Social Class
People Like Us

- The interplay of class and status

- The Bread Controversy

- The (Not-So) Extreme Makeover
Different Images of the System of Social Class

- Gradational conception of social class
  - Social Classes as Ladder Rungs
    - One dimensional – single inequality
    - Multi-dimensional – many forms of inequality
      » E.g. income, knowledge, cultural sophistication, physical beauty, health etc.
      - Dimensions are reinforcing
        » Advantages are highly and positively correlated
      - Dimensions are loosely coupled
        » Advantages are unrelated
        » Advantages are compensating (negatively correlated)
    - Nominalist notion of class:
      • Class is just a word to cut up a continuum – no real boundaries
Different Images of the System of Social Class

• Relational conception of class
  – Class as interlocking pieces of a puzzle

• Functionalist
  – Agrippa’s tale
    » Menenius Agrippa in 494 BC was sent to persuade rebellious soldiers who walked out of the city of Rome in protest of inequalities with a fable of the different parts of the body rebelling against the stomach
    – Kingsley Davis and Wilbert Moore (1945)
      » Societies must have inequalities to 1) fill important positions, 2) compensate people for necessary training and the scarcity of their talent.

• Conflict based
  – Karl Marx (1818-1883)
    » Marx posited that capitalist societies have two main classes: the bourgeoisie (capitalist class) and the proletariat (working class) and the former exploits the latter

  – Realist notion of class
    • Classes are actual groups with clear boundaries
Max Weber (1864-1920)

- **Class** (production)
  - Income
  - Wealth
  - Economic Opportunities (Life chances)

- **Status** (consumption)
  - Life style
  - Taste, culture
  - Prestige

- **Organization** (MW calls it ‘party’)
  - Position in the hierarchy of
    - Organization
    - Association
    - Bureaucracy

- **Power**
  - Ability to get people to do what you want
    - It can rest on
      - class (Kane)
      - status (Gandhi)
      - organization (Corleone)
Everyday/Colloquial Notions of Class

• (Economic) Class I = income and wealth
  • E.g. upper class vs. lower class
    – Gradational
    – One dimensional
    – Weberian class
• (Economic) Class II = occupational groups
  • E.g. blue collars, managers, entrepreneurs, professionals
    – Relational
    – Functionalist
    – Weberian class
• (Social) Class III = life style (emphasized in People Like Us)
  • E.g. WASP, hillbilly
    – Relational
    – Weberian status group

• American Dream
  – Economic Class I: big inequalities but moving up open to everyone
  – Economic Class II: every class is equal
  – Social Class: free choice

- Median Personal Income
  - U.S.: $26,197
  - For persons age 25 or older: $29,842

<table>
<thead>
<tr>
<th>Age 25+,</th>
<th></th>
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<tbody>
<tr>
<td>9th to 12th grade (no diploma):</td>
<td>$15,645</td>
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<tr>
<td>High school graduate:</td>
<td>$22,952</td>
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<tr>
<td>Some College:</td>
<td>$28,422</td>
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<tr>
<td>Associate Degree:</td>
<td>$32,819</td>
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<tr>
<td>Bachelor’s:</td>
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<td>Master’s:</td>
<td>$56,024</td>
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<tr>
<td>Professional:</td>
<td>$80,537</td>
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<tr>
<td>Doctorate:</td>
<td>$78,254</td>
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</table>

Source: Current Population Survey
Family Incomes

• Median Income of a family of 4
  – U.S. $74,964
  – California $77,896
  – New Jersey $102,552
  – Maryland $102,002
  – Arkansas $56,975
  – New Mexico $55,446

• Federal Register estimates for 2013
## Distribution of households by income (2011)

<table>
<thead>
<tr>
<th>Percentile</th>
<th>All Households</th>
<th>Married Filing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Upper limit</td>
<td>Jointly Upper limit</td>
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<tr>
<td>10&lt;sup&gt;th&lt;/sup&gt;</td>
<td>$9,235</td>
<td>$23,748</td>
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<tr>
<td>20&lt;sup&gt;th&lt;/sup&gt;</td>
<td>$16,358</td>
<td>$37,621</td>
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<tr>
<td>50&lt;sup&gt;th&lt;/sup&gt; (median)</td>
<td>$42,327</td>
<td>$74,608</td>
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<tr>
<td>80&lt;sup&gt;th&lt;/sup&gt;</td>
<td>$97,298</td>
<td>$145,455</td>
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<tr>
<td>90&lt;sup&gt;th&lt;/sup&gt;</td>
<td>$154,131</td>
<td>$191,126</td>
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<tr>
<td>95&lt;sup&gt;th&lt;/sup&gt;</td>
<td>$200,026</td>
<td>$298,736</td>
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<tr>
<td>99&lt;sup&gt;th&lt;/sup&gt;</td>
<td>$506,553</td>
<td>$761,938</td>
</tr>
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</table>

Source: Urban-Brookings Tax Policy Center
Poverty

**Number in Poverty and Poverty Rate: 1959 to 2005**

- **Number in poverty**: 37.0 million
- **Poverty rate**: 12.6 percent

Numbers in millions, rates in percent
Median Household Income by Race

Real Median Household Income by Race and Hispanic Origin: 1967 to 2011

Note: Median household income data are not available prior to 1967. Implementation of 2010 Census population controls beginning in 2010. For information on recessions, see Appendix A.

Average Hourly Earnings of production and nonsupervisory workers

Adjusted for Inflation using CPI-W (2005 dollars) $15.49
Adjusted for Inflation using PCE Deflator (2005 dollars) $12.96
Not Adjusted for Inflation (Constant dollars) $2.53

1964-2006 United States

Recessions: each bar starts at the peak of a business cycle and ends at the trough

PCE Personal Consumption Expenditure correcting for price of consumer items only
Productivity growth benefited almost exclusively the rich
The Very Rich
(Piketty and Saez 2003)

Figure 21: The Top 0.1% Income Share in France, the United States and the United Kingdom

A half-century ago, thoughtful Americans considered the Gilded Age ancient history. By the 1950s, robber baron fortunes no longer dominated—or dazzled—America’s political and economic landscape. But that’s all changed. The awesomely affluent haven’t just returned. Today they cast an even greater shadow.

Re-creating the Gap that Gave Us the Great Depression
Average income of top 0.01 percent of US families as a multiple of average income of bottom 90 percent of US families

The greater the gap between the rich and everyone else, the more dangerously unstable economies become. In 1928, a year before the U.S. economy receded into depression, the top one-hundredth of 1 percent of US families averaged 892 times more income than families in the bottom 90 percent.

In 1980, the last pre-Reagan year, families in the bottom 90 percent averaged $30,486 in income, after adjusting for inflation, $272 more than the $29,546 average of families in the bottom 90 percent.

In 2006, the top 0.01 percent averaged 975 times more income than America’s bottom 90 percent.

Our Incredible Shrinking Top Marginal Rate
Federal tax rate on income in highest income bracket

High taxes on the rich, in the mid-20th century, helped keep income from concentrating at America’s economic summit. Throughout most of these years, income in the United States over $400,000 a year faced a tax rate just over 90 percent. The current top statutory rate sits at 35 percent.

In 1944, the top marginal tax rate—the rate on income in the highest tax bracket—hit 91 percent. In that year, taxpayers making more than $1 million, in 2006 inflation-adjusted dollars, paid Uncle Sam 60 percent of their total income in tax.

In 2005 taxpayers making more than $1 million faced a top marginal rate of 35 percent. These deep pockets paid just 23 percent of their income in federal tax.

Rates for the estate tax, the only federal levy on inherited wealth, have followed a historical trend line that parallels federal income tax rates. The rate on wealth in the top estate tax bracket hit 77 percent in 1941 and remained at that level through 1976. The current top estate tax rate: 45 percent.
Most families did not benefit much from economic growth.

The **GDP per capita** is an average and reflects all incomes including the those of the very rich.

The **median family income** is below (and above) which we find half the families and it is unaffected by what happens to the very rich.

![Graph showing Real GDP Per Capita and Real Median Family Income from 1960 to 2010](image_url)
What they do

United States 2005

**Occupations of the Top 0.1%**
Number of primary taxpayers in Top 0.1% of the income distribution (excluding capital gains)

<table>
<thead>
<tr>
<th>TOP 0.1%</th>
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<td>Earned more than $1,246,000 in 2005</td>
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**BREAKDOWN OF TOP 0.1% BY OCCUPATION**

- **Executives** (not in finance) - 43%
- **Arts, Media & Sports** - 18%
- **Financial professions (including management)** - 3%

**COMPARED TO TOP 1%**

- Executives, managers, supervisors (not in finance)

Income Disparity since World War II – the Gini Index

where 0 is perfect equality, and 100 is perfect inequality (i.e., one person has all the income)
Subjective Class

- When people are asked what class they belong to this is how they answer (GSS 1972-2010)