

# How Can We **SOLVE** Our **SOCIAL** **PROBLEMS?**

THIRD EDITION



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# 3

## How Can We Solve the Problem of Increasing Inequality?

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One of the biggest social problems in the United States, as well as around the world, is the problem of growing inequality. In this chapter, I define inequality, present statistics on it and how it is growing, note some of its key causes and consequences, and suggest what we can do about it. Do we want to continue to increase inequality? Do we want to maintain the current amount of inequality? Do we want to decrease inequality? As you read this chapter, keep these three questions in mind and consider what you believe we should do.

### Definition and Statistics

Inequality in a society occurs when people have differing amounts of money, power, and/or prestige.<sup>1</sup> I define these terms here so that we will think the same things when these terms are used throughout this book. There are two kinds of money: income and wealth, hence, two kinds of money inequality. The kind of money that we call *income* is typically money that we get from a job. *Wealth*, the other kind of money, represents what we own. For example, if you own a home and own stock, you have a certain amount of wealth. Some people have a lot of wealth because they own a very expensive home

(even in the millions of dollars), and some of these people also own more than one home. Also, some people have a lot of wealth in how much stock they own. Some people own millions or even billions of dollars worth of stock. They have seen their stock value rise sharply from 2008 when the economy was entering a recession and the Dow Jones average (a way to measure the overall value of stocks in our country) was at 6,000 to late 2014 when the stock market rose to 18,000, tripling its value in 6 years (Waggoner, 2014, p. 1B). In other words, people who own stock have tripled their wealth in the last 6 years! At the same time, many other people own no stock, especially poor and working class people. As a result, they were not able to take advantage of the growing stock market and could rely only on their income from their job.

Yet incomes have not risen nearly as much, especially since the 1970s when many companies began to move out of the United States (called deindustrialization) in order to pay lower wages and provide little or no benefits such as health care and retirement benefits. By moving to other countries and paying lower wages and providing few or no benefits, companies made more profit. As a result of this deindustrialization process, many jobs were lost, which caused American wages to stagnate in many industries as the same number of American workers competed for fewer jobs, hence allowing factories not to have to raise wages since there were so many people searching for jobs. For example, the mean annual income for the bottom 20% of the American people decreased 8.3% from 1980 to 2011 (Macionis, 2015, p. 264).

So, in order to understand inequality in our country, we must be aware of how income from jobs rises or does not rise and how wealth, especially in the form of stock ownership, rises or does not rise. These two factors will play a major role in how much inequality, especially money inequality, there is in a society.

I define the term *power* by using the definition of the great German sociologist of the early 20th century, Max Weber: “We understand by ‘power’ the chance of a man or a number of men to realize their own will in a social action even against the resistance of others who are participating in the action” (Weber, [1914]1968, p. 926). Simply put, power is the ability to make people do things, even against their will. If someone is holding a gun on you, he or she can take your money. If someone has the legal ability to make people do things against their will, I label this as *authority*. For example, a police officer has the authority to give you or me a speeding ticket when we go above the speed limit.

Finally, the third dimension of inequality is prestige. By *prestige*, which is sometimes referred to as *status*, I again use Weber’s ([1914]1968) definition:

“We wish to designate as status situation every typical component of the life of men that is determined by a specific, positive or negative, social estimation of honor” (p. 932). In other words, when we give people high honor or high respect, we give them prestige. For example, we tend to give higher prestige to medical doctors and U.S. Supreme Court Justices and to give lower prestige to garbage collectors and custodians. As you may already know and have learned about life and about human beings, humans, throughout history, greatly seek out and wish to have glory or honor or what we call prestige. People will go to great extremes in their lives, even to the extent of losing their lives in order to gain prestige. Medals, ribbons, trophies, pictures on the wall of a school gymnasium or on the wall of a government building, or statues—all have been and are presently ways to get people to exert themselves greatly—and all of these ways are indicators of people desiring glory, honor, or prestige.

So, sometimes, people will go after prestige more than they will money or power while other people will be motivated to go only after money. Still, others are motivated to go after power. People will be motivated differently to gain these different dimensions of inequality. Also, some people will seek just one kind of inequality while others will seek two or all three of these dimensions of inequality. How people have been socialized coupled with the experiences that they had as they grew up will combine to influence which dimensions of inequality they seek. For example, someone may have parents who own a business and emphasize making money. At the dinner table and at other times of informal conversation, the parents socialize the child, knowingly or unknowingly, that it is good to make money. So, many conversations between the parent and the child center around the making of money. Given this kind of socialization over a period of years as the child is growing up, there is a higher probability that this child will want to make money. On the other hand, another child grows up in a family that emphasizes seeking social change to create a more just society. So, his or her socialization has nothing to do with making money. This child is being socialized to seek social change of some kind, for example, racial, gender, religious, or sexual orientation equality and is oblivious to the making of money. Still, another child is socialized soon after he or she is born to be an Olympic ice skater and some day to win the gold medal and gain great prestige. So, he or she spends his or her youth practicing to be the best ice skater in the world—pretty much to the exclusion of anything else. Whether right or wrong, good or bad, people will spend much of their lives seeking one, two, or all three of these dimensions of inequality.

In sociology, we gather data on how much money, power, and prestige people have. For example, with regard to money inequality, some people in

our country earn incomes at the minimum wage level and earn only \$7.25 per hour or \$290 per week, for a total of \$15,080 per year (assuming a worker works 40 hours per week for all 52 weeks of the year and never takes a vacation). Other people, such as teachers, carpenters, and plumbers, typically make yearly incomes in the range of \$30,000 to \$70,000. Medical doctors, dentists, lawyers, and some businesspersons tend to make from \$200,000 up into the millions of dollars per year.

Not only is there substantial inequality in our country, but statistics suggest that it is growing. Let us look at money inequality—both wealth and income—and see how it has been on the rise. With regard to wealth inequality (again, wealth is what people own in the form of homes, stocks, bonds, land, and buildings), in 1962, 20% of the richest Americans owned 76% of the country's wealth (Brinkerhoff & White, 1985, p. 210). By 2011, 20% of the richest Americans owned 88.9% of the nation's wealth (Macionis, 2015, p. 253). So, we are getting closer and closer to 20% of Americans owning 90% of the wealth and 80% of Americans owning the remaining 10% of the wealth—hard to believe but that is nearly where we are in the early 21st century. In 1972, the richest 1% of Americans owned 21% of the wealth (Brinkerhoff & White, 1985, p. 210). In 2011, the richest 1% of Americans owned 35% of the wealth (Macionis, 2015, p. 253). Clearly, in terms of wealth, the rich are getting richer; so, we are becoming much more unequal with respect to wealth in our country.

Income inequality has also been increasing since 1970. For example, in 1970, the richest 20% of Americans made 43.3% of all the income. By 2011, they made 48.8% of all the income (Macionis, 2015, p. 253). At the same time, the poorest 20% of people earned 4.1% of all the income in 1970 (Eitzen, Zinn, & Smith, 2009, p. 37) but earned only 3.8% by 2011 (Macionis, 2015, p. 253). In a study of rising income from 1972 to 2000, while the income of Americans in the 90th percentile of income rose 34%, the income of Americans in the 99.99th percentile of income rose 497%—nearly 15 times faster (Krugman, 2006b, p. A7). Economist Paul Krugman reported that data for 2004 show that “a small fraction of the population got much, much richer” (Krugman, 2006a, p. A9). The tax cuts under former President George W. Bush meant that middle-class people received a 2.3% increase in their incomes after taxes, whereas upper class people (those earning more than \$1 million per year) received a 7.3% increase in their incomes after taxes, thereby creating more income inequality. Consequently, in the last 40 years, the gap between the rich and those who are not rich has grown both with regard to wealth inequality and income inequality. The old saying, “The rich are getting richer, and the poor are getting poorer,” appears to be true for the United States.

Moreover, people who have a lot of wealth and income will typically have more power, too, because they can use their wealth and income to protect their own vested interests and therefore get what they want, sometimes at the expense of other social classes. For example, they can run for political office and have more money than any other candidate and therefore be more likely to win. They can give large contributions to groups and organizations who believe as they do and therefore perpetuate their own values, beliefs, and ideologies. They can threaten to not give to charities unless these charities conform to their values, beliefs, and ideologies. Consequently, those who have more money and power will have more influence in a society. For example, they can decide whether factories in communities move or do not move out of these communities and can therefore have great influence in deciding the economies of communities, such as, the unemployment rate, the poverty rate, the homelessness rate, the crime rate, and the rate of spending for public schools. They will have more influence in proposing bills in city hall, in a state legislature, or in Congress, and they will have more money and influential networks to lobby for the bills they want passed in favor of their vested interests and potentially against the vested interests of other social classes. So, money inequality can lead to power inequality, and those who have both money and power will have a disproportionate influence on how society develops—its social policies, its laws, its ideologies, its tax structure, its job structure, its chances for upward mobility, its overall economy, and the overall inequality of a society.

## Causes of Growing Inequality

Most people in our country earn income from their jobs, and that is their only way of making money. Some people, on the other hand, not only make money from their jobs but also make money from the wealth they own. What seems to be one cause of growing inequality in our country is that people with higher incomes tend to get bigger raises than do people with lower incomes. Also, people who own stock, buildings, and land can make additional money (dividends from stock and rent from buildings and land) from these investments. Moreover, millions of Americans who gain income solely from their jobs have minimum wage jobs and typically do not receive raises each year. For example, the federal minimum wage was raised to \$7.25 in the summer of 2009—6 years ago. Yet, inflation tends to go up each year and eats away at those workers who make a minimum wage. As you may or may not know, the minimum wage is thousands of dollars below the poverty line for a family of four (the poverty line for a family of four in 2015 is \$23,850 while the minimum wage

makes only \$15,080 if the worker works all year at 40 hours per week, resulting in the full-time worker making \$8,770 less than the poverty line). So, a minimum wage job will not put families above, at, or even near the poverty line. As a result of all these factors, there is growing inequality between people who have high incomes and much wealth versus people who have moderate to low incomes and no wealth.

Another cause of growing inequality is the relationship between those who have much wealth and income and power and those who have no wealth, little income, and little or no power.<sup>2</sup> For example, when someone has a lot of money, he or she can give more contributions to elected officials in the hope of receiving favorable legislation in return. People with more money can afford to run for political office and spend more money than other candidates to win the office. People with higher incomes and wealth will also have jobs that allow them to interact with other people who have high incomes and wealth and also much power.<sup>3</sup> For example, a person who is a president or vice president of a large corporation, say one of the 100 largest corporations in our country (for example, Wal-Mart, Exxon, or General Electric), will not only know people in the top positions in the other large corporations but will also serve on the boards of these corporations.<sup>4</sup> Assuming that 35 people are on a corporate board, there are 35 x 100 of the largest corporations, or 3,500 people, who control 75% of all the industrial assets in the United States (Kerbo, 2009, p. 188). Moreover, because a number of these 3,500 people serve on one, two, or three other boards, there could actually be 2,000 or fewer people holding these 3,500 board positions who are the “movers and shakers” of much of our economy. Moreover, as the largest 100 corporations become even larger, they will also wield more power.

When these powerful corporate leaders speak, the rest of us listen and are influenced by what they decide to do. For example, if the board members of one of these corporations decide to cut thousands of jobs and close a number of plants, not only will workers in those plants lose their jobs, but the communities in which those plants are located will be hurt. Stores in those communities may close or suffer great financial losses; schools might not have enough money for enough teachers, up-to-date equipment, or renovation of buildings; and city governments may lose tax revenue that would have gone to pay the salaries of the police and fire department members and workers who maintain the streets and sewage and water systems.<sup>5</sup> So, a decision made by board members at corporate headquarters in a distant city can devastate workers and their communities (Mills, 1959b).

Another cause of growing inequality has to do with our capitalistic economy, in which some people are able to own factories and businesses where

they can make a lot of money compared with people who are their employees. It is in the nature of capitalism that employees will earn wages (paid by the hour) or salaries (paid weekly, biweekly, or monthly) while owners will make profits. In other words, built within the nature of capitalism is the process of growing inequality—wages versus profits.

Also, the ideology in a capitalistic culture typically asserts that everyone is responsible for himself or herself and that there is much emphasis on the individual, with the individual getting ahead and surviving in a “dog-eat-dog” world. This ideology tends to justify or legitimize the idea of some people making a lot more money than others and therefore justifies substantial inequality and increasing amounts of it. This ideology is taught to us from the time we are born, so that it seems like human nature to us to be individualistic, look out for ourselves, live in a “dog-eat-dog” world, and accept this capitalistic culture as the only way to live. As a result, this ideology we are socialized to believe in promotes the acceptance and legitimacy of inequality—and a lot of it. For example, for many Americans, it is fine and acceptable that a number of Americans make minimum wages that are thousands of dollars below the poverty line while other Americans make millions of dollars per year. So, it is acceptable by many Americans that one American makes hundreds of times more than another American while this other American, though working full time, has a difficult time just surviving.

Another significant cause of growing inequality in a capitalistic society is the belief that the influence of government should be kept to a minimum, therefore, needing to collect fewer taxes, for example, providing mainly for the national defense. With less tax to pay, the wealthy can keep more of their wealth, which, in turn, increases the money inequality in society. Moreover, with less tax revenue going to the government, the government has less tax revenue to provide for various services for the middle, working, and poor classes, for example, less extensive health care for the retired middle class and working class via Medicare, less extensive health care for the poor and near-poor via Medicaid, not providing paid maternity leave for the birth of a baby like most other industrialized countries (Kerbo, 2009, p.294), not having a health care system that covers all of its citizens like all other industrialized countries (Kerbo, 2009, p. 41), not providing subsidized child care for both parents who work for poor and near-poor parents like other industrialized countries, providing less quality public education, and so on.

In other words, lower taxes means less money the government has to pay for the aforementioned services to middle class, working class, and poor people. As there are fewer services for the middle, working, and poorer social classes, there will be greater inequality. So, the ideology of limited government, which on the surface sounds okay and fairly benign, translates into



lower tax revenue coming to the government, which, in turn, means that the government can provide fewer services to the middle, working, and poor classes. Providing fewer services to the middle, working, and poor classes means that these social classes are more unequal to the rich, which, in turn, means more inequality in the society.

As you can see, the belief in limited government can have dire consequences on middle, working, and lower class Americans. With limited government, two things occur: (1) the rich pay less in taxes and therefore keep more of their money and (2) with lower tax revenue coming in to the government, the government cannot offer as many services to the middle, working, and lower classes—these two things together cause more inequality in our society. Greater inequality may not be the intent by those who want limited government, but greater inequality is the unintended consequence.

Another cause of increasing inequality is the degree to which wealthier people can influence the government to decrease the progressive income tax. A *progressive income tax* is one in which people with higher incomes pay a higher proportion of their incomes in taxes than do people with lower incomes. If the tax system becomes less progressive, wealthier people pay less in tax, allowing them to keep more of their money and thereby increasing the overall inequality. Because wealthier people can typically use their money and political connections to influence public officials much more so than do people who are not wealthy, they can have more influence on how people are taxed. They do not have total influence, but they have more influence than the average citizen in our country.<sup>6</sup> Hence, it is in the vested interests of wealthier people to have less government that provides fewer services, so that fewer taxes will be needed, thereby allowing for and justifying a lower progressive income tax. Moreover, it is in the vested interests of wealthier people not to have the government provide for as many services since they are less likely to need or use these services, for example, welfare, food stamps, college student loans, subsidized child care, Medicaid, and so on. The bottom line is that with a lower progressive income tax, wealthier people keep more of their money, which results in greater inequality.

Other kinds of taxes can also cause more inequality in our society. For example, if there is less tax on people who inherit wealth, the people who inherit wealth will be able to keep more of their wealth, resulting in greater inequality. Former President George W. Bush sought to abolish the inheritance tax, which would work to the vested interests of wealthier people and would also increase inequality. Typically, political conservatives want to abolish or at least minimize the inheritance tax while political liberals want to keep and even increase the inheritance tax. This is a constant battle in Congress. Whatever happens will influence the amount of inequality in our country.

The same idea can be applied to the sales tax. A sales tax is a *regressive tax*, meaning that lower-income people pay a higher percentage of their incomes in taxes than do higher-income people. For example, a higher sales tax on products that everyone needs (for example, soap, shampoo, shaving cream) means that people with low to moderate incomes will pay a larger percentage of their incomes in sales tax for these products than will people with higher incomes. Hence, as the sales tax goes up, inequality also goes up.

Another cause of growing inequality is the degree to which people of low to moderate incomes working for industries and businesses cannot organize into unions to protect their financial interests. The less they are able to join unions to seek higher pay and more benefits such as health care and retirement plans, the more likely it is that those at the top of these corporations will be able to keep a larger proportion of the profits of the corporation for their stock holders and higher officials of the corporation. For example, German workers are the highest paid among the seven most highly industrialized nations, whereas American workers are the second to lowest paid (Kerbo, 2000, p. 28). A key factor in the difference of pay between German and American workers is the strength of unions in each country. Labor unions are strong in Germany, whereas they are relatively weak in the United States. In fact, in Germany, it is legally mandated that employees make up one half of the board of directors in a company (p. 510). This difference gives German workers much more power than American workers and, thus, enables them to seek and get higher wages and more benefits. Hence, this creates less inequality in Germany.

A key problem for workers in the United States that has hurt the amount of unionization and power of unions and hence the power of workers is the process of corporations moving their plants outside of the United States (known as *deindustrialization*) to other countries that allow for lower labor costs in the form of lower wages, no retirement benefits, and no health care benefits. Paying lower wages, providing no retirement benefits, and giving no health care benefits together save a great deal of money for these corporations and therefore allows them to make more profit. In fact, just the threat by a corporation of moving out of a community can make workers become less aggressive in seeking higher wages and more benefits. Corporations know this situation; workers know this situation. This situation began being the case for workers since deindustrialization began in the 1970s. As you can see, this deindustrialization process has had negative consequences for workers attempting to increase their wages and benefits, with the result that our country has become more unequal.

For much of our country's history, prejudice and discrimination against various minorities, such as African Americans, Native Americans, Latino

Americans, Chinese Americans, Japanese Americans, women, homosexuals, and the disabled, have hurt members of these groups immensely. They were hurt because when they were discriminated against; they were not given the same opportunities as were other Americans. As a consequence, they were forced to settle for lower income jobs or no jobs, fewer benefits such as health and retirement benefits, little or no power, and little or no prestige. Prejudice and discrimination have therefore caused much inequality throughout the history of our country.

Our country has been reducing these kinds of prejudice and discrimination during the past 100 years. So, over time, this particular cause of inequality has begun to recede as we, as a country and as individuals, have worked to eliminate the various kinds of prejudice and discrimination in our country and in ourselves. The current situation in our country is not perfect, but we are headed in the direction of decreasing various kinds of prejudice and discrimination. As this process continues, we should find that this factor will be one cause of growing inequality that will become less and less influential. With the election of Barack Obama as President of the United States (which meant that many White Americans voted for Mr. Obama), we have taken yet another important step to show that we are decreasing this major cause of inequality in our society.

## Consequences of Growing Inequality

One consequence of growing inequality is that people in the higher social classes are more socially and physically distant from people in the lower social classes. That is, those in the higher social classes are more likely to live in different neighborhoods, go to different public schools or attend private schools, attend different places of worship, and so on, than do people with lower incomes. With rising inequality, the higher social classes, by being more socially and geographically distant, can be less understanding and consequently less sympathetic of the members of the lower social classes. This situation increases the possibility that certain ideologies, such as “The reason why the poor are poor is that they are lazy,” will be constructed and will be used to justify or legitimize the existing inequality.

Another consequence of growing inequality is that the higher social classes will have more opportunities, and the lower classes will have fewer opportunities. For example, for the higher social classes, there will be more chances for travel throughout the world, for more years of education and for higher quality education, for more consumer goods, for more and better health care, and for better retirement lifestyles. Unless some outside source,

such as the government, intervenes by providing lower classes with opportunities that the society, in its normal functioning within a capitalistic system, does not provide, the gap will continue to widen between the higher and lower social classes.

This process of a widening number of opportunities can lead to what sociologists call *feelings of relative deprivation*, when people in the lower classes compare their situations with the situations of people in the higher classes and feel deprived as well as resentful. This situation is especially likely to occur if the society socializes people that there is equal opportunity in life, but in reality there is not (refer to our theory of conflict and social change causal model in Chapter 1). If people feel relatively deprived and resentful, they may begin to question the legitimacy of the existing social conditions.<sup>7</sup> These circumstances can lead to riots and various outbursts of frustration from the lower classes and can, in turn, lead to less stability in society.

## Options We Have With Inequality

In a society, we can increase inequality, keep the existing inequality, or decrease inequality. Let us discuss each of these options and consider the implications. As we discuss these three options, think about what you believe we should do in society.

### Increase Inequality

The first option is to increase our inequality even more. If we wish to increase inequality, we can do this by taxing the poor, working, and middle classes more and taxing the rich less. For example, we can increase the federal income tax on the poor, working, and middle classes and decrease the federal income tax on the rich. We can also increase the sales tax, knowing that this will hurt people in the poor, working, and middle classes more than it will rich people because everyone needs to buy similar amounts of certain products like soap, toothpaste, toothbrushes, toilet paper, shaving cream, razors, and shampoo. Poor people pay the same prices for these products and pay the same sales tax as do rich people. Consequently, when we raise the sales tax in a state or city, poor people will be poorer relative to rich people, thereby creating greater inequality.

Another way to increase inequality is for wealthier people to pay little or no tax when they inherit wealth from their deceased parents. As of 2015, when the last parent dies, the children, usually adult children, can inherit up to \$5.43 million without paying any taxes (personal communication from

B. Foley, tax accountant, January 26, 2015). Most Americans do not inherit anywhere close to \$5.43 million. Typically, poor Americans inherit nothing, while working-class and middle-class Americans inherit somewhere less than \$100,000 to \$200,000. But adult offspring who come from wealthy families can inherit \$1 million, \$2 million, \$3 million, \$4 million, or even \$5 million and not pay any taxes. As a result of paying no taxes on these millions of dollars, these Americans can become instantly wealthy, which results in growing inequality. A key point to remember is this: as there is less tax on inheritance, this will cause more inequality and, vice versa, as there is more tax on inheritance, this will cause less inequality. Hence, how Congress and individual states tax inheritance has a direct influence on how much inequality we have in our country. As you can see, the making of laws—in this case, the making of tax laws—has a direct bearing on how much inequality we have. So, depending on how we tax people, we can increase or decrease the inequality in our society.

Another way to increase inequality is to decrease or abolish taxes on dividends from stocks and to decrease or abolish the capital gains tax on stocks, thereby allowing those who own stock and are making money from stock to keep more of their money. Given that 10% of Americans have typically owned 80% or more of all the stock in the country since the 1980s (Kerbo, 2009, p. 35), people in this group can increase their wealth considerably, depending on how much their dividends and capital gains are taxed, with the result that inequality increases.

In addition to changing taxes that create more inequality, we can create more inequality by decreasing or abolishing social services that help the poor, working, and middle classes survive or live better lifestyles. For example, if state legislators, governors, members of Congress, and the President decrease social services such as Social Security, child care subsidies for mothers who are getting off welfare in order to work, college loans and grants, money for public schools, Section 8 subsidized housing, money for Head Start and Upward Bound programs, money for unemployment compensation, money for health care, and so on, the poor, working, and middle classes will be poorer, with the result that inequality will increase in our society.

So, increasing taxes on the poor, working, and middle classes, decreasing taxes on the rich, and decreasing social services for the poor, working, and middle classes are three ways to increase inequality in our society. Many Americans would find these actions to be extremely distasteful given that these methods will make it harder for the poor and working classes to get by each day.

When I have given an anonymous survey in my social problems classes and asked my students whether they think we should increase inequality,

keep it the way it is now, or decrease inequality, no one has ever voted to increase inequality. This does not mean that there are not Americans who do not want more inequality, but it does suggest that when students discuss the consequences of increasing inequality, some students opt for keeping it the same, while most students vote to decrease it.<sup>8</sup>

### Maintain the Current Amount of Inequality

The second option is to maintain the current inequality in our country with a certain combination of taxes and social services. Some of my students have voted for this option. Probably a number of people in our country, without any discussion about this issue, would vote for maintaining the current amount of inequality. However, from what I have observed in my social problems classes, if Americans discuss this issue and realize the negative consequences of rising inequality or maintaining the current amount of inequality in our country, I predict that if given the opportunity, the majority of Americans would, like the majority of my students, vote to decrease the amount of inequality in our country.

### Decrease Inequality

The third option is to decrease inequality in our society. If we, as a society, choose to decrease inequality, we can do a number of things. We can decrease various kinds of taxes on the poor, working, and middle classes and, at the same time, increase taxes on rich people. For example, we can make the federal income tax more progressive, so that the poor, working, and middle classes pay a lower percentage of tax and the rich pay a higher percentage of tax on income. Besides taxing income, we could tax the wealth of the rich more, and this would decrease inequality.

Another kind of tax we could change is the Social Security tax. As of 2015, only the first \$118,500 that Americans earn each year is taxed at 6.2% (personal communication from B. Foley, tax accountant, January 26, 2015). People no longer pay Social Security taxes on income they make above \$118,500. So, a poor person making a minimum wage of \$7.25 per hour, or \$15,080 per year, will pay 6.2% of his or her income in Social Security tax. At the same time, someone who earns \$300,000 per year (such as a medical doctor) will pay only 2.4% in Social Security tax ( $6.2\% \times \$118,500 = \$7,347 / \$300,000 = 2.4\%$ )—that is, less than one half of the rate of what a poor person pays. A rich businessperson, pro athlete, rock star, or movie star making \$10 million per year will also pay only \$7,347. So, the pro athlete or movie star or rich business person will pay less than

one tenth of 1% of his or her income in Social Security tax. This is an example of what is known as a regressive tax, where poorer people pay higher tax rates, and richer people pay lower tax rates.

It is hard to believe that rich people pay a lower tax rate than poor, working, or middle-class people, but that is the way it is. Hence, if we want to decrease inequality, we can have rich people pay more in Social Security tax by not having a limit on how much Social Security tax they pay, while having poor, working, and middle-class people pay a lower tax rate.

By the way, having the rich pay more in Social Security tax would also help to provide enough Social Security income for our elderly in the future, thereby solving our Social Security problem due to more Americans retiring and therefore more Americans being eligible for Social Security. Consequently, by increasing the Social Security tax on the rich, we could solve two of our social problems: (1) decrease our inequality and (2) make the Social Security system solvent for our children and grandchildren.

Another way we can decrease inequality is to decrease the sales tax, making it not so hard on the poor to buy everyday products to survive day to day, and, at the same time, depend more on progressive taxes of various kinds, such as federal and state income taxes and federal Social Security taxes. That way, more of our taxes would be structured so that the ability to pay taxes will be tied to one's income and wealth—the more income and wealth, the more taxes people pay; the less income and wealth, the less taxes people pay.

Another way we can decrease inequality is to increase social services such as the following:

- Provide health care for all Americans
- Increase unemployment compensation
- Create more college grants and loans for people in the poor, working, and middle classes
- Create more child care subsidies for lower-income, single parents who are working at or near minimum wage jobs so that they can work and survive at these kinds of jobs
- Create more housing subsidies for poor and lower income families
- Expand Head Start and Upward Bound programs for poorer and lower income people
- Increase funding for public schools located in poor and lower income neighborhoods so that children from these neighborhoods get the same quality public education as do children in middle-class and upper-middle-class neighborhoods

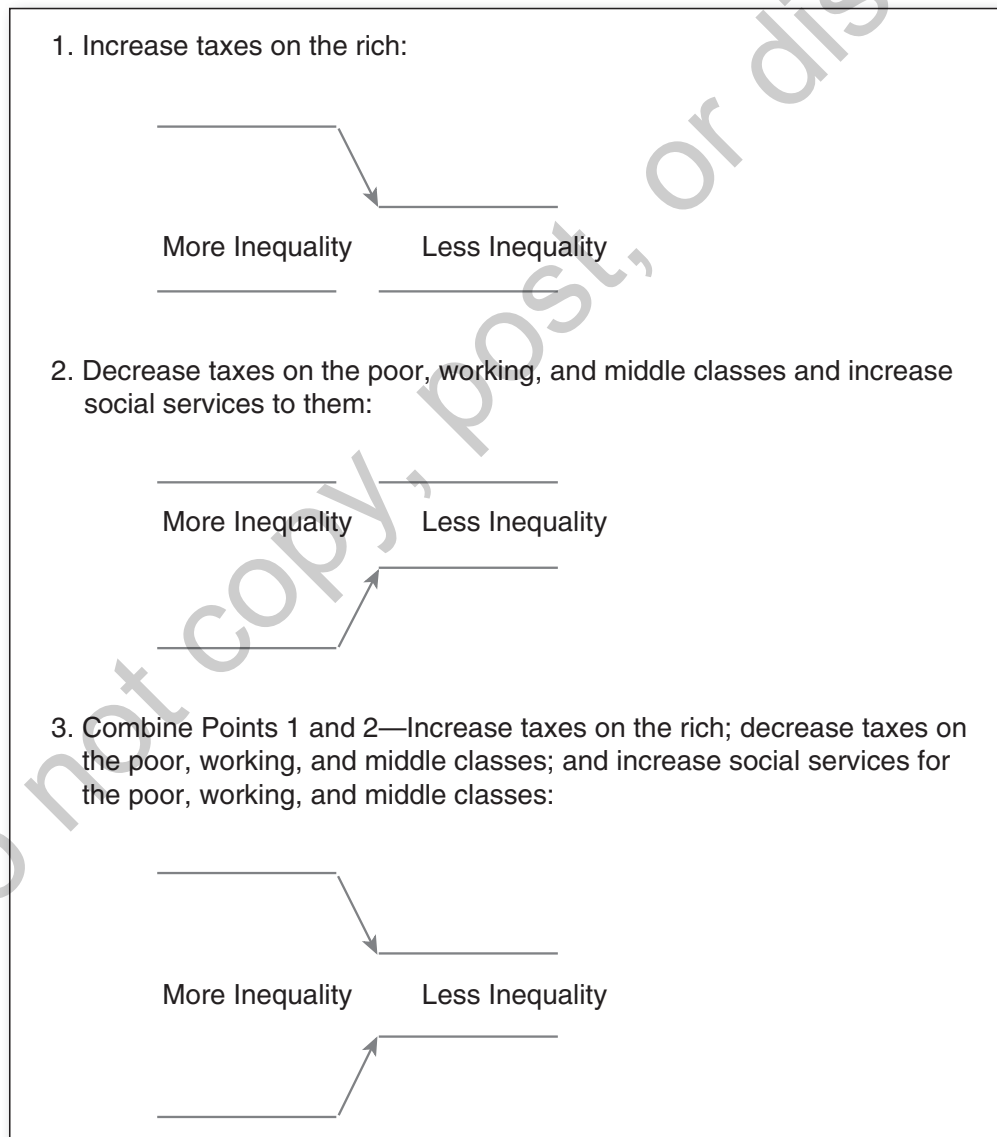
In other words, three ways to decrease the inequality in our country are (1) tax the poor less, (2) tax the rich more, and (3) provide more social

services for the poor, working, and middle classes. Figure 3.1 shows diagrammatically the three ways we could decrease inequality.

### What Should We Do?

What should we do? This is a question that neither sociology nor any other social science (for example, economics, political science, history, social psychology, anthropology, communications) can answer, because science cannot tell us what we should do. Science, whether natural or social, can

**Figure 3.1** Three Ways to Decrease Inequality





tell us many things. For example, it can give us the statistics on the unemployment rate, poverty rate, and homelessness rate. It can tell us what causes something to happen, such as what causes unemployment, poverty, and homelessness. It can tell us consequences, such as that more unemployment can lead to more poverty, homelessness, family stress, and crime and less tax revenues to pay for more police, courts, and prisons. It can also predict what may happen in the future. For example, given various kinds of prejudice and discrimination (for example, racial, gender, or sexual orientation), people being prejudiced against and discriminated against will have fewer opportunities than people who do not experience prejudice and discrimination. Having fewer opportunities will mean that these people will accumulate less money, power, and prestige, thus, creating more inequality in a society. Consequently, if we wish to decrease inequality in a society so that various groups of people will have more equal opportunities, then we will need to continue to work to decrease and eventually abolish various forms of prejudice and discrimination.

What science cannot do is tell us what we should do. The closest that science can come to answering a “should” question is to make “if, then” statements (Berger & Kellner, 1981). That is, if the society wants something to happen, such as a decrease in inequality, then sociology, along with other social sciences, can help us more clearly understand what actions need to be taken to achieve that goal.

In other words, sociology cannot tell us what we should do with regard to rising inequality. However, if the society wants to move in a certain direction, such as to decrease inequality, then sociology can help us to understand how we can do this.

What do you think? Should we increase inequality? Should we keep it where it is now? Should we decrease inequality? Over the hundreds of years of our country’s history, we have socially constructed the inequality that we currently have (1) due to the type of economy that we have; (2) due to the laws that we have, for example, certain tax laws on income and inheritance; (3) due to the services we provide or do not provide, for example, health care for all and good public education for all; and (4) due to the kinds of prejudice and discrimination that we have, for example, racial, gender, and sexual orientation. Since we, as humans and as Americans, socially construct the kind and amount of inequality that we have, we can change both the kind and amount of inequality that we have if we want to do so. We do not need to accept the inequality that we currently have. It is up to us to decide how much inequality we want.

### Questions for Discussion

1. Should we try to decrease inequality, or should we let it grow as it is currently doing?
  2. Should we increase taxes on the wealthy as a way to decrease inequality?
  3. Should we decrease taxes on the poor, working, and middle classes as a way to decrease inequality?
  4. Should we provide more social services for the poor, working, and middle classes as a way to decrease inequality?
  5. Where do you think inequality will go during the next 10 to 20 years—higher, lower, or stay where it is now? Why?
  6. What are other ways we could decrease inequality?
  7. How does having a capitalistic economy affect inequality?
  8. Should the government be more involved in decreasing inequality?
  9. How does the amount of inequality we have affect the other social problems we have?
  10. What do you think most Americans think about inequality? Why?
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