

Social Class II



Lisa Keister and Stephanie Moller, Wealth Inequality in the United States

- Genre of the article: review of existing research
- Key questions:
 - 1. How big is wealth inequality in the U.S.?
 - 2. How can we measure wealth?
 - 3. What are the trends in wealth inequality?
 - 4. What explains wealth inequality?
 - 5. How is wealth passed on from one person to another?

1. How big is wealth inequality in the U.S.?

- Key sentence:

- “The top 1% of wealth owners owned nearly 40% of the net worth and 50% of financial assets in the late 1980s and 1990s.” (p.63)

- Big compared to what?

- Compared to earlier times (historical comparison)

- “During this same period (late 1980s and 1990s), the top 1% enjoyed two thirds of all increases in household financial wealth, and movement into the top segments of the distribution was nearly nonexistent.” (p.63)

- Compared to other countries (international comparison)

- “Moreover, while inequalities of wealth were consistently more extreme throughout Europe for many decades, by the early 1990s, the United States had surpassed all industrial societies in the extent of inequality of family wealth.” (p.63)

2. How can we measure wealth?

- Measuring wealth is hard especially if we are interested in those who have the most of it. Why?
 - There are very few of them and surveys cannot capture them
 - They are reluctant to disclose information
 - They often do not know how much they have

3. What are the trends in wealth inequality?

TABLE 2 Percent of total net worth held by position in the wealth distribution, 1962–1995

	Gini coefficient	Top 1%	Top 20%	2nd 20%	3rd 20%	Bottom 40%
1962	0.80	33.5	81.2	13.5	5.0	0.3
1983	0.80	33.8	81.3	12.6	5.2	0.9
1989	0.85	37.4	83.6	12.3	4.8	-0.7
1992	0.85	37.2	83.9	11.4	4.5	0.2
1995	0.87	38.5	83.9	11.4	4.5	0.2

Data are from the Survey of the Financial Characteristics of Consumers for 1962 and the Survey of Consumer Finances for other years.

4. What explains wealth inequality?

- **Macro approaches (what markets do):**
 - The value of an asset depends on movements of the market (most wealth is in real estate, but also in business assets and stocks & bonds)
- **Micro approaches (what individuals and families do):**
 - Income
 - Age (life cycle)
 - Race (education, culture, red-lining)
 - Family structure (marriage, widowhood: up, more kids, divorce: down)

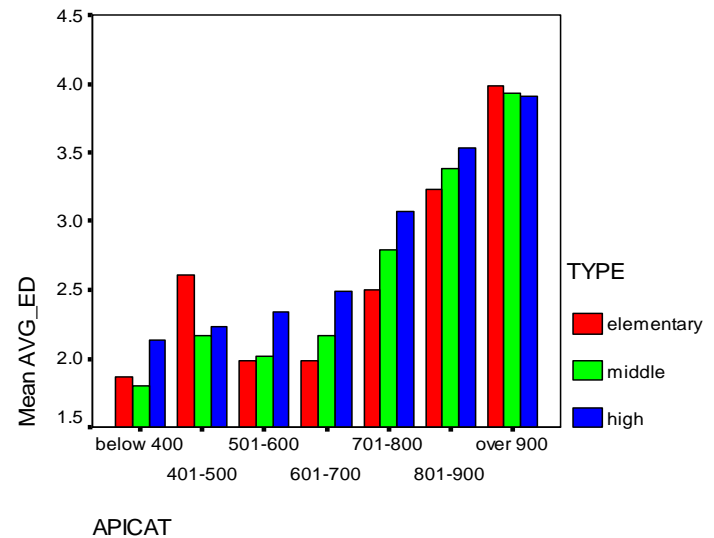
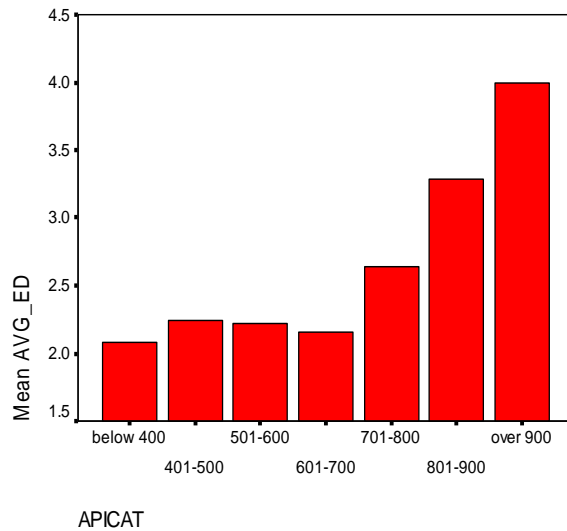
5. How is wealth passed on from one person to another?

- Three ways to inherit:
 - Bequest (at the death of the parent/benefactor)
 - Inter-vivos transfers (90% of intergenerational wealth transfer)
 - Transfers of cultural and social capital

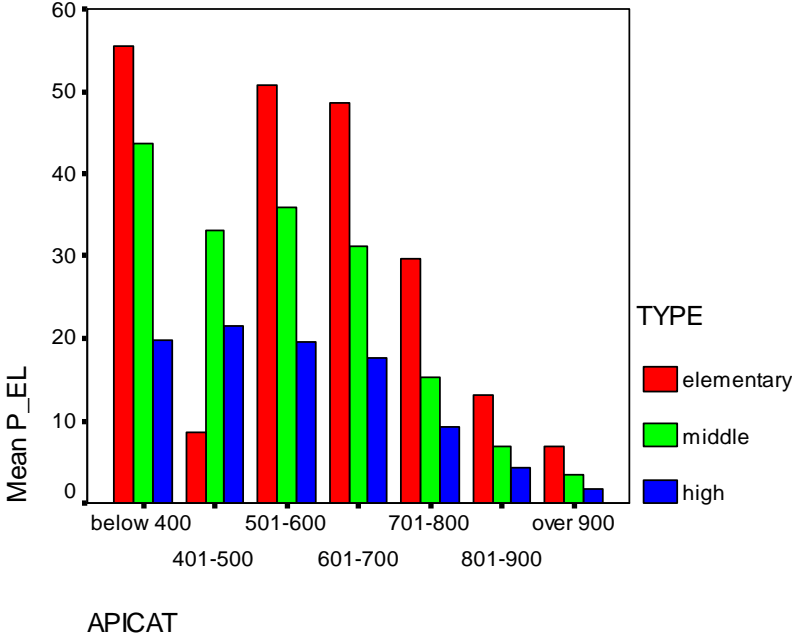
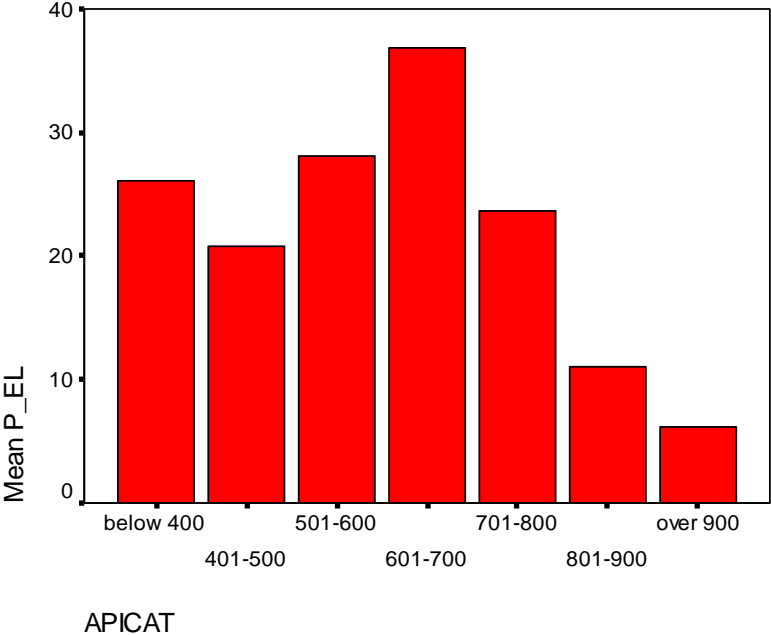
Transfer of cultural capital

Data from California public schools

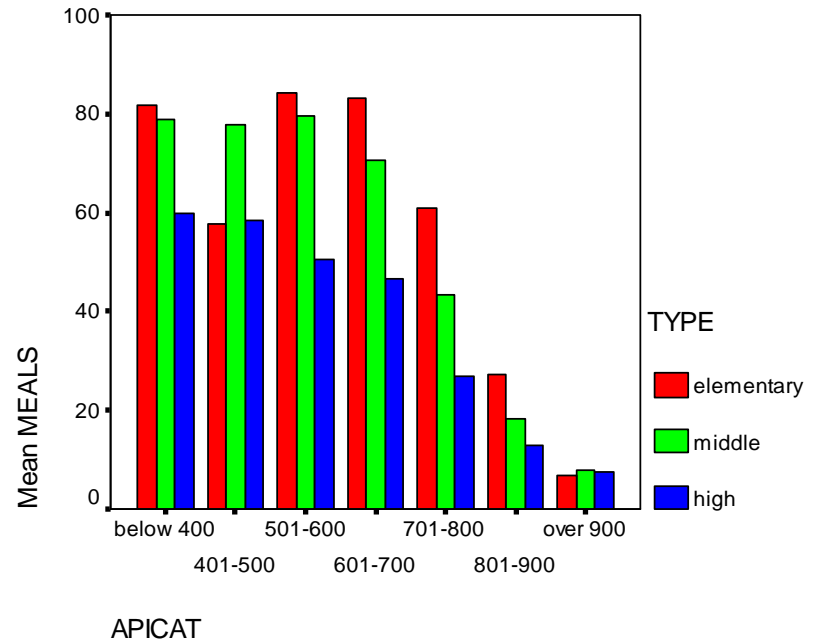
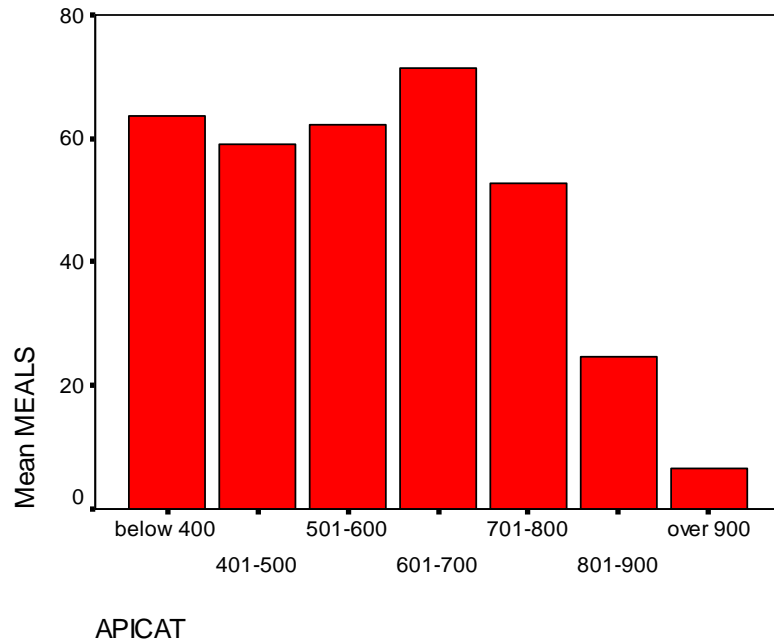
Parents' education and school quality (2006)



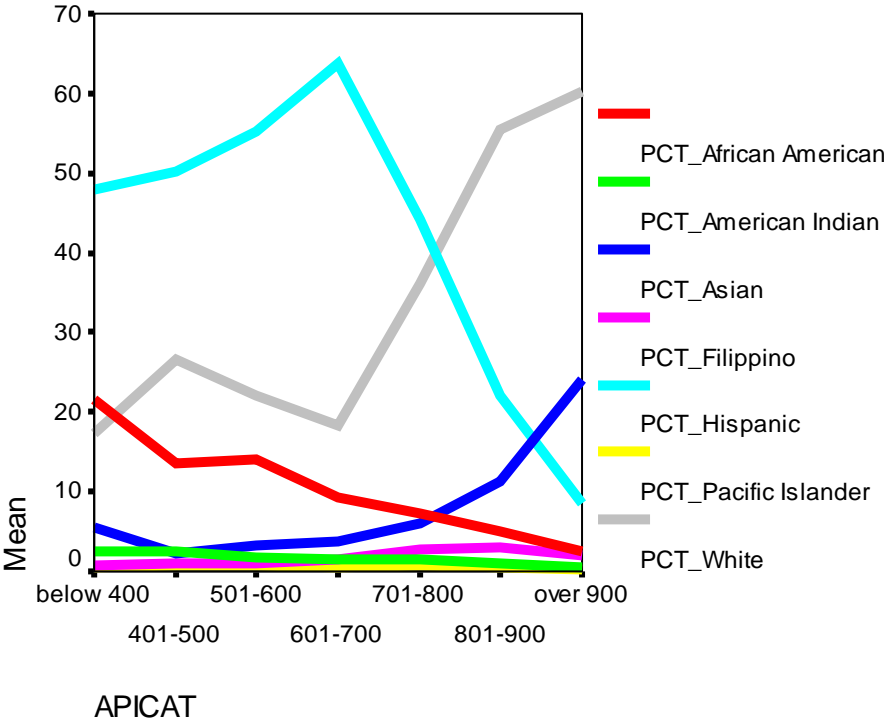
Percent English language learners in California public schools and school quality



Percent poor in California public schools by school quality



Racial composition of California public schools by school quality



Happiness and Class

GENERAL HAPPINESS * SUBJECTIVE CLASS IDENTIFICATION Crosstabulation

% within SUBJECTIVE CLASS IDENTIFICATION

		SUBJECTIVE CLASS IDENTIFICATION				Total
		LOWER CLASS	WORKING CLASS	MIDDLE CLASS	UPPER CLASS	
GENERAL HAPPINESS	VERY HAPPY	18.8%	27.3%	36.7%	41.5%	31.7%
	PRETTY HAPPY	46.4%	61.8%	55.5%	50.9%	57.8%
	NOT TOO HAPPY	34.8%	10.9%	7.8%	7.5%	10.5%
Total		100.0%	100.0%	100.0%	100.0%	100.0%

Happiness over time

- Income and Happiness in the US from 1945-2000 (Layard 2005).

