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Inequality and Sociology

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Sociologists have contributed relatively little to our understanding of rising inequality of earnings and income in the United States. The author considers both why that has been the case and the degree to which it matters. Suggestions are offered about how a comparative perspective can help to shed some light on developments in the United States.

Keywords: *income inequality; social class; stratification; pretax-pretransfer income*

Stratification is among the core areas in sociology. One of the more important developments in stratification in the past generation has been the increase in inequality of earnings and income in the United States. Yet as Martina Morris and Bruce Western (1999) and John Myles (2003) have noted, sociologists have not contributed much to the description and explanation of this development. Why not? Does it matter? I take a stab at answering these two questions here. I then offer a few suggestions about ways in which a comparative approach might help us to better understand rising inequality in the United States.

Why Did American Sociologists Miss the Boat?

Although I offer relatively little in the way of documentation to support my conjectures, my sense is that there are four principal reasons why American sociologists have played so little role in the discussion and analysis of rising earnings and income inequality.

From "How Much Inequality?" to "What Determines Individual Attainment?"

Part of the story has to do with the shift in focus among stratification researchers from the structure (or degree) of inequality to the allocation of individuals to positions within that structure. Put another way, in the 1970s and 1980s, there was a gradual but significant move from investigating how much inequality there is (and why) to examining "determinants of attainment."

Author's Note: Parts of this article draw from my publications *Egalitarian Capitalism* (Russell Sage, 2004) and *Jobs with Equality* (Russell Sage, in press).

Two developments are illustrative. The first concerns two of the most influential books on inequality written by sociologists: *Inequality* and *Who Gets Ahead?* by Christopher Jencks and colleagues (1972 and 1979, respectively). *Inequality* attemped to answer the question: How much would the degree of inequality be reduced if various factors (such as parents' socioeconomic status, cognitive ability, and so on) were equalized? *Who Gets Ahead* put the question differently: What explains the variation in individual earnings and occupational status?

The second has to do with the evolution of mobility studies. Beginning with P. Blau and Duncan's (1967) *The American Occupational Structure*, "status attainment" researchers and other sociologists studying inequality paid a great deal of attention to the degree of intergenerational mobility. For many, the key datum of interest was the correlation between parents' and children's occupational status. By the mid-1980s, the focus of many researchers in this area had shifted to the impact of growing up in a low-income household—relative to school, neighborhood, cognitive ability, and other potential determinants—on an individual's later earnings or occupation (Corcoran, 1995). Again, this represents a shift in focus from how much inequality (or mobility) there is to the allocation of individuals to places within the distribution.

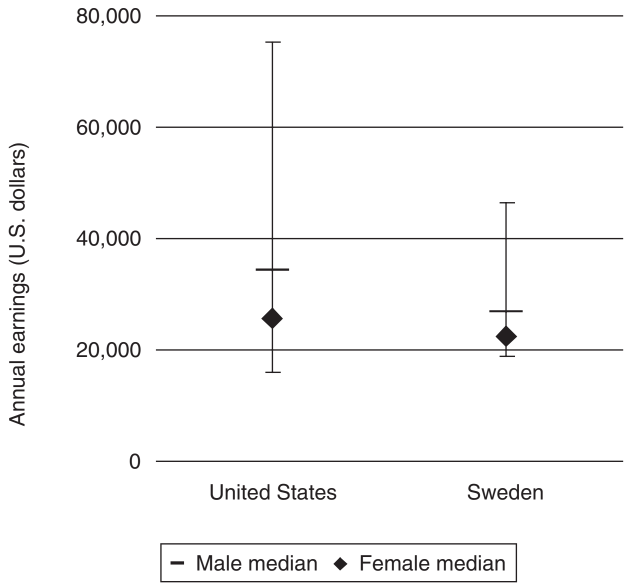
I do not mean to decry this shift but rather, merely to suggest that it may have made it less likely that sociologists would consider rising earnings or income inequality a key issue.

Race and Gender

Another relevant factor has been the growing emphasis on race and gender among stratificationists. In many respects, this is a salutary development, but it surely has also had the effect of reducing sociologists' attention to the growth of overall earnings and income inequality. This overlaps with the previous point insofar as gender and race have been studied as determinants of variation in individuals' occupation or earnings. Race and gender analysts also have posed the How much inequality is there? question. We have numerous analyses of the determinants of the gender pay gap and the racial pay gap. However, most such studies are cross-sectional. There have been fewer efforts to explain developments in the gender or racial pay gap over time.

It is worth noting that the overall degree of earnings inequality has an impact on the gender pay gap. Indeed, Francine Blau and Lawrence Kahn (1992, 2000) found that it is the single most important determinant of cross-national variation in the gender pay gap among affluent countries. Much of the research by American sociologists on determinants of the gender pay gap focuses on the role of occupational sex segregation (e.g., England, 1992; England, Thompson, & Aman, 2001). But the gender pay gap in a number of other affluent countries is smaller than in the United States, despite the fact that some of those countries have more extensive occupational sex segregation. This apparent paradox owes to differences in the overall degree of pay inequality.

Figure 1
The Earnings Distribution and the Gender Earnings Gap in the United States and Sweden, 2000



Note: The lines extend up to the 90th percentile and down to the10th percentile of the male earnings distribution in each country. Earnings figures are adjusted for differences in living costs (using purchasing power parities). The female/male earnings ratio (based on medians) is .76 in the United States and .85 in Sweden. Source: Author's calculations from unpublished Organization for Economic Cooperation and Development data.

The contrast between Sweden and the United States is illustrative. Figure 1 shows the (bulk of the) range of the male earnings distributions in the United States and Sweden as of 2000. To facilitate comparison, the Swedish data are converted into U.S. dollars. The data for both countries are for full-time employed individuals. The top of each of the two lines represents the 90th percentile, and the bottom represents the 10th percentile. The diamonds indicate the female medians, and the thick horizontal lines indicate the male medians. As the chart shows, in Sweden the median for women's annual earnings is nearly at the bottom of the male earnings distribution (approximately the 25th percentile). However, because the male earnings distribution is fairly compressed, the female median is not far below the male median. In the United States, the female median is higher up in the male earnings distribution (approximately the 35th percentile) than in Sweden. But because of the larger degree of dispersion of the male distribution in the United States, the female median is a greater distance below the male median than in Sweden. The gender earnings (pay) ratio—the female median divided by the male median—is .76 in the United States, compared to .85 in Sweden.

As F. Blau and Kahn (1992, 2000) point out, this suggests that the degree of inequality in the overall earnings distribution is a potentially important factor in understanding the degree of earnings inequality between women and men.

Class-Centered Explanations Do Not Seem to Help Much

The group of sociologists perhaps most likely to have been keenly interested in rising earnings and income inequality are those whose focus is on class. I am not certain of the degree to which such scholars actually have attempted to offer a class-based explanation for rising inequality. To the extent they have, the evidence does not appear to fit very well, as John Myles (2003) has noted:

> It became increasingly embarrassing to find that sociology's "leading indicators" for trends in the "structure of inequality" suggested that things were getting better and better while in the real world growing inequality and polarization in both earnings and family income were the order of the day. . . . The trick [in this approach] to understanding inequalities is to understand how the structure of empty places—let's call it the "class structure"—is organized. . . . There are two ways in which an "empty places" approach might explain long term trends in inequality. The first is through compositional shifts, changes in the class structure or the technical division of labour. . . . Managerial, professional, and technical occupations were growing and the share of routine working class jobs was shrinking, despite the fast food industry. The most rigorous efforts to detect growing "proletarianization" of the class structure in rich capitalist democracies by researchers theoretically disposed to find such trends inevitably concluded that the opposite was true. . . . A second way that a positional or empty places account might explain trends in inequality is through change in the relative incomes of different classes or occupational groups. . . . The reality, however, is that most of the action has been taking place *inside* class and occupational groups, not between them. In short, changes in the structure of income inequality appear to be largely unrelated to any observable changes in class structure, however defined. (pp. 555-557)

The most careful study of trends in the job structure of the American economy is a recent analysis by Erik Olin Wright and Rachel Dwyer (2003). Wright and Dwyer examined net job creation during economic expansions since the early 1960s. They grouped jobs into five quintiles based on their median earnings. They found that in the 1960s expansion, only a small share of new jobs was in the lowest paying quintile. The middle three quintiles accounted for roughly equal shares of new jobs, and the largest share of new jobs was in the top-paying quintile. During the expansions of the 1970s and 1980s, new jobs were distributed relatively evenly across the five quintiles, with a slightly higher share being in the top-paying quintile. In the expansion of the 1990s, the pattern was dramatically different. The top-paying quintile accounted for by far the largest share of net new jobs, but unlike in the previous three decades, the overall pattern was U-shaped, with hardly any new jobs in the middle-paying quintile.

This development in the 1990s is consistent with the type of class-centered explanation of rising inequality to which Myles (2003) referred. But even so, it is not clear how far such an explanation can take us in understanding rising earnings inequality in the United States. It leaves unexplained the rise in inequality in the 1980s. And because Wright and Dwyer's (2003) analysis focuses on newly created jobs, it does not tell us anything about rising pay inequality within already-existing jobs.

"Follow-the-Leaderism" in Academia

Even if the three factors I have discussed thus far made it somewhat less likely that sociologists would emphasize and attempt to explain rising earnings and income inequality in the United States, they certainly did not render it impossible. Sometimes there is no underlying reason for why an issue does or does not become a key object of study within a discipline. Instead, it is a product of scientists' regular practice of following the leader. Someone publishes a compelling and/or engaging and/or provocative piece of research on a particular issue and this leads others to question the theory, revisit the empirical analysis, rethink the measurement, and so on. Before long, the topic is viewed as a "central" or "key" one in the discipline or one of its subfields.

Consider revolutions. Was it inevitable that revolutions would become a central object of study for political sociologists? Marx was certainly interested in them. And revolutions are relevant to understanding democratization, a key issue for an earlier generation of political sociologists such as Seymour Martin Lipset (1994) and Barrington Moore (1966). But had Theda Skocpol (1979) not written *States and Social Revolutions*, the topic may well not have become as central as it has within sociology.

What about cross-country differences in economic growth? This is a topic that on the surface might be thought the province of economists. But since publication of Immanuel Wallerstein's (1974) *The Modern World-System*, sociologists interested in the world-system and the impact of foreign investment on developing nations have studied this issue extensively. Would this have happened in the absence of Wallerstein's book? I do not know. There is no comparable body of research in American sociology that attempts to explain cross-country differences in growth among affluent countries. Yet this is a key area of research in American political science. Why? As best I can tell, it is because several articles and books written in the mid-1980s by political scientists (e.g., Cameron, 1984; Crouch, 1985; Katzenstein, 1985; Lange & Garrett, 1985) set things in motion. On the other hand, there is no political science counterpart to sociology's world-systems research. Actually, prior to the early 1990s, there was little empirical study of cross-country differences in growth performance even among economists. Then an article by Robert Barro (1991) initiated a slew of research on this topic.

What these examples suggest is that if an article describing and/or explaining rising U.S. inequality had appeared in the *American Sociological Review* or the *American Journal of Sociology* in the early 1990s, things might have turned out differently.[1] We might now have a decade or so of vigorous scholarly debate on this issue within the discipline.

Does It Matter That Sociologists Missed the Boat?

Is it problematic that American sociologists have had little to say about rising earnings and income inequality? Yes and no. Yes in that as I noted earlier, stratification is one of the discipline's core areas and this is surely one of the key stratification-related developments in the past generation. And yes in that there are many smart sociologists who could likely enhance our understanding of this important (and policy-relevant) issue.

On the other hand, I am not convinced sociologists have anything inherently different to add to the debate. It is true that many economists have focused on technological change as the cause of rising earnings inequality and that this explanation is at best incomplete (and perhaps simply incorrect). But more than a few economists have investigated other potential causes, including globalization, union decline, and the decrease in (the inflation-adjusted value of) the minimum wage (Burtless, 1995; Danziger & Gottschalk, 1995; Fortin & Lemieux, 1997; Freeman, 1993). Economists also have done some very helpful research on the determinants of the rise in household income inequality. Gary Burtless (1999) and Deborah Reed and Maria Cancian (2001) have attempted to decompose the rise in income inequality to determine how much of it is a product of earnings inequality, family structure, and marital homogamy. Paul Ryscavage (1999) has an excellent and very readable book that both describes and helps to explain shifts in income inequality. Other economists have examined cross-country differences in inequality (Atkinson, 2003; Gottschalk & Smeeding, 1997).

With regard to sociology, the tide has clearly begun to turn. In recent years, sociologists have examined the determinants of rising inequality of earnings (DiPrete, 2005; Handel, 2003; McCall, 2001; Morris & Western, 1999), income (Alderson & Nielsen, 2002; Bradley, Huber, Moller, Nielsen, & Stephens, 2003; Esping-Andersen, 2005; Gustafsson & Johansson, 1999; Kenworthy, 2004; Nielsen & Alderson, 1997, 2001), and wealth (Keister, 2000). However, none of this research is, in my view, specifically "sociological"—any more than much of the recent research on these issues by economists is specifically "economic."

Indeed, it is not clear to me what a sociological approach to rising inequality would be. I think of disciplines as defined primarily by their dependent variables, rather than by their independent variables or theories (or research methods). We sometimes think otherwise because we use economics as the frame of reference. For a long time, the dominant approach within American economics presumed that formal modeling is the most scientific research strategy and that such models could rest on an assumption of rational actors with perfect information. However, it is no longer accurate to stereotype research by economists as conforming to this approach. Articles in economic journals have become more theoretically and methodologically diverse. For example, many of the articles on cross-country differences in growth that I mentioned earlier include no formal theoretical model at all. In this respect, they differ little from comparable empirical studies by sociologists and political scientists. And modeling based on assumptions of bounded rationality and imperfect information is now commonplace. In any event, sociology has never had any standard research strategy or core set of assumptions that differentiate it from other disciplines. Nor, in my view, does it have a distinct set of independent variables. In short, good sociological research on inequality may differ from that done by researchers in other social science disciplines or it may not. My preference is to think in terms of good social science rather than good sociology per se.

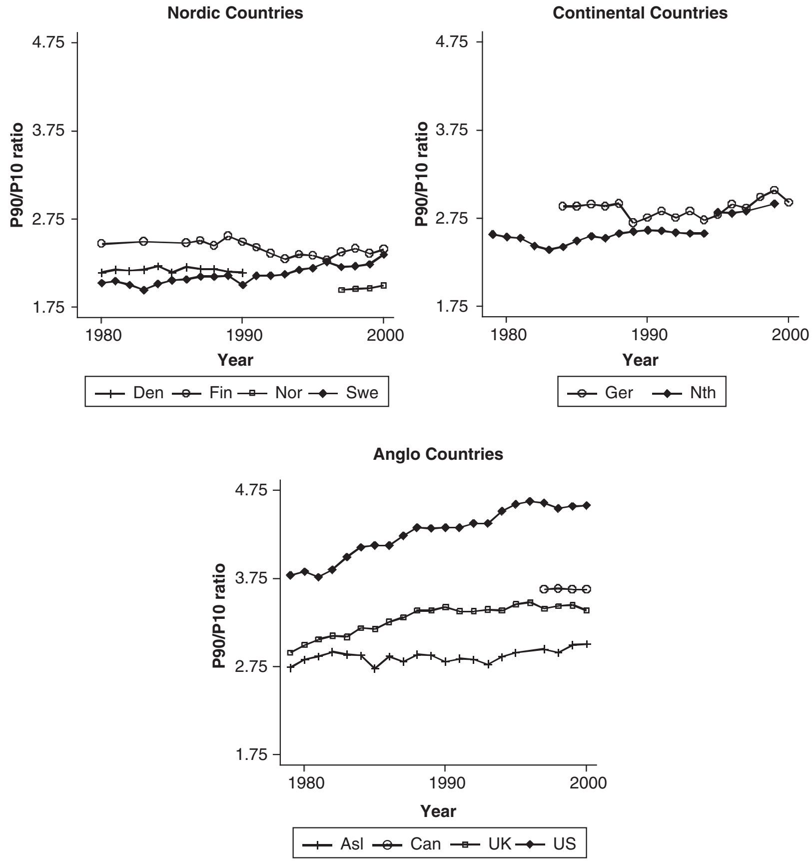
Rising Inequality: Some Insights From a Comparative Perspective

I am a comparativist, so let me offer a few suggestions about how examining developments in other affluent countries might shed some light on rising inequality in the United States. I focus on 10 affluent nations. Four are "Nordic" European countries: Denmark, Finland, Norway, and Sweden. Two are "continental" European: Germany and the Netherlands. The other 4 are "Anglo" (English speaking): Australia, Canada, the United Kingdom, and the United States. I concentrate on developments in the 1980s and 1990s. It would be helpful to examine an even larger group of countries during a more extended period of time, but data limitations preclude that.

It is useful to think about inequality of earnings and income at three levels:

1. Inequality of earnings among employed individuals. This is frequently referred to as *earnings inequality* or *pay inequality* or *wage inequality*.
2. Inequality of earnings and investment income among households. This is often termed *pretax-pretransfer income inequality* or *market income inequality*.
3. Inequality of income among households when government taxes and transfers are included. This is typically referred to as *posttax-posttransfer income inequality* or *disposable income inequality*.

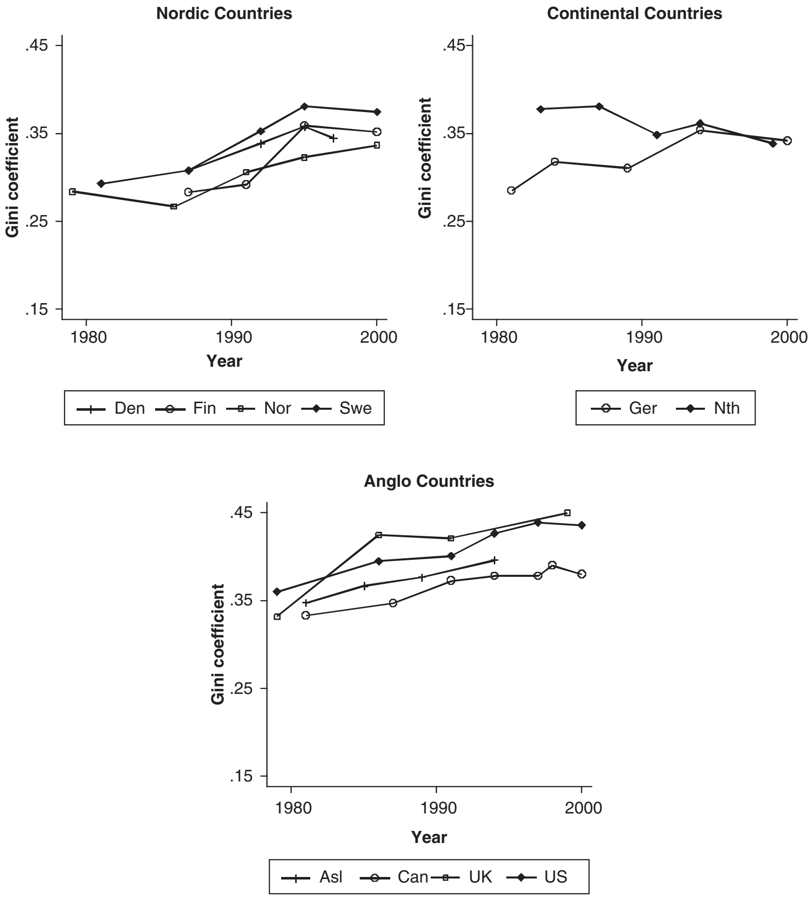
Figure 2
Earnings Inequality Among Full-Time Employed Individuals, 1979 to 2000



Note: Vertical axes of the charts are truncated. P90/P10 ratio = ratio of earnings at the 90th percentile of the distribution to earnings at the 10th percentile.
Source: Author's calculations from unpublished Organization for Economic Cooperation and Development data.

Figures 2, 3, and 4 show over-time trends in the 10 countries during the 1980s and 1990s for each of these three levels of inequality. The data are from two sources. The earnings inequality data in Figure 2 are from an unpublished data set compiled by the Organization for Economic Cooperation and Development. They are for earnings inequality among individuals employed full-time. Inequality is

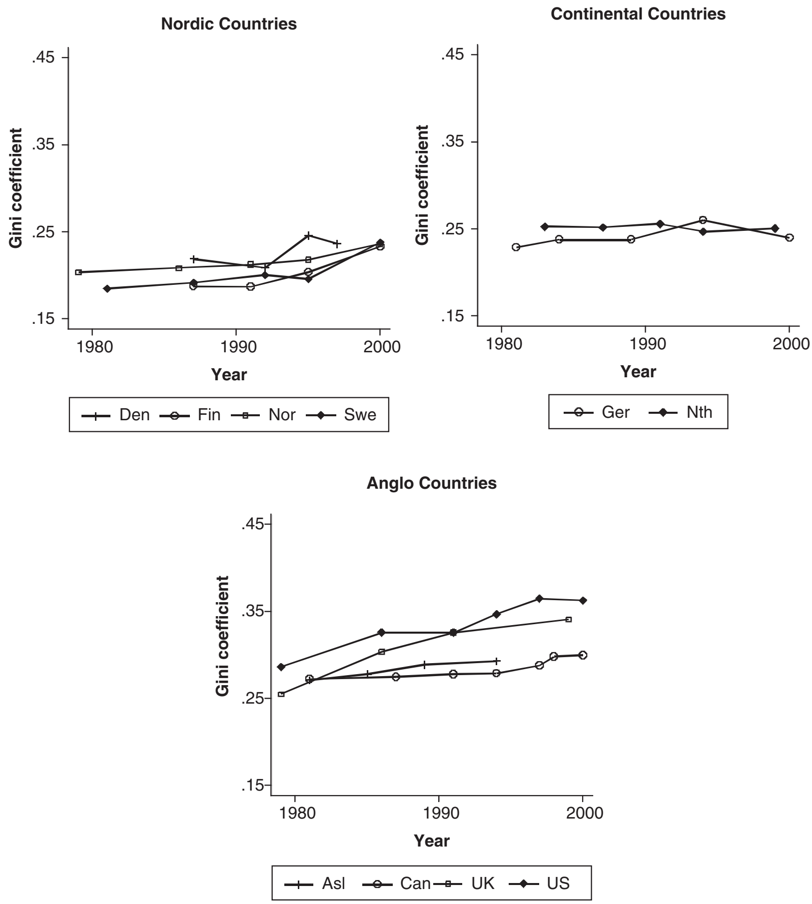
Figure 3
Pretax-Pretransfer Income Inequality Among Working-Age Households, 1979 to 2000



Note: Vertical axes are truncated.
Source: Author's calculations from Luxembourg Income Study (n.d.) data.

measured as the ratio of earnings at the 90th percentile of the distribution to earnings at the 10th percentile (P90/P10 ratio). The data for household inequality in Figures 3 and 4 are from the Luxembourg Income Study (n.d.). Inequality is measured here using the Gini coefficient. (Although it would be nice to use the same inequality measure for all three figures, data limitations make that difficult; see

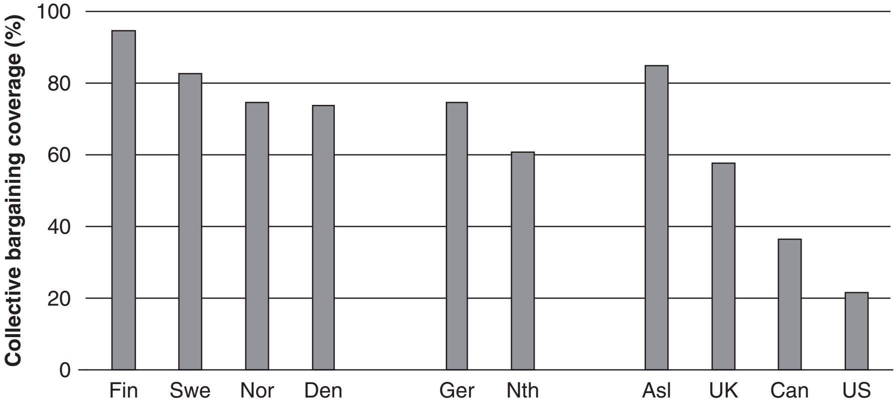
Figure 4
Posttax-Posttransfer Income Inequality Among Working-Age Households, 1979 to 2000



Note: Vertical axes are truncated.
Source: Author's calculations from Luxembourg Income Study (n.d.) data.

Kenworthy & Pontusson, 2005.) The household inequality data include only households with adults age 25 to 59. This excludes two segments of the population that complicate analyses of inequality because they are very unlikely to be employed: the elderly and (most) students.

Figure 5
Collective Bargaining Coverage, 1980s and 1990s



Note: Share of the employed workforce whose wage or salary is determined by a collectively bargained agreement.
Source: Traxler, Blaschke, and Kittel (2001).

Inequality of Individual Earnings

Let us begin with earnings inequality among employed individuals. This is the level that has received the most attention from analysts in the United States. The key point to take from Figure 2 is that the United States is unique in having experienced a sustained increase in earnings inequality. In most of the other countries for which a near-complete time series is available, there was little change during the 1980s and 1990s. The only exception is the United Kingdom, where there was a sizeable rise in the 1980s. (Earnings inequality appears to have increased in the Netherlands in the mid-1990s, but that is because of a change in the data series.)

The causal factors that have received by far the most attention in the debate on rising earnings inequality in the United States are technological change and globalization. At first glance, this look at the comparative data suggests some reason for skepticism about the importance of both of these hypothesized culprits. After all, all of these countries experienced considerable technological change and heightened globalization in the 1980s and 1990s. If either or both of these factors are important, how did most of these countries escape with little or no increase in earnings inequality?

The most likely reason has to do with pay-setting arrangements (Card, Lemieux, & Riddell, 2003; Rueda & Pontusson, 2000; M. Wallerstein, 1999). As Figure 5 shows, a comparatively small share of the American workforce has its pay determined by collective bargaining. Technological change and globalization, as well as other developments such as heightened competition in domestic industries (especially services), may well have exerted downward pressure on wages for the least skilled and perhaps upward pressure on wages for the best skilled. But these "market" pressures were muted to a much greater extent in countries with strong collective bargaining institutions than in the United States.

Although it is not apparent from Figure 5, a focus on wage-setting institutions also can help to account for developments in the United Kingdom. The United Kingdom was the sole country among these 10 in which collective bargaining coverage changed markedly during the 1980s and 1990s. It declined from 70% in 1978 to 47% in 1990. (There also was a decline in the United States, but it was far less dramatic, as the starting level was already quite low.)

For those wishing to explain the over-time developments within the United States, this does not necessarily mean an emphasis on globalization or technological change is misplaced. But such analyses should keep in mind the broader context. Comparative developments suggest that if wage-setting arrangements in the United States were more like those in other countries, there might well have been little or no rise in earnings inequality to explain.

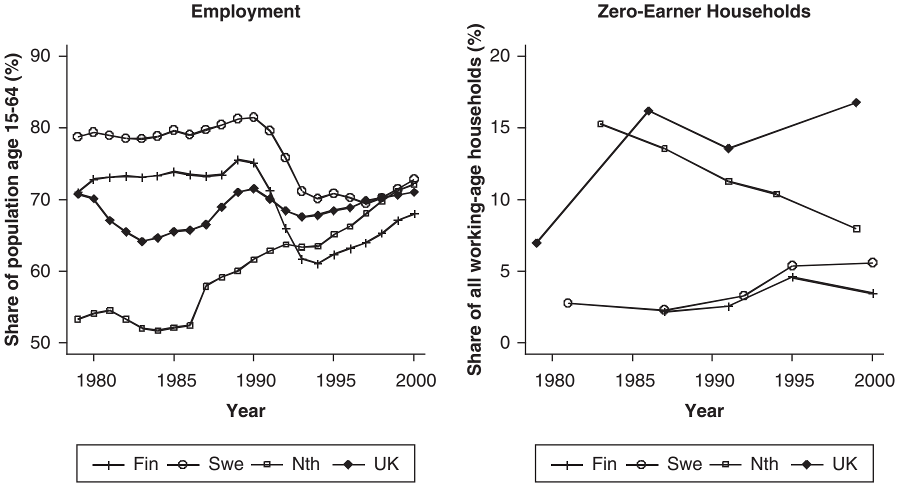
Inequality of Pretax-Pretransfer Household Income

Figure 3 (above) shows trends in pretax-pretransfer income inequality among households. Here we see a very different pattern across the 10 countries, with rising inequality more the rule than the exception. Inequality increased not just in the United States and the United Kingdom but also in the other 2 Anglo countries and, perhaps of some surprise, in all 4 of the Nordic countries.

The most important sources of inequality in the distribution of market income across households are earnings inequality, employment, household composition, and inequality of investment income. Certainly we would expect household earnings inequality to be in part a function of individual-level earnings inequality. But employment patterns and household structure will matter too. Some households have two earners, others just one, and some have no earners. In addition, some of those employed have full-time, year-round jobs, whereas others are employed part-time or for only part of the year. The way in which high and low earners pair with one another is also likely to play a role. High earners tend to partner with other high earners (marital homogamy), which accentuates inequality across households.

How do these factors help us to understand the trends in Figure 3? Perhaps surprisingly, investment income is not particularly important. In most of these countries, the difference between the Gini coefficient for household earnings and the Gini for pretax-pretransfer household income (earnings plus investment income) is less than .005. And the correlation between change in the Gini for household earnings and change in the Gini for pretax-pretransfer household income across the 12 countries is .99.

Figure 6
Employment and Zero-Earner Households in Four Countries, 1979 to 2000



Note: Vertical axis of the employment chart is truncated.
Source: Organization for Economic Cooperation and Development (2005) and author's calculations from Luxembourg Income Study (n.d.) data.

Household composition appears to have played a role in rising inequality in most of the countries (Kenworthy, 2004, chap. 3). The share of households with only one adult and therefore only one potential earner, has increased everywhere. The same is true for marital homogamy.

For some of the countries, however, employment developments appear to have been the key (Kenworthy, 2004, chap. 3). This is particularly true for Finland, Sweden, the Netherlands, and the United Kingdom. Figure 6 shows trends in the overall employment rate and in the share of working-age households with no earner in these four countries. Finland and Sweden each experienced severe economic crises in the first half of the 1990s. In both countries, the employment rate dropped sharply and the share of zero-earner households rose. The employment decline hit households at the low end of the income distribution harder than those at the high end, and this accounted for the bulk of the increase in market household inequality in these two countries. Exactly the opposite happened in the Netherlands. The employment rate increased steadily and sharply from the mid-1980s through the end of the 1990s, and the share of working-age households with no earner dropped. This was the main cause of the decline in household income inequality in the Netherlands.

The United Kingdom is a less straightforward case. The employment rate remained constant through the two decades (although it fluctuated considerably). Yet the share of zero-earner working-age households jumped sharply, more than doubling during the two decades. In fact, between 1979 and 1995, the share of households without any earner increased from 7% to 19%. Women with already-employed husbands were getting jobs at the same time that working-class men who were their family's sole breadwinner were losing jobs. This contributed to the rise in household income inequality in the United Kingdom.

Here again, the United States is different. The United States is clearly one of the countries experiencing rising inequality of market household income. Yet the employment rate in the United States increased during the 1980s and 1990s, from 68% in 1979 to 76% in 2000. And the share of zero-earner working-age households stayed constant at about 5% throughout the two decades. The most important cause of the rise in market household income inequality in the United States was the rise in individual earnings inequality. This can be seen both by examining the comparative data (Kenworthy, 2004, chap. 3) and in analyses that decompose the change in U.S. market income inequality into its various components (Burtless, 1999; Reed & Cancian, 2001).

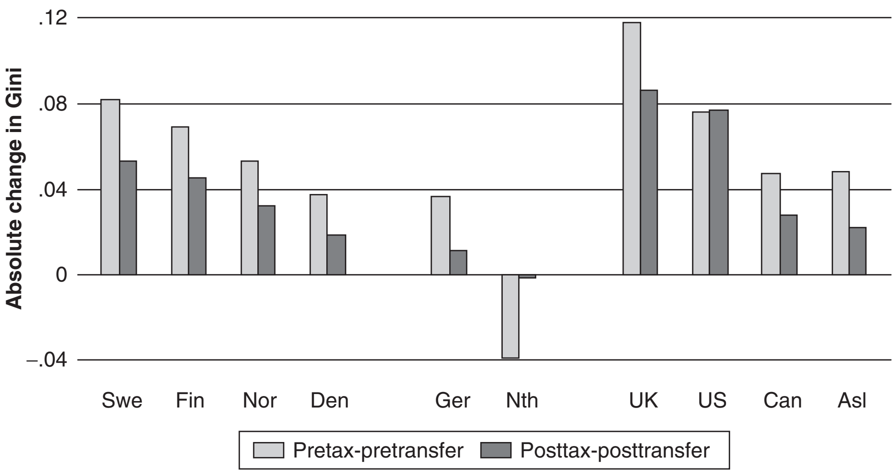
Inequality of Posttax-Posttransfer Household Income

Figure 4 (above) shows trends in household income inequality when taxes and transfers are included. This is a function of two things: pretax-pretransfer inequality and redistribution.

The Nordic countries have tended to have the lowest levels, followed by the continental countries, with the highest levels in the Anglo nations. This rank ordering is not surprising: The Nordic countries have featured low-to-moderate market inequality and high redistribution, the continental countries have tended to have moderate market inequality and moderate redistribution, and the Anglo countries have had moderate-to-high market inequality and low-to-moderate redistribution. In the 1990s, however, posttax-posttransfer inequality increased in the four Nordic countries, whereas it held constant in the Netherlands and Germany. By 2000, these six countries had similar levels. There was divergence within the Anglo group during the 1980s and 1990s, as inequality of posttax-posttransfer income increased in the United States and United Kingdom but not (or not much) in Australia and Canada.

Figure 7 offers another way of looking at the trends in household inequality during the two decades. It shows the amount of (absolute) change in inequality in each country for pretax-pretransfer income and for posttax-posttransfer income. With the exception of the Netherlands, market inequality increased in all of the countries. But in every country except the United States, inequality of posttax-posttransfer income increased less than inequality of pretax-pretransfer income. In other words, there was an increase in redistribution that partially offset the rise in market inequality.

Figure 7
Change in Pretax-Pretransfer and Posttax-Posttransfer Household Income Inequality Among Working-Age Households, 1979 to 2000



Note: Change is calculated as 2000 value minus 1979 value. Actual years are as follows: Australia 1981 and 1994, Canada 1981 and 2000, Denmark 1987 and 1997, Finland 1987 and 2000, Germany 1981 and 2000, Netherlands 1983 and 1999, Norway 1979 and 2000, Sweden 1981 and 2000, United Kingdom 1979 and 1999, and United States 1979 and 2000.
Source: Author's calculations from Luxembourg Income Study (n.d.) data.

On the surface, this seems surprising, as this was a period of welfare state retrenchment. A number of studies detail cutbacks in the generosity of social programs in various affluent countries during the 1980s and/or 1990s (Huber & Stephens, 2001; Pierson, 2001; Ploug, 1999; Swank, 2002). So how is it that redistribution increased? Were there increases in program generosity that students of the welfare state have overlooked? No. The increase in redistribution in these countries was a product of what Martin Rhodes (1996) has referred to as the "automatic compensatory" function of transfer programs (Kenworthy, 2004, chap. 3; Kenworthy & Pontusson, 2005). As noted earlier, part or much of the rise in market inequality in these countries stemmed from employment losses—overall and in particular among households at the low end of the income distribution. As this occurred, more individuals and households became eligible for unemployment compensation, social assistance, and related benefits. As a result, redistribution increased.

In the Netherlands, the reverse occurred. As more individuals moved into employment and fewer households were without any earner, fewer qualified for government benefits. Hence, redistribution decreased and there was effectively no change in posttax-posttransfer income inequality, despite a significant drop in pretax-pretransfer inequality.

The United States is the exception to this pattern: The amount of increase in posttax-postransfer inequality was the same as that in pretax-pretransfer inequality. Why? A reasonable suspicion might be the stinginess of the American welfare state. But the most important factor is probably the nature of the rise in pretax-pretransfer inequality among working-age households in the United States. Unlike in other countries, this rise was not a product of employment decline. Indeed, as noted earlier, the employment rate in the United States increased by 8 percentage points during the 1980s and 1990s. The rise in household income inequality stemmed first and foremost from heightened earnings inequality among the employed and to a lesser extent from increases in single-adult households and in marital homogamy. With one exception, there is no government transfer program designed to compensate for a decline (as opposed to a complete loss) in earnings or for the absence of a second earner in the home. Hence, it is not especially surprising that redistribution did not increase to compensate for the rise in market inequality in the United States.

The one exception is the Earned Income Tax Credit (EITC), which is designed precisely to supplement low household earnings. The benefit level of the EITC was increased in the 1980s and then substantially in the mid-1990s; since then, it has been indexed for inflation. These changes surely did help to compensate to some degree for the fall in real wages for those at the low end of the earnings distribution. Yet this increase in EITC generosity appears to have been offset by declines in inflation-adjusted benefit levels for unemployment insurance, food stamps, and AFDC-TANF (Aid to Families With Dependent Children–Temporary Assistance to Needy Families), the other significant cash or near-cash transfer programs for the working-age population.

Another suspicion might be that redistribution via transfers increased because of the EITC expansion but that this was offset by regressive changes in the U.S. tax system. But in fact, for working-age households, there was no change in the amount of redistribution achieved via either transfers or taxes between 1979 and 2000 (my calculations using Luxembourg Income Study, n.d., data).

Conclusion

Unlike in a number of other affluent countries, rising household income inequality in the United States is mainly (although not exclusively) a product of rising individual earnings inequality. Slowing or reversing the trend may require changes in pay-setting institutions and/or further increases in the generosity of transfer programs (most notably the EITC) that boost the incomes of low earners. The growth in inequality is one of the more important developments in the United States during the past generation. For this reason, rather than because I believe the discipline has something unique or special to contribute, I hope sociologists will devote greater attention to the topic.

Note

1. Bernhardt, Morris, and Handcock (1995) addressed the issue but focused mainly on the gender earnings gap.

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