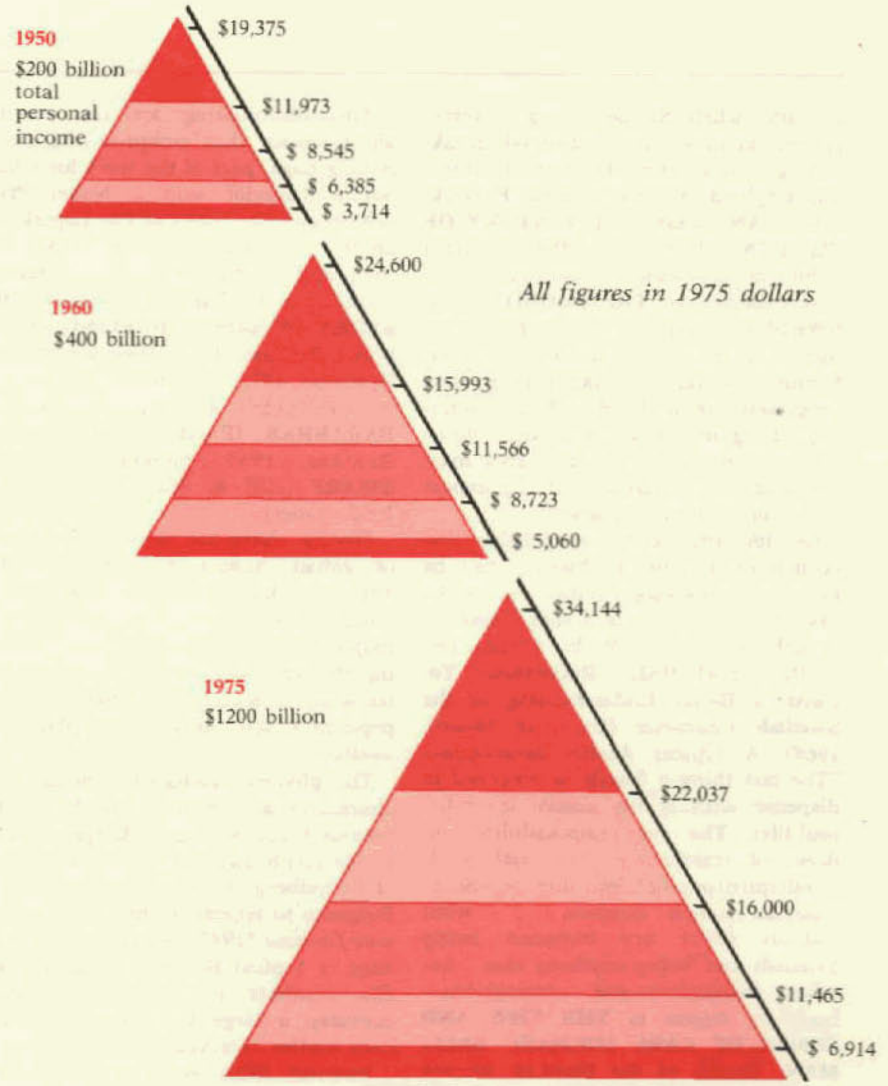

THE UNCHANGING INCOME PYRAMID

The postwar years have seen little apparent shift in the overall distribution of income. In the pyramids, each colored band represents one-fifth of all U.S. families, with the richest quintile at the top. The size of each band reflects its relative share of total personal income. Dollar figures at the right show the lowest income in the top 5 percent and the highest income in each of the lower four quintiles.

Source: *Statistical Abstract of the United States, 1976*, Washington: Government Printing Office, 1976, pp. 398 and 406.

Money and The Pursuit of Plenty in America

As the United States recovers from its worst recession since the 1930s, economists and other scholars continue to seek new data on the changing patterns of family earning, spending, and "status" in America. Scholars have reached general agreement on at least one point: In 25 years, for all its defects, the growing U.S. "consumer economy" has brought most American adults (and even most American *poor* adults) a level of material well-being that would have astonished their grandparents.

As the pyramids in the chart on the opposite page indicate, total personal income has grown since 1950, and all segments of the population have gained. But, as the chart also makes clear, the top two-fifths of all American families still get the lion's share of the total. As in the rest of the industrialized West (and in the Soviet Union), some people get far more than others.

How freely can Americans scale the pyramid? Academic studies of the "social mobility" of racial, ethnic, and other groups abound. But scholars differ on the factors that enable individual Americans to do better than their fathers in terms of income (see our Background Books essay). In the essays that follow, historian Edward Pessen looks at social mobility prior to World War II; economist Robert Lampman analyzes American economic growth and income inequality since the war; and economist Helen Lamale examines the impact of postwar changes on consumer spending, living standards, and definitions of "luxuries" and "necessities."

EQUALITY AND OPPORTUNITY IN AMERICA, 1800–1940

by Edward Pessen

America's current patterns of wealth, income distribution, and social mobility are the product of earlier trends as well as contemporary influences. Even a swift glance at the historical background will show how equality and opportunity have increased or diminished—or remained intact—over the course of time.

Pre-Civil War popular perceptions of America's distribution of worldly goods were shaped primarily by a small number of articulate commentators; by far the most influential was the Frenchman Alexis de Tocqueville. In the opening sentence of his universally acclaimed *Democracy in America,* the first part of which was published in 1835, Tocqueville reported that nothing struck him more forcibly than "the general equality of condition among the people"; this was "the fundamental fact from which all others seem to be derived."

Supplementing this general equality, which he believed to exclude only blacks, recently arrived Irish immigrants, and individuals who were lacking in industry and sobriety, was an equality of opportunity that awarded every manner of success to individuals on the basis of ability and diligence rather than inherited advantages. Scratch a rich American, said Tocqueville, and you will find a poor boy.

Henry Clay spoke for many of his countrymen when he observed that the wealthy businessmen of his acquaintance were self-made men. And because commoners in the New World supposedly had access to wealth and status not dreamed of by their European counterparts, they were said to wield a power over government and society similar (in Tocqueville's phrase) to "the power of the Deity over the universe."

Fortified later in the century by the inspirational novels of

Horatio Alger* and fed by national pride, the American success myth was widely accepted. Until recently most historians treated it as gospel. They had some reason to do so.

The foreign visitors and native American writers who propagated the image of an egalitarian American society did not create it out of whole cloth. They could all point to examples of well-fed, well-dressed working people, contented farmers, and successful businessmen who had risen from humble beginnings. But modern scholars, by immersing themselves in manuscript census schedules, probate inventories, tax assessment records, and genealogical materials have discovered that the reality was much grimmer than had been supposed. The revised version of our past is more authoritative than the old because it rests on comprehensive data rather than on examples selected haphazardly.

Rich and Poor in Brooklyn

In every geographical section and in every rural or urban social milieu, wealth in early 19th-century America was unevenly distributed and becoming more so with the passage of time. Brooklyn, New York, in 1810 was a village of fewer than 5,000 persons, engaged in a variety of agricultural and mercantile pursuits not unlike those in dozens of other American communities. Seven out of eight adults paid taxes on some property, but wealth—in the form of real estate, buildings, personal possessions, and money or liquid assets—was more unequally distributed than it had been a generation earlier at the close of the Revolution. Then the richest tenth of the adult population owned slightly more than 40 percent of urban wealth. By 1810, they controlled 60 percent, while more than half of all Brooklyn adults owned only 3 percent of the village's property. Still more dramatic changes occurred a generation later.

By 1841, Brooklyn had a population of more than 40,000. It was the nation's seventh most populous city and one of its wealthiest, but the wealth was more unequally distributed than ever. The wealthiest 1 percent of taxpayers owned more than 40 percent of the community's wealth, the richest 10 percent owned about 80 percent, and the poorest two-thirds of the population—individuals worth less than $100 each—owned less than 1 percent. Studies by Gavin Wright, Stuart Blumin, Robert E. Gallman, Lee Soltow, this author, and

**Ragged Dick* (1867), *Luck and Pluck* (1869), *From Farm Boy to Senator* (1882). The sustaining theme of these and other Alger books was that virtue and hard work were invariably rewarded with wealth and fame.

others show that patterns of wealth distribution in mid-19th century communities in the cotton and urban South, the Midwestern frontier, and the great cities of the Northeast were much like those in ante-bellum Brooklyn.

The new evidence does not mean that propertyless individuals were necessarily down and out. The farmers, who predominated, might have ample fare and serviceable (if less than lavish) accommodations, even when they possessed no real or personal estate worth assessing. The absence of cash reserves has always meant less to farmers than to city-dwellers, thanks to the availability of the food produced on the farm. Moreover, then as now, urban residents were not eager to disclose the true value of their property to tax assessors. Having "no property" meant having no property with any market value in an assessor's judgment. It did not, of course, preclude owning clothing, furniture, household goods, and utensils that were of immeasurable value to their possessors for all their lack of commercial value. And yet most evidence about workingmen and their lifestyles reveals a vast gulf separating the mass of 19th-century Americans from the possessors of status and wealth.

Most people eked out a marginal existence, marked by minimal consumption, low wages, and irregular employment. They had little or nothing to fall back on during hard times. The *New York Times* in 1869 estimated that fully 75 percent of urban households earned a "meager subsistence wage or less." In contrast, the top mercantile, landowning, and professional elites lived in material splendor rivaling that of Europe's most fabled accumulators of wealth. Magnificent mansions, luxurious furnishings, platoons of servants, splendid fetes and balls were familiar features in the lives of the American rich a generation before J. P. Morgan and Commodore Vanderbilt flaunted their millions.

Equality of opportunity was no more prevalent then than equality of man's material condition. A recent investigation of

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the backgrounds of the 2,000 wealthiest individuals in the urban Northeast before the Civil War establishes that they had been neither the poor boys nor the self-made men that Tocqueville, Clay, and James Fenimore Cooper claimed they were. With few exceptions, they were born to families that combined great social prestige with wealth, usually dating back to Colonial times. Perhaps 2 percent were born of poor farm and working-class families. A less comprehensive study of rural Michigan in pre-Civil War days discloses similar backgrounds for rich men there.

It Takes Money to Make Money

We know far less about the mid–19th-century social movement of persons born to humble circumstances, although the information we do have suggests that it was not dramatic. In the fishing port of Stonington, Connecticut, before and after the Civil War the sons of local propertyless workers did not rise above their fathers. In Philadelphia, few persons found jobs or moved into neighborhoods that were more prestigious than the occupations or residences of their fathers in the years between 1820 and 1860. The expanding legal profession in that city contained a far higher proportion of young men of middle-class backgrounds (sons of clerks, shopkeepers, teachers, and civil servants) in 1860 than in 1800, but the new plebeians made few inroads in the lucrative practice that continued to be dominated by members of the Meredith, Wharton, Rawle, Wain, and Gilpin families and their ilk.

It is hard to disagree with Robert Gallman's generalization that "there were forces at work in the American economy during the 19th century that tended to produce greater inequality in the distribution of wealth over time." [1] Great fortunes were to be made as booms in transportation, cotton production and manufacture, shipbuilding, insurance and finance, and international commerce moved the country toward the mature industrialism of the post–Civil War years. These fortunes were made not by upstarts but by men whose parents and grandparents had already accumulated sizable estates. Only such men were able to survive the recurrent financial panics of the 19th century. They alone possessed the capital necessary to participate in the great entrepreneurial ventures that beckoned.

In short, winning the race for material success depended less on the possession of innate ability than on inherited wealth and standing. The available evidence bears out Robert

A. Dahl's comment on mid–19th-century New Haven, Connecticut, that the era was marked by a "cumulative inequality: when an individual was much better off than another in one resource, such as wealth, he was usually better off in almost every other resource."[2]

America's pre–Civil War patterns of wealth and social mobility appear to have persisted to a remarkable extent during the 75 years that followed the war, but, because of the lack of data, one can only guess at the distribution of *income* during the 19th century. Local tax assessors and censustakers estimated wealth, not income. (An exception occurred during the Civil War years when the levy of a tax on incomes disclosed that in New York City the top-salaried 1 percent received about one-third of all the income dollars.) After 1870, censustakers no longer asked individuals for estimates of the value of their real or personal estate. Local tax assessors asked only for taxpayers' own estimates of the worth of their real property.

Admittedly incomplete and imprecise scholarly studies suggest that the richest 1 percent increased slightly their share of the nation's wealth to more than 50 percent by the last decade of the 19th century. If the proportion they owned diminished over the next 30 years to between 30 and 35 percent, depending on whether individuals or families are studied, it may have been due, at least in part, to the decision by the greatest wealth-holders to divide their large holdings "among a larger number of heirs, donees, and beneficiaries,"[3] thus moderating the degree of inequality—among individuals, if less so among families.*

With historians joining sociologists in the increasingly popular pursuit of research in social mobility, studies of the 1865–1940 period have proliferated. Evidence is now available on the progress of diverse American communities, ethnic and racial groups, and persons of differing religious affiliations and social backgrounds, not to mention various states of emotional imbalance and levels of aspiration.

The late 19th century has been described as an Age of Big Business, characterized by the emergence of huge industrial corporations, finance capital, a national labor movement, continuing urbanization, and the influx of a horde of "new immigrants" from southern and eastern Europe, who provided

*This is why scholarly estimates of 20th-century distributions usually focus on income rather than wealth. Income disparities, no matter how dramatic, are not nearly so dramatic as the changes that have taken place in the distribution of wealth over the past several generations. From the disparate data, the unwary may conclude that wealth is distributed much more equally in this century than in the 19th.

cheap and usually docile labor for factories and urban sweatshops. These developments did occur, but it is useful to remember that most Americans in 1900 lived in rural communities and small towns rather than in great cities. Small business was more common than big; Paterson, New Jersey, Newburyport, Massachusetts, and San Antonio, Texas, were more typical of U.S. cities than New York and Philadelphia. Rates of vertical mobility varied, in part because of differences in the sizes of communities, their local economic structures, and the overall social context.

Like Father, Like Son

In the late 19th century, Paterson's leading iron manufacturers were, with few exceptions, men who had worked their way up from the ranks. Sons of Newburyport workingmen continued to wear blue collars, as did their fathers, but they were far more likely than their fathers to own a house. In San Antonio during the last three decades of the 19th century, native whites improved their lot more often than did new European immigrants, but both groups enjoyed far greater success than Mexican-Americans and (in particular) Negroes.[4] For that matter, Stephan Thernstrom's recent massive study of social mobility in Boston since 1880 discloses that, prior to World War II, blacks in that city rarely moved out of the most menial work, regardless of their geographical origins or how long they had lived in Boston.[5]

In other cities, too, race or color correlated significantly with the degree of success achieved, as did religion. But the pattern has always been complex. Protestants have by and large risen more regularly than Catholics, and Jews more rapidly than either. Yet, even as they prospered in the professions and as individual entrepreneurs, wealthy Jews have continued to be underrepresented among the nation's top corporate directors. National business and financial elites, regardless of ethnic background or period, come from poor or working-class families as rarely as did the urban rich before the Civil War. Yet, if plebeians continue to move into the most coveted entrepreneurial niches at a glacial pace, much upward movement onto less exalted plateaus has indeed occurred in fields ranging from small business and the professions to entertainment.* In brief, the social mobility picture in

*While this important conclusion rests on admittedly impressionistic data (see Christopher Jencks, *Inequality: A Reassessment of the Effect of Family and Schooling in America*, New York: Basic Books, 1972), studies are underway that are expected to provide authoritative evidence of this sort of upward mobility.

early 20th-century America is a complicated one.

Despite structural changes in a growing economy that increased "opportunity" by replacing manual labor and low-prestige agricultural jobs with more highly regarded white-collar work, social mobility rates remained remarkably consistent until World War II. Dozens of mobility studies note the persistence of earlier patterns.[6] For the most part, sons of successful fathers continued to be the nation's most successful men. Individuals made many changes in occupations, yet typically they were to occupations of similar standing: Men starting out, say, as manual workers, in the words of the most authoritative recent study, "ended up as adults, in the aggregate, [in occupations] little different from their fathers." [7]

What is the significance of the maldistributions of wealth and the often static social mobility patterns that prevailed during the century and a half following the adoption of the federal Constitution? For one thing, they indicate that present-day inequality, whether of condition or opportunity, represents not a lapse from an earlier state of social grace but a continuation of ancient inequities. The gulf in wage differentials between the societies of the New World and the Old has been found to be less wide than first believed—although the precise extent of the shrinkage can be known only after more research. Clearly, political reforms, including the increasing democratization of American government, appear to have had a negligible effect on the conditions of life, the status, and the opportunities of most Americans during the 19th century and the first half of the 20th.

1. Robert E. Gallman, "Trends in the Size Distribution of Wealth in the Nineteenth Century," in Lee Soltow, ed., *Six Papers on the Size Distribution of Wealth and Income*, New York: National Bureau of Economic Research, 1969, p. 11.

2. Robert A. Dahl, *Who Governs? Democracy and Power in an American City*, New Haven: Yale University Press, 1961, p. 85.

3. Robert J. Lampman, *The Share of Top Wealth-Holders in National Wealth, 1922–1956*, Princeton: Princeton University Press, 1962, pp. 237–38.

4. Herbert G. Gutman, "The Reality of the Rags-to-Riches 'Myth': The Case of the Paterson, N.J., Locomotive, Iron and Machinery Manufacturers, 1830–1880," in Stephan Thernstrom and Richard Sennett, eds., *Nineteenth-Century Cities: Essays in the New Urban History*, New Haven: Yale University Press, 1969; Stephan Thernstrom, *Poverty and Progress: Social Mobility in a Nineteenth-Century City*, Cambridge: Harvard University Press, 1964; and Alwyn Barr, "Occupational and Geographical Mobility in San Antonio, 1870–1900," *Social Science Quarterly*, Sept. 1970.

5. Stephan Thernstrom, *The Other Bostonians: Poverty and Progress in the American Metropolis*, 1880–1970, Cambridge: Harvard University Press, 1973.

6. See Edward Pessen, ed., *Three Centuries of Social Mobility in America*, Lexington, Mass.: Lexington Books, 1974, which surveys the social mobility literature.

7. Otis S. Duncan and Peter M. Blau, *The American Occupational Structure*, New York: Wiley, 1967, pp. 401–18. See also Seymour M. Lipset and Reinhard Bendix, *Social Mobility in Industrial Society*, Berkeley: University of California Press, 1959, pp. 156–81.