

Perspectives on Social Inequalities

What Money Buys. By Lee Rainwater, New York: Basic Books, 1974. Pp. xiv, 242. \$10.95.

Reviewed by John Low-Beer†

The failure of the War on Poverty, the "taxpayers' revolt," and the continuing demands of particular groups for social and economic equality have all led social scientists and policymakers to take a new look at the distribution of economic resources in our society. Observers are beginning to perceive that these problems are not unrelated. Social inequality is increasingly seen as their common root, and a more equal distribution of resources as the appropriate solution. The Democratic party has demanded the plugging of tax loopholes; all parts of the political spectrum support the negative income tax, another equalizing device. But the loopholes have not been plugged, and the negative income tax has not been passed.¹ One reason is the lack of public support for either proposal. From the point of view of the would-be reformer looking for an appropriate policy response, the problem of social inequality thus reduces itself to the question: is inequality a problem?

I

In *What Money Buys*² Lee Rainwater is concerned with showing that social inequality is a problem, and more generally that money is the most important determinant of a person's status in our society.

† Assistant Professor, School of Organization and Management and Department of Sociology, Yale University.

1. The tax cut bill signed by President Ford on March 29, 1975, includes a tax credit, or negative tax, for the working poor. "For workers earning up to \$4,000 there would be a credit of 70 percent, which is gradually reduced until the \$8000 level, after which there is no tax credit. If the worker owed no taxes, the Government would make a cash payment." N.Y. Times, Mar. 30, 1975, § 1, at 30, col. 1. The bill does not, however, deal with the much more controversial question of a minimum guaranteed income.

2. L. RAINWATER, *WHAT MONEY BUYS* (1974) [hereinafter cited by page number only]. Although this review deals largely with general substantive approaches to policymaking, Rainwater's book is well worth reading for its innovative methodology and for the wealth of data presented. These aspects will be of interest primarily to the professional sociologist and to those directly involved in specific policy-making in this area. Following techniques developed by S.S. Stevens in psychophysics and recently applied to questions of status and income by Robert Hamblin, Rainwater has devised a ratio scale allowing the measurement of the subjective utility of status, for example, as a function of income. The use of such techniques is a step toward the measurement and comparison of subjective utilities, something long considered impossible by economists.

The alternation of chapters using sophisticated quantitative techniques such as nonlinear regression with chapters of quotations from interviews is refreshing. One wishes, however, that Rainwater had included some more specific measure of the frequencies of the various views than prefatory statements such as "Many respondents felt that . . ." or, "Some respondents said . . ."

He argues that it is through consumption of goods and services that a person is located in the stratification system. Those who do not have the resources to buy the "standard package" feel deprived, unable to attain the level of well-being associated with full participation in American society. Economically marginal, they develop their own adaptations, the life patterns of the "culture of poverty." This argument provides the premises for a study of mainstream attitudes toward poverty and social inequality and an endorsement of a negative income tax. Two hypotheses underlie the argument. The first is that feelings of deprivation are relative to the social situation in which they arise. The second is that income is the principal dimension along which deprivation is experienced.

The proposition that feelings of deprivation are relative often violates our common sense assumptions about the world. Sociologists accused of the painful elaboration of the obvious delight in pointing to Samuel Stouffer's counter-intuitive finding that men in army units with high rates of promotion were more discontented about promotion possibilities than men in army units with lower rates of promotion. The reason was that their standards of comparison were different.³ The same principle has been used to address two rather different questions regarding inequality: why are people who are well off complaining so much and, why are people who are badly off not putting up more of a fuss? The second question arises in considering why there is so little support among working class people in the United States and elsewhere for policies of income and wealth equalization.⁴ The first question is often raised in reference to the poor, blacks, women, and other groups in American society. For example, Thomas Pettigrew has documented the rise in aspirations of black people in the 1960's and their accompanying feeling that they were not making progress despite their gains in real income.⁵ A similar relative deprivation mechanism was at work to make Wallace voters feel that they were not attaining their social and economic aspirations while others

3. S. STOFFER, E. SUCHMAN, L. DEVINNEY, S. STAR & R. WILLIAMS, JR., *THE AMERICAN SOLDIER* 250-58 (1949).

4. Attitudes toward social inequality vary from country to country. See, e.g., W. RUNCIMAN, *RELATIVE DEPRIVATION AND SOCIAL JUSTICE* 192 (1966) (England); Scase, *Relative Deprivation: A Comparison of English and Swedish Manual Workers*, in *POVERTY, INEQUALITY AND CLASS STRUCTURE* 200 (D. Wedderburn ed. 1974); J. Low-Beer, *The New Working Class in Italy: Militancy and Class Consciousness*, 1974 (unpublished dissertation on file Harvard Univ.). Working class reactions to questions about inequality will depend partly on the ideas prevalent in the culture and subculture. F. PARKIN, *CLASS INEQUALITY AND POLITICAL ORDER* 79-102 (1971). See pp. 1598-99 for a discussion of popular support for redistributive policies.

5. T. PETTIGREW, *RACIALLY SEPARATE OR TOGETHER?* 147-64 (1971).

Perspectives on Social Inequalities

around them, especially blacks, appeared to be making rapid strides.⁶

These studies indicate that relative deprivation can be measured, and that it is associated with various kinds of behavior.⁷ But what determines whether or not a group will feel relatively deprived? Is there reason to believe that feelings of relative deprivation among the poor in America will either abate or increase? The theory of relative deprivation gives only vague answers to these questions. Feelings of deprivation may be increased by changes in living standards, social and geographical mobility, and other changes in the positions of groups vis-à-vis other groups. Conceptions of the world also play a role in determining felt deprivation. If inequalities seem to be subject to human control, they are less likely to be accepted than if they seem unalterable. Conversely, a view of the market as an invisible hand that distributes its rewards fairly can both diffuse feelings of deprivation and legitimate inequality.⁸

Some of these factors have undoubtedly operated to raise the aspirations of the American poor. Standards of living have improved dramatically in the post-war period, so much so that despite the absence of change in the distribution of income the proportion of the population living below the poverty line has decreased from 22.4 percent in 1959 to 12.2 percent in 1969.⁹ Yet few will disagree with Rainwater when he points to "the undiminished intensity of a broad range of poverty-related human and social problems,"¹⁰ problems indicative of continued if not heightened feelings of deprivation. The mass migration of blacks from the rural South to the urban North and the egalitarian rhetoric of the 1960's have no doubt also contributed to creating rising (and unfulfilled) aspirations of the poor.

Although Rainwater's argument leans heavily on the idea that poverty is relative rather than absolute, his analysis focuses on the particular orientation of the poor to the norms and values of the larger society rather than on the social psychological mechanisms of relative deprivation. The urban lower class is in a special situation. As Rainwater has shown in his earlier work,¹¹ lower class people accept the

6. *Id.* at 231-56.

7. Relative deprivation may be manifested in voting behavior, strike participation, and participation in riots. See generally W. RUNCIMAN, *supra* note 4; READINGS IN REFERENCE GROUP THEORY AND RESEARCH (H. Hyman & E. Singer eds. 1968); RIOTS AND REBELLION: CIVIL VIOLENCE IN THE URBAN COMMUNITY (L. Masotti & D. Bowen eds. 1968).

8. Habermas, *Science and Technology as Ideology*, in TOWARD A RATIONAL SOCIETY 97-100 (J. Shapiro transl. 1970).

9. P. 9, citing U.S. BUREAU OF THE CENSUS, CURRENT POPULATION REPORTS, CHARACTERISTICS OF THE LOW INCOME POPULATION 1970, at 2 (Series P-60, No. 81, 1971).

10. P. 9.

11. Rainwater, *The Problem of Lower-Class Culture and Poverty-War Strategy*, in ON UNDERSTANDING POVERTY 229-59 (D. Moynihan ed. 1968).

mainstream conceptions of the "good life" and the conventional virtues of the society around them. The norms of the "culture of poverty" are the rules of a game they play only because the "real" game outside the lower class subculture is inaccessible. Feelings of deprivation are created by a value system stressing participation in the society along certain dimensions when the social structure denies such participation to some of its members. The urban lower class in an industrialized society with high rates of unemployment is in this latter group. The sense of deprivation of its members does not come from fluctuations leading to changes in aspirations, but from a permanent life situation marked by an inability to live up to the norms of the mainstream.

II

While this description of the situation of the poor is generally convincing, the emphasis on consumption as the principal route to well-being must be complemented by an equal emphasis on occupation. For a person's occupation is the underlying determinant of his standing in society. Income is important, but largely because it is thought to reflect that person's contribution to society, his power, or some other important characteristic. Income thus measures success; it is not itself success. The increasing primacy of occupation as a determinant of status in industrial society is indicated by the decline of conspicuous leisure as such a determinant. Thorstein Veblen pointed out that the prestige of subjects such as Greek and Latin depended on their uselessness, their inapplicability to any current situation.¹² In Veblen's day, and even more so in earlier years, evidence that a person had time for nonproductive activities added to his or her prestige. But the most cursory survey of universities today will attest to the triumph of the relevant. Although a status hierarchy based on birth still coexists with a hierarchy based on occupation, occupation is now more important than ever before.

The primacy of income is essential to Rainwater's argument. The bulk of the analysis is intended to show the importance of income in the eyes of mainstream America. The proposed solution to the problem of poverty is a version of the negative income tax. Rainwater may be persuasive in his argument that money buys status in contemporary America. However, he has told us nothing about the importance income might have in a future society in which the link between income

12. T. VEBLLEN, *THE THEORY OF THE LEISURE CLASS* 394-95 (1934).

and occupation is severed. Thus, Rainwater shows that income buys status, and that one additional dollar buys more status in the lower reaches of the hierarchy than it does towards the top. But one very likely consequence of any income maintenance program would be to devalue income and consumption as sources of prestige, particularly in the lower levels of the hierarchy where the recipients of a guaranteed income live and where increases in income and consumption now buy the most.

Of course, one cannot fault the author for not having done a study that is methodologically impossible. It is nonetheless instructive to consider the long term social effects of instituting a negative income tax without simultaneously changing occupational structure or employment policies. Michael Taussig has envisioned such a future society. Relying upon the historical experiences of the Social Security retirement program and of the Aid to Families with Dependent Children (AFDC) program, Taussig points out that the government has created two societies virtually separate from the larger one.¹³ In the case of the aged, he notes that their segregation may be the result of a widespread desire for independent households. But the Social Security retirement program has also encouraged the growth of practices such as compulsory retirement rules that limit the opportunities of the aged, and the failure to take into account the long-term consequences of social security has meant that no measures have been taken to encourage continued integration of the aged into the ongoing structure of society.¹⁴ A similar argument can be made in the case of AFDC. The isolation of female-headed families, many of them black, may be traceable primarily to a lack of adequately paid jobs for black men, but the AFDC program is clearly also a significant contributing factor in removing these families from the labor market.¹⁵ Taussig sees this future society tolerating an unemployment rate much higher than that of the recent past with less social and racial integration than at present.¹⁶

It is quite possible that the tax credit system that Rainwater endorses would only exacerbate the political, moral, and geographical isolation of the poor. This system, like all negative income taxes, gives benefits to the working poor, thus theoretically reducing the disincentive to

13. Taussig, *Long-Run Consequences of Income Maintenance Reform*, in *REDISTRIBUTION TO THE RICH AND THE POOR: THE GRANTS ECONOMICS OF INCOME DISTRIBUTION* 376 (K. Boulding & M. Pfaff eds. 1972).

14. *Id.* at 382-83.

15. *Id.* at 383-84.

16. *Id.* at 386.

work that exists in the current system. But the guaranteed minimum he proposes would be \$4,600 in 1971 dollars for a family of four, \$600 above the government poverty line for that year.

The higher minimum and the absence of degrading means tests for welfare eligibility¹⁷ might well lead to an increase in the number of people who chose not to work even though the tax rate on earnings was not confiscatory. It is further necessary to bear in mind that the positive effect of the removal of the work disincentive would be diminished by the reduced value of money in gaining status when income was no longer linked to occupation. The tax credit system, then, might leave us with the worst of both worlds: a society with much higher unemployment rates, and one in which the guaranteed minimum income would buy the means of subsistence but not the feeling of membership in the larger society that Rainwater rightly stresses.

III

But if a negative income tax is not the solution to the problem of poverty, what is? In a word, decent jobs. Rainwater does not deny their importance. But for him jobs are important primarily because they provide people with the resources necessary to participate in society and secondarily as a source of self-esteem. He does not mention the job as a source of status in the eyes of others and membership in the society. Perhaps the stress on income redistribution rather than full employment results from a recognition that the more vocal and visible policymakers favor a negative income tax. By contrast full employment legislation sounds utopian.¹⁸

A full employment policy would clearly raise a number of political and economic problems which can only be briefly indicated here. Some economists argue that a misallocation of resources results when relatively unproductive workers are paid more than the value of their marginal product.¹⁹ This misallocation theoretically occurs if the gov-

17. The negative income tax would be administered similarly to the present income tax, and no proof of eligibility would be required.

18. The Full Employment Act of 1945 did not pass the House. H.R. 2202, 91st Cong., 1st Sess. (1945). A watered-down version of the 1945 bill, The Employment Act of 1946, 15 U.S.C. §§ 1021-25 (1970), was ultimately passed. But it asserted only the vague goal of maximum employment consistent with "other essential considerations of national policy."

For recent discussions of the feasibility of full employment, see 418 ANNALS OF AM. ACADEMY OF POL. AND SOC. SCI. (Mar. 1975).

19. For a summary of this argument and the counterarguments, see Thurow, *Toward A Definition of Economic Justice*, 31 THE PUBLIC INTEREST 56, 70-73 (1973).

Assuming perfect competition and fixed quantities of capital or land, the marginal pro-

ernment either employs people who would otherwise be unemployed or subsidizes the wages of unskilled workers who are then employed in greater numbers. Other economists counter this objection by arguing that such workers produce a net increase in the total product. They point to the woeful inadequacy of the market in providing sufficient levels of public goods despite a demand for such goods. They also note that in the absence of competition, many workers in the private sector are being paid more than their marginal products. In a system in which wages seem to be largely determined by such factors as monopoly power, traditional wage differentials and unions' organizational strength, the concept of marginal productivity thus loses much of its meaning.

Let us nonetheless accept a very rough correspondence between the wage paid to a person and his or her marginal productivity. In theory, unemployment is ipso facto a sign that some people cannot produce enough additional value to justify their wage. But the productivity of individuals is as much determined by their existing jobs as by their individual qualifications. This is one of the lessons of the massive investment in education in the 1960's. Many hoped that an increase in the number of educated workers would lead to a reduction in the wages of all such workers (and hence a reduction in overall wage inequality) and to an increase in the number of educated workers productively employed. In fact, this outflow of supposedly more productive workers had no effect on wage inequalities.²⁰ Many educated workers were hired at jobs far below their capacities. This was not surprising to anyone except some economists.²¹ The common sense view of the world seems to take for granted that education is a selection mechanism, sifting, sorting, and stamping people with appropriate labels so that they can be fitted into existing job slots.

The failure of the antipoverty policies of the 1960's may be attributed in large part to the persistence of a "dual labor market."²² This

ductivity of labor is the contribution of the last worker hired to the total product. The wage of each of the workers will be equal to the contribution of the last worker hired, *i.e.*, to his marginal productivity.

20. Economic theory would predict that an increase in the supply of educated workers would lead to a drop in the wages of all such workers. At these lower wages, employers would increase the number of jobs utilizing the full product capacities of these workers. What in fact happened was that the existing job structure did not change substantially. The average wages of educated workers declined because some of these workers were forced into jobs at lower levels of the job hierarchy, not because the wages of all workers with higher levels of education fell.

21. Address by A. Rivlin, *Income Distribution—Can Economists Help?*, The Richard T. Ely Lecture, American Economics Association, San Francisco, Calif., Dec. 28, 1974.

22. For a discussion of the concept of the "dual labor market," see P. DOERINGER & H. PIERO, *INTERNAL LABOR MARKETS AND MANPOWER ANALYSIS* (1971).

market is comprised of a primary market, in which jobs pay relatively well, are secure, and usually offer some chance for upward mobility, and a secondary market in which jobs pay poorly, job security is lacking, and chances for advancement are nonexistent. The distinction between primary and secondary labor markets corresponds to O'Connor's distinction between monopoly and competitive sectors of the economy.²³ In the monopoly sector, unions and management have a common interest in high wages, the unions for obvious reasons, and management because of its need for a committed labor force. The possibility of passing wage increases on to the consumer has made this a more attractive strategy for management than it might otherwise have been. In many cases, monopoly sector industries live in symbiotic relationships with competitive sector industries, contracting out the unskilled parts of their production to small businesses with low wage rates.

The composition of the secondary labor market reflects inequalities in the larger society. Blacks and women are greatly overrepresented, the former because of prejudice and lack of skills, the latter because of prejudice and the interruptions in their availability due to childbirth.²⁴ The indifference of unions and the Democratic party to the consequences of the dual labor market can probably be ascribed in part to the ethnic (and sex) composition of the underclass.²⁵ A parallel phenomenon is evident in the case of immigrant workers and the attitudes of the left in Western Europe.²⁶

An effective strategy against poverty and unemployment would have to include some way of breaking down the barrier between the primary and the secondary labor markets. Within firms, analogous barriers between skill levels would also have to be eliminated. This would create the conditions under which society could begin to rethink the logic of a division of labor that assigns a large percentage of the work force to marginal jobs. Some intervention beyond transfers and subsidies is needed to create more jobs that give people opportunities to be productive.

Among the possible strategies for breaking down the isolation of the secondary labor market are: more vigorous efforts to end the monopoly domination which allows a dual market to operate, the development of public corporations competing with private firms and using

23. J. O'CONNOR, *THE FISCAL CRISIS OF THE STATE* 13-17 (1973).

24. GIDDENS, *supra* note 21, at 219-20.

25. For a discussion of the concept of the "underclass," see A. GIDDENS, *THE CLASS STRUCTURE OF THE ADVANCED SOCIETIES* 215-22 (1975).

26. See S. CASTLES & G. KOSACK, *IMMIGRANT WORKERS AND CLASS STRUCTURE IN WESTERN EUROPE* (1973).

Perspectives on Social Inequalities

employment policy to eliminate existing barriers, efforts to encourage unionization of workers in the secondary labor market, and incentives to monopoly sector corporations to develop career ladders leading upward from the unskilled level.

Further economic problems arise with the guarantee of a job to anyone willing to work. Many of the "hidden unemployed," those who want to work but have given up actively looking for a job, might emerge to claim jobs. We already face a similar problem as professional careers increasingly become the norm for upper middle class women. Tax incentives might be developed to encourage part-time work for both men and women in the upper income brackets. Direct intervention might also redistribute available work through longer vacations, shorter work hours, and more part-time work. With imagination and the political support to implement changes, solutions to problems such as these may readily be found.

Among the political questions involved in implementing a full employment policy is one confronting any equalizing strategy: does such a policy have popular support? Lester Thurow has pointed out that those policies popular with economists are unpopular with the voters and vice versa.²⁷ Rainwater bases much of his analysis upon a 1971 survey of 600 men and women in the Boston area. He finds that, "Providing employment and higher wages seem to be the most popular way of treating poverty."²⁸ The respondents felt that it was a disgrace that people who wanted to work could not find jobs. They viewed welfare as a necessary evil. Some people were seen as taking advantage of the system, but many were perceived to be genuinely needy. There was a strong feeling that no one who can work but does not do so should receive government money and that no one who wants to work should be unable to do so. While the respondents felt favorably disposed toward Nixon's Family Assistance Plan, their opinions seemed much more in line with Thurow's suggestion of "minimum wage legislation coupled with public employer-of-last-resort programs to guarantee that every one who wanted full-time work could have it."²⁹

Powerful vested interests would undoubtedly have to be overcome in order to enact full employment legislation. Private enterprise tends to look unfavorably upon policies which increase the power of the public sector. But full employment legislation is likely to have broad support among the poor, the stable working class and the lower middle

27. Thurow, *supra* note 19, at 74.

28. P. 202.

29. Thurow, *supra* note 19, at 80.

class. It does not pit the monopoly sector worker, usually white, secure in a steady wage, against the competitive sector worker, often black, frequently without job income, as negative income tax legislation tends to do by itself. At this political moment, with the left divided as it is, such considerations acquire special importance.

In sum, full employment is not a utopia. Whether it may best be achieved through full employment legislation, through direct intervention in the labor market, or through still other means is a question that needs further study. A negative income tax, while useful in redistributing income and in supporting those who cannot work, must be accompanied by changes leading to full employment.

IV

We have come back to the question we began with: is social inequality a problem in the eyes of most Americans? Rainwater would have us read his respondents' ambivalent answers as a "yes," but from his honest presentation of the data it is really difficult to say whether this is so. The respondents did believe that no one should earn less than the minimum necessary to "get along," an amount they put about 50 percent higher than the poverty level, or around \$7,500 a year (in 1971 dollars) for a family of four. But when asked how much economic inequality there should be in a hypothetical society, these 600 Bostonians gave ratios quite close to the existing income ratios for all full-time, year-round male workers in the United States in 1970. Rainwater notes: "This suggests that unemployment is the major factor responsible for a divergence in relative income shares from the shares our respondents judge to be fair"³⁰ Again the answers suggest that full employment legislation would be more likely than a negative income tax to achieve the respondents' conception of a just society.

Why is it that Americans, even those earning relatively little themselves, are so suspicious of income redistribution? Ironically, the characteristically American belief in both the value of individual achievement and the existence of at least some equality of opportunity contributes both to the anti-egalitarianism of the working class and to the lower class culture of poverty. In a study of working class men in New Haven in the late 1950's, Robert Lane tried to explain why the common man in America was generally not in favor of a more

30. P. 166.

Perspectives on Social Inequalities

egalitarian society. Lane showed how the strain on a person's self-esteem caused by a relatively low status in a society with professed equality of opportunity forces that person to justify his status as natural and proper.³¹ More recently, Sennett and Cobb have described how for some working class people self-sacrifice comes to seem a virtue which hides their own failure.³² To these people welfare is at once abhorrent because it denies the value of self-sacrifice and hard work, and tantalizing because it provides an example of the possibility of violating that ethic. Ambitions projected onto their children and competitive consumption come to substitute for class conflict.³³ These individualistic ways of dealing with relative failure preclude solidary collective movements.

The consequences of the values of individual achievement and equal opportunity are even more damaging to the lower class person. Unlike the working class person, he makes no sacrifice which he must justify to himself. But these values, because they attribute blame for failure to the individual rather than to a system, cause relative deprivation to express itself in individualistic ways, ultimately futile and self-destructive, instead of in collective efforts to change his situation. These individualistic ways range from hustling and criminal activities to withdrawal and drug addiction. Both among the stable working class and among the poor, the belief in equality of opportunity is one factor hindering the emergence of solidary movements demanding a greater equality of outcome.

Christopher Jencks and his coauthors concluded their recent controversial book *Inequality* with the observation that "[T]he crucial problem today is that relatively few people view income inequality as a serious problem."³⁴ Conservative commentators accused the authors of seeking to impose their own dim view of American society on an otherwise happy population.³⁵ But books such as Rainwater's show that the population is deeply troubled by unemployment and poverty and the social problems they breed. People simply do not connect these problems with inequality. Nor are they always aware

31. R. LANE, *POLITICAL IDEOLOGY* 57-81 (1962).

32. R. SENNETT & J. COBB, *THE HIDDEN INJURIES OF CLASS* 119-50 (1972).

33. See also E. CHINYOY, *AUTOMOBILE WORKERS AND THE AMERICAN DREAM* 129 (1955).

34. C. JENCKS, M. SMITH, H. ACLAND, M. BANE, D. COHEN, H. GINTIS, B. HEYNES & S. MICHELSON, *INEQUALITY: A REASSESSMENT OF THE EFFECT OF FAMILY AND SCHOOLING IN AMERICA* 263 (1972).

35. E.g., Nisbet, *The Pursuit of Equality*, 35 *THE PUBLIC INTEREST* 105 (1974).

that the distribution of income, the structure of labor markets, or the division of labor are shaped as much by the decisions of those who wield economic and political power as by market forces. One task of the liberal intellectual interested in social change is to trace these connections and to develop policy alternatives that will unite the constituencies of the underprivileged. A solution to the poverty problem requires an approach beyond income redistribution to break down the structural isolation of the poor in our society. Only such a policy can gain broad support, and only such a policy can be ultimately successful.



HARRY H. WELLINGTON

ABRAHAM S. GOLDSTEIN

The Editors of the Journal are pleased to dedicate this issue to Abraham S. Goldstein, retiring Dean of the Law School, and Harry H. Wellington, his successor.