

**How Financial & Social Status Affect Human Interaction in the U.S.**

**By**

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## Introduction

Money cannot buy happiness, but it can purchase status. In the United States, financial and social status greatly influence human interaction; these positions shape certain perspectives, opportunities, and behaviors among Americans. In an article titled “How Money Changes the Way You Think and Feel,” author Carolyn Gregoire writes, “Psychologists who study the impact of wealth and inequality on human behavior have found that money can powerfully influence our thoughts and actions in ways that we’re often not aware of, no matter our economic circumstances” (Gregoire, 2018). The article sheds light on the subject of inequality, highlighting why wealth relates to issues of unfairness, low empathy, and even lower compassion. In the same article, it is found that people tend to seek power and money in order to achieve success, but this clouds the true values of love and happiness in life. From a more social perspective on human interaction, the article “Facing Social Class: How Societal Rank Influences Interaction,” expresses the idea that people focus a majority of their lives on the importance of equality (Fiske & Markus, 2012). However, social standings in society and the inequalities surrounding the subject tend to shape American standards. The importance of understanding the dynamics presented is detrimental to sociological research across the U.S. because financial and social status underlines severe systemic inequalities and their impact on societal relations. Due to the substantial need for more research and information on the subject, this paper aims to answer some specific research questions, such as: How does socioeconomic status dictate people’s interactions between each other? Secondly, how does the prominence of wealth influence our observations of inequality in society? Finally, how can financial literacy initiatives help reduce the effects of these inconsistencies? These questions are important because they address how inequalities in wealth, both economic and psychological, influence social behavior and

interpersonal relationships in everyday life. The significance of wealth and social inequality have become huge issues in America today. The U.S. Federal Reserve System looks at a few statistics surrounding this issue: the current level of wealth inequality reports that the top 1% of earners possess over 30% of the country's wealth, while the bottom 50% hold only a small portion compared to that. Although this statistic is not just about money, it also shows up in social interactions, where the differences between classes can affect relationships, opportunities, and social networks (FRB, 1989). To take a closer look, this paper will look at the three sociological perspectives: Conflict Theory, Symbolic Interactionism, and Functionalism to gain more information and present firm research to readers. Then, explain recent examples that society has shown to further solidify the arguments as to why financial and social status has been affecting the interactions between people in the United States.

### **Review of Academic Literature**

One of the first sociological perspectives described is Conflict Theory, originally developed by Karl Marx. This theory suggests that society is made of different and conflicting social classes, with individuals competing for social, material, and political resources. It is especially helpful in understanding the roles of financial inequality in society. When referring to Conger and Donnellan's writing in "An Interactionist Perspective on the Socioeconomic Context of Human Development," socioeconomic status impacts a lot of parts of human development; cognitive, social, emotional, and physical well-being are all included in their study. They argue that lower-income families often face significant barriers that obstruct their children's development, including financial stress, poor living conditions, and limited access to education.

For example, children raised in low-income households often face greater emotional and mental stress, which negatively influences much of their lives. Their ability to succeed in school

and relationships is further delayed or becomes a harder part of growing up rather than positive points in their lives. This is because of the pressures low-income families face, such as job instability, inability to purchase goods like food or clothing, and insufficient housing. Another issue of concern for these young people is access to solid foundations and education. These children tend to grow up without the same resources that wealthier children have, like strong financials from their parents, plenty of money for food and clothing, tutoring, or economic support for higher education, which all can create long-term social/economic disadvantages (Conger & Donnellan, 2006).

Another part of Conflict Theory that relates to financial and social status is social capital, or the resources, networks, and connections people have that help them succeed in society. According to “The Forms of Capital,” written by Pierre Bourdieu in 1986, those with higher economic status and more social ties have access to greater social capital, while those from lower incomes are often excluded from these systems due to poor economic status and less societal connections. This lack of access to opportunities keeps lower-income families stuck in a cycle of poverty and higher-income families always in a state of more control and power (Bourdieu, 1986). His analysis of economic, cultural, and social capital all explain that these forms are interconnected and shape the way our lives function. Further supporting the notion of a harsh cycle of economic and social inequality.

Though Conflict Theory focuses on macro-level issues in society (societal processes and changes), Symbolic Interactionism looks at the micro-level—small daily interactions and the meanings people give to their social situations. Fiske and Markus (2012) study the important role social class plays in how people see and relate to each other. They argue that people show their

social status through symbols like clothing, language, and gestures. These symbols act as signs of their value in society. These signs have deep effects on how people are treated by others.

For instance, people from lower social classes often face stereotypes or stigma due to their looks, actions or speech. On the contrary, social groups from higher standings are usually treated with utmost respect and dignity based on their appearances, seeing how they are more successful in society. These differences can truly be seen through a study conducted by the Yale Institute for Network Science. In an article from Yale News posted by Jim Shelton, he stated:

Researchers from the Yale Institute for Network Science (YINS) found that when people didn't know their neighbors' financial status, they cooperated and interacted much better with each other. But when people were able to see a significant gap in wealth between themselves and their neighbors, the social fabric began to unravel — and the gap in wealth became wider than when the economic inequality was invisible (Shelton, 2015).

In their experiment, researchers used innovative software to conduct a laboratory-like environment to explore the reasonings behind systemic inequality. They watched the interactions between 1,462 test subjects within levels of economic disparities that can be seen throughout the U.S. The results of the study produced the answer that when seeing visible gaps in wealth, people may have psychological responses to seeing economic status as competition, which make it difficult to process social interactions between these groups.

Looking back at Fiske and Markus's reading, they also discuss the idea of status anxiety, which further reflects the models of the Yale study as well. When people see others with more

wealth or social status, it can make them feel inferior and vice versa. This anxiety also negatively impacts their form of interactions in the same way the Yale experiment proved (Fiske & Markus, 2012).

Lastly, from a Functionalist standpoint, social order and stability are maintained when all parts of society work together; it emphasizes that institutions like education, the economy, and social policies help create a balanced society. Through the role of financial literacy programs, functionalists aim to educate people about how to manage their money effectively, help them improve their financial well-being, and reduce the impact of inequality. In Lusardi and Streeter's breakdown, "Financial Literacy and Financial Well-Being: Evidence from the U.S." they found that people with greater financial literacy are much more likely to make smart financial decisions. They are better at saving money, managing debt, controlling monetary impulses, and planning for the future. The knowledge gained through good financial literacy helps people improve their economic situations, which can break the cycle of poverty for lower-income households. It is shown that individuals who understand how to budget their money, build credit, and save for retirement are better able to create a sense of financial security for themselves and their families.

Another aspect from this article explained that "Financial knowledge is especially critical in the US today – as the economy has just experienced the COVID-19 pandemic, a spike in inflation, and a subsequent increase in interest rates. The uncertainties and risks in the macroeconomic environment amplify the importance of financial literacy." (Lusardi & Streeter, 2023). After the pandemic, America had one of the highest spikes of inflation since the 1980s. This resulted in many individuals struggling just to get by on their household incomes. Leading to more reasonings as to why people should additionally inform themselves on financial literacy.

By increasing financial knowledge, these programs help people not only from lower socioeconomic backgrounds but others from higher incomes who make questionable economic decisions for themselves that could be strengthened greatly.

By examining how financial literacy financial well-being and behaviors it is easier to identify what exactly motivates people to achieve social order and stability. This connection underlines that boosting financial literacy is not only an individual goal; it is a collective effort that can strengthen societal ties and decrease inequality. When individuals have the knowledge and skills able to guide their financial lives effectively, they can contribute to a more stable economy and community. Investing in financial literacy is really about building a stronger, more connected society. As our economy gets more complicated, it is important to focus on economic education so everyone can adapt and succeed. This shows how important it is for schools, government programs, and societal organizations to work together to help people understand money better. When people are financially informed, they can make smart choices that help not only themselves but also their communities.

### **Current Example of Social Policy in Society**

A big example of a policy to address financial inequality in the U.S. is the Consumer Financial Protection Bureau (CFPB). This bureau focuses on teaching money skills to underserved groups. One program called “Start Small, Save Up” encourages the population to conserve their money and in doing that achieve much greater savings. Presented in their writing of the "Semi-Annual Report of the Consumer Financial Protection Bureau," the Bureau writes, "The research is organized into three broad categories, each identifying an avenue through which to increase consumers' savings: savings products (providing a ready place to save), financial incentives (providing motivation to save), and behavioral and psychological approaches

(providing a choice environment that facilitates saving)." (CFPB, 2021). This helps families avoid money problems and build long-term financial security. The program provides tools that show how small, regular savings grow over time. It also offers coaching to help people learn better money habits. This program teaches money management to narrow the wealth gap. It gives low-income individuals the knowledge to improve their finances. The plan targets communities that often lack access to financial education, especially African American and Hispanic groups. Studies show these communities face more financial challenges than those of White ethnicity or race.

By providing individuals with essential economic knowledge, these programs assist in a way that lessens the gaps between different social classes. It also helps to get rid of status anxiety, as talked about by Fiske and Markus. The "Start Small, Save Up" initiative focuses on empowering low-income individuals to build up their savings and consequently have more money, which makes these individuals feel more confident and stable around those who have better economic situations. As a result, social inequality based on financial standing is off-put and no longer a big concern among Americans due to the inclusion felt by low-income households.

### **Synopsis**

This research paper has explored how financial and social status impacts human interaction in the United States, not only using the fundamental sociological perspectives, but by including recent policies and important ways to engage societal interactions through financial literacy. The conflict theorist perspective gives insight into the systemic inequalities and how socioeconomic status severely affect this issue. While symbolic interactionism concentrates on the micro-level impact of class perceptions on everyday interactions. Also, functionalism stresses

the impact of financial literacy programs and having an educated look into the many aspects of one's economy. The review of literature section showed that socioeconomic disparities affect not only economic opportunities but also emotional, psychological, and social well-being.

Furthermore, the analysis of current policies, such as financial literacy programs and skills in saving money, shows how the U.S. is attempting to address these issues and reduce the impact of social class on human interactions.

These findings show that money and social rank greatly affect how people talk to each other. Some efforts, like teaching people about money and building homes for mixed-income groups, help address these differences. Yet, these actions alone do not fully close the gap between social groups. Deep-rooted problems and societal beliefs still keep inequalities alive. These issues limit the chances for many based on their backgrounds. For real progress, these old beliefs should change. More thorough solutions are needed. Access to resources, chances, and help must be fair for everyone, no matter their wealth. Improving financial education is crucial, and it's equally important for new economic policies to be inclusive of everyone. Additionally, having access to good schooling and promoting greater community participation are essential steps towards achieving these goals.

Also, as we step further into the digital world, future studies should explore how digital gaps affect social connections. As more people meet online, knowing how money and social differences affect relationships online is crucial. This topic could offer useful ideas about how social ranks affect talking, working together, and building communities today. Studying these aspects helps us understand human ties better. It helps create actions for equality in both physical and digital spaces.

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