

Marketization and the Future of Inequality

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Imagine that it's the early 1980s

The analysis of trends in inequality still dominated by “liberal theory” (as authored by Talcott Parsons, Kingsley Davis, Wilbert Moore, Otis Duncan, Donald Treiman, Robert Hauser, David Featherman, and many others)

Main tenets of liberal theory

- *Equality of condition*: Postwar institutional reforms (e.g., rise of unions) tamed capitalism and had equalizing effect
- *Equality of opportunity*: Rise of mass education and related institutional reforms equalized opportunities to get ahead (i.e., decline in ascription based on social class origins)
- *Reduced ascriptive inequalities (esp. by race & gender)*: Ascription withers away under the force of bureaucratization
- *Reduced class conflict and growing class homogenization*: The institutional reforms that reduced inequality also undermined class differences and conflict

Key background features of liberal theory

A benign narrative: What we wanted to happen coincided with what we thought was happening

A dominant narrative: Was the focus of much empirical work

Today's conundrum

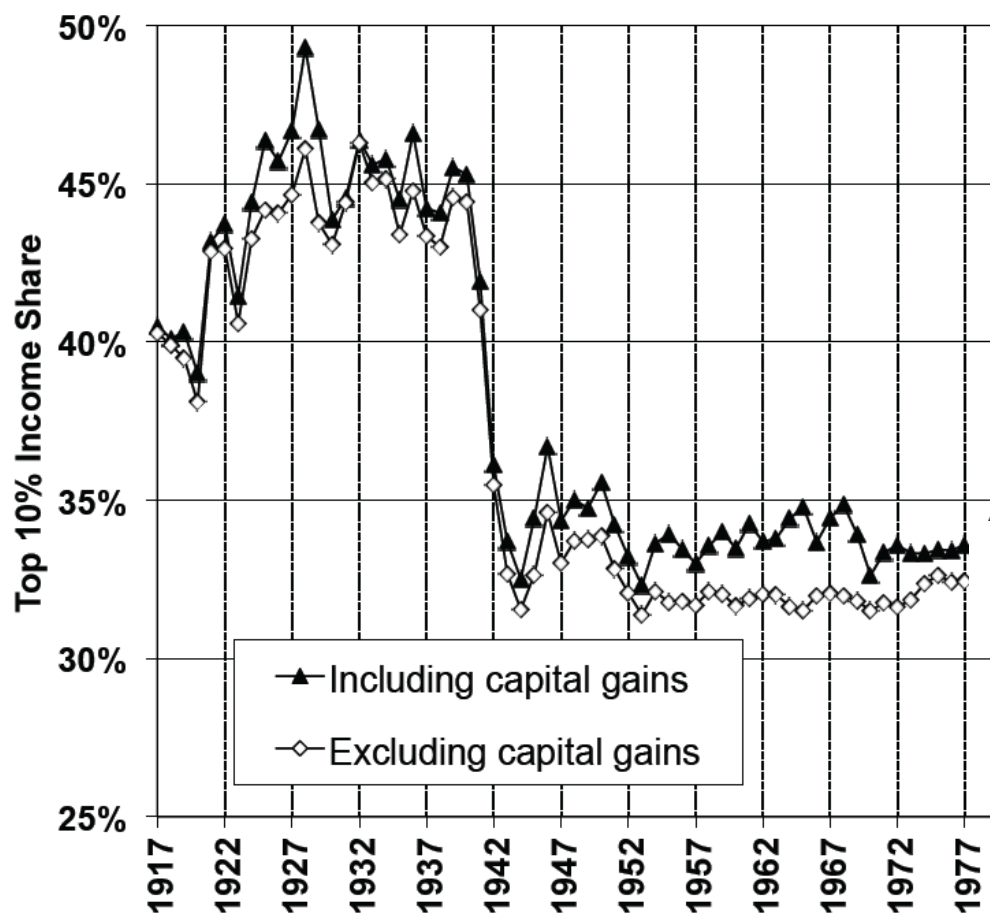
Growing amount of disconfirming evidence: Evidence on behalf of liberal theory was once reasonably strong but is now less so

Absence of a substitute narrative: There's no new meta-narrative explaining what is happening, what will happen, and why it's happening (although there is an increasing recognition that the liberal theory is no longer up to the task)

Claim: Theory of marketization is a candidate to replace the old liberal theory

Begin by rehearsing the state of current evidence ... and why we need a new account

The liberal theory and income inequality

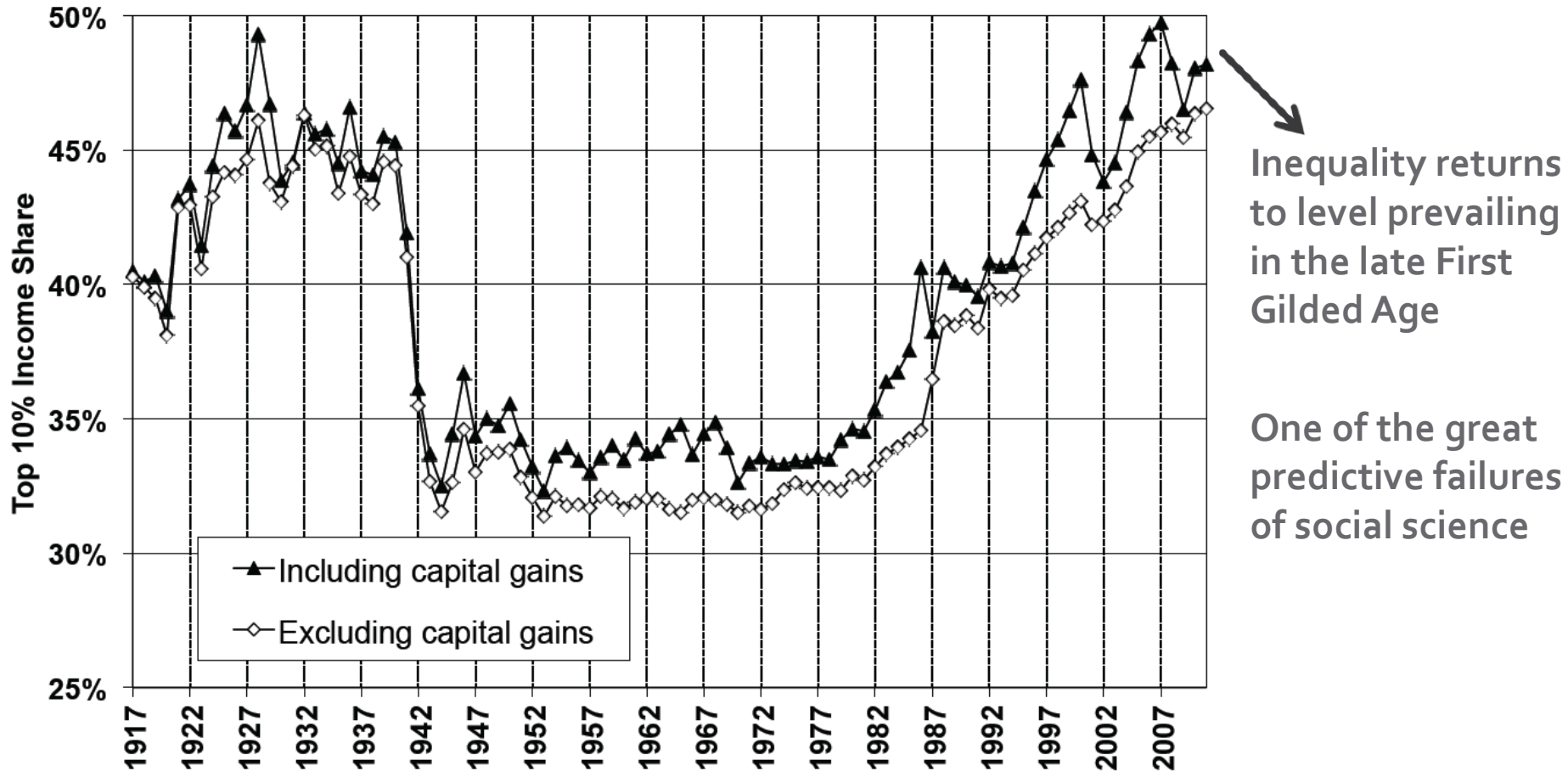


Liberal theory: Low and stable levels of inequality achieved in the aftermath of the Depression

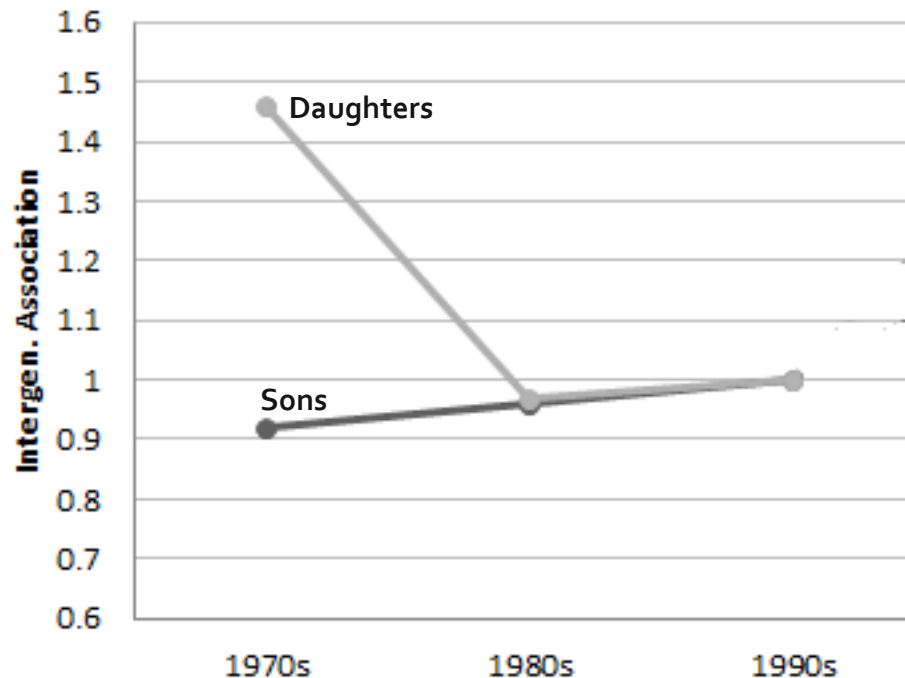
The "end of history:" No expectation that levels of inequality would soon take off

The liberal theory was attractive through the 1970s

The New Gilded Age



The liberal theory and social mobility

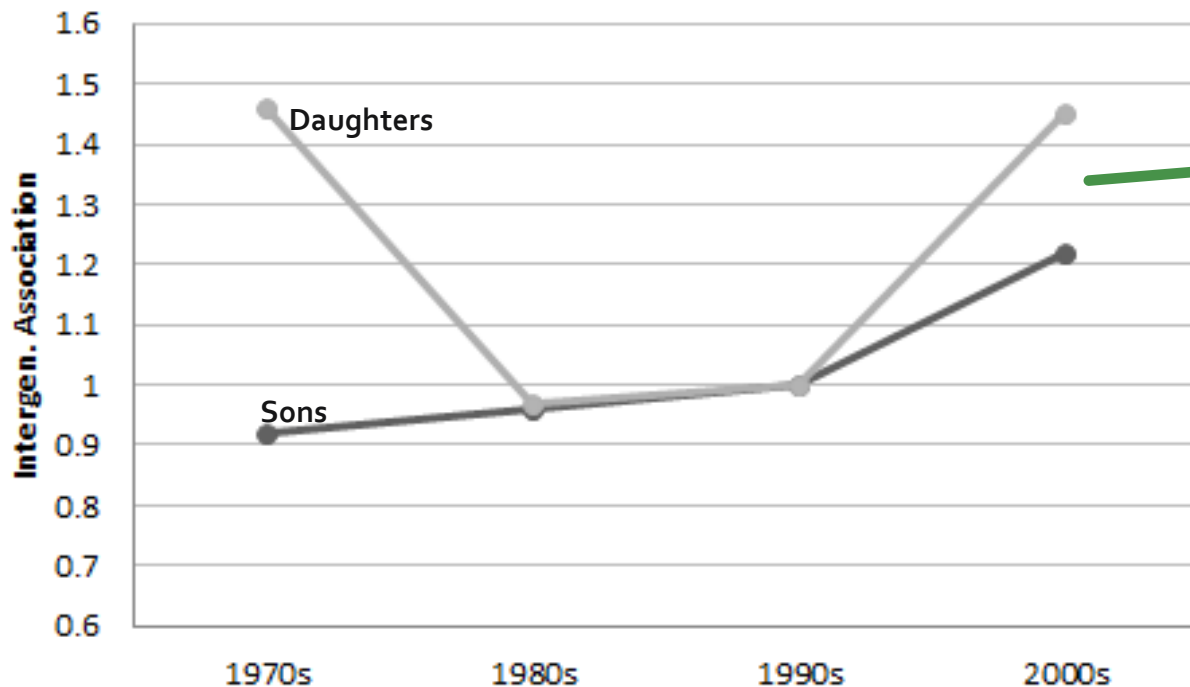


Liberal theory: Social fluidity increases with the rise of mass education

The liberal theory was exceedingly attractive up through the 1990s

Pablo Mitnik, Esra Cumberworth, and David Grusky. "Social Mobility in the First Gilded Age, *Stanford Center on Poverty and Inequality*, July, 2013. Data drawn from the General Social Survey, 1972-2010.

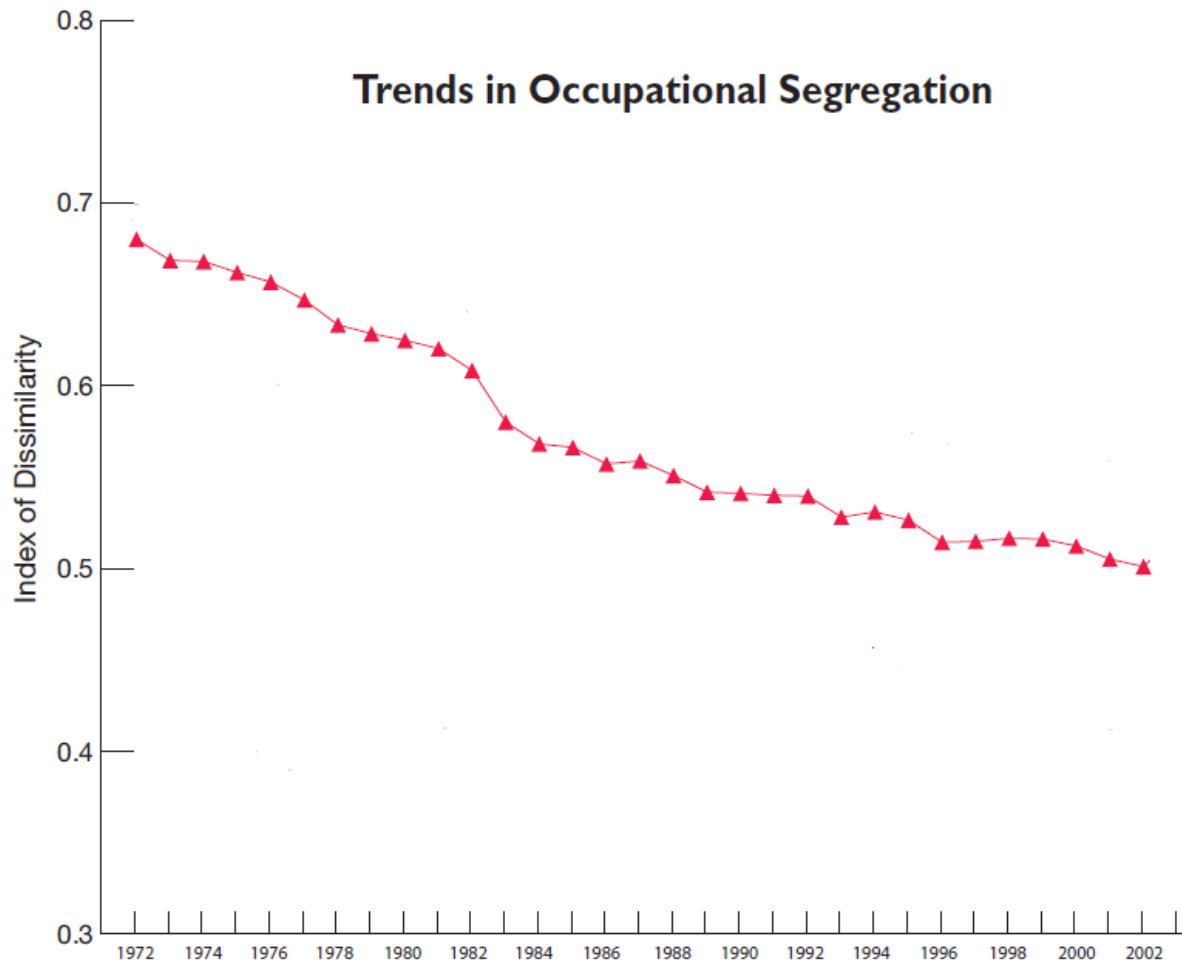
The second great U-turn?



Professional-managerial reproduction increases by 20-40 percent for young adults in most recent decade

A second U-turn: Rising inequality of opportunity as well as condition

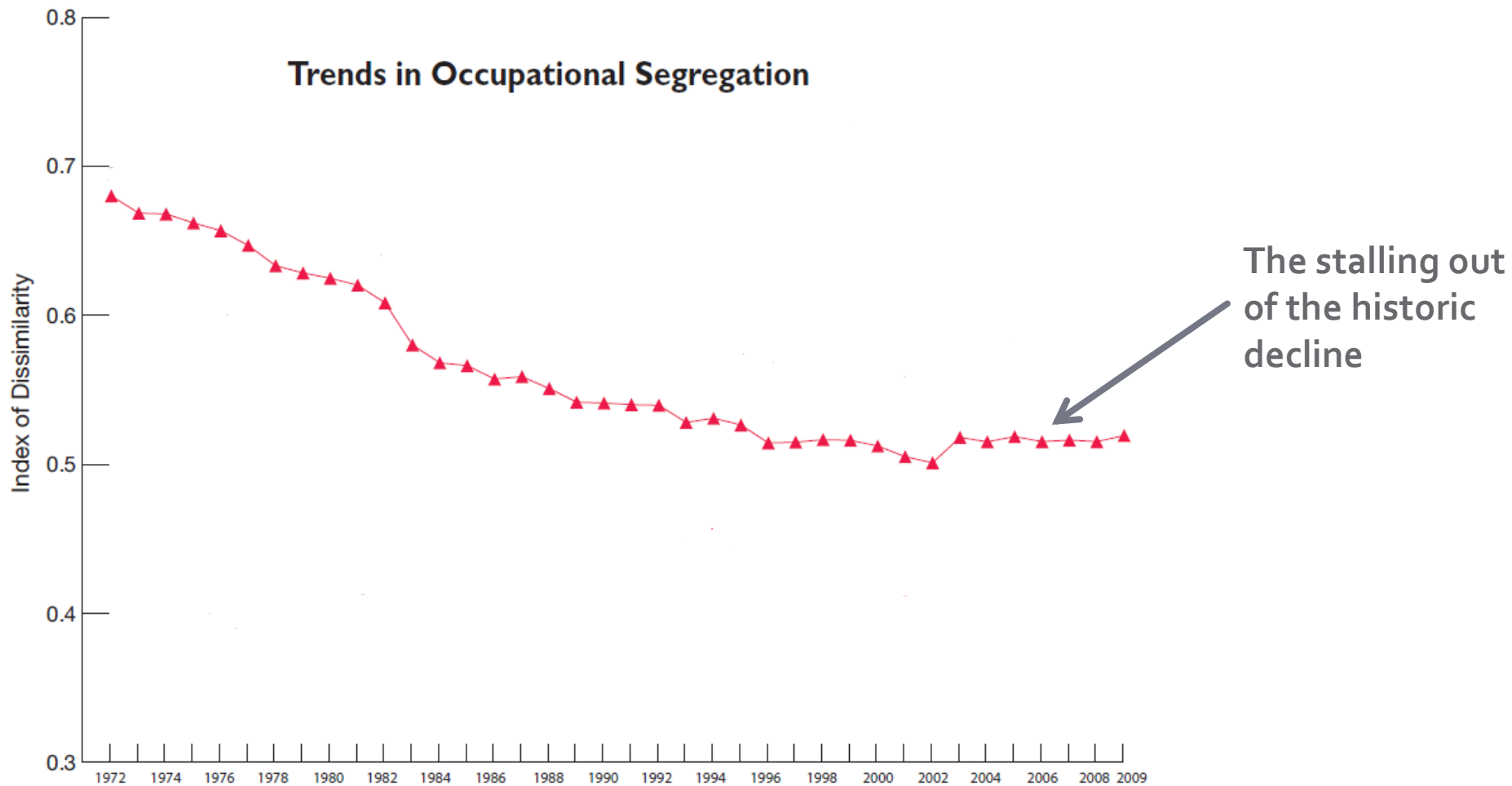
The liberal theory and gender ascription



Gender segregation declines as women increase their human capital investments, the workplace bureaucratizes, and overt discrimination declines

The liberal theory was exceedingly attractive through the 1990s

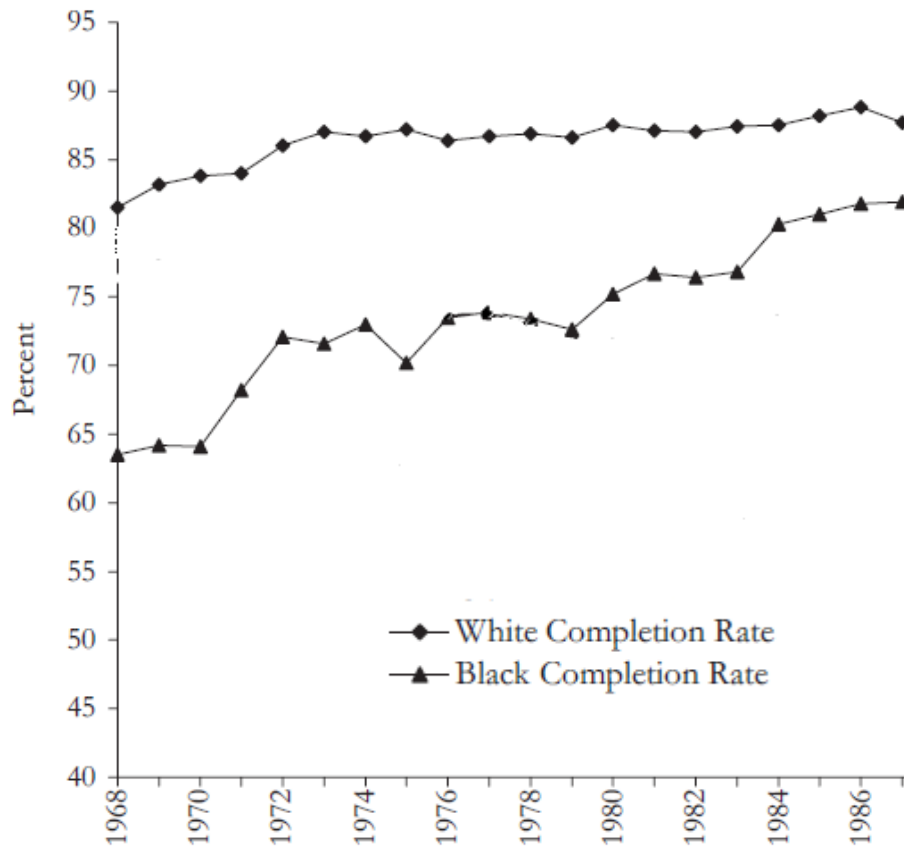
The great stalling-out



Hayes, Jeffrey. 2010. "Separate and Not Equal?" *Institute for Women's Policy Research Quarterly Newsletter*.

The liberal theory and black-white ascription

FIGURE 1.—HIGH SCHOOL STATUS COMPLETION RATE

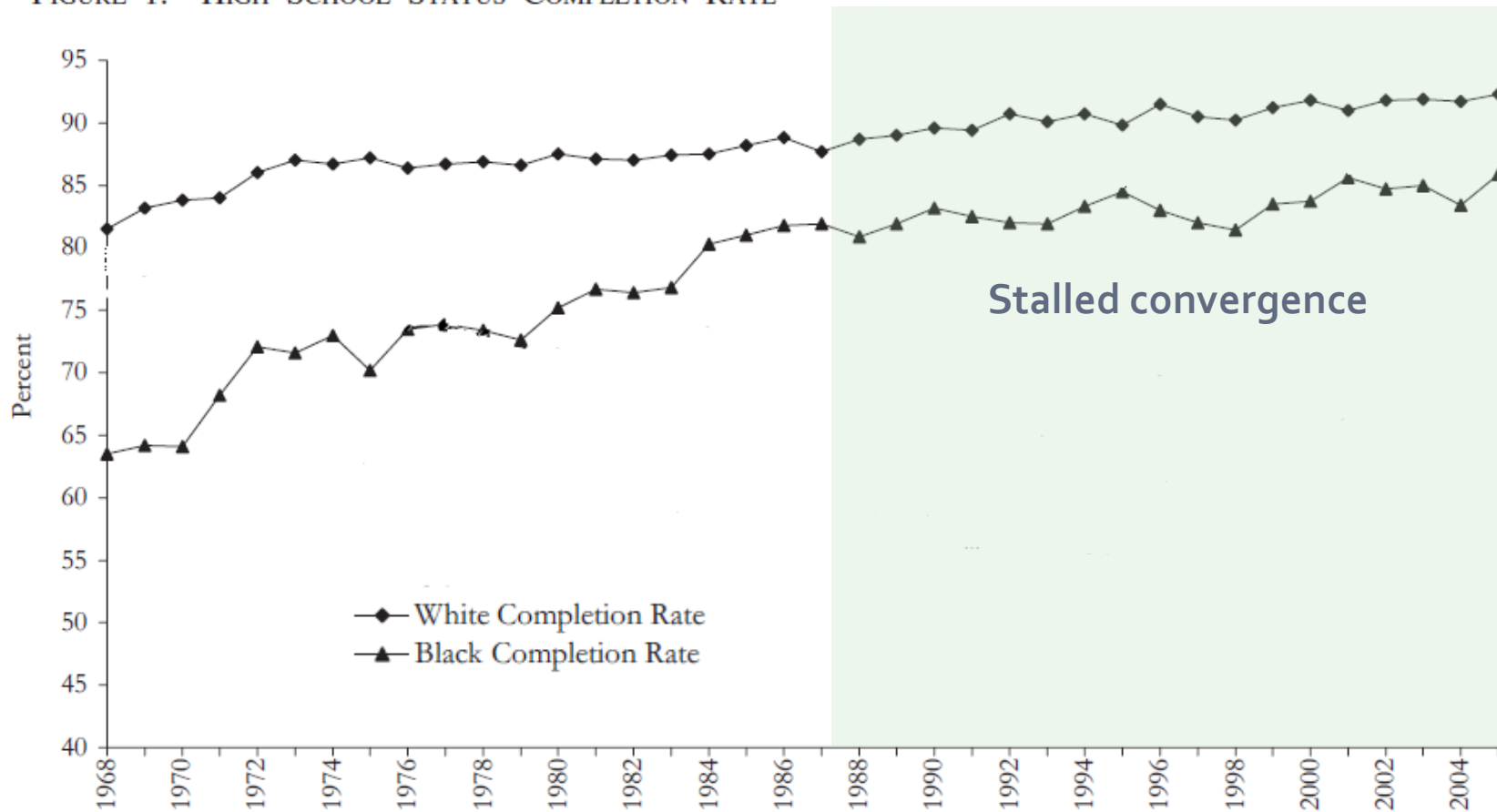


Liberal theory: Declining black-white ascription arises from gradual equalization of class situation, declining segregation, and declining differences in school quality

The liberal theory was attractive until ... the stalling-out of change on various fronts (e.g., incarceration, long-term male youth unemployment, high school dropout)

The second great stalling out

FIGURE 1.—HIGH SCHOOL STATUS COMPLETION RATE



Heckman, James J., and Paul A. LaFontaine. 2010. "The American High School Graduation Rate: Trends and Levels." *The Review of Economics and Statistics* 92(2), pp. 244-62. Figure 1.

The marketization narrative: Key tenets

Theoretical backbone to liberal theory: Equalization occurs because activities that were “ascriptively fused” to nuclear family (e.g., training) differentiate out and are assumed by extra-familial institutions (e.g., public schools, bureaucratic firms)

Marketization alternative: This dynamic undermined because the new extra-familial institutions take on a particular inequality-generating form

- *Commodification:* A cultural commitment to allocate scarce goods or services (e.g., training) by selling them
- *Marketization:* A cultural commitment to use a putatively competitive market to attach prices to those goods or services
 - Asymmetric deployment of market reforms: The putative market is imposed mainly on poor (i.e., the marketization ideology is deployed by the powerful against the powerless)
 - Presumptively competitive price: Resulting price of labor is deemed a competitive price in our folk theories (even though it never is) and is therefore legitimate and inequality-justifying

Game plan from hereon in

Use marketization narrative to explain the anomalies that the liberal theory can't explain

- Precipitous takeoff in inequality
- Declining social mobility
- Rising class effects
- Stalling out of decline in ascription

Caveat: Standing on shoulders of giants

A marketization account of rising inequality

FIGURE 1 Unionization rates by sector, 1973–2009



Asymmetric marketization approach

- Commitment to marketization at the bottom (i.e., deunionization): Drives down wages at bottom
- No commitment to marketization at top: Wages of college-educated are propped up by rationed access and wages of uneducated are lowered (by virtue of creating a reserve army)

The justificatory maneuver

- Inequality is justified on argument that labor is paid competitive price
- But in fact unions may have pushed wages closer to competitive price (i.e., compensatory)

Marketization is an inequality-increasing cultural commitment

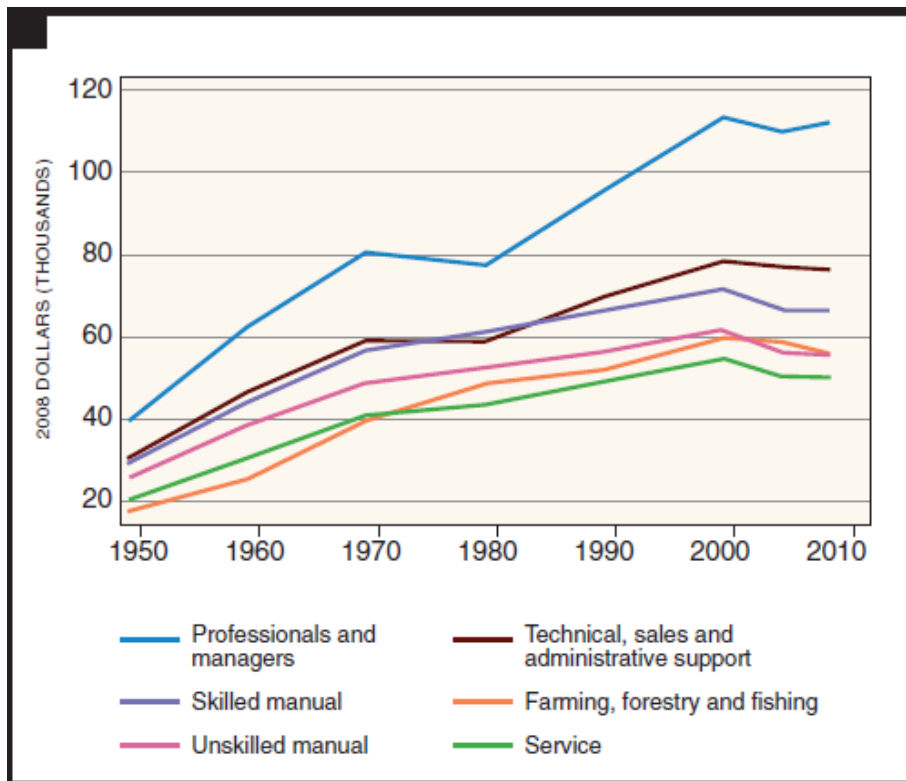
Marketization is asymmetrically applied (because of power differentials)

Doesn't deliver actual competitive prices (because of all manner of residual non-competitive institutions)

Lower prices paid to labor (and consequent inequality) are nonetheless justified *as if they were competitive prices*

Presumption that current pay-setting institutions are competitive undermines efforts to rectify inequality (as inconsistent with commitment to competitive markets)

A marketization account of declining mobility

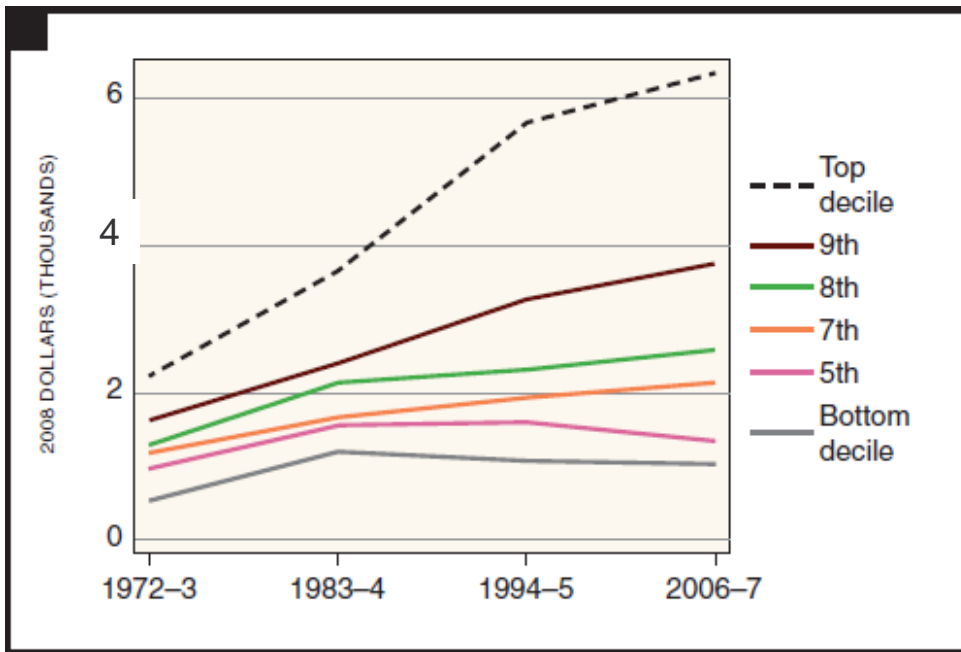


Mechanical effect of rising inequality:
Benefits go disproportionately to those groups *already* at top of the income distribution (e.g., professional-managerial class)

Professional-managerial class has more money to spend on their children (which can enhance their chances of reproduction)

Pablo Mitnik, Esra Cumberworth, and David Grusky. "Social Mobility in the First Gilded Age," *Stanford Center on Poverty and Inequality*, July, 2013. Data drawn from the General Social Survey, 1972-2010.

The commodification of middle-class reproduction



Commodification means that PM class has more reproduction-relevant goods and services that it can buy on the market

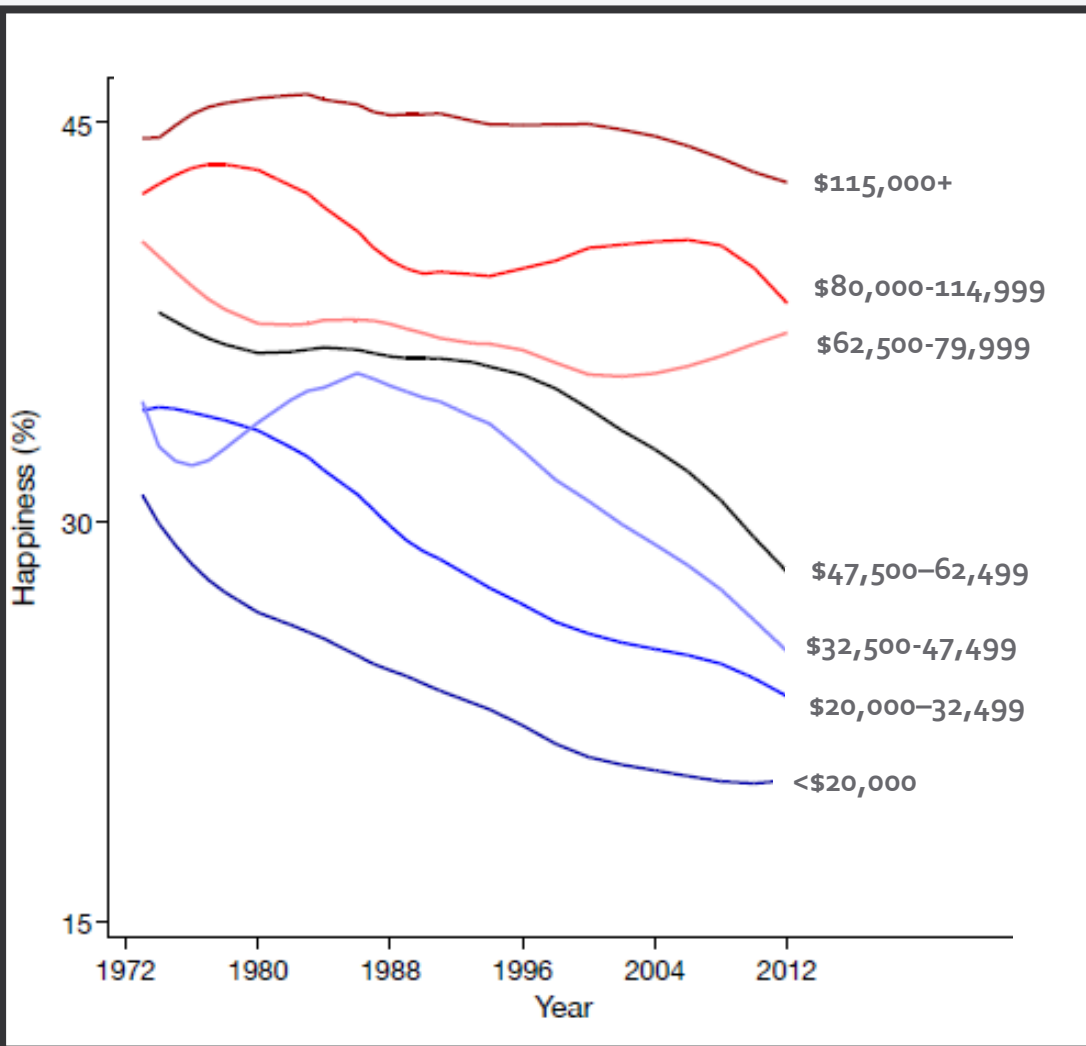
- Expensive neighborhoods
- High-quality child care
- After-school assistance (e.g., SAT test prep)
- Educational summer camps
- Finishing-school vacations

Differentiation of training function out of families is not inequality-reducing when means of training require money (and elite families have ever more of it)

"Spending on children" includes meals at school; board at school; rent at school; tuition, fees, books at college; tuition, fees, books for private elementary, middle, and high schools; miscellaneous education expenses; boys' and girls' clothing and accessories; infants' clothes and accessories; toys, games, and other expenses; day care; babysitting.

Data: Consumer Expenditure Survey
Analyses by Kornrich and Furstenberg 2011

A marketization account of class effects



Mechanical effect: Upper classes have more money to spend and hence their consumption practices pull away from those of masses

Commodification effect: Decline in public goods means that money increasingly matters (i.e., money buys happiness when virtually everything one needs has to be bought)

Other examples: Commodification of end-of-life services (i.e., growth of "deathstyle" choices); commodification of health care (gold-plated insurance); commodification of airline travel

A marketization account of trends in other forms of ascription

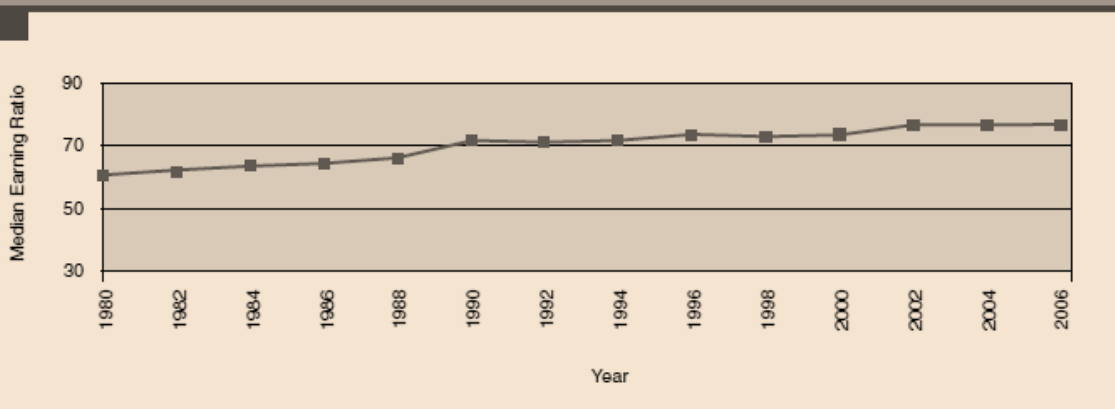
Liberal theory: Ascriptive effects wither away (via bureaucratization)

Marketization theory: Ascriptive effects are legitimated as reflecting marginal product

Example: Motherhood penalty now accounts for most of the gender gap (e.g., Jennifer Glass, 2004, "Blessing or Curse?"; Shelley Correll et al., 2007, "Getting a Job").

Stalling out reflects persistence of discriminatory effects that are justified in "marginal product" terms

FIGURE 1. Trends in Women's Earnings (Relative to Men): 1980–2007



Stone, Pamela. 2009. "Getting to Equal: Progress, Pitfalls, and Policy Solutions on the Road to Gender Parity in the Workplace," *Pathways Magazine*, Spring, 2009.

Key take home point

Liberal theory: Bureaucracies set up rational hiring and firing protocols that undermine ascription and discrimination

Conventional criticism of liberal theory

- Bureaucracies are fraught with discriminatory processes (e.g., unconscious discrimination, old boy networks) that allow ascription to persist
- Discrimination concealed and justified by virtue of being relabelled as merit

Marketization theory

- Role of external markets grow as internal labor markets shrink (i.e., commodification and marketization)
- Implies rise of new type of concealment: The claim that observed differences are legitimate by virtue of reflecting marginal product

Bureaucratic justification invoking formal rationality (“we abided by the rules ... and the rules are perfect”) ➡ Market justification invoking invisible hand (“the market spoke ... and it’s perfectly competitive”)

Conclusions

The liberal theory has lived on only for lack of a good alternative

Theory of marketization captures key cultural commitments that drive social action in the U.S.

The two-step dance

- Commodification and marketization
- Legitimation of resulting inequality

Its main assets are the simple mechanisms underlying it and its testable claims

- Asymmetric marketization (with its inequality-legitimizing effects)
- Declining social mobility
- Plateauing of ascriptive effects
- Growing income effects on behavior (i.e., the rise of a gradational, income-based inequality regime)