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Frank Levy. *The New Dollars and Dreams: American Incomes and Economic Change.* New York: Russell Sage Foundation, 1998. xiii + 248 pp. $16.95 (paper), ISBN 978-0-87154-515-2; $43.95 (cloth), ISBN 978-0-87154-514-5.

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Levy's original *Dollars and Dreams* recounted the tremendous growth in incomes following World War II. The "new" version tells of the disturbingly little growth there has been since the early 70s. It tells, too, of the even more disturbing increase in income inequality: When the earlier growth peaked around 1969, the richest five percent of families claimed 15.6 percent of total income; by 1996 that share had shot up to 20.3 percent.

So what happened? After the war it was possible for unskilled workers, including blacks from the South moving up north, to find well-paying jobs in heavy industry/manufacturing. (A considerable equalization of what had been vast regional discrepancies resulted as these migrants lowered average incomes in the North while raising them in the South by their departure.) But then that high-income North turned into the "rustbelt" as deindustrialization set in and such opportunities for the unskilled disappeared.

The beginning of the end of this great growth came with the worldwide crop failures of 1972/1973 which led to a 34 percent increase in food prices. This was followed by the (contrived) oil shortage through which OPEC was able to triple prices. These inflations impacted family income considerably, to the point that it actually dropped (in 1997 dollars) from a postwar high of $40,400 in 1973 to $38,600 by 1975. (By 1989 it had risen merely to $43,600 and because inflation and productivity both stayed low it went down to $43,200 in 1996.)

Incomes remained fairly flat for several reasons. There was a productivity decline in which three factors played a role: higher oil prices changed techniques used to achieve productivity; maturing baby boomers, and more women, entering the workforce in greater numbers lowered the average workforce experience and hence wages; and increased government regulation diverted research from streamlining production to reducing pollution and protecting workers. And there was a lack of technological change that contributed substantially as well. Pressure to improve productivity, and technology, didn't come until the early 80s, and by the mid-80s it extended to the service sector, with first blue-(low-skilled) and then white-collar workers getting laid off. The beginning computerization of work played a familiar role in these years.

It's true that there has been a substantial expansion of the service sector in the U.S. economy, but Levy makes it clear that this is not as radical as many believe and certainly is not the explanation for the sorry state of family incomes. As he reminds us, even in 1947 the service sector consumed 53 percent of hours of employment; by 1996 it was 77 percent. Productivity grows very slowly in services–you can only speed up a haircut so much, likewise brain surgery. What's really more the issue is that services involve jobs both for the well-educated and for the unskilled. This most salient skills differential really shows up after 1979 when the gap between high school- and college-educated white males shot up from nine to 32 percent. Recognition of this differential sent many more to college but of course by the time they got out there were not commensurate numbers of great jobs available.

Since ca. 1980, income inequality has grown both because of that skill differential and because of the "winner-take-all" phenomenon. (With that haircut we can take a chance because we can easily get another; with brain surgery we like to have the best the first time around.) While this does not mean the middle class is "vanishing," as some fear, it is diminishing. Taking the familiar demographic changes in the constitution of the "family" into account, 63.2 percent of families fell into the middle class in 1973 while it was only 51.0 percent in 1997. There is both more poverty and more wealth: 23.8 percent of families were below the middle class in 1973 and

28.3 percent in 1997; 13.0 percent were above the middle class in 1973 and 20.7 percent in 1997. Levy believes this growing discrepancy does matter because there is a "reduction of common interests"–those in the remaining middle class are less likely to see those in need of aid as like themselves and will thus be less likely to grant them the government help they need.

The welfare system could help–if it would seriously support its goals of fostering self-sufficiency while providing a safety net. The 1996 welfare reform might have been effective in the '50s because the labor market of that era could have allowed even unskilled people to have jobs that made them self-sufficient but in today's labor market "wages for unskilled workers do not guarantee self-sufficiency even for the most responsible" (and the minimum wage is below its 1981 level).

For the long term Levy recommends chiefly more–and better–education, especially in the communities where it is needed most. But for these truly disadvantaged families to be able to take advantage of more and better education for their children, we need a real safety net precisely because even with working they can't achieve self-sufficiency now. Plato told Aristotle that no one should make more than five times what the lowest paid member of society gets, and Levy accordingly argues the need for a certain degree of redistribution.

There's a wealth of data here, and Levy has analyzed and explained the historical and economic forces that have shaped them, nationally and internationally, superlatively, with only an occasional lapse into economese, as in his discussion of suburbanization: "Communities are more homogeneous by income and income inequality involves a growing jurisdictional dimension." That is, those who have money buy houses in high-priced developments next to others who have money and close the gates behind them by incorporating. So, on top of the better access to health care that Levy recommends, we probably need mixed-income housing policies as well.

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