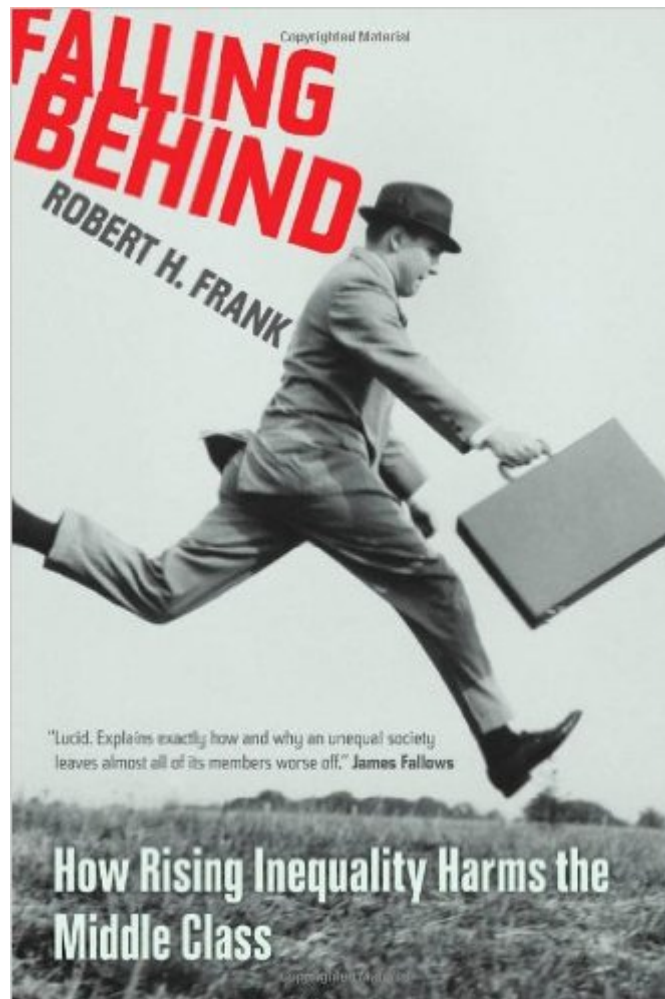


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# Falling Behind: How Rising Inequality Harms The Middle Class (Wildavsky Forum Series)



## Synopsis

Although middle-income families don't earn much more than they did several decades ago, they are buying bigger cars, houses, and appliances. To pay for them, they spend more than they earn and carry record levels of debt. In a book that explores the very meaning of happiness and prosperity in America today, Robert Frank explains how increased concentrations of income and wealth at the top of the economic pyramid have set off "expenditure cascades" that raise the cost of achieving many basic goals for the middle class. Writing in lively prose for a general audience, Frank employs up-to-date economic data and examples drawn from everyday life to shed light on reigning models of consumer behavior. He also suggests reforms that could mitigate the costs of inequality. *Falling Behind* compels us to rethink how and why we live our economic lives the way we do. Copub:

Russell Sage Foundation

## Book Information

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## Customer Reviews

The dictum "context is everything" is certainly true when it comes to assessing the value of material goods. In *Falling Behind*, economist Robert H. Frank shows that what we consider "average" or "good enough" in a home or car is determined by context: what are others around us driving? where are they living? Is a '79 Chevy Nova adequate (or even luxuriant)? The answer to this depends on the cars driven by others around us. This context varies between Cuba and the snazzier parts of L.A. Context matters in assessing the value of many things: cars, real estate, appliances, clothing. Not all goods are evaluated in this way: Frank categorizes those that are as positional goods. Frank

lays to rest the notion that wanting what others have is greed or envy, or that we are duped by snazzy advertising. Rather, it is natural to judge one's own assets in terms of local context. Having less than the "norm" has tangible consequences for professionals: Doctors or lawyers who fail to keep up appearances will be judged as incompetent. People who choose to buy smaller homes will end up in poorer neighborhoods, and suffer their attendant problems. The inflation of positional goods is driven by income inequality. Since the 1970's, the incomes of those at the very top has risen dramatically, while those at the bottom are now earning about the same or less. (If you want clear graphics and elucidated statistics on rising income inequality, look no further than chapter 2.) However, changing standards for what constitutes a luxury home or car have "trickled down" so that middle-income Americans now need to spend more to achieve average. Frank likens the arms-race style inflation of positional goods to the metaphor of the stadium.

The first college I went to was a small community college out in the middle of nowhere. Most of its residents were extremely poor people fresh from the factory. In such an environment, I felt very wealthy and did not see the need to buy better clothes. I soon transferred to Michigan State University. Talk about a sea-change. Suddenly, I was the odd man out. My clothes were otiose, my habits slovenly and my look unkempt. It was extremely stressful (I am sure my HPA was going nuts pumping cortisol like crazy). I needed a new wardrobe. Not only that, but I need a conspicuously expensive and ridiculous one. If you take this experience and apply it across the middle class board, you have Mr. Frank's book. You see, all of the middle class is in a positional arms race over goods like cars, houses, clothes, watches, and other oddities, while skimping over public goods, insurance, and safety. Frank compares this arms race to animals who constantly get bigger antlers to compete and get females. Soon the antlers are so big and cumbersome that they are a handicap in many ways. Yet, if a mutation 'attempts' to take over the population and make smaller antlers, the bigger antlers will win because animals that possess them can fight better and monopolize the females. Frank calls this the "smart for one, dumb for all" principle. I think the reasons are fairly obvious. Similarly, if we would all agree to limit the size of our house and cars and pay more for roads and parks, we would all benefit. However, there is always going to be that one idiot who gets the bigger house and the SUV. Now he is rolling in attention, going to the best school, and safer than ever in his huge SUV. All it takes is this small spark to ignite an all out war for position.

The subject of income inequality took center stage in the public mind only in 2010 with the advent of Occupy Wall Street, but the widening gap between the top 1% and the rest of us had been the

subject of fierce debate in economic circles for many years previously. Robert H. Frank made a notable and eminently readable contribution to the public discussion with his widely read 1995 book, co-authored with Philip J. Cook, *The Winner-Take-All Society*. A decade later, Frank delivered the Aaron Wildavsky Lecture at UC Berkeley's Goldman School of Public Policy on the same broad topic. Frank expanded the lecture into a book under the title *Falling Behind* in 2007, published by UC Berkeley Press. Last year the Press reissued the book with a new preface by the author. In *Falling Behind*, Frank goes far beyond the superficial coverage of income inequality in much of the media, which is largely limited to dramatizing just how far and fast the gap has grown between the haves and have-nots. That's old hat now (though it wasn't in 2007). Making use of homey thought experiments and references to behavioral psychology, Frank explains how income inequality forces people of lower or middle income to spend more than they can afford on housing, clothing, and sometimes even food and how the policies that foster inequality worsen the tragedy of the commons, saddling society with inadequate public transportation, polluted air and water, crumbling infrastructure, and other frequently neglected problems.

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