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Beyond Discrimination

Understanding African American Inequality in the Twenty-First Century

Michael B. Katz and Mark J. Stern

In November 2007, two reports by distinguished research centers turned African American inequality into national news. Their startling and discomfiting data highlighted both the fragility of African American success and the widening fault lines that divide African Americans from each other. Impressive and authoritative as the reports are, they nonetheless remain incomplete because they do not explain how and why African American inequality has changed during the last several decades or the place of gender and publicly supported work in the new black inequality. These omissions matter because adequate and realistic responses to the issues raised by the reports require grasping the sources of the revolutionary changes that have left blacks at once more and less equal. Black inequality no longer results from powerful and interlocking forms of public and private discrimination and oppression. Rather, it is the product of processes beginning with childhood that sort African Americans into more or less favored statuses, differentiating them by class and gender. This new African American inequality, and the poverty that accompanies it requires policies that identify key points of intervention and reassert a vigorous role for government in the promotion of economic security and upward mobility. In this article, we summarize our research findings about the new African American inequality and comment on its implications. Readers interested in a more fully documented version should consult either our article "The New African American Inequality" in the *Journal of American History* (June 2005) or book, *One Nation Divisible: What America Was and What It Is Becoming*.

The November 2007 reports by the Pew Research Center and Brookings Institution describe, respectively, growing values gaps among African-Americans and the failure of their increased incomes to match white incomes or assure economic security to their children. The Pew report concluded that "African Americans see a widening gulf between the values of middle class and poor blacks, and nearly four-in-ten say that because of the diversity within their community, blacks can no longer be thought of as a single race." Black respondents also were less optimistic about black progress than at any time since 1983; lacked confidence in the fairness of the criminal justice system; and believed that "anti-black discrimination is commonplace in everyday life"—views that set them apart from whites. Both blacks and whites, however, agree that in the last decade "values held by blacks and whites" have converged. The good news is that "black and white Americans express very little overt racial animosity." About eight in ten hold "a favorable view about members of the other group"; most think that blacks and whites get along at least "pretty well"; and "more than 8-in-ten adults in each group also say they know a person of a different race whom they consider a friend."

The Brookings report focuses on economic mobility. It shows that income gaps between blacks and whites persist, despite increases among both groups. This income growth masks declining incomes for both black and white men in their thirties whose family incomes rose only because women's incomes increased, with white women's income growth outpacing black women's. In 2004, the median black family income for people ages thirty to thirty-nine was 58 percent of white family income, or $35,000 compared to $60,000. At first glance, the statistics of intergenerational mobility appear more promising: 63 percent of black children earn more than their parents, with incomes adjusted for inflation. But "a majority of blacks

born to middle-income parents grow up to have less income than their parents. Only 31 percent of black children born to parents in the middle of the income distribution have family income greater than their parents" compared to 68 percent of white children from similar backgrounds. Similarly, a majority—54 percent—of black children born to the poorest parents remain, themselves, at the bottom of the economic ladder. For the poorest white children the proportion—31 percent—is much lower.

Both the Pew and Brookings reports underscore the persistence of group inequality and the differentiation of African American social structure. This pattern reflects what we call the paradox of inequality. Despite repeated contractions and expansions in the degree of economic inequality, throughout modern American history the income and wealth pyramid has remained durable and steep, with continuities in the distribution of rewards by work, ethnicity, and gender. Yet, immense individual and group mobility has accompanied this structural durability. To make the process concrete, consider this: in the last half of the twentieth century, the civil rights movement and the women's movement swept across the United States. Although neither reached all its goals, each gained many of its objectives and, in the process, transformed the nation and the life experience of tens of thousands of women and men. Yet, in the decades of the movements' greatest successes, Americans became massively more unequal, with, for example, between 1973 and 2004, the real annual income of the poorest 20 percent of Americans rising 20 percent while that of the wealthiest fifth soared 73 percent. This coexistence of structural rigidity with individual and group fluidity is what we mean by the paradox of inequality.

Inequality, however, has not always worked in the same way. At the start of the twentieth century, pervasive, overt racial discrimination barred blacks from most jobs, denied them equal education, and disenfranchised them politically. After mid-century, slowly and sometimes with violent opposition, the situation of African Americans changed dramatically. Courts and Congress—prodded by a massive social movement, national embarrassment on the world stage during the cold war, and the electoral concerns of urban politicians—extended political and civil rights. Affirmative action and new "welfare rights" contributed to the extension of social citizenship—guarantees of food, shelter, medical care, and education. By the end of the century, legal and formal barriers that had excluded blacks from most institutions and from the most favorable labor market positions largely had disappeared. Black poverty had plummeted, and black political and economic achievements were undeniable.

Yet, for many people—both white and black—the sense remained that racism still pervaded American society, operating in both old and new ways, removing some barriers but erecting others. Observers found discrimination in racial profiling by police; verbal slips by members of Congress; disproportionate poverty, incarceration, and capital punishment; and in the workings of institutions and public policies that disadvantaged blacks. Racism, they maintained, kept African Americans residentially segregated and clustered disproportionately in the least desirable jobs, if not out of the work force altogether, and circumscribed their opportunities for education, high incomes, and the accumulation of wealth. Far more often than whites, African Americans lived in poverty. Most black children were born out-of-wedlock, and a very large fraction of them grew up poor. And in the 1980s and 1990s, some indices of black economic progress began to reverse direction. In the summer of 2005, television images of New Orleans' African Americans, segregated in low-lying sections of the city, many without automobiles, trapped as floodwaters rose, brought home in a horrible way the persistence and consequences of black inequality and poverty.

Was the glass half empty or half full? Could past black achievement be projected into the future or had it stalled, leaving this enduring categorical inequality rooted deeply into the soil of American life? This is the question implicit in the Pew and Brookings reports. The question should not be framed in either/or terms or answered using a single scale of progress, for the historic pattern of black in-

equality based on social, economic, and political exclusion was in fact largely shattered in the course of the century, to be rearranged in a new configuration of inequality. In the early twentieth century, the sources and results of America's black/white divide overlapped with and reinforced one another. What stands out about the new pattern of inequality is the *cumulative* process from which it results and the internal differentiation that is its product. Inequality among African Americans no longer grows out of a massive and mutually reinforcing, legal and extralegal, public and private system of racial oppression. Rather, it is a subtler matter, proceeding through a series of screens that filter African Americans into more or less promising statuses, progressively dividing them along lines full of implications for their economic futures and, in the face of natural disaster, their very lives. The history of African American experience reflects the paradox of inequality in twentieth-century America.

Blacks less often acquired a four-year college education; men (but not women) who did enter remunerative jobs earned less than whites. With education held constant, in fact, black women had reached income parity with white women. Nonetheless, whatever their jobs or educations, African Americans could not bundle individual into family earnings as large as those of whites; more of them were poor; more men were in prison; they owned homes less frequently; and the homes they did own were not worth as much. As a consequence, they lived in segregated neighborhoods, owned automobiles less often, died younger, and, when disaster hit, proved the most vulnerable. Economic inequality, thus, was a *cumulative* process.

The recomposition of the patterns of inequality occurred between the end of the Second World War and the turn of the century. Although blacks did not reach economic equality with whites, the configurations of inequality among them had been transformed irrevocably. A differentiation within African American social structure—a differentiation by labor-force participation, industrial employment, occupation, education, income, wealth, and gender—was one result. While both black men and women moved into white collar work, women's gains outpaced men's. Between 1940 and 2000, 63 percent of black women—an increase from only 7 percent in 1940—compared to 52 percent of black men, worked at white-collar jobs. Clearly, the expansion of government, education, health care, and private-sector white-collar jobs opened a plethora of opportunities seized by African American women. For black women, America's economic transition from manufacturing to service was a source of opportunities gained, not lost. At the same time, the situation of black men worsened as disturbing numbers found themselves outside the labor market altogether. For instance, between 1940 and 2000, the proportion of black men in the twenty-one to twenty-five age group who were out of the labor force jumped from 9 percent to 34 percent.

It was through this process of differentiation—the accumulation of many small and not-so-small distinctions—that black social structure divided and that black inequality endured despite individual and group mobility. This is the structural reality that underlies the Pew report's discovery of the "widening gulf between the values of middle class and poor blacks."

Even when African Americans, both women and men, moved into better types of occupations, they clustered in less prestigious and well-paid positions. Among professional and technical workers, for example, black women were employed more often than white women as technicians, the lowest rung on the ladder. Black professional men worked twice as often as white men in the human services, the least well-paying branch of the professions. Group mobility could not overcome the nation's most historically durable inequality.

Everywhere, in one way or another, the hand of government, for better or worse, is evident in the inequality story—from sanctioned racial segregation, for instance, to legislation supportive of trade unions and fair wages to civil rights. But the example on which we want to focus briefly here is less well known: the facilitation of African American social mobility.

Many black men found employment in public and state-related jobs (that is, jobs that were nominally private but dependent on pub-

lic funding). In 2000, these state-related industries employed 19 percent of black men. Public and state-related employment proved even more important for black women: at century's end nearly half (43) percent of African American women worked in state-related industries.

Public employment became African Americans' distinctive occupational niche. The *Brown* v. *Board of Education* Supreme Court decision (1954), which declared school segregation unconstitutional, the Civil Rights Act (1964), the Voting Rights Act (1965), and affirmative action policies in the 1960s and 1970s: all built pressure to desegregate work and expand opportunities for African Americans. Racial barriers to employment crumbled most quickly and widely in state-related jobs when their numbers exploded in the 1960s and 1970s as the War on Poverty and the Great Society escalated spending on social programs. These were good jobs. They paid, on the whole, more than private-sector employment. In 2000, the median income of African Americans who worked full time in the public sector exceeded the income of black private-sector employees by 15 percent for men and 19 percent for women. Public and state-related employment, thus, have proved the most powerful vehicles for African American economic mobility and the most effective antipoverty legacy of the Great Society. This dependence on publicly funded work also left African Americans vulnerable. Reductions in public employment and spending strike them with special ferocity and undermine their often fragile achievements.

Public employment, more than blue-collar factory jobs, played a key role in lifting African Americans out of poverty. High black poverty rates, that is, did not result from deindustrialization. Aside from Detroit and Chicago, African Americans did not find extensive work in major cities in manufacturing and were denied the best industrial jobs. Even where black industrial work was common, service jobs remained the core of black urban employment. Black industrial workers, moreover, did not earn higher wages or work more steadily than African Americans employed in other sorts of work. In a sample of fifteen representative cities in 1949, Buffalo, New York, had the largest fraction of black industrial workers, except for Detroit, but its black poverty rate was among the highest. In cities with the lowest black poverty rates, relatively few African Americans worked in industrial jobs. Instead, government employment, which accounted for 60 percent of the variance in black poverty rates across the fifteen cities, reduced poverty and proved the best predictor of African American poverty rates. Public employment did more than reduce poverty by providing steady, well-paid jobs. African-American access to public employment also signaled increasing black political influence, which, in turn, encouraged local welfare bureaucracies to respond more generously to black need. Thus, in cities with the highest levels of public employment more blacks escaped poverty through public transfer programs—the size of black public employment explained 33 percent of the effectiveness of cities' public assistance programs. Overall, the correlation between African Americans' poverty rate and employment in government was a striking -0.7.

What, then, is the moral of this history of black poverty and inequality whose consequences the Pew and Brookings reports highlight so vividly? In his commentary on the reports (*New York Times*), African American scholar Henry Louis Gates, Jr., rightly observes that the "historical basis for the gap between the black middle and underclass shows that ending discrimination, by itself, would not eradicate black poverty and dysfunction" (Nov. 18, 2007). But neither is his remedy, by itself, adequate to the task. "Perhaps a bold and innovative approach to the problem of black poverty," he writes, "would be to turn tenants into homeowners . . . for the black poor, real progress may come only once they have an ownership stake in American society." For support, Gates points to the huge disparities in black and white wealth. Economist Edward N. Wolff found the median net worth of non-Hispanic black households in 2004 to be $11,800

compared to $118,300 for whites, with most of the difference accounted for by real estate.

Taking a leaf from Margaret Thatcher's book, as Gates suggests, by turning residents of public housing into homeowners would not solve the problem. Despite the privatization of public housing, poverty remains high in Britain. There, social housing, as it is more often called in Europe, is not restricted to the very poor as it is in the United States. Its tenants include many of the employed working class with incomes sufficient to pay mortgages and maintenance costs. In the United States, moreover, a stunning rise in homeownership has not wiped out black poverty or materially closed the inequality gap between blacks and whites. (Between 1940 and 2000, black homeownership increased from 23 percent to 47 percent, still far lower than the 72 percent for whites, but a major increase, nonetheless.) For too many African Americans, dispossessed of their homes by the subprime mortgage catastrophe, homeownership has proved a cruel trap that has left them worse off than before. Without question, increased homeownership would increase the assets of a great many African Americans and help reduce the black/white gap in wealth. But as valuable as it is in the long run, equity in real estate does not provide the day-to-day income that buys food, purchases health insurance, or pays tuition bills. Jobs with wages high enough to pay a mortgage, backed by robust social insurance, are the prerequisites of both a decent life and secure homeownership. These are what far too many African Americans lack.

A focus on homeownership or, in fact, on any single factor, misses the two most important implications of the new African American inequality. First of all, because inequality is the result of a series of screens that filter African Americans into more- or less-favored statuses, policy interventions are needed at each of the crucial junctures. A fresh approach would identify policies designed to intervene at each point where circumstances threaten to propel African Americans through a screen that leaves them on the path toward more inequality and poverty. This approach requires an ambitious agenda that focuses simultaneously on neighborhood, school, and work as well as on the criminal justice and social welfare systems.

The second lesson from the recent history of African American inequality is this: in the last half of the twentieth century, institutions of the labor market and the state—a combination of vigorous government, active labor unions, a strong economy, and civil rights legislation—reduced black poverty, lessened the impact of discrimination, and moved many African Americans into the middle class. Today, by contrast, huge numbers of African American men remain outside the labor market, many in prison; poor African American women are pushed from welfare into low-wage work that offers scant hope of mobility; labor unions cover fewer workers; and the assault on government constricts the major source of black economic security and mobility. When they are injured on the job, blacks, like all American workers, face increasingly mean workers' compensation and unemployment programs. When they are sick, they are confronted with the well-documented limits of American health care. When they want to send their children to college, they encounter steeply rising tuitions at public universities. But the problems are not insuperable. Just because the engine of progress has stalled does not mean that it cannot be restarted. Nor are fiscal constraints an adequate excuse. The United States is a wealthy country that can pay for whatever it truly wants, whether waging an expensive war or subsidizing the very rich with tax breaks. Black poverty and inequality, in the last analysis, are problems of national imagination and will. Surmounting them requires understanding how they work today and finding the resolve to attack their sources. The task is difficult, but, then, the stakes are very high. ●

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