RACE in AMERICA

Restructuring Inequality

ECONOMICS

The Second of Seven Reports on the Race in America Conference

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CENTER ON RACE AND SOCIAL PROBLEMS
SCHOOL OF SOCIAL WORK
UNIVERSITY OF PITTSBURGH

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RACE IN AMERICA: RESTRUCTURING INEQUALITY

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Despite significant progress in America's stride toward racial equality, there remains much to be done. Some problems are worse today than they were during the turbulent times of the 1960s. Indeed, racial disparities across a number of areas are blatant—family formation, employment levels, community violence, incarceration rates, educational attainment, and health and mental health outcomes.

As part of an attempt to redress these race-related problems, the University of Pittsburgh School of Social Work and Center on Race and Social Problems organized the conference Race in America: Restructuring Inequality, which was held at the University of Pittsburgh June 3–6, 2010. The goal of the conference was to promote greater racial equality for all Americans. As our entire society has struggled to recover from a major economic crisis, we believed it was an ideal time to restructure existing systems rather than merely rebuilding them as they once were. Our present crisis afforded us the opportunity to start anew to produce a society that promotes greater equality of life outcomes for all of its citizens.

The conference had two parts: 20 daytime sessions for registered attendees and three free public evening events. The daytime conference sessions had seven foci: economics, education, criminal justice, race relations, health, mental health, and families/youth/elderly. Each session consisted of a 45-minute presentation by two national experts followed by one hour of questions and comments by the audience. The evening events consisted of an opening lecture by Julian Bond, a lecture on economics by Julianne Malveaux, and a panel discussion on postracial America hosted by Alex Castellanos of CNN.

This Economics Report of the conference summarizes information provided by those speakers who focused on race and economics in their presentations as well as responses to audience questions and comments. The value of this report is that it provides access to the extensive and detailed information disseminated at the conference. This information will be particularly helpful to community and policy leaders interested in gaining a better understanding of racial disparities in economics and finding effective strategies for improving these conditions.

Disclaimer:

This post-conference Race in America report includes detailed summaries of the presentations and subsequent discussions that took place. Any opinions, findings, conclusions, or recommendations expressed in this report do not necessarily reflect the views of the University of Pittsburgh School of Social Work or Center on Race and Social Problems.

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Race, Assets, and the American Dream

Presenter: Dalton Conley, Senior Vice Provost and Dean for the Social Sciences,
New York University
Moderator: James C. Roddey, Principal, McCrory & McDowell LLC

Family wealth, including home equity, explains many of the disparities along racial lines that exist in the United States today. Currently, Whites have $10 for every $1 Blacks have in net worth. It also is more difficult for Blacks to amass family wealth and/or acquire additional income.

Slavery has been a major contributor to the current state of family wealth disparity in the United States. In addition, throughout much of the past three centuries of U.S. history, there have been practices and policies at state and federal levels that have caused and perpetuated intergenerational economic inequality between Blacks and Whites. Actions such as the failed promise of "40 acres and a mule" and the Black Codes and Jim Crow laws are key contributors to the current state of economic inequality. More recent actions that have contributed to wealth disparities are the redlining of neighborhoods by the Home Owners' Loan Corporation and the racially restrictive housing covenants that kept certain neighborhoods all White.

In terms of solutions, there should be an increase in federal initiatives to help eliminate some of the wealth disparity for generations to come. Asset building initiatives could include the American Savings for Personal Investment, Retirement, and Education (ASPIRE) Act, Individual Development Accounts, and covenant savings plans**.** These initiatives would begin to close the wealth gap between Whites and Blacks and establish a pathway for intergenerational wealth among all races in the United States.

The Problem

Even in this post-Civil Rights era, inequality between Blacks and Whites persists:

- Fourteen percent of Blacks have a bachelor's degree, compared to 28 percent of Whites.
- The Black-White unemployment ratio is 2:1. This is even greater if you look at youth.
- Sixteen percent of Blacks are in professional/managerial occupations compared to 31 percent of Whites.
- The Black-White net worth ratio is 1:10.

While pundits on the left and right have offered many explanations for disparities by race, most of these arguments have left out an important factor: family wealth. Family wealth is a measure of class, and when wealth is taken into account the results are:

- Blacks are much more likely than Whites to finish high school.
- Blacks are more likely than Whites to complete a bachelor's degree.
- Blacks are less likely than Whites to use welfare.

In addition, Black wealth mobility and stability are precarious. In terms of intergenerational wealth mobility:

- Forty-three percent of Blacks and only 35 percent of Whites who grew up in families in the bottom quartile for wealth remained stuck at the bottom as adults.
- Sixty-eight percent of Black adults and only 44 percent of White adults in the bottom quarter for wealth stayed there for 20 years.

In terms of the stability of wealth:

- Only 25 percent of Black adults and 60 percent of White adults in the top quartile for wealth were able to maintain this position for 20 years.

"It's not that race doesn't matter. … It's just that race works through family wealth levels, creating an intergenerational cycle of inequality," according to Dr. Conley.

Causes

The past three centuries have witnessed many of the actions and conditions that created the large disparities in family wealth that exist today between Blacks and Whites. The following occurred during the 19th century:

- Slavery: Slavery was a form of forced labor of Blacks that took place in America from 1619 until it was abolished in 1865 by the 13th Amendment. During that time, more than 600,000 slaves were shipped to North America; the slave population in the United States had grown to 4 million according to the 1860 U.S. Census. For centuries, these individuals were unable to own property or acquire wealth.
- Failed promise of "40 acres and a mule": President Andrew Johnson revoked Special Field Order No. 15 given by General William Tecumseh Sherman that declared newly freed Blacks be given 40 acres and a mule. Four hundred thousand acres in Georgia, South Carolina, and Florida were to be divided among freemen and families.
- Lynching: Lynching was a form of extrajudicial punishment—derived from the name Charles Lynch (1736–96), a justice of the peace in Bedford County, Va.—in which a mob executes an alleged offender without trial, often after inflicting torture and physical injury.
- Black Codes and Jim Crow laws: Laws enacted in former Confederacy states after the American Civil War were designed to replace the social controls of slavery removed by the Emancipation Proclamation and the 13th Amendment to the Constitution. The purpose of the Black Codes was to restrict the labor, movements, and activities of newly freed slaves.
- Southern Homestead Act of 1866: Some 47 million acres of land were opened in Alabama, Arkansas, Florida, Louisiana, and Mississippi to homesteading by Blacks and by Whites who did not take up arms against the United States during the Civil War. Johnson pardoned many former Confederates in 1865 and gave much of the land distributed by the Southern Homestead Act and Sherman's Special Order No. 15 back to its original owners. Most of the remaining land available for homesteading was of poor

quality. Former slaves usually lacked the resources or funds to purchase items needed for farming. The Southern Homestead Act eventually was repealed in 1876, because it was said to be unnecessary due the Homestead Act of 1862.

- Homestead Act of 1862: The Homestead Act of 1862 was not enforceable for Blacks. It had promised Blacks freehold title to 160–640 acres of undeveloped land outside of the original 13 colonies. Southern White farmers feared that the act would pose a serious threat to plantation slavery.
- Failure of the Freedmen's Bank in 1874: Under the Freedman's Bank Act of 1865, a bank for African Americans was to provide a means of savings for former Black slaves and Black servicemen. The depression in 1873 and mismanagement led to the bank's failure in 1874. The Freedman's Bank collapse caused many African Americans to have misgivings about the American banking system.

In addition, the following actions in the 20th century contributed to wealth disparities:

- Redlining by the Home Owners' Loan Corporation (HOLC): Redlining was a policy that used racial criteria to determine lending and insurance risk in cities across the nation. The HOLC created color-coded maps of cities, which established four categories of neighborhood quality to identify risk. The lowest category of neighborhood quality was reserved for African American neighborhoods and was color-coded red. Banks and insurance agencies soon accepted these maps and used them to direct their lending and underwriting determinations. The Fair Housing Act of 1968, Home Mortgage Disclosure Act of 1975, and Community Reinvestment Act of 1977 all were laws created to curtail the detrimental effects of redlining.
- Racially restrictive covenants: Covenants were used to protect property values and provide neighborhood stability. Racially exclusive covenants promised that only members of a certain race would occupy a property. In the case of *Shelley v. Kraemer* (1948), the U.S. Supreme Court ruled that racially restrictive covenants are unconstitutional.
- Social Security exclusion of agricultural and domestic workers
- Federal Housing Administration (FHA) loans disproportionately allocated to Whites

Finally, the following 21st-century conditions contributed to wealth disparities:

- Lower wages for Black workers
- Higher mortgage interest rates for Black homeowners
- Steering and other discrimination against buyers in housing
- Credit discrimination—see *The Color of Credit: Mortgage Discrimination, Research Methodology, and Fair-Lending Enforcement* by Stephen L. Ross and John Yinger
- Whites acquiring 50 percent of their wealth from inheritance
- Residential segregation and its effect on housing values
- Gentrification, which can transfer wealth from Blacks to Whites

Solutions

Moving toward a true ownership society would help to narrow the economic gap between Blacks and Whites. This is based on the notion that any policy that targets asset poverty will inevitably be one that aids the cause of racial equality—even if it is officially colorblind. In light of this, the following wealth-building policies were proposed:

1. Institute the America Saving for Personal Investment, Retirement, and Education (ASPIRE) Act, which would set up a Lifetime Savings Account (LSA) with a one-time, $500 contribution at birth for every child in America. The LSA later can be used to pursue postsecondary education, buy a first home, or build up a nest egg for retirement.
2. Expand Individual Development Accounts (IDAs), which can become the new Affirmative Action in the wake of challenges to race-conscious policies. IDAs are special savings accounts designed to assist low-income people on their path toward asset ownership through matched savings and financial education.
3. Change the credit risk formula to favor minorities.
4. Underwrite mortgages, for example, through the Self-Help program in North Carolina, funded by the Ford Foundation. The Self-Help initiative is a secondary market program that creates and protects ownership and economic opportunity for low-wealth families and communities by providing lenders with liquidity to lend to low-and moderate-income borrowers.
5. Give residents of public housing an equity stake (e.g., sell public housing units for $1 to residents as in the United Kingdom).
6. Utilize a Sovereign Wealth Fund (SWF), a collection of money derived from a country's reserves that can be invested to benefit the country's economy and citizens.
7. Offer integration insurance to White homeowners to prevent White flight and safeguard them from losing home equity in the event of minorities moving into their neighborhoods.
8. Encourage covenant savings plans (e.g., premium bonds in South Africa and the United Kingdom and the credit union lottery in Detroit, Mich.) that put money into savings.
9. Provide payday loans at low rates; for example, a Chicago credit union offered payday loans at low rates and is driving private lenders out of business (www.northsidecommunityfcu.org/other_loan_products_servic.html).

The Great Recession: Wealth Loss, Communities of Color, and a Widening Wealth Gap

Presenter: Thomas Shapiro, Pokross Professor of Law and Social Policy, Brandeis University
Moderator: James C. Roddey, Principal, McCrory & McDowell LLC

In the last 25 years, the wealth gap (not counting home equity) between Blacks and Whites has increased at an astounding rate. Wealth has actually decreased among the highest earning Blacks, and more than a quarter of the Black population has absolutely no assets whatsoever. In addition, $948 billion (59 percent) of the $1.6 trillion in wealth loss for low- and middle-income individuals during the Great Recession was lost by African Americans.

Some reasons for the increase in the wealth gap between Blacks and Whites were public investment in wealth building by way of tax codes, tax write-offs on mortgages, and the nontaxability of money allocated for pensions.

Changes that can be made to close the widening economic gap between Blacks and Whites include encouraging banks to meet the credit needs of the people in the communities they serve and encouraging the establishment of programs that lead to self-sufficiency through human capital development and increased employment opportunities.

The Problem

The Black-White racial wealth gap in the United States went from $20,000 in 1984 to $95,000 in 2007—a four-fold increase. This gap persists even when income is controlled:

- Among high-earning Whites, wealth holdings went from $68,000 in 1984 to $238,000 in 2007.
- Among high-earning Blacks, the holdings went from $25,000 to $18,000. The data do not provide an explanation for the drop in Black wealth. Because wealth is a tool, Blacks possibly could have used it to finance their children's education or pay bills.
- Among the poorest 10 percent of the population, no changes in wealth holdings occurred for Whites. However, Blacks' misery intensified. Their wealth decreased from minus $2,000 to minus $3,600. In fact, 25 percent of Blacks had no assets at all.

Wealth holdings are impacted during economically depressed times. For example, aggregate wealth loss for low- and middle-income individuals was $1.6 trillion during the Great Recession. African Americans lost $948 billion of that sum. This includes loss of property and equity.

Causes

Public investment in wealth building is an important contributor to the wealth gap in the United States.

- Public investment in the form of tax codes creates incentives for individuals and families to grow their wealth.

- The investment budget of government is $369 billion in tax codes.
- The largest-ticket item in this is the tax write-off for home mortgages. The second largest item is the nontaxability of money that is set aside for pensions. The third largest is the exclusion of capital gains. Collectively, these policies can be called public investment in individual wealth building.
- The racial distribution of this public investment, however, is uneven. Blacks get 3.5 percent, which mostly goes to the highest-earning Blacks. Redistribution could provide some $34 billion more for Blacks.

Solutions

Strategies that could be undertaken to close the Black-White wealth gap are the following:

1. Strengthen community strategies: The purpose of the Community Reinvestment Act (CRA) is to encourage banks and savings institutions to help meet the credit needs of borrowers in the communities in which they operate (particularly low- and moderate-income neighborhoods). CRA is a progressive tool, because it allows communities to have a voice. However, it needs to be brought into the 21st century in a way that captures all types of institutions, including mortgage brokers.
2. Expand baby bonds: Baby bonds are issued in an amount less than $1,000. In Great Britain, as a way to encourage saving, the government now provides parents with a voucher or bond to use in starting a savings account for each new baby.
3. Use stimulus spending as Affirmative Action, such as by promoting minority business participation in procurement contracts.
4. Create a portfolio shift in public investment: Specifically, there needs to be a massive public investment that targets people who have not been reached previously. For example, allow renters to write off portions of their rent. This is not an outlandish move but one that will allow individuals to build wealth.
5. Expand Individual Development Accounts (IDA): savings accounts that are matched by private funds and the public sector. Use is limited to such things as buying a home, starting a business, getting an education, and training for a job.
6. Implement Family Self-Sufficiency (FSS): a U.S. Department of Housing and Urban Development (HUD) program that encourages communities to develop local strategies to help voucher families obtain employment that will lead to financial self-sufficiency. FSS is for families in public housing or Section 8. Any extra earnings do not lessen the government subsidy, but instead go into an account that the individual can access upon completion of the program.
7. Re-engineer Fannie Mae and Freddie Mac: There is a need to re-engineer these two bodies. They serve an important purpose, especially as their mission includes residential integration.
8. Tighten fair lending laws, and enforce fair housing laws.
9. Re-establish usury laws to protect individuals from extreme interest rates charged by unscrupulous lenders, such as those for payday loans.

Recent Employment Trends among African American Men and their Policy Implications

Presenter: Harry J. Holzer, Professor of Public Policy, Georgetown University
Moderator: Aradhna Dhanda, President and CEO, Leadership Pittsburgh, Inc.

African American males have one of the lowest rates of postsecondary educational attainment and the highest rate of incarceration of any group in the United States. This reality translates into Black males having the lowest labor force participation in the nation. While Black and Hispanic women have joined the labor market in increased numbers since the 1990s, Black males continue to have a 25–30 percent gap in labor market participation compared to White men.

White male youth are more than two times as likely as Black male youth to have a bachelor's degree, and Black male youth are twice as likely as White male youth to have ever been incarcerated. These astonishing problems among Black males are caused by a number of factors. One factor may be discrimination against Black males in the labor market. Another cause may be the decrease in available employment for low-skilled individuals that dates back to the 1970s. Black men may further marginalize themselves from mainstream values and institutions, such as schooling and marriage, by engagement in criminal activity and decreased employment.

One way to create a positive change in labor market participation among Black males is to increase programs that establish linkages between high school-aged youth and postsecondary education. Examples of these are Advancement Via Individual Determination (AVID), a college readiness program, and the Federal TRIO Programs, which help low-income students move from middle school up the ranks through college. In addition, there should be an increase in assistance for ex-offenders and noncustodial parents, including developing transitional jobs, providing better re-entry and fatherhood programs, and managing child support arrears more effectively.

The Problem

Employment and labor force participation among less-educated Black men—those in the bottom half of education levels with no postsecondary education—is worsening steadily. This is the case in both absolute and relative numbers. Black men are falling behind other demographic groups in academic achievement and marriage rates and are exceeding all others in rates of incarceration.

The story is different for less-educated Black and Hispanic women ages 16–24, who experienced a 10–15 percent increase in labor market participation in the 1990s. This could be attributed to a strong economy, welfare reform, increased child care, and expansion of the Earned Income Tax Credit (EITC). EITC is a refundable tax credit for low-income workers and families to reduce the burden of payroll taxes and supplement the wages of low-income workers, particularly those with children. EITC gives a 40-percent wage subsidy to workers with two or more children.

For Black men, there was a downward trend in labor market participation, with the trend line always below that of other groups. Further, there is a 25–30 percent gap in participation rate between Black men and White men. These figures would be even more daunting if the incarcerated population were taken into account.

Data from the National Longitudinal Survey of Youth provide information on some factors that impact labor market outcomes. The youth were ages 12–16 in the initial survey in 1997 and were in their early 20s at the time of the follow-up survey. The following data show that Black male youth, relative to others, are more at risk for having poor outcomes in the labor market.

	White Male Youth	**Black Male Youth**	**Hispanic Male Youth**	**White Female Youth**	**Black Female Youth**	**Hispanic Female Youth**
Average GPA	2.5	1.9	2.1	2.7	2.2	2.3
% High School Dropouts	13.4	27.6	20.8	12.0	19.0	20.6
% Bachelor's Degree	12.8	5.6	3.6	18.2	6.9	5.5
% Enrolled in College	17.2	9.7	10.1	19.0	14.4	13.2
% Unmarried Parent	9.9	30.8	17.9	17.3	47.5	29.6
% Ever Incarcerated	7.6	14.8	9.6	2.7	3.1	2.4

Causes

One major economic reason for the poor labor market outcomes of young Black men has to do with labor demand shifts and labor supply responses. Individuals with lower educational levels, many of whom are Black men, see less demand in the market for their labor. As the demand for their labor shifts downward, many underprepared workers (labor supply) withdraw from the market.

Among the demand-side factors are the following:

- Employment skills demand: Employers are looking for higher-level skills.
- Discrimination: Several audit studies have shown that Black men receive fewer offers in the labor market.
- Urban segregation or spatial mismatch: Larger numbers of Black males may live in one place, such as the inner city, while available jobs are elsewhere, often in the suburbs. Such a reality limits the jobs available to individuals who may not own or have access to a reliable form of transportation.

Labor supply responses that help to explain the Black man's plight include the following:

- Lower labor force participation in response to deteriorating options for success
- Declining attachment to mainstream institutions and behaviors: schooling, legal activity, marriage
- Increasing criminal activity as the legal labor market deteriorates

There were other causes for the underperformance of Black men, particularly in the 1990s. Despite the booming economy that appeared to benefit women, Black men were left behind. Two explanations were offered:

- Ex-offender status: One-third of Black men had spent some time being incarcerated. For those without a high school education, the rate was roughly 65 percent. Employers either were not allowed to hire ex-offenders by law (in certain fields) or just did not want to employ them.

- Child support arrears (If one is in arrears, up to 50 percent of his earnings can go to the state to pay for family welfare costs—money that does not go to the family.) drove low-wage earners out of the job market.

Solutions

Policy solutions to improve the employment outcomes of young Black men might include the following:

1. Improve education and early links to the labor market, thereby avoiding disconnection. This could be accomplished through:

    - Youth development programs for adolescents, e.g., Big Brothers Big Sisters
    - Multiple pathways in high school to higher education and/or the labor market
    - High-quality career and technical education (CTE): career academies, technical preparation, and apprenticeships
    - Better preparation for postsecondary education through:
        - Advancement Via Individual Determination (AVID), a college-readiness system designed to increase enrollment in four-year colleges in the United States, and
        - Federal TRIO Programs (TRIO), eight federal outreach and student services programs that help low-income individuals, first-generation college students, and individuals with disabilities progress from middle school through postsecondary and postbaccalaureate education
    - Dual-enrollment programs (college courses in high school)
    - (For youth out of school) Service learning, a teaching and learning strategy that integrates community service with instruction to enhance the learning experience, teach civic responsibility, and strengthen communities

2. Improve incentives for individuals to take available jobs: Extend EITC, which worked for Black females, to childless adults and/or noncustodial fathers

3. Incarcerate fewer young men and address the barriers and disincentives for ex-offenders and noncustodial fathers through:

    - Transitional jobs and other reentry services (an MDRC evaluation showed paid work and skill building for nine months reduced recidivism)
    - Fatherhood programs
    - Arrears management and forgiveness
    - Pass-through of child support payments to families

During this economic downturn, it is a good idea for young Black men to stay in school. Most of all, it is important to recognize that skills matter enormously for labor market success in the United States.

Housing and Opportunity in the Wake of the Subprime Lending Crisis

Presenter: John A. Powell, Professor and Executive Director, Kirwan Institute,
The Ohio State University
Moderator: Aradhna Dhanda, President and CEO, Leadership Pittsburgh, Inc.

The decreased number of Black males in the labor market is due to a lack of demand for them, rather than just a lack of skills and ability on their part. The lack of desire for Black males in the labor force is something that often reflects subconscious racism.

One of the reasons for economic disparity among Blacks and Whites is the ineffectiveness of major systems such as health care. When universal health care was implemented in Massachusetts in 2006, demand increased but the law provided no increase in the supply of physicians. This caused doctors to move from marginalized areas and left the poor without health care despite having health coverage.

Rather than universal programs and policies, the United States needs directed programs that address universal goals but have targeted strategies for those most in need. Also, a broader economic recovery program that tracks civil rights compliance and connects marginalized workers to growing sectors of the economy (such as green-collar jobs) would be helpful in increasing the demand for workers from those communities that disproportionately deal with issues of unemployment.

The Problem

The unemployment rate among young Black men is not simply a failure of young men to look for work. Many institutions do not want them. The main problem is the lack of demand for Black workers. As Ira Young pointed out, Black men are no longer exploited ("needed but despised"); they are now marginalized ("despised and not needed").

Causes

- Implicit racial bias: Central to the institutional neglect of Black males is the existence of implicit, often subconscious, racial bias in our daily lives.
- The Taft-Hartley Act of 1947 greatly weakened the power of workers: The Taft-Hartley Act (61 Stat. 136), also known as the Labor Management Relations Act of 1947, was created to amend the National Labor Relations Act (formally the Wagner Act) to make labor union practices, such as wildcat strikes and secondary boycotts, illegal.

Solutions

The cities of Baltimore, Md., and Portland, Ore., have developed projects that give inner-city poor the chance to move to suburban areas with high levels of opportunity (jobs, schools, transportation, housing, etc.) and low crime. In Baltimore, Whites in wealthier suburbs accepted Blacks moving in to their neighborhoods, thanks in part to the project. Blacks who moved left the inner city primarily to escape crime, but they ended up liking the diversity of suburban living.

In Portland, White environmentalists were not understanding of Black demands to reduce disparities, such as in homeownership. Because of the project, both parties adopted the goal of moving everyone to within 5 percent of national homeownership rates.

The American Recovery and Reinvestment Act (ARRA) is an economic stimulus package enacted by the U.S. Congress in February 2009 with the intent of creating jobs and encouraging investment and consumer spending during the recession. As a solution:

- The stimulus package has not always helped the communities in greatest need. Further, data challenges exist, which make a thorough equity assessment of the stimulus difficult.
- The share of stimulus contracting dollars that went to businesses, by race, was 3 percent for Blacks, 4.1 percent for Latinos, 2.9 percent for Asians, and 9.3 percent for women.
- The stimulus reduced state budget deficits somewhat; however, large deficits still remain.

Universal programs do not solve racial gaps. For example, universal health care in Massachusetts increased demand for doctors but did not increase the supply, causing doctors to leave marginal areas. The poor still do not have doctors and clinics even though health insurance is provided. Instead, the following is recommended:

1. Adopt a targeted universal approach to address problems faced by racial minorities.

    - Universal solutions do not work, because people start at different places.
    - We have universal goals but should have targeted strategies to eliminate racial disparities.
    - The current administration has taken a “race-light” approach to public investment.
    - Examples of targeted investment, like the Neighborhood Stabilization Program (NSP), represent a relatively small portion of an otherwise universal package. NSP was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment.
    - Budget stabilization funds keep communities of color afloat, but they do not recover or develop.
    - In summary, “Rising tides don’t lift all boats”—equally.

2. Implement a broader equity recovery platform. Such an approach will entail:

    - Greater civil rights compliance
    - More targeted investment (geography, race, areas of need)
    - More investment in broader community infrastructure, not just roads
    - Connecting marginalized workers to the growth sectors in the “new” economy (e.g., linking green economy initiatives to worker training)

In conclusion:

- Changes in systems, structures, and institutions are needed to promote racial equality in housing and opportunity.
- America emphasizes individual action much more than collective action.

- We need people who can discuss race.

Suggested Readings

Alexander, M. (2010). *The new Jim Crow: Mass incarceration in the age of colorblindness.* New York, N.Y.: New Press.

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Massey, D.S. (2007). *Categorically unequal: The American stratification system*. New York, N.Y.: Russell Sage Foundation.

Wilson, W.J. (1996). *When work disappears: The world of the new urban poor*. New York, N.Y.: Knopf: Distributed by Random House, Inc.

Rethinking the Issue of Poverty in America

Presenter: Mark Rank, Herbert S. Hadley Professor of Social Welfare, Washington University in St. Louis
Moderator: M. Gayle Moss, President, NAACP Pittsburgh Chapter

Despite being one of the richest, America still has one of the highest poverty rates of any of the world's developed countries. Almost 60 percent of all Americans and 90 percent of African Americans ages 20–75 will experience at least one year of poverty in their lifetime. In addition, two-thirds of Americans ages 20–65 will rely on a social safety net program, such as food stamps, at some point in their lives.

Many Americans believe the false notion that most people experience poverty because of individual flaws, such as lack of work ethic, poor relationship choices, or lack of desire to develop the necessary human capital to be successful in the labor market. More often, it is a failure of the political and economic structures within our society that causes high rates of poverty rather than individual character flaws. The United States has failed to enact policies that curtail the downward spiral in income that many low- and middle-income families face. In the past 30 years, there has been an increase in jobs that pay low wages (less than $11 per hour). In addition, there are approximately 2.4 million jobs available in the labor market, but more than 15 million Americans are unemployed.

In order to fix the problem of high poverty in the United States, poverty has to be seen as something that negatively affects all Americans. Also, we must evaluate the factors that cause poverty and educate people about those causes. Poverty often is the result of poor social policy rather than individual failings. The best way to solve the issue of poverty is for the United States to increase job opportunities for all and create a collective desire to eliminate poverty for society as a whole.

The moral ground from which this country views poverty should be one of injustice and the need for social change. Continuing the viewpoint that poverty is the result of individual failing will lead to further inactions and continued acceptance of high levels of poverty.

The Problem

America has one of the highest rates of poverty among developed nations, despite being the richest country in the world. It requires a lot more money to build prisons than it does to alleviate poverty and other problems that cause crime in the first place.

Although those on welfare often are vilified for using the service, the reality is that most Americans will encounter the need to use the welfare system at some point in their lives:

- Between the ages of 20 and 75, nearly 60 percent of all Americans will experience at least one year of poverty or near-poverty in their lifetime.

- Two thirds of Americans between the ages of 20 and 65 will use a social safety net program at some point in their life; 40 percent of those will use that program for an aggregate of five years over the span of their lives.
- Half of all American children between the ages of 1 and 20 will live in a household that has used food stamps for some period of time.
- Forty percent of White children will experience at least one year of food stamp use in America, compared to 90 percent of Black children.
- Fifty percent of all Americans and 90 percent of African Americans will experience at least one year of poverty between the ages of 20 and 75.

All American citizens pay a steep price for such high rates of poverty, including increased health, family, and social problems. The cost of childhood poverty in the United States is around $500 billion a year (nearly 4 percent of the nation's gross domestic product). This estimate includes such measures as potential future productivity and health care, unemployment, and crime costs.

Causes

Poverty in America is caused by political and economic structures within our society and is not primarily the result of individual flaws. Some Americans experience periods of poverty due to unexpected issues that arise over the course of a lifetime, such as divorce, job loss, and the death of a family member.

More and more families, including middle-class families, are experiencing downward spirals in their income due to instability in the labor market and a lack of benefits like health and unemployment insurance. The safety net for many of these Americans in the recent past has been to accumulate debt on credit cards or tap into home equity in order to sustain their living standards.

Particular individual shortcomings, such as a lack of education or skills, help to explain who is likely to be left out in the competition to locate and secure good opportunities. However, it cannot explain why there is a shortage of such opportunity in the first place. In order to answer that question, we have to turn to the inability of the economic and political structures to provide the supports and the opportunities necessary to lift all Americans out of poverty.

The fundamental problem lies in the fact that there are simply not enough opportunities in America. In terms of the lack of economic opportunities:

- Over the past 30 years, the U.S. economy has been producing more and more low-wage jobs, part-time jobs, and jobs that lack benefits.
- One third of all U.S. jobs are considered to be low paying (less than $11 an hour).
- In April 2010, the U.S. unemployment rate stood at 9.9 percent (more than 15 million Americans). This number only includes unemployed individuals who are actively seeking employment.
- Forty-six percent of all unemployed individuals have been seeking employment for more than six months. This is the highest percentage in 60 years.

- There are only 2.4 million job vacancies in the United States, but more than 15 million people are unemployed.

The commonly held view of poverty is a fundamental cause of the problem, and this view should change from one of individual blame to one of injustice:

- The life expectancy in Harlem (N.Y.) is less than it is in Bangladesh.
- The wealth gap between Blacks and Whites has steadily increased.
- In 1940, the average CEO made 40 times more than the average wage earner. Today, it is well over 400 times more.
- The top 1 percent of the U.S. population currently owns more than 42 percent of the entire financial wealth in the United States, while the bottom 60 percent owns only 1 percent.
- One percent of White children live in counties that can be counted as "high poverty," compared to 39 percent of Hispanics and 64 percent of Blacks.
- Those exposed to a high level of poverty are much more likely to encounter a variety of environmental and social hazards, which include the following:
  - Exposure to toxic pollutants
  - Greater risk of being victims of crime
  - Increased probability of dropping out of high school
  - Higher arrest rates
  - Increased risk of substance abuse

Solutions

1. Shift the common perception of poverty from something that happens to others to an understanding that poverty is something that affects us all.
2. Recognize that major causes of poverty are weaknesses at political and economic levels, rather than individual failings.
3. Shift the moral ground from which this country views poverty to one of injustice and the need for social change, rather than that it is a result of individual failing, which leads to inaction and continued acceptance of high levels of poverty.
4. Convince Americans that it is in their interest to take steps to eliminate poverty in this country.
5. Increase job opportunities and social supports to American households.

From the War on Poverty to the Great Recession: Antipoverty Policies and the Future of Poverty

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Moderator: M. Gayle Moss, President, NAACP Pittsburgh Chapter

Blacks continue to experience poorer economic outcomes than Whites due to issues like higher rates of incarceration, lower rates of educational attainment, declining employment and wage rates (for less-educated workers of all races and ethnic groups), and changes in Black family structure. Blacks have a poverty rate that is three times that of Whites. Also, the median income of Black households is about 60 percent of that of non-Hispanic White households. Since the early 1970s, the United States has not aggressively pursued expanded antipoverty policies, because many politicians and the public believe that government programs themselves are responsible for persistent poverty.

The American Recovery and Reinvestment Act (ARRA) is an excellent example of the kinds of antipoverty policies that are needed in today's economy. The act increased food stamp benefit levels, expanded the Earned Income Tax Credit and per-child credit for families with low incomes, modernized and extended unemployment insurance benefits, and encouraged states to use emergency Temporary Assistance for Needy Families (TANF) funds to subsidize employment of disadvantaged workers. Although many ARRA provisions have already expired, they demonstrate the kinds of policies that can effectively reduce poverty.

The Problem

Americans enjoy one of the highest standards of living in the world, but for one fifth of U.S. citizens, economic hardships are much greater than they are in other developed countries. Blacks continue to experience much poorer economic outcomes than their White counterparts. For example:

- Black poverty rates have declined over the last 60 years, but in 2009, the Black poverty rate was substantially higher than that of non-Hispanic Whites—25.8 percent and 9.4 percent, respectively.
- In 2009, the median family income for Black households was $38,409, about 57 percent of that of non-Hispanic White households ($67,341).

The Great Recession, which officially began in December 2007 and ended in June 2009, wiped out a substantial amount of many families' housing and stock market wealth and left a legacy of economic hardship. Over the next couple of years:

- Unemployment rates are projected to remain high, staying above 6 percent through 2016.
- Real wage growth for less-educated workers is unlikely, as high school graduates today earn less in inflation-adjusted dollars than similar workers did in the early 1970s.

- States are cutting social welfare spending, such as childcare and other programs that help make work pay.

The following long-term trends are likely to continue:

- High school graduates will have much lower employment rates and earnings than college graduates.
- Men will have lower educational levels than women.
- Black women will continue to work more than Black men.

Causes

The social significance of race along with social and demographic changes in the United States have disproportionately impacted Blacks:

- Although a decline in racial discrimination has helped to reduce poverty, large disparities still remain.
- “Race-neutral” changes, such as declines in wages for less-educated workers, have had differential effects because a greater percentage of Blacks have not graduated from high school or college.
- Race-related factors also contribute to differential outcomes, e.g., mass incarceration, housing discrimination, and spatial mismatch.
- Changes in family structure have led to somewhat higher poverty rates. These changes include a decline in marriages and growth in the number of nonmarital births and parents earning low wages. However, more mothers are completing their schooling, working more hours, and having fewer children, all of which have reduced poverty. Even in light of these social changes, poverty rates remain higher than they were in the early 1970s.

Conventional wisdom related to the causes of poverty and, consequently, policy responses have changed over the past half-century:

- In the decade following President Lyndon B. Johnson’s 1964 declaration of the War on Poverty, the poor were seen as victims of their circumstances who did not have equal opportunities to advance. Because lack of income was seen as the primary cause of poverty, an effective antipoverty policy was to provide income. Accordingly, there was an increase in social spending as new programs were introduced and benefit levels were increased in existing programs.
- Between the end of World War II and the early 1970s, the economy grew rapidly, “a rising tide lifted all boats,” and poverty declined rapidly.
- After the early 1970s, economic growth slowed and income inequality increased. As a result, the poverty rate did not decline. Instead of blaming the changing economy for the failure of poverty to decline, however, a new conventional wisdom took hold during the Ronald Reagan Administration. It claimed that government programs themselves were responsible for persistent poverty because they discouraged work and encouraged family

breakup. Accordingly, the goal of antipoverty policies shifted from providing resources to the poor to raise their incomes to demanding increased work and personal responsibility.

Solutions

The economic and policy history of the last half-century demonstrates that the gradual growth of the economy on its own will not significantly reduce the high poverty rate in the United States. Expanded antipoverty policies are needed to supplement the poverty-reducing effect of economic growth. Many components of the 2009 American Reinvestment and Recovery Act (stimulus) could effectively reduce poverty if they were made permanent. These include:

- Higher food stamp benefit levels
- Subsidized public and private jobs funded by TANF emergency funds
- Expanded unemployment insurance payments
- Subsidized COBRA health insurance payments for the unemployed
- Increased funding for Early Head Start and Head Start
- Increased availability of Pell Grants

These provisions have helped to offset the negative effects of the recent recession on the poor and unemployed. If Congress were to extend them, they could continue to reduce poverty and economic hardships. However, it is likely that many of these provisions will expire by the end of 2011.

In summary, government antipoverty policies can effectively prevent and/or resolve social problems. But we as a nation continue to resist paying higher taxes to invest in poor children and raise the incomes of their families.

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