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ABSTRACT

More than 50 years after the Civil Rights Act, black–white family income disparities in the United States remain almost exactly the same as what they were in 1968. This article argues that a key and underappreciated driver of the racial income gap has been the national trend of rising income inequality. From 1968 to 2016, black–white disparities in family income rank narrowed by almost one-third. But this relative gain was negated by changes to the national income distribution that resulted in rapid income growth for the richest—and most disproportionately white—few percentiles of the country combined with income stagnation for the poor and middle class. But for the rise in income inequality, the median black–white family income gap would have decreased by about 30 percent. Conversely, without the partial closing of the rank gap, growing inequality alone would have increased the racial income gap by 30 percent.

Keywords: income inequality; race; stratification; disparities

THE stubborn persistence of racial income disparities has been a core frustration of American social policy for the past 50 years. In 1968, shortly after the passage of the Civil Rights Act, the median family income of African Americans was 57 percent that of whites. In 2016, after almost 50 years of anti-discrimination legislation, attempts to equalize access to education, and cultural change, it was 56 percent. The persistence of the racial income gap is puzzling in light of efforts to equalize employment opportunity and progress toward racial equality in other areas. This open-access article has been published under a Creative Commons Attribution License, which allows unrestricted use, distribution and reproduction, in any form, as long as the original author and source have been credited. cb lowing the civil rights movement, the federal government created agencies charged with reducing racial disparities across a variety of contexts . Companies across the country created well-staffed offices dedicated to countering discrimination in the workplace and were often sued when they fell short. Racial gaps in educational attainment and cognitive test scores declined as did disparities in non-economic outcome measures, such as life expectancy. During this period, white racial attitudes toward blacks improved across many domains: acceptance of integration and intermarriage increased and beliefs in the categorical inferiority of blacks and the legitimacy of racial discrimination declined. A massive academic and policy literature has sought to determine what drives the racial income gap and why it has remained so intransigent over the past 50 years. Sophisticated audit studies have shown that racial discrimination remains a key force at all levels of the labor market. Regression based decomposition analyses suggest that observable characteristics, such as work experience and educational background, play some role, although the magnitude of their contribution is debated. Some portion of the gap is explained by occupational segregation, itself influenced by discrimination and pre-market factors. This article argues that one underappreciated driver of the racial income gap has been the shape of the income distribution itself. Over the past 40 years, there has been a dramatic increase in the share of economic resources going to the very wealthy combined with income stagnation for everyone else. This shift has disproportionately harmed African Americans, who remain overrepresented in the less affluent portions of the income distribution. Here, I quantify the effect of changes in the income distribution on black–white family income disparities by decomposing overall trends into changes in rank and changes in the income earned at each rank. I show that the steady ratio between median black and median white family incomes conceals two large and diametrically opposed trends. From 1968 to 2016, African Americans made real albeit incomplete progress up the income distribution; racial disparities in income rank narrowed by about 30 percent. But that moderate progress in rank terms was negated by changes to the national income distribution that reduced earnings among the poor and middle class compared to the very rich. Because African Americans remained disproportionately concentrated in those lower portions of the distribution, they bore the brunt of economic changes that have hurt low-income workers of all races. These two forces almost perfectly balanced each other such that the overall ratio of median (or mean) black to white family income remained roughly constant. These findings provide cause for both optimism and pessimism. On the one hand, they suggest that African Americans were more successful in advancing economically than previously believed. Blacks did make real strides up the income distribution despite continued disparities in parental wealth access to high-quality education family structure and treatment in the labor market. But just as they were working their way up the income distribution, the distribution itself was collapsing down around them. This meant that they were denied the economic rewards that previous groups of Americans received upon mass entry into the middle class. Their upward relative mobility has amounted to a rearguard action that merely prevented the exacerbation of an already large racial income gap. Moving forward, today’s high levels of income inequality further encumber the difficult struggle for racial economic equality. Because the income distribution has become so unequal, each hard-won increase in relative status (outside the very top) now translates into a smaller absolute rise in income. These results reemphasize the importance of jointly studying economic inequality and racial stratification. These two topics stand at the core of sociology, yet they are often studied in isolation. Scholars of racial stratification have focused their attention on disparities and gaps, neglecting the impact of larger shifts in the economy and the income distribution. As I document, a major cause of racial disparities is cross-racial income stagnation. The results presented here underscore the insight held by generations of civil rights activists: racial inequality and economic inequality are fundamentally intertwined. Indeed, they are arithmetically inseparable. Previous Research Racial Income and Earnings Disparities Numerous studies over the past two decades have documented that income and earnings gaps between African Americans and whites have either persisted or increased, depending on the exact income measure used. During this period, there was a substantial though incomplete narrowing of the gaps in college attendance rates, test scores, and life expectancy. There were also considerable efforts on the part of the government and many corporations to promote racial equality. Given these more promising trends in other areas, much research on racial inequality has attempted to identify the mechanisms behind persistent income disparities. Studies looking at individual labor market outcomes have proposed a variety of explanations for the persistent earnings gap. A common tactic is to decompose the overall disparity in earnings into differences in observable characteristics, such as education level or work experience, and differences in the returns to those characteristics. For instance, if the returns to education are different for blacks than for whites, that is considered evidence of discrimination. Studies in this vein have found that observed differences in “premarket” characteristics, such as years of schooling, standardized test scores, and “soft skills” (which are, of course, to a large extent socially determined), explain some of the gap in wages, but that discrimination remains a major contributor to the earnings gap. A second approach to understanding labor market disparities has been to explicitly test for discrimination. Studies in this vein conduct audit studies by responding to real job advertisements. They have consistently documented that black applicants are substantially less likely than whites with identical qualifications to be offered interviews or callbacks across a wide variety of settings, including both low-wage and high-qualification labor markets. A third perspective looks at occupational segregation by race. These studies have shown that for the most part, blacks and whites hold very different jobs, and the jobs held by whites tend to be better. This means that some of the racial income gap is due to differences in who gets which jobs. There is evidence that occupational segregation is decreasing and that blacks are entering high-status occupations at greater rates than in the past. Even within jobs, however, blacks tend to earn less than observationally similar whites. This pattern is more pronounced in higher-status occupations. A smaller number of studies have examined racial disparities in family income, which are the focus of this article. Family income captures the economic status of individuals more fully than do labor market outcomes on their own. It is affected by labor market outcomes but also by family structure—how many members families have and how many of them work. Racial disparities in family income have remained roughly constant since the 1960s. Differences in typical family structure between African Americans and whites—most notably, the higher prevalence of single-parent families among African Americans—are believed to be a major reason for the lack of improvement. Here, I argue that another important reason for the lack of progress is rising income inequality at the national level. Extent and Sources of Rising Income Inequality Racial progress, or the lack thereof, is not the only major social change in the United States of the past 50 years. Perhaps the most widely felt change has been the systematic tilting of the U.S. economy toward the rich. Real pretax incomes for the richest 1 percent of society have risen by a factor of 3 since 1970 while incomes for the poorer half of society have hardly budged. Importantly, income inequality appears to have risen within most major subgroups of society simultaneously. Inequality has gone up for blacks and whites, men and women, high school and college graduates, and people across many age ranges. It has also grown within occupations and within family types. Though the changes vary in size for different social groups, this broad footprint suggests that the growth of income inequality is truly one nationwide trend and not a series of separate stratification processes. The concentration of income is a major departure from trends during the prosperous middle of the twentieth century. Growth during that time was broad based, with family incomes for all quintiles growing by more than 2 percent per year from 1947 to 1973. Since 1973, only the highest quintile has seen growth of more than 1 percent per year, and the poorest quintile has seen incomes decline. The takeoff in income inequality was well documented by the early 1990s. There has been considerable debate as to its sources. Perhaps the most prominent explanation has been skill-biased technological change. As typically formulated, this theory argues that changes in technology over the past 40 years have increased the demand for college-educated workers, raising their value in the labor market and thus their earnings relative to workers with a high school degree. Skill-biased technological change has been extremely influential in informing policy and scholarship, but the hypothesis faces several challenging facts. Throughout the time when demand for college-educated workers is hypothesized to have been increasing, there has been a consistent oversupply of college graduates relative to the number of jobs requiring a college degree. Further, the observed changes to the income distribution do not fit those predicted by skill-biased technological change, which emphasizes the increasing gap between college-educated and high school–educated workers. Income growth was concentrated among the richest 1 percent, which is a much more select group than that of all college graduates. Moreover, most of the rising college premium was created by a decrease in the real wages of high school–educated workers rather than an increase in the real wages of college graduates. Alternative explanations for the increase in income inequality have emphasized institutional changes to the labor market and the economy at large that have reduced the bargaining power of the less affluent and increased the bargaining power of the very rich. These include the decline of the labor movement, lower minimum wages, decreasing enforcement of antitrust laws, the lowering of trade barriers, and reductions in top income tax rates. Each of these policies was a departure from the institutional framework of the mid-twentieth century, and many were actively pursued by organized interest groups starting in the 1970s, which is exactly when income inequality began to rise. Understanding the causes of rising income inequality is important because to the extent that the income distribution is shaped by political action, the income that accrues to any particular person is a function of political choices made by society as well as a function of one’s own background and skills. If that is true, it makes conceptual sense to separate the labor market position of an individual—here operationalized as his or her rank in the income distribution—from the specific monetary income he or she earns and to analyze trends in each independently. That is the approach I take in this article. The Relationship between Economic Structure and Racial Disparities The potential interactions between overall economic structure and racial disparities have not gone unnoticed within sociology or economics. The interaction between macroeconomic shifts, segregation, and racial disparities forms a core pillar of the scholarship of William Julius Wilson. Throughout his work, Wilson has emphasized the importance of “indirect structural forces,” such as changes in the types of jobs available or the spatial locations of those jobs, in shaping racial disparities. Although these forces appear orthogonal to questions of racial inequality and do not necessarily have their origins in any racialized process, they have disproportionately harmed African Americans and other groups that are concentrated among the less affluent parts of society. Economists have also noted that changes to the overall economy may have different effects on different racial groups. African Americans are particularly affected by the business cycle, with boom periods—most notably the full-employment economy of the late 1990s—being especially good for black incomes and bust periods being especially bad. The most direct predecessors to this article are studies that have found the national rise in income inequality to be a major contributor to the black–white earnings gap. Bayer and Charles applied methods that are similar to those used here to Decennial Census data to show that the median black–white earnings gap among working-age men has increased since 1980 and that the median rank gap has stayed constant since 1940, although rank disparities at higher income percentiles have narrowed. Like this article, they concluded that overall macroeconomic trends have had a major influence on racial income disparities. The proportion of the total change falling into the last category—changes in the spread of the residuals for whites—is interpreted as the portion of the change due to rising inequality. Couch and Daly suggested that continued dispersion kept convergence in the 1990s smaller than it would have been otherwise. Bringing the analysis forward to the present day, Wilson and Rodgers (2016) found that rising income inequality and continued discrimination are the two primary reasons for the continued lack of earnings convergence. In an exercise that anticipated the counterfactual portion of this study, The studies referenced here provide evidence for Wilson’s claim that indirect structural forces are extremely influential in determining the relative fortunes of blacks and whites. Because African Americans remain—despite improvements, as I will show below—disproportionately concentrated in the lower portions of the income distribution, structural changes that harm all low-income people will also increase the gap between blacks and whites.

Data and Methods

This article studies black–white family income disparities for the years 1968 to 2016. Following a common practice in studies of stratification, I separately analyze the allocation of positions—here, ranks in the income distribution—and the assignment of rewards to those positions. This allows me to isolate changes in the income gap that are due to changes in the income ranks of blacks and whites from those that are due to changes in the shape of the income distribution. Families are defined as related individuals living together. This is distinct from households, which include all individuals living together even if they are unrelated. I also run specifications limiting to adults only and using household rather than family income. I do not normalize income by family size in the baseline, measuring the total economic resources that are available to each family. However, the results are robust to normalizing by the square root of family size, which is a common practice, and to normalizing by the total number of family members, which is extremely conservative. In my baseline analysis, I identify as black all individuals who self-describe their race as black or African American only

Discussion

Large racial gaps in living standards have persisted in the decades since the civil rights movement. In 1968, the median family income among African Americans was 57 percent as large as that among whites. In 2016, the ratio was 56 percent. This racial gap in living standards has hardly budged despite real if incomplete progress in reducing racial gaps in college attendance and high school achievement. In this article, I have shown that the near-perfect stability in overall black–white income ratios is the result of two large but diametrically opposed trends. On the one hand, African Americans have made meaningful progress up the income distribution. The median African American had a family income at the 25th percentile of the national distribution in 1968 and had climbed to the 35th percentile in 2016. A similar upward trajectory in rank terms occurred throughout the African American income distribution. This improvement is limited, certainly, but it is not nothing. However, these relative gains were offset by changes to the income distribution that allocated a much smaller share of the national income to the poor and middle class, in which African Americans were and continue to be disproportionately concentrated, and a much larger share to the top 10 percent and especially the top 1 percent—the portions of the distribution that remain the most disproportionately white. As the very rich absorbed larger and larger shares of the economy, the middle class slid back, reducing the payoff in dollars that was associated with progress in rank. These two forces almost perfectly balanced each other, resulting in hardly any net change in black–white income ratios. It is important to note that the mechanism I have described based on rising inequality at the national level operates distinctly from racial differences in family structure, which also contribute to racial disparities in family income. Previous research has documented that differences in family structure between whites and blacks are a major reason for the continued presence of racial disparities in family income. But this trend cannot explain the phenomenon described here. Racial differences in family structure contribute to the rank gap between blacks and whites because they result in African Americans clustering in family structures, such as single-parent families, with systematically lower incomes than the family structures that are more common among whites. Despite these differences in family structure, I have shown that there was a net decrease in the black–white rank gap in family income from 1968 to 2016. Because of rising inequality, however, that progress in rank terms did not translate into similar progress in dollars. These findings for family incomes based on the Current Population Survey largely corroborate recent work using Decennial Census data to show the importance of structural changes to the economy for black–white earnings disparities among working-age. In contrast to the trends for working-age men, for whom the median gap in ranks remained roughly stable during my sample period while the gap in dollars increased, my analysis of family income shows a narrowing of the rank gap combined with stability in the dollar gap. This difference may indicate that trends in racial income disparities among women are more positive than those among men. My results also align with previous research suggesting that overall rises in inequality have played a large role in maintaining black–white wage gaps. My results present reasons for both optimism and pessimism. On the one hand, they document small but real progress toward racial economic equality. This progress, insufficient as it is, has been underappreciated by commentators on all sides who have observed the stubborn persistence of racial income disparities. There was meaningful, if limited, convergence in the economic experiences of blacks and whites over the past 50 years. This suggests that some combination of equal-opportunity legislation, school desegregation, cultural changes, and sheer persistence on the part of African Americans resulted in real progress up the income distribution. On the other hand, this relative economic progress has meant little in terms of actual dollars. Because middle-class incomes have stagnated while upper-class and especially elite incomes continue to skyrocket, the movement of unprecedented numbers of blacks into the middle class occurred just as the fortunes of that group were fading. The result was that the black–white income gap stayed constant when it would have fallen by almost one-third if the income distribution had remained stable. In addition to essentially negating the last five decades of slow racial progress, the skewed income distribution will reduce the benefits of any future relative gains. Any increase in the relative economic rank of blacks compared to whites will translate into a smaller increase in their relative incomes except to the extent that they are able to penetrate the most elite strata of U.S. society. The uphill climb toward racial parity is now steeper than it was when the Civil Rights Act was passed. For sociologists, these results lend renewed urgency to previous calls to give greater attention to the effects of structural changes in the economy on racial economic outcomes. Much sociological research on racial inequality has focused, with good reason, on the extent and consequences of prejudice and discrimination. Often, these studies have focused on the allocation processes that create and reproduce racial stratification. Here, I have documented a situation in which racial groups are becoming less stratified— there is more overlap in the family income distributions of blacks and whites today than there was in 1968—and yet macroeconomic changes to the income distribution have negated these gains. Beyond studies of racial inequality, work in sociology has been critiqued for focusing on individual actions at the expense of broader social structures in ways that lead to incomplete understanding of social phenomena. For citizens and policymakers, my results emphasize the importance of the second front in the battle for racial equality that many political leaders and academics have advocated over the years. To be sure, efforts to reduce discrimination and ensure that blacks and whites are equally prepared for the labor market should continue at full speed. They appear to have had some effect but can be nowhere near complete because blacks at every level of the skill and occupational hierarchy have economic outcomes similar to whites who are one or several notches below them. But such efforts should be paired with universal efforts to unskew the income distribution and reverse the “winner-take-all” nature of the current U.S. economy. A reorientation of the economy back to the needs of ordinary Americans will help the poor and middle class of all races while reducing economic disparities between blacks and whites.4 In addition to reducing current racial disparities, unskewing the income distribution will multiply the effect of any further relative racial progress because the monetary returns to each incremental increase in rank will rise dramatically. It should also lay the groundwork for a further narrowing of the rank gap: parental and community economic resources are major drivers of child success, and interactions across racial groups as relative equals are one of the best-known ways to reduce prejudice. Equally important, an agenda of reversing income stagnation and ending the winner-take-all economy presents ample opportunity for political coalitions. Many people of all races have been harmed by the economic shifts of the last 40 years. These changes have created a generation of children who are no better off on average than their parents were, undermined the institution of marriage, and likely contributed to an epidemic of “deaths of despair” among those left behind. In this article, I have shown that progress toward racial equality also numbers among the casualties.