrants, 1990s</td>
<td>U.S. Total, 2000</td>
<td>Immigrants</td>
</tr>
<tr>
<td>National origin, race, ethnicity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>European/white</td>
<td>15%</td>
<td>69%</td>
<td>10%</td>
</tr>
<tr>
<td>Asian</td>
<td>31</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>Afro-Caribbean/black</td>
<td>15</td>
<td>13</td>
<td>23</td>
</tr>
<tr>
<td>Latin American/Hispanic</td>
<td>37</td>
<td>13</td>
<td>26</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>55</td>
<td>51</td>
<td>79</td>
</tr>
</tbody>
</table>

ranted racial inferiors rising above their assigned station, and in the charged atmosphere of wartime Los Angeles, anti-Mexican rioting broke out. On June 3, 1943, a group of servicemen on leave complained that they had been assaulted by a gang of pachucos wearing zoot suits (Obregón Pagán 2003). In response, an angry mob of white soldiers and civilians headed into the Mexican barrio of East Los Angeles, where they attacked all males wearing zoot suits, beating them severely while ripping off the offensive garments and burning them on the spot.

Rather than protecting U.S. citizens of Mexican origin, the Los Angeles police swept into the barrio and arrested hundreds of al-

Source: U.S. Immigration and Naturalization Service.
braceros or legal immigrants during the late 1950s, the total inflow of Mexicans through legal channels fell to just 62,000 per year from 1965 to 1985—13 percent of its former level. The gap between the demand for visas on the part of employers and workers and the paltry number offered by the government was increasingly made up through undocumented migration, and annual apprehensions along the border climbed steadily from 55,000 in 1965 to 1.6 million in 1985.

In essence, the shift in U.S. immigration policy after 1965 transformed Mexican migration from a de jure guest-worker program based on the circulation of braceros into a de facto guest-worker program based on the circulation of undocumented migrants (Du-
Thus, U.S. immigration and border policies transformed Mexican immigration from a circular flow of male workers into a settled population of families. By the year 2005, the total number of undocumented Mexicans present north of the border had reached 6.1 million, and the total number of foreign-born Mexicans had climbed to 11 million. These figures imply that one of every ten people born in Mexico now lives in the United States, and 55 percent are present in illegal status. At the same time, immigrants now constitute a growing fraction of all Mexican Americans, roughly 40 percent as of 2005, and the large number of undocumented among them means that midway in the first decade of the twenty-first century, more than half of all Mexican-born persons—and more than one-fifth of all persons of Mexican origin—lack any social, political, or eco-

groups: South Americans, Latinos, Mexicans, farmworkers, and Africans. The most despised immigrant group of all is undocumented migrants, who rate lowest of all on both warmth and competence, such that they approach the portion of the graph usually reserved only for the most detested and socially stigmatized groups, such as criminals and drug dealers. In societal terms, this is dangerous territory, since it implies that undocumented migrants are not perceived as fully human at the most fundamental neural level of cognition, thus opening a door to the harshest, most exploitive, and cruelest treatment that human beings are capable of inflicting on one another.

**Categorical Stratification After 9/11**

Just as the criminal justice system has emerged as a new and powerful institution in promoting categorical inequality between blacks
onward, Hispanics replaced blacks at the bottom of the male earnings hierarchy.

The top two lines show trends in the relative earnings of Hispanic and black women to reveal a similar switching of positions, one that occurred even earlier than among minority men. In 1972 Hispanic women earned the same income as white women, while black women earned 92 percent of what their white counterparts earned. During the 1970s and 1980s, however, the earnings of women in both minority groups deteriorated relative to those of white women, but the decline was more rapid among Hispanic women. In 1981 the two lines crossed, and from then on Hispanic women replaced black women at the bottom of the female earnings hierarchy.

Source: U.S. Bureau of the Census.
Despite this early crossover, however, the Hispanic-white and black-white income ratios remained quite close to one another until IRCA passed in 1986. After this date, the deterioration in black female income slowed down, and then in the early 1990s it reversed and began to move upward. In contrast, the deterioration in Hispanic women’s earnings accelerated, and the two income ratios began to pull apart at a rapid pace, yielding a widening gap. From 1987 to 2002, the ratio of black female income to white female income rose from .80 to .96, while the income ratio for Hispanic females fell from .80 to .70 before coming back up to end the decade at .77.

The shifting fortunes of Hispanics and African Americans in the U.S. labor market are also clearly reflected in American poverty statistics. Historically, rates of Hispanic poverty were far below those of blacks, but over the course of the 1980s and 1990s the differential

Figure 4.7  Ratio of Hispanic to Black Poverty Rates

Source: U.S. Bureau of the Census.
Relations Act in 1935, whereupon union membership surged, more than tripling from around 10 percent of workers in 1935 to one-third of all workers just ten years later.

With the passage of the Taft-Hartley Act in 1949, however, union membership ceased growing and then began to decline after 1959 when Landrum-Griffin further strengthened the hand of employers. From a peak rate of 33 percent in 1954, unionization fell to 23 percent by 1980, at which time Ronald Reagan was elected to the presidency. His first year in office proved to be pivotal. In 1981 the union representing air traffic controllers voted to go on strike for better working conditions and improved safety requirements. Invoking Taft-Hartley, President Reagan declared the strike illegal and promised to fire all those who did not return to work within

Source: Carter et al. (2006).
share of workers enjoying this earnings premium declines as well. In addition, with unionization no longer viewed as a credible threat by employers, they have little incentive to pay workers higher wages as an inducement not to form a union. Studies reveal that in the past the threat of unionization served to boost the wages of all workers, even those who were not union members (Corneo and Lucifora 1997; Freeman and Medoff 1984; Leicht 1989; Neumark and Wachter 1995), including even midlevel managers (Rosenfeld, forthcoming).

As a result, over time there has been a strong positive relationship in the United States between the frequency of strikes and the

**Figure 5.2** Relative Frequency of Strikes and Successful Union Elections, 1936 to 2000


*Note:* 1946 = 1.
figure 5.4 illustrates the effect of these wage reductions on the welfare of families supported by low-wage workers. Specifically, it computes how much income would be earned working full-time (38.5 hours per week) for a full calendar year (52 weeks) and expressing the result as a share of the official poverty level for a family of four. As can be seen, never in the course of the past fifty years has the official minimum wage been sufficient to lift a family with one breadwinner out of poverty, although during the height of Johnson’s Great Society it came close. In 1968 a minimum-wage worker employed full-time generated annual earnings equal to 93 percent of the federal poverty limit.

The figure has been labeled to show Republican versus Democratic administrations. After the 1960s, Republican administrations
were very clearly associated with falling minimum wages, whereas Democratic administrations were associated with steady, fluctuating, or rising minimum wages. A well-controlled and more comprehensive analysis by Larry Bartels (2004) showed that Republican presidents indeed produce greater income growth for rich than poor families and that rising inequality is reliably associated over time with Republican administrations. By minimizing the minimum wage, Congress by the year 2005 guaranteed that the poorest workers in America would make no more than 53 percent of the federal poverty rate even if they worked full-time. In other words, even two full-time workers employed at the minimum wage would earn barely enough money to keep a family of four above the poverty threshold of $19,800 per year.
From a per capita level of around 12 cents in 1960, spending on antipoverty programs more than tripled to peak at 30 cents in 1972 before falling precipitously during Nixon’s second term. The free fall in poverty-related social services was checked early in the Carter administration but then resumed during the inflation of the late 1970s as Congress failed to make adjustments to transfers to reflect the rising cost of living. Throughout the presidencies of Ronald Reagan and George H. W. Bush, antipoverty spending remained flat at only slightly above the level it had been on the eve of the Great Society, a level that persisted through the early years of the Clinton administration.

Thus, in terms of social spending on the poor, by the early 1990s it was as if Johnson’s war on poverty had never happened. Even

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**Figure 5.5** Spending on Unemployment Benefits per Unemployed Worker

![Diagram](chart.png)


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Categorically Unequal
this reduced level of spending on the poor was too much, however, for congressional conservatives, who in 1996 succeeded in passing the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), essentially forcing mothers of dependent children off of welfare rolls and into the labor force by ending the entitlement to open-ended income transfers. Aid to Families with Dependent Children (AFDC) was replaced by a new program called Temporary Assistance for Needy Families (TANF), which gave mothers only two years of assistance before requiring them to work. According to the terms of the legislation, 25 percent of all families were supposed to leave the welfare rolls by 1997, with 50 percent expected to be working by 2002.

As indicated by figure 5.7, which depicts the percentage of poor

Source: Carter et al. (2006).
families receiving AFDC or TANF benefits by year, the effect of the new law on welfare use was sudden and dramatic. Historically the rate of welfare use in the United States had been low because Congress wrote the Social Security Act to exclude black workers and delegate to states the right to determine eligibility. Given the over-representation of African Americans among the poor and the disproportionate location of all poor families in southern states with stringent eligibility requirements and low payments, only a tiny fraction of the poor actually received welfare before the 1960s. Indeed, until 1965 the share of poor families receiving income transfers ranged only from 10 to 15 percent.

The passage of civil rights laws and other federal reforms during the Great Society made it more difficult for states to deny relief to
into legislation. The 1996 Personal Responsibility and Work Opportunity Reconciliation Act was a self-proclaimed effort to “end welfare as we know it,” and as is obvious from figure 5.7, the effect on usage rates was immediate and profound. From a figure of 36 percent in 1996, the share of poor families receiving federal income transfers fell sharply to just 10 percent in 2004, a level of welfare utilization last observed in 1963. Along with the decline in welfare receipt came a drop in spending for other entitlements that were tied to it, such as food stamps. As shown in figure 5.8, real expenditures for food stamps fell dramatically as the new welfare policy pushed women off of welfare and into ineligibility for food stamps. Whereas federal spending on food stamps had totaled $840 per poor person on the eve of welfare reform, by 2000 the figure had

Nixon and Ford administrations and stabilized at 8.8 workers per thousand under President Jimmy Carter.

The decline in federal employment resumed during the first Reagan administration, but then recovered somewhat before experiencing a sustained decline over the course of the two Clinton administrations. The election of George Bush in 2000, however, brought an unprecedented assault on federal employment: the number of federal workers per thousand fell to a record low of 6.2 within two years of his assuming office, the fastest drop in federal employment in American history. In relative terms, the federal government is now smaller than at any point since 1940, reflecting its reduced capacity for managing and regulating the U.S. political economy.

Sources: Carter et al. (2006); U.S. Bureau of the Census, Statistical Abstract of the United States.
5.11 plots the average interest rate charged on credit cards compared with the interest rate prevailing in the rest of the economy. As can be seen, the gap between the two series was relatively narrow during the 1970s, averaging only 4.4 percentage points. Over the course of the 1980s and 1990s, however, the gap steadily widened, earning credit card lenders, in real terms, more money per dollar loaned. During the period 2000 to 2005, the gap between the interest rate on credit cards and the prevailing rate averaged 8.2 percentage points.

The rising mountain of consumer debt is not without risks to banks, of course, despite high interest rates and record profits, for if the debt becomes too burdensome to sustain, some credit card holders simply walk away from their obligations by declaring bankruptcy. Historically, bankruptcy laws in the United States were
relatively lenient with consumers who borrowed over their heads, allowing them to go to court and wipe away most of their obligations to begin their financial lives afresh. For bankers left with the unredeemable loans, however, this act represented an “abuse” of the bankruptcy system, and at their behest, Congress in 2005 passed the Bankruptcy Abuse Prevention and Consumer Protection Act.

The new law placed barriers on the road to bankruptcy and forced struggling consumers to pay down more of their accumulated debt. After 2005, debtors were obligated to undergo “credit counseling” in a government-approved program before being allowed even to file for bankruptcy, and then once a filing had been made, they had to pay all back taxes before being allowed to pro-

Figure 5.11 Interest on Credit Card Debt Versus Overall Interest Rates, 1975 to 2005

Source: U.S. Federal Reserve.
percent in 1917, and reaching 77 percent in 1918, again with no differentiation between capital gains and regular income. The end of the war brought a slight reduction in taxes, with the top rate falling to 73 percent until 1922, when a Republican administration and Congress lowered the top rate to 58 percent before easing it steadily downward to 44 percent in 1923 and 25 percent in 1924, where it remained until the election of Franklin Roosevelt in 1932. At the same time, beginning in 1922, Congress also differentiated capital gains from regular income, reducing the rate of tax on gains from the sale of assets such as stocks and bonds to just 12.5 percent.

The advent of the New Deal revolutionized American tax policy by introducing a progressive system that taxed additional income at steadily higher rates as earnings rose. From 1932 through 1935, the wealthiest Americans paid 63 percent on regular income over $1 million, and the tax on capital gains rose from 12.5 percent to

Sources: Carter et al. (2006); U.S. Bureau of the Census, Statistical Abstract of the United States.
ity to the system, raising the average tax rate to nearly 40 percent for wealthy households while leaving the rates paid by affluent and poor household about the same.

Most recently, George W. Bush’s tax cuts reduced the average rate for all three classes, but progressivity was substantially reduced compared to the Clinton years, and the burden of paying for government was shifted downward in the income distribution. As of 2005, poor households paid 20 percent of their income in taxes, affluent households paid 27 percent, and wealthy households paid 34 percent—not quite the bonanza for the rich achieved at the end of the second Reagan administration, but a far cry from the progressive taxation that prevailed from 1932 to 1980 under arrangements set by the New Deal.

Figure 5.13 Average Tax Rates for Households Earning $20,000, $200,000, and $2 Million per Year

Source: Author’s calculations.

Figure 5.13 shows the average tax rates for households earning $20,000, $200,000, and $2 million per year over different decades. The tax rates are plotted against the years 1965 to 2005 for Nixon-Ford, Reagan-Bush, Clinton, and Bush administrations. The tax rates for each income level are indicated, showing the changes over time.
represents a complex choreography, a “dance of ideology and unequal riches” in which polarization inhibits support for redistribution, which produces greater inequality, which feeds more polarization, which generates even more inequality.

They argue that the power of this choreography has been exacerbated by an increase in the number of poor people without political rights who cannot vote and thus cannot exert political pressure from the bottom in support of redistributive policies. They point to the post-1965 revival of immigration and note that the correlation between the percentage foreign-born and political polarization is 0.92. The current potential for polarization and inequality is even greater than they suppose, however, for they do not take into account the huge increase in the share of immigrants who are not

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**Source:** Piketty and Saez (2001), figure 1.2. Reprinted with permission from MIT Press.
tial concentration of advantage and deprivation is best measured using the P* isolation index, which yields the proportion of poor or affluent families in the neighborhood of the average poor or affluent person (Massey and Denton 1988; Massey and Eggers 1990). Figure 5.16 shows trends in the concentration of poverty using P* indices computed for 1970 through 2000, and figure 5.17 does the same for the concentration of affluence.

At all points in time over the past thirty years, affluence has been more concentrated spatially than poverty. In other words, those with money are more likely to live in homogenously affluent environments than are those without money to live in homogenously poor environments. Geographic concentration increased at both
Figure 5.16  Concentration of Poverty in Large U.S. Metropolitan Areas, 1970 to 2000


Figure 5.17  Concentration of Affluence in Large U.S. Metropolitan Areas, 1970 to 2000

competence. Figure 6.1 reproduces Eckes’s results to show how different subtypes of women are stereotypically perceived within contemporary society.

It is immediately apparent that most of the subtypes cluster in the top left-hand or bottom right-hand quadrants of the social space, zones normally reserved for pitied and envied out-groups. No women really fall into the despised quadrant at the bottom right, and none really fall into the esteemed quadrant at the top left. Those closest to the space normally reserved for despised out-groups are “bourgeois women” and “chicks,” and those closest to the space usually occupied by esteemed in-groups are “society ladies” and “confident types.” But for the most part the zones associated with esteem and contempt are empty.

Instead, the social spaces associated with pity and envy are
Although the level of occupational segregation between men and women remained fairly constant from 1860 to 1960, the underlying size and structure of the labor market changed dramatically. Whereas in 1860 the female workforce numbered just 5.2 million, only 16 percent of whom held white-collar jobs, by 1960 the number of female workers stood at 22.2 million, and 53 percent held white-collar jobs (see Carter et al. 2006; figure 6.2). Overall, the labor force grew by 144 percent, and the structure of employment shifted decisively away from agriculture—first toward manufacturing and then toward services.

The fact that gender segregation remained constant despite these massive shifts suggests that a great deal of boundary work was
ers on the right. The y-axis indicates the percentage of women in the different occupational categories. As can be seen, relatively more women work in nonmanual jobs, but within the white-collar sector the presence of women falls as one moves up the ladder of occupational earnings and prestige; the same pattern prevails in the blue-collar sector.

The rise of horizontal segregation in the United States is suggested by the data in figure 6.4, which plots the percentage of female workers in manual and nonmanual jobs from 1860 through 1990. Up through 1900, there was no differentiation between the two sectors. Few women were in the labor force, but they were
equally likely to work in the manual or nonmanual sector. Thereafter, female specialization in white- as opposed to blue-collar jobs increased at an accelerating rate, producing a widening gap in the gender composition of the two sectors. Whereas 55 percent of nonmanual workers were female by 1990, only 31 percent of manual workers were women.

Figure 6.5 illustrates the rise in vertical gender segregation after 1900. Up through 1900, those few females who worked were just as likely as men to be employed as managers, proprietors, clerical workers, or sales workers, and females were actually overrepresented in professional occupations compared to their small share in the labor force. After 1900, however, women came increasingly to dominate clerical occupations, until by 1990 nearly 80 percent of clerical workers were female. Women also came to constitute a

Source: Carter et al. (2006).
growing share of sales workers. After 1910, however, the share of
women in professional occupations leveled off and then fell gradu-
ally through 1960 as the number of female managers and propri-
etors grew very slowly and at levels below their rising share of the
total labor force, a pattern that lasted until 1970.

The most comprehensive account of the gendered transforma-
tion of the American labor market in the twentieth century is that of
Goldin (1990). After 1900, industrialization increased the demand
for office workers. Managers, professionals, clerks, secretaries, and
sales personnel became increasingly important in creating value for
business enterprises. To meet the surge in demand for nonmanual
workers, legislatures passed new laws mandating school attend-
dance and increased funding for secondary education. As a conse-
quence, levels of high school graduation rose among both males
and females, but with factories providing an attractive and lucra-

Figure 6.6  Mean SEI Score and Percentage with College Degree, by Occupational Status Quintile

Source: Jacobs (2001).

Figure 6.7  Earnings by Occupational Status

Source: Jacobs (2001).
Figure 6.8 puts aside education and shows the degree to which other measured factors statistically account for observed differences between male and female earnings. As already noted, experience accounts for only 16 percent of the gap, and given the weakened state of unions, as described in the last chapter, it is hardly surprising that unionization accounts for only 5 percent of the gap. Likewise, racial composition explains only 4 percent of the gap, suggesting that women earn roughly the same amounts regardless of race. By far the two most important measured factors accounting for the male-female earnings gap are industrial location (33 percent) and occupation (42 percent), implying that if the distribution of men and women across occupations were somehow equalized, up to three-quarters of the earnings differential would disappear.

collar occupational distribution. There has been little or no movement of women into skilled crafts and operative categories, the two most highly remunerated blue-collar occupations. Moreover, although the share of women increased slightly among farmworkers, it rose substantially among unskilled laborers, the lowest and most poorly paid blue-collar job category. From 1960 to 2005, the share of women among laborers increased by a factor of ten, going from 2 percent to 20 percent. Women have gained access to blue-collar jobs, but only those at the bottom of the occupational distribution. Within the blue-collar sector in general, women remain substantially underrepresented compared with their counterparts in the white-collar workforce.

Processes of categorical stratification occurring along the lines of race, class, and gender have combined to make the United States the most unequal among advanced industrial nations.

A common way of measuring inequality is by forming the ratio of the ninetieth to the tenth percentile of the income distribution. Figure 7.1 uses data from Smeeding (2005) to show this ratio for selected nations in the Organization for Economic Cooperation and Development (OECD), essentially the “club” for developed nations around the world. These ratios reveal the exceptional nature of American inequality. The American income ratio of 5.45 is well

**Source:** Smeeding (2005).

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**Stratification at Home and Abroad**

Processes of categorical stratification occurring along the lines of race, class, and gender have combined to make the United States the most unequal among advanced industrial nations.

A common way of measuring inequality is by forming the ratio of the ninetieth to the tenth percentile of the income distribution. Figure 7.1 uses data from Smeeding (2005) to show this ratio for selected nations in the Organization for Economic Cooperation and Development (OECD), essentially the “club” for developed nations around the world. These ratios reveal the exceptional nature of American inequality. The American income ratio of 5.45 is well
figure 7.3. Specifically, this figure shows the percentage of variance in personal income explained by each categorical factor from 1950 to 2005.

As can be seen, in 1950 most of the explained variance in personal income was accounted for by gender. The predominant cleavage in American society was thus between male and female workers, with gender explaining 74 percent of the variance compared with only 18 percent for class (as measured by education) and 4 percent for race. Over the next fifty-five years, however, gender steadily declined as a significant factor in the American stratification system, with the share of variance explaining stratification dropping at a rate of 0.8 percent per year from 1950 to 1980, then accelerating to 1.4 percent per year between 1950 and 1980 before leveling off in 2000 and 2005. Over the entire period, the share of income stratification explained by gender fell from nearly three-quarters in 1950 to less than one-quarter in 2005.

What replaced gender in terms of explanatory power was class: the share of income explained by education went from 18 percent in 1950 to 62 percent in 2005. The percentage of variance explained by race fluctuated somewhat over the period but changed little over-
all, bottoming out in 1970 when it reached 3 percent and then rising to 8 percent in 2000 before falling back to 7 percent in 2005. Consistent with the conclusions of chapter 6, the interaction between class and gender also increased in importance over the period, as shown in figure 7.4, which plots the percentage of variance captured by the various interactions between race, class, and gender from 1950 to 2005. Although the percentage of variance explained by the class-gender interaction is small compared to the main effects, its relative importance nonetheless rose steadily and significantly from 1950 through 2000, going from 3 percent to 7.5 percent before dropping to 5.5 percent in 2005.

Figure 7.5 repeats the ANOVA using family income instead of personal income. Although the overall story is similar, the timing of
the changes in categorical importance is different when they are filtered through the American family system, which itself underwent significant change over the period. The critical year in accounting for family income appears to be 1980. Until that date, the relative importance of gender was rising, with the percentage of variance explained going from 38 percent in 1950 to 51 percent in 1980, while the share explained by education fluctuated around 40 percent with no clear trend. After 1980, however, the relative importance of gender in explaining family income dropped markedly, going from 51 percent to 28 percent by 2005, while that explained by education rose from 40 percent to 61 percent.

Figure 7.6 shows the share of variance in family income ex-
plained by the various interactions of race, class, and gender at different points in time. As with personal income, there is a very clear increase in the gender-class interaction, but most of the change in categorical importance is observed after 1980, and the decline from 2000 to 2005 is sharper. Unlike the case of personal income, however, there is also evidence of an increase in the race-class interaction after 1980, though in absolute terms it is relatively small.

**The Future of Categorical Inequality**

American income inequality has thus shifted from stark divisions on the basis of gender to new foundations based on class. That class-based categorical mechanisms have risen to undergird America’s
new system of inequality is also suggested by figure 7.7, which shows Gini indices of income inequality for selected OECD nations computed before and after the deduction of taxes. The before-tax Gini coefficients indicate the amount of raw inequality generated by capitalist markets in each country, whereas the after-tax Gini indicates the degree of inequality that remains after transfers have been made to fund the social welfare system in each country. As the gray bars show, before taxes the United States is no more or no less equal than any other country. Its pre-tax Gini is .45, only slightly above the value of .44 in Sweden, .43 in Germany, and .42 in the Netherlands, but well below the values of .50 and .49 in Belgium and France and the same as those prevailing in Australia and Britain.

Taxation works in a redistributive direction for all countries, as
indicated by the universally lower values for the after-tax Ginis, but the extent of the redistribution is much less in the United States. Its coefficient drops much less as a result of taxation than happens in other countries. The Gini coefficient for income inequality in Belgium, for example, falls from .50 before taxes to just .26 after taxes. The after-tax Gini coefficient is at .30 or below for all countries except Australia, the United Kingdom, and the United States, and in the former two nations the respective figures are .31 and .34, compared with .37 in the United States. Thus, whereas the economy of Belgium produces a distribution of income that is 11 percent more unequal than in the United States before taxes, afterward the insti-

**Figure 7.7 Gini Index of Income Inequality Before and After Taxes in Selected OECD Nations**

<table>
<thead>
<tr>
<th>Country</th>
<th>Pretax Gini</th>
<th>After-tax Gini</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>0.4</td>
<td>0.24</td>
</tr>
<tr>
<td>Sweden</td>
<td>0.44</td>
<td>0.25</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.42</td>
<td>0.25</td>
</tr>
<tr>
<td>Germany</td>
<td>0.43</td>
<td>0.25</td>
</tr>
<tr>
<td>Belgium</td>
<td>0.5</td>
<td>0.26</td>
</tr>
<tr>
<td>France</td>
<td>0.49</td>
<td>0.29</td>
</tr>
<tr>
<td>Switzerland</td>
<td>0.39</td>
<td>0.3</td>
</tr>
<tr>
<td>Canada</td>
<td>0.41</td>
<td>0.31</td>
</tr>
<tr>
<td>Australia</td>
<td>0.45</td>
<td>0.34</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.45</td>
<td>0.37</td>
</tr>
<tr>
<td>United States</td>
<td>0.45</td>
<td>0.36</td>
</tr>
</tbody>
</table>

*Source: Smeeding (2005).*