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COMMENT ON "THE AGE OF EXTREMES: CONCENTRATED AFFLUENCE AND POVERTY IN THE TWENTY-FIRST CENTURY"

SHELDON DANZIGER

Douglas Massey's presidential address challenges demographers, sociologists, economists, and other social scientists to focus their research and policy analysis on the emergence of "an unprecedented spatial intensification of both privilege and poverty." William Julius Wilson's (1987) *The Truly Disadvantaged* was the catalyst for extensive analysis of the emergence of the urban underclass; Massey's paper should do the same for the emergence of "the age of extremes." He states that "a principal motivation for my pessimistic candor and perhaps overly brutal frankness is to galvanize colleagues, students, politicians, and reporters into action."

Massey thoughtfully connects several strands in his widely cited research: immigration, racial and ethnic segregation, and the causes and consequences of concentrated poverty. He then demonstrates that an understudied component, the spatial concentration of affluence, ties these topics to recent research on increased inequality of earnings and incomes. Research on the problems of the inner city and on inequality have evolved independently, for the most part, and the studies of rising economic inequality cited by Massey neglect the spatial concentration of affluence.

Numerous studies have analyzed longitudinal data and have documented the negative effects of growing up in a poor family or a poor neighborhood (holding family background constant) on children's life chances (for a review, see Corcoran 1995; for a case study, see Rosenbaum 1995). Few studies, however, have estimated models which test whether there are effects for children growing up in affluent families and in affluent neighborhoods. If these effects turn out to be as important as Massey surmises, they should not be ignored.¹

Massey's analysis of the simultaneous increase in poverty and affluence and the geographic concentration of both

the poor and the rich leads him to a dark vision of our future. He hypothesizes that "the juxtaposition of geographically concentrated wealth and poverty will cause an acute sense of relative deprivation among the poor and heightened fears among the rich, yielding rising social tension and growing conflict between the haves and the have-nots."

One need not subscribe to the strong version of this scenario to appreciate Massey's contribution. He has put onto the table enough "food for thought" to sustain a dozen research projects and dissertations on the economic and social consequences of the concentration of affluence. He correctly chastises us by stating that "the attention of social scientists has focused too narrowly on the poor and their neighborhoods. Our obsessive interest with the generation and reproduction of class is rarely focused on the affluent."

LINKING THE SPATIAL CONCENTRATION OF POVERTY WITH INCREASING INEQUALITY

Massey begins by reviewing the literature on the spatial concentration of poverty. Over the past decade, scholars have examined the contributions of a variety of factors—such as male joblessness, the out-migration of the black middle class, the persistence of residential segregation, technological changes, deindustrialization, and declining neighborhood social organization—to the emergence of an urban underclass. It is now agreed that the extent of income poverty and the number of census tracts in extreme poverty (defined as a poverty rate of at least 40%) have increased. We have evidence—for example, from longitudinal studies (Brooks-Gunn et al. 1993), from the Gautreaux experiment (Rosenbaum 1995), and from others (Corcoran 1995)—that growing up in a poor neighborhood has negative effects on children's development and on their subsequent outcomes as young adults. One indication of the attention paid to the spatial concentration of poverty is that *American Apartheid* (Massey and Denton 1993) and *The Truly Disadvantaged* (Wilson 1987) are two of the most widely cited books in research on urban sociology and poverty.

In contrast, scant attention has been paid to increases in either the extent or the spatial concentration of affluence. Recent papers by Jargowsky (forthcoming) and Massey and Eggers (1993) demonstrate that just as poverty became more common and more geographically concentrated after the early 1970s, so did affluence. Many studies by economists have documented pervasive changes in the labor market: slow growth and increasing inequality of earnings and income. This literature, however, emphasizes national trends

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1. Many studies of child and young adult outcomes include linear measures of family income. Corcoran (1995), however, emphasizes that linear models fail to capture the nonlinear effects of parental poverty. She writes, "Most studies on the effects of parental income on children's schooling use linear income status measures and do not directly estimate effects of parental poverty. If this were done, we might estimate that parental poverty has stronger impacts on schooling than those implied by the linear measures" (p. 249).

According to my reading of Massey, he is suggesting that we test whether parental affluence or growing up in an affluent neighborhood have nonlinear effects on these same socioeconomic outcomes.

and the decline in real wages of less-skilled workers (see, for example, the papers in Danziger and Gottschalk 1993).

One reason for inattention to the causes and consequences of affluence relates to measurement issues. Researchers adopted a common definition of poverty (the official poverty line) in the late 1960s. In the most recent decade several measures of the “underclass” or “concentrated poverty” have found their way into the research and policy mainstream (Mincy 1994). There has been little discussion, however, about how to define or measure affluence, and the Census Bureau does not publish an annual time series on affluence, as it does for poverty.²

Massey defines “the affluent as those persons living in families whose incomes are at least four times the poverty level for a family of four—about \$54,000 in 1990 dollars.” He shows that in 1990, in the 10 largest metropolitan areas, the isolation index for the affluent was 52, whereas the index for the poor was about one-half that level (Massey fig. 4, this issue). The concentration of both affluence and poverty increased between 1970 and 1990; the concentration of affluence grew more rapidly.

Peter Gottschalk and I (Danziger and Gottschalk 1995) define affluence differently than Massey. Although we did not analyze its spatial concentration, our results reinforce his views of the emergence of an age of extremes. We defined the “rich” as persons living in families whose income exceeds seven times the poverty line. This is analogous to the official definition of poverty, which counts the poor as those whose incomes fall below one time the poverty line. Unlike Massey’s measure, ours includes unrelated individuals and varies by family size: An unrelated individual in 1990 was rich if her income exceeded about \$47,000; a couple, if their income exceeded about \$62,000; a family of four, about \$94,000.³

Between 1949 and 1969, real earnings and incomes grew rapidly, “a rising tide lifted all boats,” poverty declined dramatically, and income inequality decreased modestly. According to consistent measures, the median standard of living roughly doubled over these two decades, poverty declined from 39.7 to 14.4% of all persons, and the proportion of persons who were rich increased from 0.5 to 5.1%. Since 1973, however, we have experienced an era of “uneven tides,” characterized by slow growth in real earnings and incomes, and by rising poverty and inequality. Between 1973 and 1993, the median standard of living rose by less than 10% and the poverty rate increased from 10.7 to 13.6% of all persons. Meanwhile the ranks of the rich continued to increase through recessions and recoveries, almost doubling from 6.4 to 12.0%. Taken together, the tails of the income-

2. Similar disagreement exists about the definition of the “middle class.” Yet we have many more studies of the declining middle class than of increasing affluence.

3. For further discussion of data issues, see *America Unequal*, “A Note on the Data” (Danziger and Gottschalk 1995:177-181). We adjust for prices using the CPI-U-X1 from 1967 to the present; thus our poverty rates differ somewhat from those of the official Census Bureau series, which has used this inflation index only since 1983.

to-needs distribution now include about one-quarter rather than one-sixth of all persons.

Whether or not this increased inequality constitutes an age of extremes, it is large enough to justify Massey’s call for additional research on affluence, on its spatial concentration, and on its effects on socioeconomic outcomes. I now turn to Massey’s most controversial hypotheses—the consequences of increased inequality for the next generation and his predictions for the future.

THE POLITICAL AND CULTURAL CONSEQUENCES OF INCREASED INEQUALITY

Although we know with certainty that inequality has increased over the past two decades, we do not know what will happen in the future. During the economic boom of the late 1960s and in the early aftermath of the War on Poverty, thoughtful researchers such as Robert Lampman (1971) and James Tobin (1967) forecast the elimination of poverty, as officially measured, by 1980. Within a few years, however, poverty began to climb upward as the oil price shock of 1973, several recessions, and rapid inflation brought an end to a quarter-century of rapid economic progress.

Just as unforeseen economic changes rendered researchers’ economic optimism and forecasts obsolete, some unexpected “positive” economic or sociological shock may invalidate Massey’s pessimistic view that the emerging “ecological structure constitutes a radical departure from the past, and creates the potential for a new geopolitical order capable of compounding the benefits and liabilities of class by superimposing administrative segmentation on economic segregation.”

Nonetheless, even if trends in poverty, segregation, and affluence turn out to be more favorable in the next decade than Massey expects, the increase in inequalities and the concomitant political changes of the past two decades probably have already had negative effects. Indeed, Massey urges us to study these very issues.

Consider changes in the returns to education and in the prospects for educational attainment. The returns to a college degree have increased dramatically since the late 1970s, as employers have increased their demand for educated workers (for a review, see Danziger and Gottschalk 1995, chap. 7). Economists expect that these labor market changes will induce greater numbers of young people to seek a college education. Such a response to the growing wage premium for education, however, might be blunted by the inequality-reinforcing effects of concentration that Massey discusses. He notes that the flight of the middle class from the central cities, combined with local financing of public schools, “raises the odds that affluent children will receive a superior education while poor children will get inferior schooling.”

The current generation of high school students has experienced greater inequality in the resources devoted to their public schooling and greater inequalities in family income and family structure than did the baby boom generation that came of age during the post-World War II economic prosperity. Do these changes mean that children from poor families

and poor neighborhoods are now more disadvantaged with respect to the probability of attending college or of landing a good job than were their counterparts two decades ago? Even though high school graduation rates by race and class have decreased, has the gap in skill acquisition increased? The data are available to test Massey's hypotheses about the effects of increased inequality and the spatial concentration of poverty and affluence. If the negative effects he postulates are already present, then his article will be significant, even if future trends in inequality turn out to be more favorable than he expects.

Although I am not prepared to forecast the extent of inequality, I am confident that for the near term, America will remain an unequal and spatially concentrated society. Even if the economy were to suddenly grow rapidly, and even if a rising tide once again were to lift all boats, many years would be needed to reduce inequalities in earnings and family income and to lessen the extent of class segregation to the levels of the early 1970s. Even in an optimistic scenario, it would take a long time for the black/white and the high school/college earnings gaps to converge, for racial segregation to decline significantly, and for inequalities in the quality of schooling to be reduced.

In a striking calculation, Heckman, Roselius, and Smith (1993) reveal the extent of the problem with regard to educational differences in earnings. They estimate that if government investments in education and training yielded a 10% annual return via participants' increased earnings, human capital investments of about \$1.7 trillion (in 1989 dollars) would be needed to reduce inequalities enough to restore the wage distribution of 1979. This point suggests that wage inequalities are likely to remain large.

In addition, given the current political climate, it is unlikely that government will help much in reducing spatial, racial, educational, or any other inequalities. Massey correctly suggests that shifts in the financing and delivery of public services away from the federal government will exacerbate spatial, class, and racial inequalities. Since he delivered his address, Congress has cut social spending further and has devolved welfare to the states; tax cuts have become a focus for the presidential campaign. This policy environment is certainly consistent with Massey's observation that "the immediate path of least resistance for affluent people will always be to raise the walls of social, economic, and geographic segregation higher in order to protect themselves from the rising tide of social pathology and violence from below."

In *America Unequal*, Peter Gottschalk and I concluded that real wages have grown so slowly and inequality has increased so much, not because of changes in poor people's willingness to work, but because of broad economic changes that have increased economic hardship across racial and income classes and because government has not done enough to help those who have been affected adversely. In our view, the poor are not the victims of failed welfare state policies, but are suffering from economic changes that have reshaped our economy and diminished the prospects of the underclass,

the working poor, displaced factory workers, and downsized white-collar managers. As a result, we proposed a modest set of labor market policies to supplement the incomes of the working poor and to provide low-wage jobs of last resort for the unemployed poor.

At a time when Congress favors large cuts in social spending in order to balance the budget, such calls for modest increases in public policies are easy to ignore. Would it be so easy to ignore a progressive policy agenda if Massey were correct about the coming negative externalities that the age of extremes might generate? Massey projects a "volatile and unstable political economy" in which "urban areas will experience escalating crime and violence punctuated by sporadic riots and increased terrorism as class tensions rise."⁴ If the negative effects associated with concentrated affluence and concentrated poverty are as problematic as Massey suggests, then documenting them may give policy makers a reason to reconsider their inattention to the increasing inequalities that we have experienced already.

In any case, Massey's paper will make an important contribution if it generates additional research. If he is wrong, we will be wiser; if he is correct, it might move us to consider policies to reduce inequalities and forestall the conflicts of his dark future.

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4. Although this vision seems far removed from contemporary America, it characterizes the social and economic fabric in another superpower that has experienced an even greater increase in inequality than has America—Russia.

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