Social Class in the First Two Decades of the 21st Century America: Has Class Structure Been Altered by the Financial Crisis?

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ABSTRACT
There is little that is more enigmatic about society in the United States of America of the 21st century than is the concept known as “social class.” At once, there is no social class in a people’s republic which is what the United States of America is supposed to be, whilst in a different sense, social class is everything in America today. Unlike South Asia and especially India, Americans are not born into a family caste structure, such as Brahmin or Untouchable. Unlike the United Kingdom, America has no list of feudal titles or title holders such as published in Debrett’s Peerage or Burke’s Peerage, except in competitive sports such as tennis where competitors are individually “seeded” or some team sports such as American soccer where teams are “re-seeded” following elimination competitions. Some cities do publish an annual Society Visiting List in a blue silk cover, such as Baltimore’s famous volume known as the “Blue Book,” in which appear the names of “suitable” guests who may be invited to attend the year’s “Cotillion,” or bachelor ball for young women and their male escorts, all expected to be from elite and wealthy Bourgeois families, although to be sure some young debutantes and their honoured male guests are none of the foregoing. The number of patrons who purchase Baltimore’s “Blue Book,” most likely to savor their names being listed between its covers, has dwindled progressively from over 20,000 half a century ago in 1960 to under 2,000 in 2008 for the 120th annual edition.7

Keywords: Social class, Class structure, Society, family caste

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1 This article is a revision with update of an unpublished paper the author presented on 07 May 2010 to an audience of faculty and students of the Pope John Paul II Catholic University of Lublin in Lublin, Poland (Katolicki Uniwersytet Lubelski Jana Pawła II), on the invitation of the Student Society at the Institute of English Philology and the Polish Forum for Young Diplomats, at a conference entitled: “American Dream in the 21st Century.”
2 See the Preamble to the Constitution of the United States of America that begins: “We the People.”
5 Burke’s Peerage and Gentry. 2003. London: Burke’s Limited, 104th ed. Note that the 2010 Burke’s collection professes to include “gentry of the United States of America.”

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INTRODUCTION/REVIEW

One interesting facet of the “Blue Book,” particularly Baltimore’s, was the terror it instilled in those who were “listed” that they might become unlisted. This happened for example to former U.S. Senator Daniel Baugh Brewer (D-Md.), a descendant of Benjamin Franklin and of Puritan spiritual leader William Brewster, known as Elder Brewster, clerical head of the Pilgrims who landed from Captain Christopher Jones’ ship the Mayflower at Plymouth Rock, Massachusetts on 21 and 26 December 1620, according to historical records. 9 Dan Brewer attended the Episcopal Church’s prestigious boarding school, St. Paul’s, in Concord, New Hampshire. He was stricken from the “Blue Book” list when a Federal grand jury accused him of taking bribes. It was not so much that an indictment disgraced his name as that it brought into the spotlight the “P” word (Poor): that beyond any socialite’s imagination, the Brewsters might have run out of money! If so, who could be the next to go in America where, for socialites at least, the class is money instead of being a family name, land or noble title?

A woman gone “bad” also might face removal from the “Blue Book,” as happened to Sydney Biddle Barrows of Philadelphia, descendant of several Mayflower passengers, including the Drexels, 9 following her prosecution for running a questionable “escort service” that New York authorities alleged was really a house of prostitution for well-heeled patrons. They are, of course, editors of the “Blue Book” had a nightmare that came true: Biddle Barrows published her own memoirs in 1986 under the enormously embarrassing title of Mayflower Madam. Among her relatives was Anthony J. Drexel Biddle, President Franklin Delano Roosevelt’s ambassador to Poland, 1937 to 1939, and to the Polish government in exile, 1939 to 1943, that Drexel Biddle followed first to Paris and then to London during World War II.

From America’s colonial period down through the 19th century, at least, a major determinant of social class was the ownership of land, the more acreage the better. So emerged the large plantation owning families such as that of Martha Custis, spouse of George Washington, and the Byrds of Virginia, including long-serving U.S. Senator Harry Flood Byrd (D-Va.) and his brother, Antarctic explorer Richard Evelyn Byrd, Jr., both descended through colonial leader William Byrd, II from early settler John Rolfe and Native American Indian princess Pocahontas (Rebecca Rolfe), daughter of Powhatan, paramount chief of the Tsenacommacah tribe of Native Americans who occupied tidewater Virginia near Jamestown 10 Late in the 19th century, the ownership of factories (Andrew Carnegie of United States Steel), commercial and investment banks (J.P. Morgan, Andrew W. Mellon), production of crude and refined petroleum (John D. Rockefeller), giant automakers (Henry Ford), the producers of the 20th century’s technologies (Thomas Watson, International Business Machines or IBM in the first half of the 20th century, Bill Gates of Microsoft and Steve Jobs of Apple in the second half), and publishers of magazines and newspapers (William Randolph Hearst, Henry R. Luce of Time, Robert Worth Bingham of the Louisville Courier Journal) came to surpass the ownership of land. All that has changed again late in the 20th century, as professional managers replaced family members as well as corporate founders in the ranks of the chief executives leading Fortune Magazine’s 500 largest corporations, with the almost continuous exception of the Ford Motor Company, still controlled by the descendants of its founder, Henry Ford. 11

New York University sociologist Dalton Conley has commented on some nuances of “social class” in 21st century America, which he calls “positional goods,” including whether both partners (including husband and wife) work or only one does, or whether a parent drops off and collects the child(ren) from school (higher social position evidenced by greater discretion over free time) or a nanny does (generally lower social position), and the extent to which one exerts control over other people’s labour, such as through business ownership, all of which has changed for some families in the first decade of the 21st century, due to declining wealth. 12 Then there are perquisites only the rich can afford, such as USD 12,000 diamond tennis bracelet sets, USD 800 haircuts, USD 600 denim jeans wear, and USD 400 wine. 13 By way of contrast, Joyner argues other factors matter less, such as ownership of BMW automobiles, mini mansions, gourmet coffee, according to the same article. 14

Times were changing already even before the “financial crisis” that hit the United States during 2008 and 2009. For example, also, the number of young women from socially prominent families who applied to attend Baltimore’s Cotillion shrank from 65 in 1952 to 28 in 2007, 55 years later. 15 The question before us is how and to what extent has America’s most recent “financial crisis” impacted what we still consider to constitute “social class” in the United States? In order to answer this two-part question, we should first explore how one acquires social class in 21st century America in the first place. This mystery is not entirely easy to decipher or to deconstruct. Ruby Payne addressed this incisively in her book, A Framework for Understanding Poverty, 16 that is more aptly “A Framework for Understanding Wealth.” Of her 15 factors, some will take longer to erode than others, such as how couples sit in automobiles or methods of evaluating restaurants. Some other factors, such as what to do with money, what ideal clothing to purchase, family structure, and perhaps of utmost importance to what preparatory schools, then universities to send one’s children, all may be changing as wealth declines for some, or may remain constant as wealth soars for others. Figure 1 articulates selected factors.

Middle-class society appears to have fared much worse than the wealthy from the financial crisis that befell the United

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10 For instance, the Drexel family was listed as 38” in Ferdinand Lundberg. 1937. America’s 60 Families. New York: Vanguard Press. See http://www.wndb.com/lists/439/000127058/.


14 Joyner, James, “Class Matters.”


States in 2008, slightly before in some aspects, lingering on thereafter. Between 2007 and 2010, for instance, the unemployment rate in the United States almost doubled, as Figure 2 below depicts graphically from the U.S. Bureau of Labor Statistics data. Home ownership is the primary asset held by middle-class Americans, who service home mortgages from monthly earnings. Sudden change in employment affects ability to service mortgages, with the predictable result being that as unemployment rises, so does the default rate on mortgages, and as homes are foreclosed or sold at distress sale prices, the value of housing depreciates in a vicious cycle, as Figure 3 reflects.

When one witnesses the interplay of different variables such as a steep rise in the unemployment rate and a correspondingly steep increase in home mortgage foreclosures, one then must assess what the consequence will be, corroborated by Figure 4 below, where although middle class before tax median family incomes have not dropped dramatically, middle class asset holdings have fallen dramatically in the aftermath of the financial crisis, with net worth of America’s middle class dropping a whopping 38.8 percent from USD 126,400 to USD 77,300 between 2007 and 2010, once more according to government statistics, this time a Federal Reserve survey of consumer finances published in 2010.

Unlike many European, Asian, and Eurasian societies, including Poland, there really is no “American” as such, because the ancestors of all Americans migrated to the “New World” at one time or another. When one’s ancestors arrived in America is one factor that may determine social class, at least for some observers and at least for a time, as may the circumstances of their immigration, what activities they engaged in following their arrival, how successful they were, and how soon following their arrival. The further back one’s ancestors came to America, other factors being equal, the higher class some may feel they have, or at least deserve to have. Why one’s ancestors came to America is another factor. In the minds of many of America’s “Old Families,” including especially those who have been continuously “listed” in the different “Blue Books,” those who migrated to America as religious dissenters have or should have a special position, particularly if they belonged to the Congregational (Puritan) Church right from the start, and particularly if they have resided in New England. So the value of impressive names such as Bradford, Brewster, Biddle, Drexel, Standish, Winthrop.

Those who can trace their ancestry to a passenger aboard the Mayflower, or to a Puritan minister, may consider themselves to be particularly privileged, especially in America’s Northeast. Several sociological and theological studies have tried to show that being a descendant of “the great last Puritan preacher,” Rev’d. Jonathan Edwards, has been a disproportional predictor of financial and social success and of entry into Harvard, Yale, or Princeton, although the latter was not the case for the author! In the South below the Mason-Dixon Line, a longstanding family membership in the Anglican (Episcopal) Church may serve the same perceptions and expectations, with names such as Davis and Lee standing out. Jefferson Davis having been president of the Confederate States of America, his grand nephew Kingsley Davis having been a prominent sociologist and the paramount authority on American migration patterns. In addition to Confederate General Robert Edward Lee, the Virginia family included his ancestor, Revolutionary war hero Henry (“Lighthorse Harry”) Lee, III.

Leaving aside migration and religion, a leading factor that many feels determines or ought to determine social class is money. Scions of large fortunes tend to consider themselves and their families to merit higher than normal deference, all the more so if the money has been in their family or families for many generations. This interface with religion because in the Puritan faith God shows His favour by bestowing wealth upon some and not others. So we can see quite easily why any sign of the wealth’s disappearance may evidence the Lord’s disfavour, and justify the expulsion of the once wealthy but recently impoverished from the “Blue Book” or any social “list” and the accompanying clubs to which members might expect to hold an elected membership. The financial crisis would have no less a bearing on this result than would any other cause of impoverishment, including undereducated parents and parents who died or became disabled at an early age, or subnormal intelligence. Whatever the reason why someone loses a fortune, an elite position, or a publicly unblemished reputation, one falls from grace, and in that fall one is likely to lose the social class.

The next most important factor that may determine social class many people would argue is education. Part of this education factor is the number of years completed, of course. There are some anomalies. Bill Gates never finished Harvard College, for example, and some persons holding doctorates seem unable to obtain or maintain a responsible position. Then again, Lloyd Blankfein rose from living in public housing in New York City to become chairman and CEO of Goldman Sachs by attending Harvard College and Harvard Law School. Besides the level of education, where the education was obtained is important. America’s elite tends to attend certain boarding schools that open to them the doors of prestigious colleges. When Pennsylvania Senator (Henry) John Heinz III (heir to the ketchup fortune that bears the Heinz name) perished in a private airplane accident, the priest who celebrated his Anglican funeral was Missouri senator John Danforth (heir to the Ralston Purina cereal fortune), who had been Heinz’s roommate at Phillips Exeter Academy.

One recalls that President George W. Bush’s ambassador to Poland was his roommate at Yale College, also a friend of this author, Victor H. Ashe. Prestigious boarding schools and universities do not always provide lifelong friendships, however. Take the case of President Barrack Obama’s second secretary of state and former Massachusetts Senator, John Forbes Kerry, and the reaction of his classmates from St. Paul’s School to him at their 40th anniversary in 2002, where scions of other famous families such as then F.B.I. director Robert Swan Mueller, III (great grandson of William Haynes Truesdale, turn of the 20th century railroad magnate) and William Howard Taft IV (great grandson of an American

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25 Jonathan Edwards briefly was president of Princeton University before his untimely death caused by a smallpox inoculation which he urged everyone to have.

President) received applause from their classmates. Kerry received boos.21 Some of America’s wealthy elite favour one another, whilst others detest the rest. Although Kerry is descended from the Forbes and Winthrop families on his mother’s side, most of the Forbes shipping fortune had passed to other relatives, an aunt paid for his education at St. Paul’s, and he was perceived to live off “new” money rather than “old money,” if any wealth at all at the time. In America, wealth cannot be allowed to erode, because once lost the prestige associated with it vanishes also.

For the elite, place of education provides networking. In the United States, as also in Europe, the quality and value of advanced educational degrees may depend in large measure on the reputation of the doctoral supervisor as much as on the reputation of the university that conferred the degree. Education, once earned, is impossible to take away, so it is a rather stable indicator of class. But only one amongst several, the most notable being money, other factors being ancestry, positions held, and notoriety. Very important to the interface of class with education is a parent’s ability to provide an equal or better education to her or his progeny.

So the financial crisis is likely not to erode the educational factor for those who hold prestigious degrees, although if they become unable to send their children to the prestigious preparatory schools and universities, such people stand to encounter difficulty if they plan to pass on their social standing to the next generation. Loss of income will catalyse immediate loss of social status in America, as mentioned earlier, and in turn, the lower income may lead to consequences such as the foreclosure of the family home(s), repossession of automobile(s), and removal or coerced early retirement from important occupational positions. A disproportionately high percentage of Harvard Law School graduates are unemployed and divorced, as Richard Kahlenberg pointed out in his socially disturbing book.22 This is because the loss of one’s job especially early in one’s career causes loss of social capital, and some spouses marry capital, not husbands or wives.23

All of this suggests that widespread changes in the global economy, and especially in the American economy, may portend equally or even more wide-ranging changes in the notion of social class. For whom? Not necessarily for everyone at all, and certainly not for everyone equally. For example, the large global charities have urged governments to protect the vulnerable members of society from the financial crisis, including the elderly, the poor.24 Some research has shown that stock exchange trading of “blue chip” shares such as those of Proctor and Gamble may have been manipulated25 and that corporate banking executives26 plus the wealthiest members of society actually have profited from the financial crisis27 before many became victims also themselves.28 This has motivated thinkers such as Michael Hudson29 to project that:

[A Social War is unfolding on a global scale – not the class war envisioned in the 19th century, but a war waged by finance against entire economies...and governments as well as against labour.30

To this Peter Waldorff has added:

There would be no economic crisis in Ireland or elsewhere if governments weren’t using taxpayers’ money to bail out the players who’ve caused their own financial crisis.31

The possibility of a social war is alarming enough, but the allegation that governments are using public funding to bail out corporate decision makers for their own mistakes completely thwarts the objectives of the capitalist structure. The script seems to be to risk someone else’s money, if you win you keep the profits, if you lose, the government absorbs the losses. Perhaps the greatest trauma inflicted by the financial crisis had been to stifle what Richard Florida has termed the “creative class.” The damage may be assessed by comparing two of Florida’s books, The Rise of the Creative Class32 with The Flight of the Creative Class.33 Has the financial crisis resulted in the migration of the most valuable members of the workforce? If so, who has been left behind? Some have suggested the “new upper class” is sub-intelligent and sub-literate, living on wealth that is undeserved and with which they seem entirely inept at managing properly or putting to any good use.34 Perhaps this is why America and the world ensure economic losses in the financial crisis, to begin with, because as Brooks argues, “[t]hese Bobos define our age. They are the new establishment.”35

Social class in the United States is changing progressively and regressively, with or without any financial crisis. This means that in some respects the right people are rewarded for their efforts and innovation, whereas in other respects the “Bobos” are rewarded unjustly. What the most recent crisis seems to have done is to show that class in America is changing faster than it did before the crisis began. Some facts seem significant. Most of America’s wealthiest citizens are entrepreneurs (themselves or through proxies) who look to several specific sources of capital both to run and expand existing businesses and to start and survive the growth of new businesses. They look to “other people’s money (OPM),” often acquired through bank financing, but liquidity has declined and banks are less prone now than they were before

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31 Ibid.
35 Ibid., 11.
the financial crisis to make commercial loans, partly because today most of the money a bank has to loan tends to be public money, distributed to banks by government. They rely on their own financial and real estate assets, both for sources of their own cash to pour into businesses, and to function as collateral for bank loans, but both of these assets have been reduced in value in very many cases This may lead to a slight reduction in the “gap” between the wealthiest and other citizens of America, but whether this reduction is significant enough to change social class downward or upward is unclear. One result does seem rather clear: the financial crisis undermined civil society in the United States to the point where it is likely to inhibit innovation for a generation by decreasing the willingness of capital markets to sponsor entrepreneurs as boldly as was the case before 2008.

It may decrease educational opportunities available to aspiring entrepreneurs due to funding reductions from parents, the private banking sector, and governments at state and local levels. This could sharply reduce America’s competitive edge, and affect social class across several future generations. Extensive research conducted by the Pew Foundation and published in a 2010 report suggests substantial evidence that the long-term deterioration of American family household financial stability, extending to potentially negative consequences for the social class of their future generations because, amongst a myriad of other factors, the stability of retirement income for a rapidly aging “baby boom” generation has eroded, nearly vanished, imparting consequences for the inheritances on which their children had relied to maintain the family social class across future generations.

The hardest hit seems to be families with children in college who have not yet graduated because they may not be able to graduate. Perceptions of Americans toward the impact of the financial crisis on their welfare are directly affected by social class: according to the Pew research, 33 percent of the “wealthy” reported they felt better off in the aftermath of the recession whereas 36 percent reported feeling worse off, in contrast to only 21 percent of the middle class reporting feeling better off with 45 percent reporting feeling worse off, and in contrast to only 21 percent of the middle class reporting feeling worse off, and in further contrast to only 13 percent of the “poor” reporting feeling better off with 64 percent reporting that they felt their fortunes had worsened (the rest in each category reported that they felt their financial condition remained unchanged). This reflects a growing class division in America.

REFERENCES

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37 Naude, Wim, and James C. Magre. 2009. “Wealth Distribution, the Financial Crisis and Entrepreneurship.” The Free Library. 01 Mar
39 Ibid., 46.
Figure 1. Hidden Rules Among Classes

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<tr>
<th>Source: Ruby Payne, A Framework for Understanding Poverty</th>
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<tr>
<td><strong>POVERTY</strong></td>
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<tr>
<td>People.</td>
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<tr>
<td>To be used, spent.</td>
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<td>Is for entertainment. Sense of humor is highly valued.</td>
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<tr>
<td>Social inclusion of people/their ideas.</td>
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<td>Key question: Did you have enough? Quantity important.</td>
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<td>Clothing valued for individual style and expression of personality.</td>
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<td>Present most important. Decisions made for moment based on feelings or survival.</td>
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<tr>
<td>Valued and revered as abstract but not as reality.</td>
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<tr>
<td>Casual register. Language is about survival.</td>
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<tr>
<td>Tends to be matriarchal.</td>
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<tr>
<td>Sees world in terms of local setting.</td>
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<td>Love and acceptance conditional based upon whether individual is liked.</td>
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Figure 2. United States Unemployment Rate, 1950 to 2010.
Figure 3. United States House Prices, 1970 to 2010.

Inflation-adjusted house prices

Figure 4. Changes in middle-class Income and Net Worth, 2007 to 2010.

Income and net worth fell from 2007 to 2010.