

Economic Racism: A Look at the Black-White Income Gap, 1967-2001

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Abstract

This preliminary study draws upon previous research to analyze the black-white income gap in America by examining trends in mean and median household incomes, educational attainment, and unemployment rates from 1966-2001. I examine some historic themes to racism and how they persist through income inequality today. Through this research I hope to highlight that there is much work to do to minimize the economic marginalization of different races. Unequal incomes are evidence of such marginalization, which at times is unrecognized even by those who are being marginalized. In order to fully embrace being a land of opportunity, we must first create an environment within which economic opportunity can be equally generated by each citizen. The data collected will be used in conjunction with further research to form a model for better identifying the key factors that contribute to the growing income gap between blacks and whites in America.

Introduction

Varying forms of racism have been much discussed, examined, and debated over the years. According to Henry & Sears (Jun. 2002), "These [evolving] theories all share the underlying assumption that, among whites, new forms of prejudice embody negative feelings toward blacks as a group combined with a sense that blacks violate cherished American values. One of the most recent theories is 'symbolic racism.'" According to their research:

[Symbolic racism] has been formalized in terms of four specific themes: (1) "work ethic and responsibility for outcomes," the sense that blacks' failure to progress results from their unwillingness to work hard enough; (2) "excessive demands," the sense that blacks are demanding too much; (3) "denial of continuing racial discrimination," the belief that blacks no longer face much prejudice in society today; and (4) "underserved advantage," the sense that blacks have gotten more than they deserve (Henry & Sears, Jun. 2002).

In trying to define racism we are often negligent in identifying the policies, governmental systems, and social doctrines that are the foundation of such discriminatory acts; rather, we focus on the external acts of discrimination and hatred. These foundations are where we find the roots undermining such egocentric social behaviors. If we examine these roots and the beliefs with which they were created perhaps we will be able to find a solution as to how to resolve the ever growing problem of racism in America. I am taking the stand that racism is indeed an ever growing problem because, while society may appear to be more and more accepting of color and ethnic differences, I believe that there remains an unearthed problem deeply rooted in the founding of our great nation that is inhibiting our society's disjunction from our racist and illiberal past.

The United States has made notable progress in terms of race relations between blacks and whites. Most notably are the gains made in civil rights and the perceptual attempt at recognizing equality through various special interests groups. The eradication of Jim Crow segregation laws and the recognition of the black vote are a testament to our nation's progress (Reich, 1981). Even with the recent election of the first president of African-American decent in President Barack Obama, there is still a very unsettling issue regarding the economic well being of blacks with respect to whites. Public opinion has been such blacks are doing well and thriving in the modern society. Harris-Lacewell and Albertson (May 2005) point out that:

In the year 2000, nearly 30% of African-American respondents to a national survey expressed the belief that blacks are [actually] doing better economically than whites. There is no evidence to

suggest that African Americans are in a better economic position than whites. Striking gaps in income, employment, and wealth continue to distinguish black economic reality.

They go on to question where this misperception of racial economic fortunes might stem from (Harris-Lacewell & Albertson, May 2005). These misguided beliefs can be directly related to the disproportionate number of black and other minority professional athletes with high dollar contracts, especially in basketball, baseball, and football. This social trend is compounded by the success of other social figures primarily in the entertainment industry. Communally, we see leading actors and actresses like Denzel Washington, Will Smith, Morgan Freeman, Whoopi Goldberg and Halle Berry thriving and succeeding, and we in turn feel that their success is shared by the black population as a whole. If we take this idea of social misguidance even further, we can look at the music industry in which blacks have been able to turn rhythmic and poetic expression into a multi-billion dollar hip hop industry. The success of the industry is perpetuated by the image of a lavish lifestyle full of entourages, scantily clad women, exotic cars, high end jewelry and fashion, sex, drugs, and excessive amounts of money. It seems almost common place for rappers to be throwing around stacks of hundred dollar bills in their videos and interviews.

Despite all of the progress, or ‘overly-perceived progress,’ of racial equality, blacks are still being economically marginalized. This economic exploitation of blacks is evident all around us, and yet it remains taboo to recognize it. Why is it that the black-white relation is so unique? Racial hostility can be seen across the globe throughout the annals of history. None, however, have had the same sort of absolute marginalization as the American black-white experience.

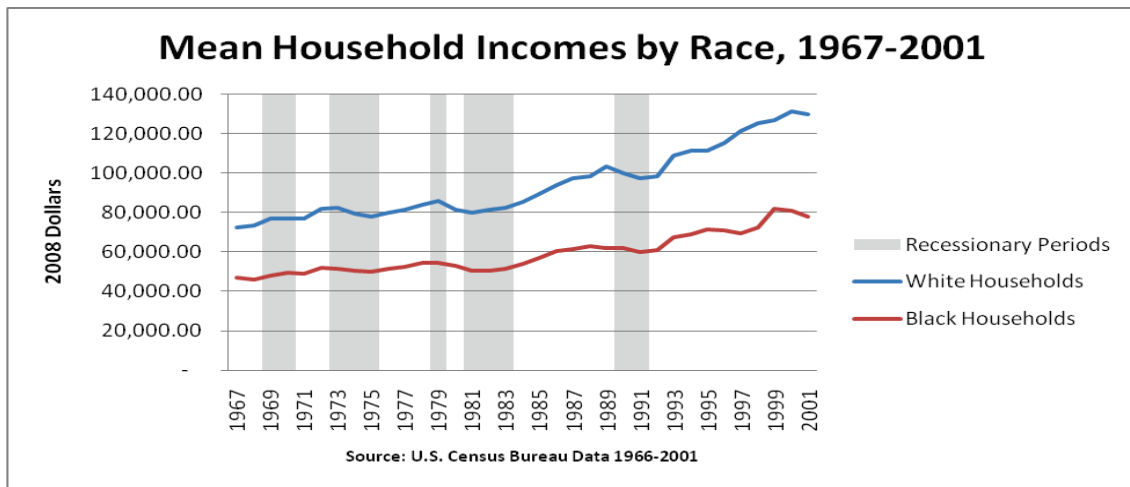


Figure 1.

Given what would appear to be a proactive movement for equality in the United States, it should seem reasonable to assume that the racial divide has been continually shrinking; however, if we look at the mean household income gap between blacks and whites we can see that this is just not the case here in America (see Figure 1). Even worse is the racial wealth gap which “depending on the data sources used [shows that] white households in the United States hold somewhere between five and ten times the net worth of black households” (Barsky, Bound, Charles, & Lupton, Sept. 2002). For the simplicity of this preliminary research I will focus on the lesser, but still very substantial income gap.

In looking at the relative income gap between blacks and whites we can visualize how our nation is truly responding to the increase of minority presence and influence domestically. One might naturally make the assumption that since we now have a black president; things are certainly more balance and that Dr. Martin Luther King Jr.’s dream of equality has finally been realized. The truth is quite the contrary. The income gap between whites and blacks holds strong evidence of the continued marginalization of blacks. The mean household income gap has actually been expanding rather than contracting (See Figure 1). This could imply that there are deeply-rooted beliefs and doctrines of racism that are still present and active in our society.

Accounting for the population differences between blacks and whites, we can look at the median household incomes by race as another measure. Median household income data, however, depicts a more synchronized movement of the two income groups (Figure 2). Analyzing this in conjunction with Figure 3, showing the actual movements of the gap between black and white median incomes, suggests that during recessionary periods, white incomes drop at a faster rate than do black incomes. This is illustrated through the varying declines in the gap during these recessionary periods. This was somewhat surprising to me as I would've expected to see the opposite, given the types of positions held by a majority of blacks in the workforce.

To what or whom can we attribute this equality setback to? I'll first look back at slavery and its abolishment to determine how such a system continues to affect the relationship between blacks and white in our modern society.

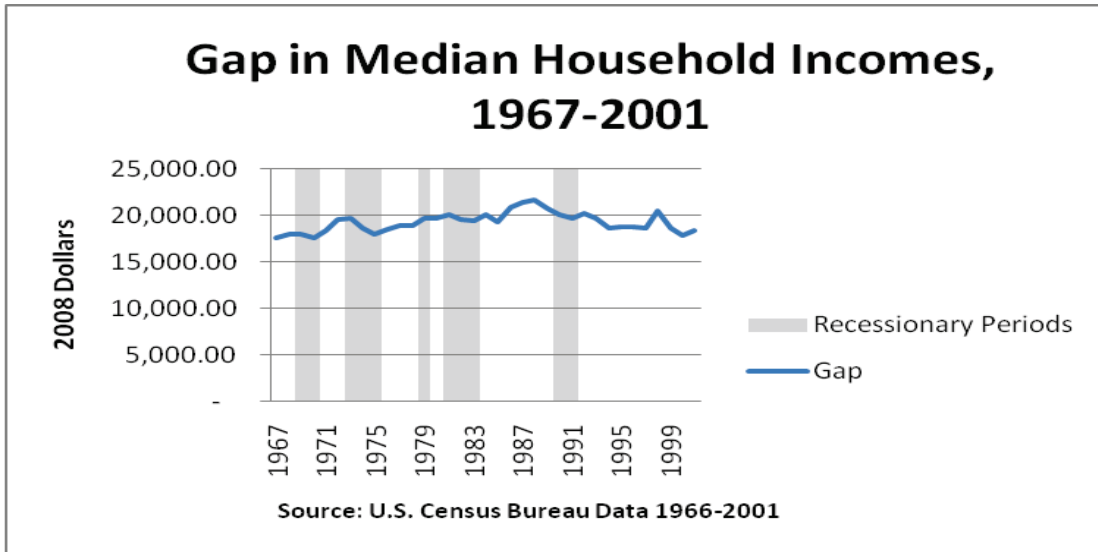


Figure 2.

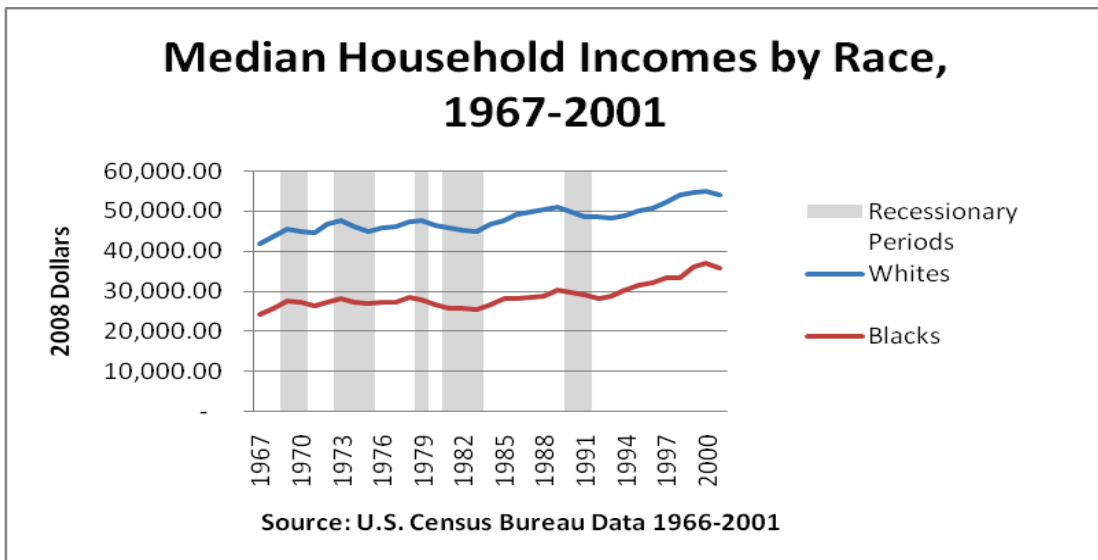


Figure 3.

Racism

Slavery was not unique to the United States, in fact it was rather popular in the early conquering of civilizations. The difference and uniqueness is apparent in the treatment and view of former slaves upon the granting of their freedom. In the earliest forms of slavery, slaves were able to earn their freedom over time through their labor. Upon receipt of one's freedom, a former slave was then granted citizen and permitted to live and interact with the rest of the community as a member. They could marry, work, and even attain high social status as leaders. In the case of blacks in America, however, upon emancipation, blacks were still alienated by whites. A harsh racial stigma still lingered around the melanin found in the skin of blacks. There was a sort of social code that was prevalent.

Our social structure encompasses all facets of our society from mass media, to our educational system, to our law-makers and enforcers all the way to our highest elected government officials, and all the way down to those who are without jobs and even homes. The transformations we have seen in society in reference to racism, have all come without "requiring [any] radical restructuring of the entire society" (Reich, 1981). The changes made have been done so in accordance to conformity of those in power. Nothing was fundamentally changed or restructured, but merely morphed to create the illusion of concern and change. Much negative attention has been paid to the few governmental attempts at constructing equality.

Take affirmative action for instance. The government instituted affirmative action as an "amalgam of components of other legislation and of court rulings [rather] than a single coherent policy" (Holzer & Neumark, Sept. 2000). Its purpose, as ordered by President Kennedy in his Executive Order 10925 of 1961, "required government contractors not to discriminate against employees or job applicants, and mandated that contractors 'take affirmative action to ensure that applicants are employed and employees are treated during employment without regard to their race, creed, color, or national origin'" (Holzer & Neumark, Sept. 2000). These orders would later be expanded to higher education. Kennedy's attempts at amending a history of racial discrimination was to be met with much scrutiny from working and middle-class whites who felt that it was taking away opportunities from whites and presenting them to blacks. Affirmative action is viewed by many as a form of reverse racism in which blacks benefit at the cost of whites. In 1996, California passed Proposition 209 which prohibited all government institutions from "discriminating against or giving preferential treatment to any individual or group in public employment, public education, or public contracting on the basis of race, sex, color, ethnicity, or national origin" (Holzer & Neumark, Sept. 2000). Other states have since followed. Ironically the proposition addresses the very thing that affirmative action was intended to reverse.

Understanding the uniqueness of America's radical interracial relationships is key and necessary to exploring the economic inequalities that remain between blacks and whites especially. Many variables must be accounted for to gain a full understanding of what is actually going on. These include education, GDP per capita, the national unemployment rate, etc. These variables must then be separated between blacks and whites so they can be analyzed both individually and collectively. For this purposes of this study I will focus on the possible correlations between educational attainment and the unemployment rates in order to gain an understanding for the black-white income gap.

Education

Education in America has been a hot topic for many scholars throughout America's brief history. "Education policy is thought to be one of the most effective tools of the government for equalizing economic opportunities in a society. In many countries [including America] however, education itself is unequally provided, reducing the ability of the system to equalize opportunities" (O'Gorman, 2010). Education is the primary source for accumulating the human capital that is then translated into economic opportunity. Proactive and direct actions such as the Brown vs. Board of Education ruling in 1954 to integrate schools have been followed by positive economic results. These results, however, taper with time and it takes more proactive and direct actions to motivate and then cultivate change. Melanie O'Gorman (2010) points out that "since roughly 1980, progress in closing the black-white wage gap has slowed, and black Americans still lag behind whites."

By looking at educational attainment rates in America we can get a better picture of the movements of social interest and how they translate to actual statistics. Figure 4 shows the percent of Americans 25 and older that have completed at least 4 years high school or more. By 2009 the difference between blacks and whites had shrunk to 3% as 84.1% of the black population was successfully completing at least 4 years of high school. This would appear to be a near equalization of educational attainment.

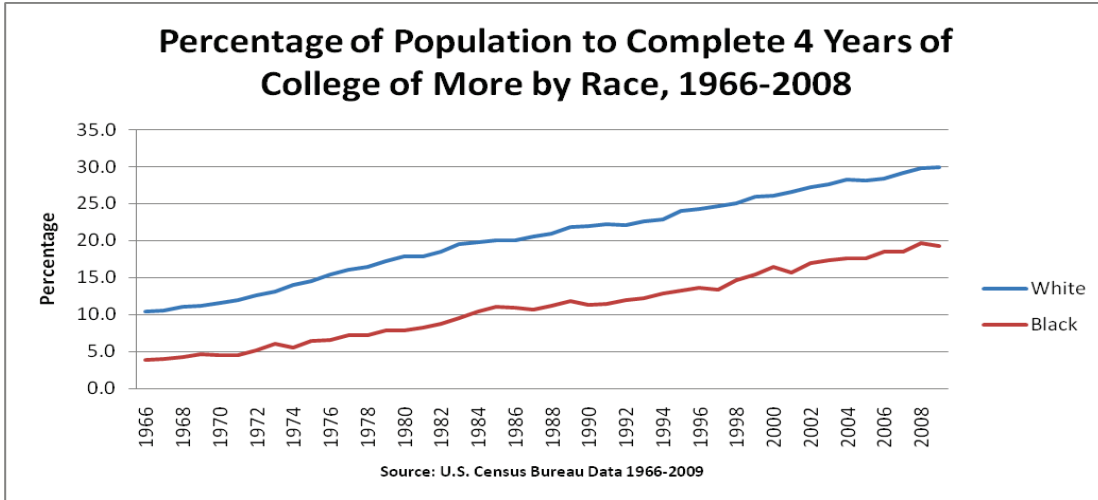


Figure 4.

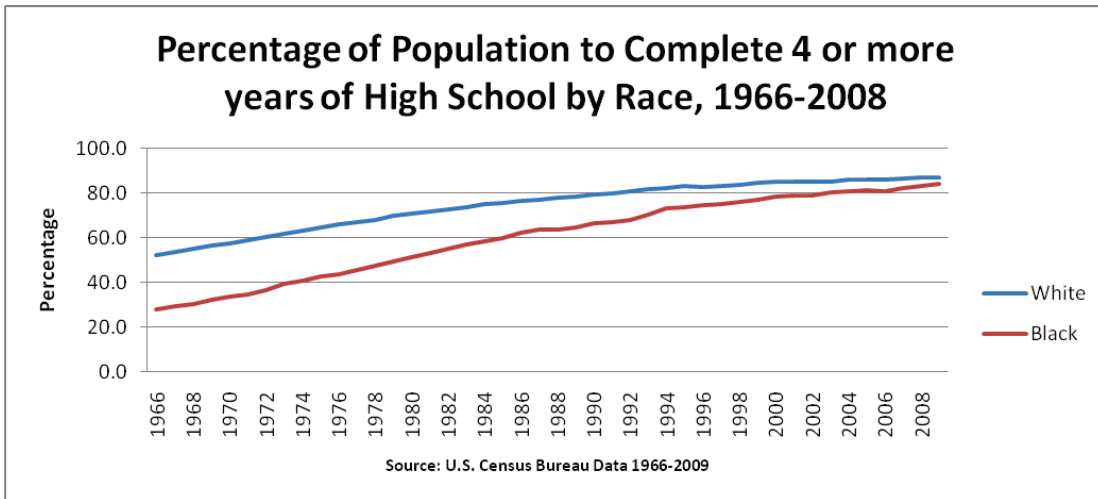


Figure 5.

A somewhat different image is depicted by secondary education statistics. In fact, seemingly the exact opposite movement is reflected in the percentages of people 25 and older who are successfully completing at least 4 years of college. It's almost as if the graph from Figure 4 has been spun around. Rather than making gains, Figure 5 shows us that blacks have actually been falling farther and farther behind in what would be considered a typical college completion timeframe. In a span of 43 years, between 1966-2009, the difference between black and white completion rates jumped from 6.6% in 1966 up to 10.6% in 2009. This gives rise to questions as to the direction of equality in our education system, especially since education is the primary tool for economic equalization. In fact, some "52% of the black-white wage gap in the early 1990s can be accounted for by differential human capital accumulation by race" (O'Gorman, 2010). "The relevance of this phenomenon becomes obvious as soon as one accepts the role of human capital and hence of education in economic development" (Rillaers, Aug. 2001).

O'Gorman (2010) focused more on the funding of education and the disincentives that blacks face when looking to build upon their human capital. These disincentives are a summation of funding issues that lead to lower quality schooling for blacks. In looking at different policies, she was able to determine that "local financing of education has stemmed from property tax revenue in the U.S., and given inter-district differences in property values and hence tax bases, this system has entailed inter-district disparity of school funding and therefore school quality"

(O’Gorman, 2010). Alexandra Rillaers, on the other hand, explores “possible role the welfare state may play through a system of unemployment benefits, in stimulating risky activities and reducing income inequality” (Rillaers, Aug. 2001). She expands on the “extensive debate [as to] what extent that large systems of social protection do or do not affect economic development” (Rillaers, Aug. 2001) by focusing on unemployment benefits which we, as we will cover, effect blacks moreso than whites.

Rillaers (Aug. 2001) found that unemployment benefits actually stimulate lower levels of effort “guaranteeing a minimum income independently of individual investment and productivity” (Rillaers, Aug. 2001). On the contrary, she also discovered that unemployment “benefits reduce uncertainty concerning future income, encouraging the risk averse individuals to increase their educational investment” (Rillaers, Aug. 2001). She goes on to say that:

although the presence of unemployment benefits may stimulate risky investment in education, the disincentive effects generated by this system should not be underestimated. They can over compensate the encouraging effect of resulting in an ultimate negative effect on education (Rillaers, Aug. 2001).

In either case, evidence would point to the disincentive effects given the growing disparity in secondary education attainment we saw in Figure 5 above. With this is mind we can conclude that unemployment benefits may be providing a false sense of short term security without encouraging the increasae in educational benefits. This could be proving to be a dangerous combination of adverse effects leading to a deterioration in the human capital growth of blacks.

Unemployment

In tying in with unemployment benefits, if we examine the national unemployment rates of blacks and whites respectively, we can see that blacks are affected by recessionary periods in a much more traumatic fashion than are whites. Figure 4 shows the annual mean unemployment rates for each group from 1966 to 2001. These annual averages have not been seasonally adjusted so the rates shown are calculated from monthly totals and then annualized. In analyzing the graph we can see that black unemployment rates react to the national economy in much the same pattern as white unemployment rates, but at a greatly amplified rate. The black unemployment rate is consistently at least double that of whites and by incorporating Rillaers’ thoughts on a strong welfare state leading to educational inequality, we can see a direct correlation.

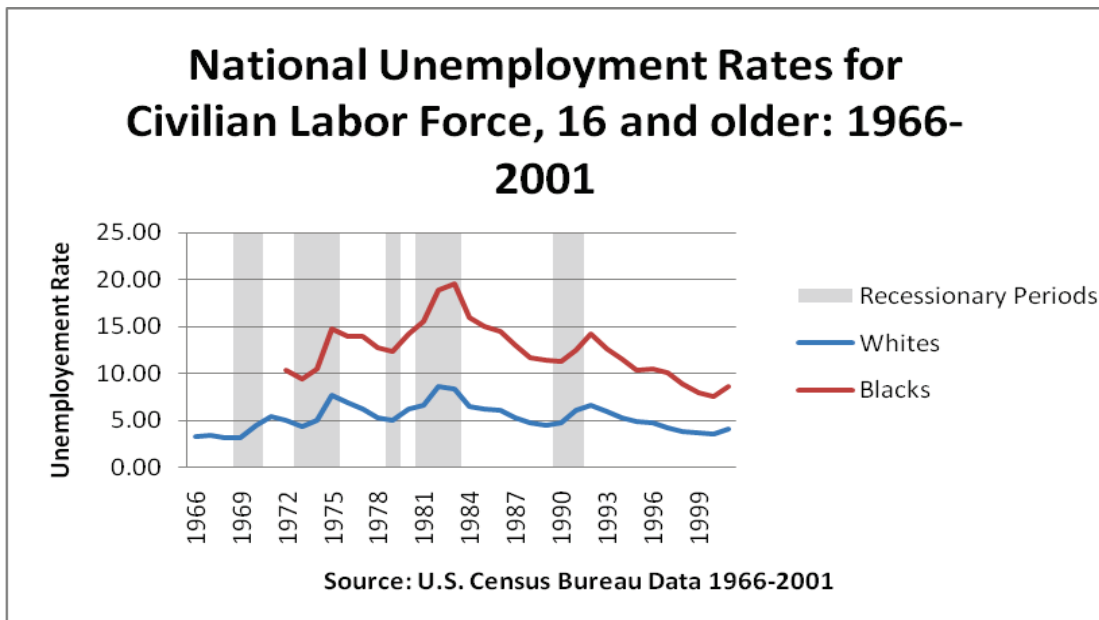


Figure 6.

While the number of whites receiving unemployment benefits far outweighs the number of blacks simply given the population differences, the percentage of blacks receiving assistance is far greater. This incident is replicated in nearly all governmental assistance programs. Higher percentages of blacks rely on the welfare state than whites which further harvests unequal opportunities early on in an individual's life. The unemployment rate was used since it is often considered a major economic indicator. It is also an interesting variable since there is a significant proportion of the black population that is incarcerated, and thus not in the labor force. The unemployment rate also does not take into account discouraged workers who have discontinued their search for employment. Without further data, I hypothesize that this discouraged worker ratio is again much higher in the black population based on the dependence on the welfare state for assistance.

Conclusion

Analysis of mean household incomes by race yields a promising depiction of the growing income gap, however, statistically the amount of white households far outnumbers the amount of black households so we would naturally expect to see much larger household incomes. On the other hand median household incomes reveals a lesser scale growth of the income gap. Also more variables need to be addressed and analyzed in order to gain a more complete picture of the black-white income gap. In looking ahead to extending this research I will examine prison populations in order to take into account those missing from the workforce, especially since there is a significant difference in the ratio of blacks to whites in our prison systems. All together tho, from the basic analysis done thus far, we can see that national, economic recessions tend to affect blacks more dramatically than whites. This phenomenon can be attributed to the educational dissimilarities that are prevalent. These educational dissimilarities are the primary factor in income and wage disparities; however, other factors, such as the prison ratios and populations, also affect the gap.

Through this research I have come to realize that the problem of income inequality doesn't necessarily lie in the calculations of individuals' incomes. Rather than analyzing *ex post* and looking at incomes, we should examine *ex ante* by looking at the unequal distribution of opportunity. Unequal incomes is more of a Sociological issue since you can have economic efficiencies with disproportionate income distributions. In fact if incomes were equal, I believe there would be a disincentive to work. In order to have proportionate income distribution, we would also have to have a greater amount of income redistribution which would alleviate the incentive for people to work since they could theoretically make the same or very near the same amount by simply sitting at home. An *ex ante* approach would allow us to look at the structural and policy obstructions preventing unequal opportunity for personal income generation, specifically between races. Sadly, however, this approach comes full circle to incomes and wealth as financial capital is the primary means of improving human capital and financial significance.

I have somewhat conflicting views on the Gini coefficient. On one hand, I do not feel that it is a truly accurate indicator of the overall scope of the economy because it doesn't take into consideration the relative costs of living or quality of life. Often times poor, underdeveloped countries will have low Gini scores, especially when compared to more industrialized countries like the United States; but there is no accounting for the social welfare of the people in each country. While incomes in a poor country may be more equally distributed, the lower class citizens in the wealthier nation may well be better off than those of the poor nation comparatively. On the other hand, however, the Gini coefficient is a powerful tool that allows us visual confirmation of distribution variability. With that being said, further examination of this research and of the data should take into consideration the Gini coefficient.

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