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Understanding Class and Economic Privilege

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The novel Snow Crash (Stephenson 1992) is set in an alternate United States at a time when the four things we do best are music, movies, software, and high-speed pizza delivery. Hiro lives in a 20' by 30' U-Store-It, formerly intended for people with too many material goods. The storage room has its own door and doesn't share walls with other units, so he tells himself there are worse places to live.

Hiro is a freelance computer hacker; he also belongs to the elite order of Deliverators, those entrusted with the task of thirty-minute pizza delivery for the Mafia-owned businesses (specifically, CosaNostra Pizza franchise #3569). In contrast with his own residence, deliveries tend to be to burbclaves—a suburban enclave, gated community. All burbclaves have the same layout because the "Development Corporation will chop down any mountain ranges and divert the course of mighty rivers that threaten to interrupt this street plan," but not all of them are Apartheid Burbclaves like White Columns: "WHITE PEOPLE ONLY: NON-CAUCASIANS MUST BE PROCESSED." As he approaches the gate, a laser scans his bar codes and he rolls through the immigration gate and past "customs agents ready to frisk all comers—cavity search them if they are the wrong kind of people."

Hiro's partner, a skateboard courier named Y.T., gets arrested in the burbclav by MetaCops Unlimited ("DIAL 1-800-THE COPS All Major Credit Cards"), who also enforce traffic regulations for one of the major companies that operate private roads. But many of the FOQNEs—Franchise-Organized Quasi-National Entities—prefer to have their own security force rather than engage a general contractor. Security is a big deal because they're "so small, so insecure, that just about anything, like not mowing your lawn, or playing your stereo too loud, becomes a national security issue."

The burbclav doesn't have a jail because it would hurt property values and create potential liability, but "any half-decent franchise strip" has one, either the

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cowboy themed Hoosegow or The Clink, Inc. The MetaCops quickly see the sign: "THE HOOSEGOW: Premium incarceration and restraint services. We welcome busloads!"

While *Snow Crash* is frequently considered science fiction, its author, Neal Stephenson, considers it an "alternative present." Indeed, the world he paints in the first pages of the novel satirize many features of the present day, including the shift from manufacturing to a service-based economy, rising income inequality, residential segregation, the popularity of gated communities, the privatization of justice functions, the predictable and franchise-based world George Ritzer describes in *The McDonaldisation of Society* (2004), and the growth in corporate power to rival the resources of states and many nations in the global village.

While Americans like to think of themselves as a "classless" society, the United States has both a highly stratified workforce and an underprivileged category of people locked out of the economic expansion. Over time, this class-based society has also become spatially separated, divided into urban and suburban spaces, or what Sophie Body-Gendrot (2000) refers to as the new "geography of inequalities." Urban spaces elicit a recurrent fear of crime and lack of trust in the public institutions responsible for law and order. In contrast, the white flight from the "urban jungle" by the upper and middle classes have facilitated the development of "gated" and "walled" communities separated socially, mentally, and spatially from the poor.

In fact, by 1990, only 25 percent of whites lived in central cities, compared with 57 percent of blacks and 52 percent of Latinos (Body-Gendrot 2000, 30). In general, whites and minorities may be viewed as inhabiting worlds that rarely meet either socially or spatially, but there are also spillover communities of affluent whites and nonwhites and of impoverished whites and nonwhites. Nevertheless, for the most part:

The residential environment of suburban whites is overwhelming white (82 percent), native born (92 percent) and non-poor (94 percent). In contrast, the living environment of most minorities is non-white, foreign, and disadvantaged. City-dwellers are twice as likely as suburbanites to live in female-headed families, 56 percent more likely to be unemployed, and their incomes are about 26 percent lower than those in the suburbs (Body-Gendrot 2000, 31).

These social realities of urban and suburban worlds of class difference also yield very different rates of arrest, for example. During the midnineties, when 30 to 40 percent of boys growing up in urban America were being arrested, only about 6 percent of suburban youth under the age of eighteen had never been arrested (Greenwood 1995, 92). These very real class differences in experiencing crime and the administration of juvenile/adult criminal justice have lasting consequences not only for these youths but also for the ways in which the larger society and its institutions come to view crime, criminals, and crime control.

As for life inside the overprotected, gated communities of suburbia, living has been redefined along with the meaning of community, engendering a sense of what used to be called the "me generation," along with twenty-first-century privatization and the notion that everyone must protect themselves and their families from the Other. This preference for living out in the suburbs and for the levy of separate taxes has caused drastic shortfalls in the fiscal budgets of urban America. In 2000, there were around 45 million residents, mostly white, living in such autonomous, unincorporated communities and about 9 million living in electronically or physically gated communities. By 2007, about one in ten U.S. households—more than 10 million households—resided in gated communities. That figure represented a tripling of such households since 1997 (Siegel 2009).

By the turn of the twenty-first century, Americans were spending about \$65 billion for their private security, and the number of private police officers had exceeded the number of public. Much of the costs were not in the suburbs but in such inside cities as Los Angeles, New York, Chicago, and elsewhere because there is no access to the "defensible" spaces that are protected by new technologies of surveillance. Consequently, these urban areas claim to have private police on duty twenty-four hours a day because of the rising property values of such spaces and the needs of the affluent who live there. In this two-class divided society of rich and poor, "the privatization of safety . . . and the freedom to carry weapons in the public space (taken advantage of by one-third of U.S. citizens) distinguish the American landscape" at the turn of the twenty-first century (Body-Gendrot 2000, 32).



The Constitution of the United States claims that everyone is entitled to equal protection under the law. The statues of Lady Justice that adorn many courts show her blindfolded so she can impartially weight the claims on the scales she carries. But most Americans know that being rich has its advantages, including in the areas of crime and law. Death row inmates joke that people who have capital do not get capital punishment, and the data support their observation. Being wealthy makes it more likely that someone can literally or figuratively get away with murder, while at the same time providing them greater access to politicians who can make the laws more favorable to the rich. Several observers see this pattern as so pervasive that they argue the criminal justice system is about controlling the poor and keeping them in their place (Chambliss and Seidman 1982; Quinney 1977; Sheldon 2000). Further, "crime" refers to "crime in the streets" rather than "crime in the suites," or corporate crime, which is more prevalent and more costly to society. Inequality and roadblocks in achieving the American Dream are key concepts in strain theory and its offshoots. Thus, understanding class will be important for gaining insight into many facets of criminology and criminal justice.

Fundamentally, class revolves around questions of the distribution of income, wealth, and status. (At the same time, these questions are related to racial and gender identity, as many women and minority men tend to occupy the lower levels of the income distribution, as we will explore in subsequent chapters.) Despite its importance, class is currently less frequently discussed than race and gender. Today, especially in the context of the present economic collapse and recovery, many more people were briefly willing to speak about class and the transfer of wealth from all taxpayers to the very rich through bonus payments to companies bailed out by the government (Ritholtz 2009a). However, very few were willing to talk about “capitalism’s dirty little secret: excessive lending was the only way to maintain the living standards of the vast bulk of the population at a time when wealth was being concentrated in the hands of an elite” (Funnell 2009). Outside of times when a financial crisis happens, conversation about class is more muted because getting vital information about class is still more difficult than with race or gender because basic sources, like the Census Department’s *Statistical Abstract of the United States*, do not contain a table with basic information like how much wealth the top 10 percent of the country controls.

Consider that four members of the Walton family, whose wealth comes from Wal-Mart stores, are “wealthier than the bottom third of the U.S. population put together—about 100 [million] people” (Funnell 2009). The members of the Walton family appear on *Forbes* magazine’s list of the 400 wealthiest Americans in ranks four through seven, with just more than \$23 billion in wealth *each*. And, the level of inequality has generally become worse over time. But,

despite the extremely high and rising degree of wealth inequality in the U.S. and its adverse impacts on the economy and on civic and political institutions, the issue never was raised in the most recent Presidential election. The presidential debates contained no substantive discussions of wealth inequality or proposals to help achieve a more egalitarian distribution of wealth. The national media also failed miserably to bring this critical issue to the attention of the voters and to the candidates (Sum and Forsell 2009, 19).

Discussions of class are also problematic because information about the distribution of income and wealth can potentially disrupt deeply held beliefs about an America where everyone is middle class and anyone can get ahead—even become president like biracial Barack Hussein Obama—if they try hard enough. Indeed, since the mid-1970s, the distribution of wealth has become more unequal. Many people have experienced downward mobility and reduced expectations because of the decline in manufacturing jobs and the transfer of many service jobs to India. But saying that “the rich are getting richer and the rest of us are getting taken” is seen as inciting “class warfare” (Hightower 1998a, 105). The financial crisis and

bailouts of “too big to fail” banks should have moved discussions of class, inequality, and privilege to the forefront of discussion, but popular outrage faded quickly.

This chapter starts an investigation into class to help illuminate aspects of criminology and criminal justice that were introduced in chapters 1 and 2. What follows is an overview of what class means, how income and wealth are distributed, and what studies say about the ease of mobility between classes. Although these issues often receive less attention than race and gender, a three-week series on class in the *New York Times* began by noting “class is still a powerful force in American life.” It concluded that over the past thirty years or so, class “has come to play a greater, not lesser, role in important ways.” Moreover,

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at a time when education matters more than ever, success in school remains linked tightly to class. At a time when the country is increasingly integrated racially, the rich are isolating themselves more and more. At a time of extraordinary advances in medicine, class differences in health and life span are wide and appear to be widening (Scott and Leonhardt 2005, A1).

SOCIAL CLASS AND STRATIFICATION IN SOCIETY

In a most generic sense, *class* may be defined as “any division of society according to status,” or social ranking (*New Webster’s Dictionary of the English Language* 1984, 186). For example, Horton and Hunt (1976, 234) defined social class as “stratum of people of similar position in the social status continuum.” Consequently, the janitor and the college president are not of the same class and are not treated the same way by students. The *New York Times* series conceptualized class as a hand of cards, with the suits representing education, income, occupation, and wealth (Scott and Leonhardt 2005). Although class can cover many attributes that relate to social position, we use it here mostly to indicate income and wealth, which are strongly related to education and occupation. Elements of status—such as prestige, respectability, and celebrity—are also tied to income and wealth by way of occupation and education. But we believe primary attention should be placed on the stark inequality in the distribution of economic power and resources.

Further, income and wealth are more important than other aspects of class for understanding the nature of crime control and the functioning of the criminal justice system. Money is ultimately the primary factor involved in motivations and opportunities to commit crime, as well as in the responses of the criminal justice apparatus. For example, wealth means political influence to lobby for more favorable laws and less oversight; and,

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except for isolated cases related to widespread financial scandals, it is generally the case through history that poor defendants are the ones seen as "noncredible and/or disreputable persons regardless of their actual moral proclivities" (Emmelman 2004, 50, 63). Thus, the focus of our discussion of class is economic because it is convenient shorthand for understanding the larger issues, especially as these relate to crime, law, and justice.

Many social thinkers have tried to devise meaningful ways to divide up the spectrum of income and wealth. Karl Marx identified the capitalist class, or the *bourgeoisie*, who owned the means of production (factories, banks, and businesses); the *petty bourgeoisie*, who do not have ownership but occupy management or professional positions; and the *proletariat*, or workers, who need to sell their labor to make a wage. Marx also identified the surplus population or *lumpenproletariat*, which has no formal ties to the system of economic relations because they are unemployed or unemployable (see Lynch and Groves 1989). In developing his theory of class and class conflict, Marx also contributed a useful critique of capitalism, involving class struggle and his belief that history could be described in terms of an ongoing war of the rich against the poor for control of wealth. Although Marx himself did not write much about crime, his suggestion that law and criminal justice are tools used in this class warfare have been used by criminologists over time to provide important insights, as well as questions, that are explored throughout the text.

Many other attempts to describe the class system have been less useful because they are not tied to a theory of power relations or offer less useful insights for understanding law, crime, and justice. For example, eighteenth-century economist Adam Smith divided society into those who lived by wage labor, by renting out land, or by profiting from trade. Writing at the turn of the twentieth century, Thorstein Veblen (1969 [1919]) divided society into the leisure class and the working class: the former had become so wealthy that their main preoccupation was "conspicuous consumption," the latter so poor that they were forever struggling for their subsistence. Each of these descriptions of social class signifies that both the source of money and the amount of it separate people into different groupings.

Other attempts to describe the distribution of wealth tend to be variations on upper, middle, and lower classes, although there is some discomfort in describing others as "low class." To avoid possible value judgments, the lower segment of the income distribution has been described by such terms as *working class* and *working poor*, while *underclass* refers to the poorest of the poor who seem to lack class mobility and are locked into poverty. Comedian Jeff Foxworthy is something of an exception by becoming a multimillionaire with his "You know you're a redneck when . . .," but part of its acceptance can be traced to the lack of jokes about race or racism. Also, a growing literature in the field of "white-trash studies" examines the poor-

est whites that have none of the power and prestige of most whites. These people tend to have resources equal to or even less than minorities but have white skin, so studying them can potentially shed theoretical light on issues of race and class (Wray and Newitz 1996).

One interesting attempt to describe the distribution is Paul Fussell's typology of nine classes: top out-of-sight (rich), upper, upper middle, middle, high proletarian, midproletarian, low proletarian, destitute, and bottom out-of-sight (1983). People in the first category included media mogul Ted Turner, who in the early 1990s gave \$1 billion of his own money to the United Nations. One of Turner's seven properties is a New Mexico ranch that covers 578,000 acres, or enough room for 22 lakes, 30 miles of fishing streams, and more than 8,000 elk (Gilbert 1998, 90). The heirs of Sam Walton, founder of Wal-Mart, a more recent example of the out-of-sight, hold fortunes somewhat less than those of Microsoft founder Bill Gates, but who are largely unknown. People in the bottom category include homeless people, such as mentally ill people and veterans of recent wars who live in the subway tunnels of major cities (Barak 1991b; Toth 1995).

Many schemes for understanding class have difficulty placing women who work in the home and are not wage earners. Indeed, radical feminists often argue that women represent a social class. More generally, feminists argue that women's relationship to class structure is mediated by "the configuration of the family, dependence on men, and domestic labour" (in Gamble 1999, 206). Chapters 5 and 6 examine these issues in more detail, so for now the important point is that underlying all these ideas about how to create meaningful divisions are some basic concepts related to income, wealth, and financial assets. *Income* is the most straightforward indicator of class. It represents sources of individual revenue such as salary, interest, and other items reported on income tax forms. By contrast, *wealth* includes income plus possessions such as cars, savings accounts, houses, stocks, bonds, and mutual funds; it also subtracts out debts and loans. *Financial assets* is a measure of ownership of the economic system, so it excludes houses, cars, and items people could turn into cash at a garage sale. Instead, it focuses on stocks, bonds, and trusts—"the kind of ownership that gives a person distinct advantages in a capitalist society" (Brouwer 1998, 13).

The study of class is also part of a larger question about what sociologists call *stratification*, which is concerned with the distribution of social goods such as income, wealth, and prestige. Because most of these goods have an unequal distribution, part of stratification attempts to explain how small minorities maintain control over a disproportionate share of the social resources—an explanation that involves the role of the criminal justice system and the phenomenon of how *The Rich Get Richer and the Poor Get Prison* (Reiman and Leighton 2010a).

ECONOMIC DISTRIBUTIONS

Income, wealth, and financial assets are all distributed unequally in the United States. Americans have mixed reactions in their moral evaluation of this inequality. Some people believe it is unjust for some to starve and live in poverty while others have so much, a point highlighted during the 2001 corporate scandals when Tyco CEO Dennis Kozlowski was revealed to have paid \$6,000 for a shower curtain for his multi-million-dollar mansion. Others see the inequality as a necessary part of the American Dream, where the possibility of nearly unlimited wealth motivates everyone to work harder to achieve the Good Life. In this section, we try just to describe the income and wealth distributions. Following these economic distributions, the rest of this section and the next one represent a discussion of social mobility and the American Dream in the context of economic influence, free markets, and power politics.

These concepts are important for furnishing a concrete picture of concepts like inequality and relative deprivation, which focuses on people's evaluations of their place relative to what others have and/or what they believe they are entitled to. As discussed further in chapter 8, Braithwaite argues "inequality worsens both crimes of poverty motivated by *need* for goods for *use* and crimes of wealth motivated by *greed* (1992, 81; emphasis in the original). Crime can be related to the powerlessness and exploitation of those at the bottom of the class system as well as by the unaccountability and manipulation by those at the top. Class mobility and crime are related to the notion of blocked opportunities and poverty in strain theory, yet it is seldom discussed in terms of class mobility, stratification, and greed.¹

Income Distribution

To illustrate income distribution, Gilbert (1998) uses the example of a parade, where all the households in the United States pass by in one hour. The height of the marchers in the parade is used to represent their income, with the smallest being the poorest and the tallest being the richest. In updating Gilbert's idea with current data, the discussion of the parade is built around a 2006 median family income of \$58,407 and a median height of approximately five feet seven inches.

First Twelve Minutes

Here are the lowest 20 percent of income earners who all together received 3.4 percent of all income.

Gilbert suggests that the parade opens on an odd note because "it seems that the first people are marching in a deep ditch" (1998, 86). These people have suffered income losses, such as self-employed people whose expenses are higher than their income. Many people in this opening part of the parade receive at least part of their income from public assistance, social security, or veteran's benefits. Women, minorities, and children are overrepresented in the first part of the parade, especially children in female-headed households. Over 12 million children live in poverty—including 33 percent of black and almost 27 percent of Hispanic children (*Stat-Abs* 2009, table 690).

The minimum wage in 2006 was \$5.15 an hour, so someone who worked forty hours a week for fifty weeks out of the year would earn \$10,300. They would appear in the parade as one foot tall. (As of July 2009, the minimum wage increased to \$7.25 an hour, so those who work forty hours a week for fifty weeks out of the year earn \$14,500.)

At the close of the first segment of the parade, marchers would be earning \$20,035 and be just under two feet tall.

From Twelve to Twenty-four Minutes

Next come the 20 percent of income earners who collectively received 8.6 percent of all income.

In this category are families that have multiple-wage earners at marginal jobs and single-income families living off a wage from production or non-supervisory work (average salary was \$16.06 before taxes in 2005). Wages for this group tend to appreciate at about the rate of inflation, so "the average worker's wages are stuck in neutral" (Porter 2005). That is an accurate assessment about the recent past, but a longer-term view shows slight erosion: in 1980, this group collectively received 11.6 percent of the income, about 3 percent more than they shared in 2006.

The poverty level for a family of four in 2006 was \$20,614, and families earning this amount would be represented by a marcher two feet tall.

At the end of this part of the parade, with 40 percent of the families having passed by, those marchers would have been earning \$37,774 and be just over three and a half feet tall.

From Twenty-four to Thirty-six Minutes

Now come the middle 20 percent of income earners who collectively received 14.5 percent of all income.

The median income of \$58,407 crosses the line at thirty minutes into the parade. While there is a great deal of debate about who is included in the middle class, the median should be the midpoint of it. At the end of this

part of the parade, more than halfway now, marchers earn \$60,000 and would be about five feet nine inches tall.

From Thirty-six to Forty-eight Minutes

Now come the next 20 percent of income earners, who collectively received 22.9 percent of all income.

At the end of this segment, with the parade 80 percent over, the marchers would earn \$97,032 and be nine feet four inches tall.

From Forty-eight to Sixty Minutes

These are the highest 20 percent of income earners who collectively received 50.5 percent of all income.

The last twelve minutes show a greater range—from just over nine feet to thousands of feet tall—illustrating the large income a relatively few households command. In the last three minutes, the top 5 percent of wage earners—who receive 22.3 percent of the income—would walk by, representing family salaries of at least \$174,012 and a height of over sixteen feet. These marchers are likely to be professionals such as doctors and lawyers. Fifty-nine minutes into the parade, “we would be looking at 50-foot Goliaths, seconds after that, 200-foot King Kongs, and then the towering leviathans, thousands of feet tall” (Gilbert 1998, 89–90). Marchers from the last minute are likely to be corporate executives and a mix of celebrity entertainers and star athletes.

The average National Football Association coach makes \$3 million, making them 287 feet tall. The average National Basketball Association coach did better: \$4 million, making them 382 feet tall (Van Riper 2009). For CEOs, salary tends to be a small part of the overall pay or “compensation package,” which includes stock options, spending allowances, and generous pensions that are frequently protected even during bankruptcy proceedings. Although the package helps CEOs build wealth, it can be compared with income because it is ultimately payment for the job they are doing. In 2008, *Forbes* magazine calculated that the average compensation for Fortune 500 CEOs was \$11.4 million (DeCarlo 2009), meaning they would stand 1,090 feet tall in the parade (based on 2006 data). The highest paid CEO was Lawrence Ellison of Oracle, whose compensation (include certain stock gains) was \$544 million, making him 53,288 feet tall.²

Historically this top group has managed impressive gains, which are described in the headline of one of the articles in the *New York Times* series on class: “Richest Are Leaving Even the Rich Far Behind” (Johnston 2005). A comparison with the average worker is even more striking: in 1980, CEOs of the largest companies were paid forty times as much as the hourly wage

earners at their companies; by 1991, it was 140 times, and by 2003 the average CEO made about 500 times more than the rank-and-file worker (*Washington Post* 2002, E1; Revell 2003, 34). Put another way, *Fortune* magazine noted that if the minimum wage increased at the same rate as CEO pay since 1990, it would be \$21.41 an hour instead of \$5.15 in 2002 (Florian 2002, 30).

Increasing pay may make a certain amount of sense when tied to sustainable, long-term corporate growth. But, CEO pay and bonuses remained high even as the financial crisis hit and firms went bankrupt or received bailout money through TARP (Troubled Asset Relief Program). In a report, New York Attorney General Andrew Cuomo noted that "when the banks did well, their employees were paid well. When the banks did poorly, their employees were paid well. And when the banks did very poorly, they were bailed out by taxpayers and their employees were still paid well" (2009, 1). For example, his report notes that Citigroup and Merrill Lynch each together "lost \$54 billion, paid out nearly \$9 billion in bonuses and then received TARP bailouts totaling \$55 billion" (2009). Other companies did not lose money but paid out more in bonuses than they made in income. Goldman Sachs, Morgan Stanley, and JP Morgan Chase together "earned \$9.6 billion, paid bonuses of nearly \$18 billion, and received TARP taxpayer funds worth \$45 billion" (Cuomo 2009, 2).

In the end of the last minute are a number of celebrities—athletes and entertainers—who add some diversity to the largely white male CEOs. For example, in 2008, the top 100 best-paid celebrities according to *Forbes* (2009) included Oprah Winfrey, who was at the top of the list with \$275 million (making her 26,288 feet tall), golfer Tiger Woods (\$110 million), musician Madonna (\$110 million), singer Beyonce Knowles (\$87 million), basketball player Kobe Bryant (\$45 million), basketball player Michael Jordan (\$45 million), and comedian Chris Rock (\$42 million).

Overall, income is unevenly distributed—a point especially notable when considering that median income at thirty minutes was the median height of five foot seven inches, but at fifty-seven minutes marchers are sixteen feet tall and several minutes later the last marcher is more than 53,000 feet tall. Further, income is becoming more unequally distributed over time. Since 1990, the top 5 percent has increased the proportion of income it receives, while the bottom 80 percent have seen their share shrink (*Stat-Abs* 2009, table 675). Finally, the market structure and venture capital system in the United States do provide degrees of openness and opportunity for changing income brackets, but an economist with the Federal Reserve Bank of Chicago notes that "income mobility has declined in the last 20 years" (Francis 2005). The article, "The American Dream Gains a Harder Edge," notes that most Americans do not believe mobility has declined,

"but academic studies suggest that income mobility in the U.S. is no better than in France or Britain." Canada and the Scandinavian countries have more mobility than the United States (Francis 2005; Scott and Leonhardt 2005). The *New York Times* series on class noted the same phenomenon and aptly summarized the research as: "Mobility happens, just not as rapidly as was once thought" (Scott and Leonhardt 2005).

Wealth Distribution

Income is only one way of examining the finances of households, and in many ways measures of wealth are more important. Measures of income look at salary for a year, whereas wealth looks at the accumulated assets and debt over a lifetime. Wealth includes bank accounts, ownership of stocks and bonds, retirement accounts, houses, cars, and ownership of businesses; it also includes debts such as car loans, student loans, mortgages, and credit card balances. Of particular importance is the ownership of financial assets like businesses and stock—especially large blocks not held through a mutual fund or retirement account—that generate economic power.

To help see the difference between income and wealth, think of the difference between boxer Michael Tyson and businessman Michael Dell. During his boxing career, Tyson earned about \$400 million in income but managed to spend it in ways that left him declaring bankruptcy after hitting \$34 million in debt (Schlabach 2005, E1). In contrast, Dell makes a lower salary per year than Tyson received for many individual fights, but as founder of Dell computers he has substantial business and stock ownership. As with others, his wealth will rise and fall along with the value of his company's stock, but his ownership of the business will continue to provide economic and political power.

More generally, lists of people with high salaries tend to include minorities and women who are athletes and entertainers, but the lists of those with the largest wealth are much more likely to be white male businessmen. Whites have more than six times the wealth of African Americans, who collectively own 1 percent of all stock and 0.5 percent of business equity (Kennickell 2003, 35, 45). Indeed, out of the list of the 100 highest paid celebrities, only 3 are also in the *Forbes* 400 list of the wealthiest Americans: George Lucas is #91 on the wealth list (\$4 billion); filmmaker Steven Spielberg is #131 on the wealth list (\$3.1 billion); and Oprah Winfrey is #155 on the wealth list (\$2.7 billion) (*Forbes* 2008).

To convey a sense of the wealth distribution, the income parade can be turned into a wealth parade, with the median height of five foot seven inches corresponding to median family wealth of \$92,900 in 2004.³ Data indicated the "typical" family:

has about \$3,800 in the bank. No one has a retirement account, and the neighbors who do only have about \$35,000 in theirs. Mutual funds? Stocks? Bonds? Nope. The house is worth \$160,000, but the family owes \$95,000 on it to the bank. The breadwinners make more than \$43,000 a year but can't manage to pay off a \$2,200 credit card balance (Irwin 2006, F01).

The "typical" family described above seems to be in slightly worse shape than the median family in the wealth parade, but they are quite close. Indeed, an increasing number of families in the lead up to the financial crisis took on increasing debt, meaning any loss of income or change in health insurance could have a drastic impact on their ability to pay on credit cards, mortgage, and cars. In such circumstances, families dip into any savings, then sell stocks, bonds, and retirement account holdings.

The basis of information for the parade is the Survey of Consumer Finances, which is done every three years. The survey deliberately excludes people in the *Forbes* 400, who are the 400 richest people in the United States. Because of the large amount of wealth held by those at the top, their exclusion means the survey results understate inequality. For example, the survey indicates that in 2004, the top 1 percent of wealth holders have 33.4 percent of the wealth, but this figure excludes about \$1 trillion in wealth held by the *Forbes* 400. This amounts to 2 percent (Kennickell 2006, 7), so the top 1 percent in the United States own about 35.4 percent of all wealth.

While the discussion of the parade provides further breakdowns and additional information about wealth distribution, table 3.1 provides

Table 3.1. Shares of Net Worth and Distribution of Components, 2004

	Wealth Percentile Group				
	0–50	50–90	90–95	95–99	99–100
People are in this group if their net worth is above		\$92,900	\$827,600	\$1,393,000	\$6,006,000
Percent of All Net Worth Owned	2.5%	27.9%	12.0%	24.1%	33.4%
Percent of All Stocks Owned	0.6%	10.3%	10.1%	28.2%	50.9%
Percent of All Business Owned	0.3%	9.2%	5.7%	22.4%	62.3%
Percent of All Credit Card Debt	45.7%	46.9%	3.6%	3.1%	0.7%

Note: The *Forbes* 400, the 400 wealthiest families in the United States, were not included in the Survey of Consumer Finances used to produce table 3.1. In 2004, the *Forbes* 400 collectively had total wealth of over \$1 trillion dollars; the minimum wealth to make the list was \$750 million and the wealthiest family had \$51 billion in wealth.

Source: Arthur Kennickell. "Currents and Undercurrents: Changes in the Distribution of Wealth, 1989–2004." Federal Reserve Board, 2006. <http://www.federalreserve.gov/pubs/oss/oss2/scfindex.html>.

Table 3.2 Wealth Held by Poorest 50 Percent of Families versus 400 Richest Families

Amount of wealth held by poorest 50 percent of population	\$1.28 trillion
Amount of wealth held by <i>Forbes</i> 400 (the 400 richest families = 0.0004 percent of population)	\$1.0 trillion

a summary of wealth and the distribution of certain assets. As noted above, direct ownership of stock and business are important measures of ownership of the economy that translates into economic and political power. Even the more general measures of net wealth indicate that the combined worth of the poorest 50 percent of the population (about 150,000 people) is only slightly higher than that held by the richest 400 families, which is represented in table 3.2 (Kennickell 2006; see also Sum and Forsell 2009):

First Thirty Minutes

While this is a large segment of the parade to discuss at once, this 50 percent of families in the United States collectively owned only 2.5 percent of all wealth in 2004. Seven percent of all families have negative net worth, meaning more debt than assets, so for almost five minutes the parade would be people who looked like they were marching in a ditch. Those at the tenth percentile, appearing at six minutes into the parade, have \$200 net worth and would be less than a quarter inch tall. Those at the twentieth percentile, appearing at twelve minutes into the parade, have a net worth of \$6,450 and would be almost five inches tall.

For these families, credit card debt tends to be high, along with auto loans that exceed the value of the car. Student loans contribute to the negative segment of the parade, but the education provides an increase in human capital, which relates over time to better income and jobs. Thus, while young people appear early in the parade, many of the students will start to accumulate some wealth over their lifetimes, while many of the women and minorities—who are also overrepresented here—will remain. The median wealth of African Americans was \$20,006, representing a marcher just over one foot tall; the median wealth of Hispanics was \$18,600 (Kennickell 2006, 34).

During the first half hour, assets tend to be in the form of checking and saving accounts plus vehicles. A majority of those marching after fifteen minutes own a home, although large mortgage balances mean the house does not contribute greatly to wealth. For example, putting 0 percent down as part of a subprime mortgage and financing 100 percent of a house means assets and debt balance out, so there is no net contribution to wealth. If housing prices increase, an owner will build wealth because of the differ-

ence between what they owe and what they can sell the house for. (In the quote above, the house was worth \$160,000 and the family owed \$95,000, meaning they had \$65,000 in wealth from the house.) Homeowners who refinance during times of increasing prices and take cash out transform potential wealth into consumption—or money to cover other debts. When housing prices decrease, wealth decreases for many (and the ability to refinance decreases, leaving people without access to cash they had previously used to cover debts).

In the first thirty minutes, ownership of business is negligible: the bottom 50 percent owned 0.4 percent of equity in businesses, reflecting both low levels of ownership and relatively small businesses. On the other hand, this 50 percent of the population has almost 50 percent of all the credit card debt. At the end of this segment of the 2004 parade, marchers would have the median wealth of \$92,900 and be the median height of five foot seven inches.

Thirty to Fifty-four Minutes

This segment, representing the fiftieth to ninetieth percentile, owned 27.9 percent of the wealth in 2004. In addition to larger checking and savings accounts, families are more likely to own stocks, bonds, and mutual funds; they are more likely to have retirement accounts that are better funded. They have larger houses, with less debt, and more likely to own rental property or second homes. This group still only owned 8.9 percent of all business equity. At the end of this segment, 90 percent of families would have marched by, representing 30.4 percent of all wealth. The net worth of the last people in this group was \$827,600, which makes them about fifty feet tall.

Fifty-four to Fifty-seven Minutes

This part of the parade in 2004 represents the ninetieth to ninety-fifth percentile, which owned 12 percent of the net worth. Families at fifty-seven minutes had a net worth of \$1,393,000, making them nearly eighty-four feet tall.

Fifty-seven Minutes to Fifty-nine Minutes and Twenty-four Seconds

This brief part of the parade covers the ninety-fifth to ninety-ninth percentiles, which owned 24.1 percent of all wealth in 2004. This 4 percent of the population owns 27 percent of the money in checking, savings, and money market accounts; 28.2 percent of stocks; 32.7 percent of mutual funds (other than money market); 25.2 percent of retirement account

value; 24.9 percent of the cash value of all life insurance; and 22.4 percent of the value of businesses. The last marcher in this segment had a net worth of \$6,006,000, making them 361 feet tall.

Fifty-nine Minutes and Twenty-four Seconds to Sixty Minutes

During this final thirty-six seconds, the top 1 percent parades by and in 2004 owned 33.4 percent of all wealth—3 percent more than were owned by the lowest 90 percent of families.

The last seconds of the parade would consist of the *Forbes* 400. For 2004, the lowest ranked person had wealth of \$750 million (Kennickell 2006, 6)—about 45,075 feet tall (8.5 miles). There were 312 *billionaires* (Armstrong and Newcomb 2004). Being in the top hundred in 2004 meant wealth of \$2.2 billion (Kennickell 2006, 6), making them 132,221 feet tall (over twenty-five miles tall)! Breaking the top ten requires wealth of at least \$22.7 billion or 258 miles in height. The top person on the list, and the last marcher in the parade, was Microsoft’s Bill Gates, whose worth was estimated at \$51 billion (Kennickell 2006, 6). He would have a height of 580 miles.

By 2008 everyone on the *Forbes* list was a billionaire (*Forbes* 2008), with \$1.3 billion necessary to make the list. The total wealth of the 400 on the list was just over \$1.5 trillion. Given the general lack of gains by those on the bottom, these figures suggest a continuation of the trend

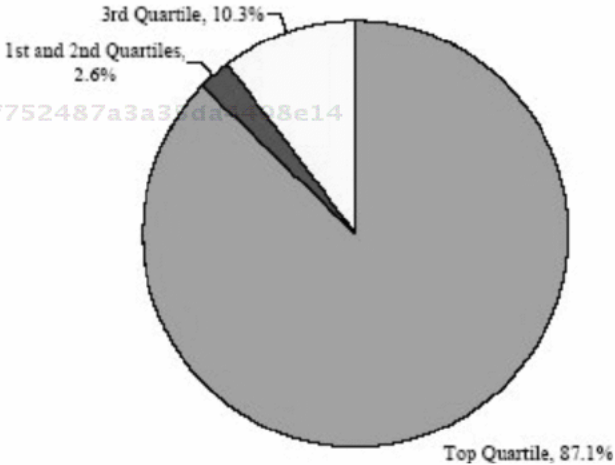


Figure 3.1. Percentage Shares of Net Worth Obtained by U.S. Households in Each Quartile of the Wealth Distribution, 2004

Source: Sum and Forsell (2009, 10)

from 1992 to 2004, when the distribution of wealth became more highly concentrated on a fairly steady basis. Rising inequality in the wealth distribution appears to have been ongoing although not continuously since at least the early 1980s. While figure 3.1 does not capture the change in inequality, it attempts to capture the picture in 2004. Certainly the financial crisis holds out the possibility that those at the top will have less wealth in absolute dollar amounts, and some measures will show less inequality because the rich had more to lose. But the real question will be if their share of the wealth—especially direct ownership of stock and business—is reduced and their economic and political power along with it.

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POLITICAL SPHERE

For at least some purposes, American law treats corporations as “persons.” The legal fiction of corporate “persons” means their size should also be considered to have a full understanding of how income and wealth affect the treatment of persons under the law. The intense concentration of wealth in corporations generates considerable political power, makes accountability increasingly difficult, and increases inequality in a way that is invisible to criminological theory.

Corporations now grow to unlimited size so that their money power now dwarfs that of (most) individuals. For example, Wal-Mart is the largest of the Fortune 500 companies with 2004 revenues of \$288 billion (*Fortune* 2005), which would represent a height in the income parade of more than 31 million feet—well over 5,000 miles tall, compared to the average height of five foot seven inches! Such an income makes it gargantuan not only in relation to individuals but also cities, states, and even the federal government. Indeed, corporations make up more than half of the largest economies in the world. Because of mergers, they frequently grow faster than nations (such as with the merger of the oil companies Exxon and Mobil). Problems of jurisdiction compound problems of resources as we approach a time, in the words of Kortron, “When Corporations Rule the World” (1995).

Moreover, the large concentrations of wealth by these megacorporations translate into political power that is also exercised through corporate lobbyists and Political Action Committees (PACs). PACs that donate thousands—or even millions—of dollars can achieve considerable clout at a time when during the late 1990s only 0.06 percent of the U.S. population contributed more than \$1,000 to political parties or candidates (Hightower 1998b, 6). Many corporate interests donate heavily to both political parties to ensure access to legislators and favorable action on their legislation, regardless of

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which party wins the election. Further influence and consideration comes from the corporate use of "the slush fund, the kickback, the stock award, the high-paying job offer from industry, the lavish parties and prostitutes, the meals, transportation, housing, and vacation accommodations, and the many other hustling enticements of money" (Simon 1999, 24).

The result of this influence can be tax breaks, less regulation, or limits on the extent of punishment, such as the size of damages juries are allowed to award against businesses in product liability cases. An excellent example is the process to establish sentencing guidelines for corporate misconduct. In 1984, Congress established the U.S. Sentencing Commission to help create guidelines that would make federal sentencing more certain and uniform in criminal cases. The guidelines are a grid that judges use to plot both the severity of the offense and an individual's record to find an appropriate range for the sentence. The first set of guidelines in 1987 did not address corporate crime, although the 1990 ones did.

Instead of \$5,000 or less—the amount levied in four-fifths of all corporate convictions from 1975 to 1976—fines were set as high as \$364 million. In addition, the commission had devised innovative new punishments—including probation and community service for convicted organizations (Etzioni 1990, C3).

After a "steamroller of business lobbyists" took notice, the Commission released a revised set of guidelines in which the potential fines were "slashed." Mitigating factors were given more weight, and aggravating factors (such as a prior record) were removed from consideration (Etzioni 1990, 3). Under the original plan, a level 10 carried a penalty of \$64,000, while the postlobbying guidelines suggested \$17,500; level 25 was revised down from \$136 million to \$580,000; and the maximum fine went from \$364 million to \$12.6 million. Later, then Attorney General Thornburgh, who had called fighting crime in the suites one of his top priorities, "withdrew the Justice Department's long-standing support for tough mandatory sentences for corporate criminals following an intense lobbying campaign by defense contractors, oil companies and other Fortune 500 firms" (Isikoff 1990, A1).

After the half *trillion* dollar savings and loan scandals of the late 1980s, Congress did increase penalties for some financial crimes and added some financial regulations. But, according to the authors of *Big Money Crime*, soon after the S&L crisis Congress went on a wave of "cavalier" financial deregulation, spurred on by lobbying and political donations, creating the "paradox of increasing financial deregulation coming on the heels of the most catastrophic experiment with deregulation in history" (Calavita, Pontell, and Tillman 1997). In turn, this deregulation created the conditions

for the string of corporate corruption in 2001–2002 that included Enron, WorldCom, Tyco, Arthur Andersen, and many others (Leighton and Reiman 2002). Congress passed Sarbanes-Oxley to correct some of the systemic causes of widespread fraud. But with the passage of time, businesses felt increasingly comfortable lobbying against it and trying to undo many of the safeguards put in place to protect shareholders and retirement funds (Leighton and Reiman 2004).

Further, the financial services industry lobbied to be able to take on more risk, which resulted in the financial crisis of 2008–2009, and now they seem to be lobbying quietly behind the scenes to block much-needed reform after a \$700 million bailout (Ritholtz 2009a). Indeed, Barry Ritholtz—the CEO of an investment research firm, blogger, and author of *Bailout Nation* (2009a)—argues that the financial crisis has been “wasted”: there was “smoldering resentment” among people because of the “massive taxpayer wealth transfer to inept, corrupt, incompetent bankers.” This provided the “best chance to clean up Wall Street in five generations,” but “what we got instead, was the usual lobbying efforts by the finance industry. They own Congress, lock stock and barrel, and they throttled Financial Reform. It did not help that the Obama economic team is filled with defenders of the *Status Quo* . . . that fiddled while the economy burned” (2009b).

Although real people convicted of felonies lose their voting rights, corporations convicted of multiple felonies lose none of their political rights—and in some cases try to lobby Congress to weaken the law under which they were convicted. Further, corporate charters themselves act as a shield from the public and give the corporation permission to act in the best interests of shareholders rather than the larger public good. Thus,

the corporation is now a superhuman creature of the law, superior to you and me, since it has civil rights but no civil responsibilities; it is legally obligated to be selfish; it cannot be thrown in jail; it can deduct from its tax bill any fines it gets for wrongdoings; and it can live forever (Hightower 1998a, 34).

While many of the individual men and women who work in the corporation make good neighbors, the corporation itself can be a problem because “the corporation’s legally defined mandate is to pursue, relentlessly and without exception, its own self-interest, regardless of the often harmful consequences it might cause to others” (Bakan 2004, 2).

Indeed, Bakan asked Robert Hare, the noted expert on psychopathologies, to apply his diagnostic checklist to corporations and found a close match: they are irresponsible by putting others at risk; manipulative of everything, including public opinion; lack empathy for others and are unable to feel remorse; refuse to accept responsibility; and relate to others superficially (2004, 56–57). Just as psychopaths are known for their

superficial charm, corporations may “act in ways to promote the public good when it is to their advantage to do so, but they will just as quickly sacrifice it—it is their legal obligation to do so—when necessary to serve their own ends” (118).

Thus, protecting people—citizens, workers, consumers, communities, and the environment—from the excesses of corporate behavior is an important function of law. But this social control is brought into question by donations and strategic lobbying on the part of corporations. When the size of corporate actors is combined with their institutional personality, the dark side of big business can be seen. Obviously not all businesses are bad all the time, and the point is that there is a problematic antisocial tendency that must be kept in check, but the control mechanisms to regulate and hold corporations accountable have become less powerful relative to the corporations.

IMPLICATIONS

This chapter began by noting the reluctance in our society to discuss issues of economic class. In spite of real differences in class, in popular media “people dwell in a classless homogenized American Never-Never Land” where “the pecking order of sex and looks has replaced the old hierarchy of jobs and money” (McGrath 2005). Class thus becomes less visible and less subject to honest conversation. But in some less guarded moments, even leaders of white supremacy hate groups admit that class is more of a problem than race. Many of their followers are poor whites who feel that no one represents them. One leader said that their literature was derogatory to blacks, but “we just use it as a vehicle to attract possible decent people” (in Ezekiel 1995, 112). Apparently, decent people feel that class is a taboo topic and will respond more favorably to an incorrect analysis that fosters hate by blaming blacks or a widespread Jewish conspiracy (the Zionist Occupied Government, or ZOG) for social problems (see Ezekiel 1995; Ridgeway 1995).

While criminal justice agencies do not share most of the beliefs of white supremacy groups, they too seem to feel that class is not a respectable topic and are reluctant to collect data about it. This observation did not hold for the 1960s and the first President’s Commission on Crime in a Free Society, but it has become the current social reality. The problem of inequality and the growing gap between the rich and the poor are less frequently part of the “official knowledge” about crime and crime control, but they are important nevertheless. Indeed, a twenty-five-year retrospective on the President’s Commission stated: “While evidence shows that criminal justice procedures are more evenhanded than in the past, it is also painfully obvious that

the growing gap between rich and poor, and white and black, continues to make criminal justice a social battleground rather than a mechanism to increase social peace" (Conley 1994, 66).

Because of the long history of racism, blacks, Hispanics, and Native Americans are disproportionately poor, so issues of class and race are tied together in ways that will be explored in other chapters. The current and evolving problem is that criminal justice is contributing to the differences between rich and poor and the separation of whites from minorities. Current domestic policies of crime control operate as if "Americans have concluded that the problems of the urban poor are intractable and therefore they [apparently agreed to have their money] spent on a vast network of prisons, rather than on solutions" (in Welch 1996a, 101). Many taxpayers are willing to fund the construction of prisons to house the poor but are opposed to basic social and educational services for the poor. Some of these programs are cheaper than prisons and have the potential to reduce crime by preventing child abuse, enhancing the intellectual and social development of children, providing support and mentoring to vulnerable adolescents, and doing intensive work with juvenile offenders (Currie 1998, 81).

John Irwin and James Austin captured the essence of this problem almost a decade and a half ago, and the "enormous policy dilemma" they articulated ultimately as a problem of inequality and economic class has only intensified since then:

On the one hand, we are expending a greater portion of our public dollars on incarcerating, punishing, treating and controlling persons who are primarily from the lower economic classes in an effort to reduce crime. On the other hand, we have set in motion economic policies that serve to widen the gap between the rich and poor, producing yet another generation of impoverished youths who will probably end up under control of the correctional system. By escalating the size of the correctional system, we are also increasing the tax burden and diverting billions of dollars from those very public services (education, health, transportation, and economic development) that would reduce poverty, unemployment, crime, drug abuse and mental illness (1997, 10–11).

While the levels of inequality, and the stability of it over time, have important implications for the American Dream and criminological theories like strain or conflict theory, criminology does not pursue these ideas in a way that would increase consciousness of class, inequality, and stratification. Sadly, the criminal justice system reflects the class biases in society—and helps to reinforce them. The United States continues to enlarge its apparatuses of criminal justice and crime control against the poorest members in society while the rich, especially corporations, continue to gather more wealth and feel unaccountable for the adverse consequences of their privileged behavior on the "teeming masses."

REVIEW AND DISCUSSION QUESTIONS

1. Why are many Americans disturbed by discussions of social classes, inequality, and the lack of class mobility in America?
2. Discuss the differences and overlaps between income, wealth, and financial assets. Why is it that female and minority celebrities have income but not the kind of wealth that would place them in the *Forbes* 400?
3. What are some of the current discussions or issues that involve explicit consideration of class?
4. What are some of the problems caused by inequality and the growth of corporations?
5. In what ways can you think of that class will be important for understanding criminology and criminal justice?
6. From reading sources outside this chapter, find out what the current arguments are for and against raising the minimum wage. How is a "living wage" different from a minimum wage, and what are the arguments on both sides of the debate about requiring a living wage?