



A Dream Deferred

*The American Dream of Prosperity
and Opportunity
has Eluded African Americans*



African Americans' introduction into American society was not as immigrants who had chosen to come to America to seek social, economic, political and religious freedom. Instead, African Americans were brought to America to serve as free-slave labor to support the creation of wealth for Caucasian plantation owners in the south-eastern portion of the country. The legacy of slavery, Jim Crow oppression, legal segregation and discrimination have historically and currently presented difficult social, political and economic barriers for slaves, their descendants and others who were and are part of the African diaspora.

In a paper titled *Competition and Coercion: Blacks in the American Economy 1865-1914* it was stated that due to slavery, the starting point for the economic progress of Blacks in the U.S. was extremely low (Higgs, 1987). After emancipation, Blacks were largely illiterate, were relatively unskilled, had little wealth, earned subsistence level incomes, were denied equal protection of person and property and were excluded from governmental decision-making (Higgs, 1987). With that in mind, it can be accurately said that even today, African Americans are still struggling with the racial residue of slavery and discrimination. This residue continues to negatively impact African Americans' economic wealth and income.

By example, African Americans lag far behind Caucasian Americans when comparing statistics for both wealth and income in the U.S. The accumulation of wealth and median household incomes for African Americans have been consistently and significantly impacted by slavery; structural and institutional racism; legal discrimination and cultural segregation. The systematic and often intentional legacy of "white privilege" has fostered a society where African Americans have been consistently viewed as "nonessential".



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PolicyBridge, founded in 2005, is a non-partisan 501 (c) 3 research and advocacy think tank. The mission of PolicyBridge is "To create and sustain high-quality discourse addressing public policy issues affecting African-Americans and other underserved communities, to enlighten citizens and catalyze action."

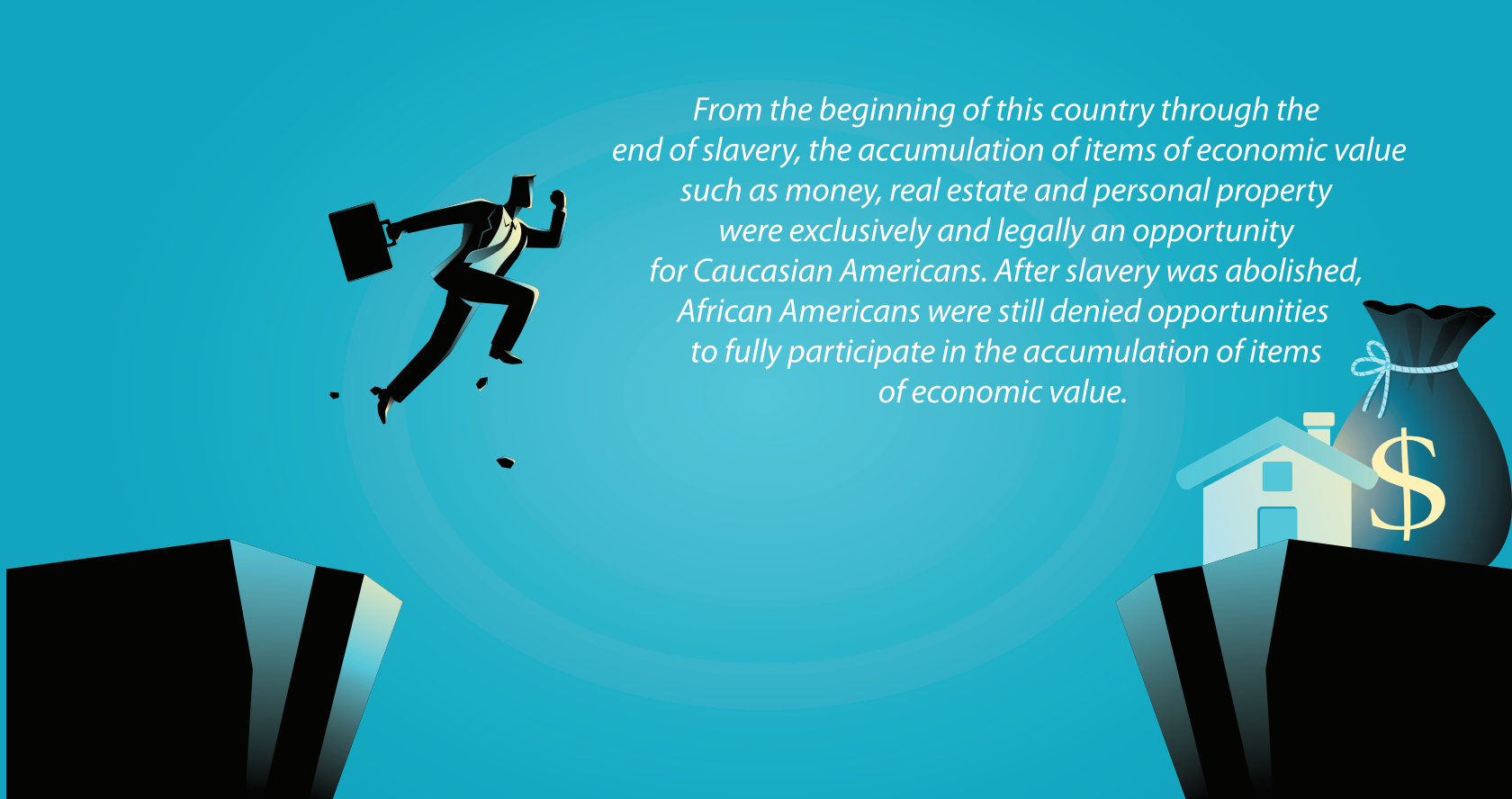
"African Americans have not been able to attain economic successes on par with their social successes."

Louis B. Stokes,
U.S. Congressional Representative
for Northeast Ohio



When measuring the progress African Americans have experienced during their time in America, it can be noted that some marginal progress has been made. There is full agreement by thought leaders, public officials, faith leaders and community stakeholders that the African American community is in a much better place than when in slavery. Examples of public policies that led to social and political gains for African Americans in the 20th Century included: President Truman's Executive Order 9981 that ended racial discrimination in the military in 1948; the U.S. Supreme Court's 1954 Brown versus the Topeka, Kansas Board of Education decision that ended legal racial segregation in public schools; the 1964 Civil Rights Act, that reinforced the legal citizen rights bestowed by the 13th and 14th Amendments of the U.S. Constitution to African Americans; and the 1965 Voting Rights Act, reinforcing the rights of African Americans to legally vote in elections without arbitrary and unnecessary barriers and/or hardships consistent with the 15th Amendment of the U.S. Constitution.

When paraphrasing the late Louis B. Stokes, U.S. Congressional Representative for Northeast Ohio in an interview with Dr. Ronnie Dunn, Associate Professor, Cleveland State University Levin College of Urban Affairs, Congressman Stokes indicated that "African Americans have not been able to attain economic successes on par with their social successes." While socially "accepted" in many areas, sectors and establishments once forbidden, the failure of African Americans to achieve economic success has remained an issue of serious concern, not just for African Americans but all Americans. The lack of economic success for minorities is a negative stain on America's values, past, present and future!



From the beginning of this country through the end of slavery, the accumulation of items of economic value such as money, real estate and personal property were exclusively and legally an opportunity for Caucasian Americans. After slavery was abolished, African Americans were still denied opportunities to fully participate in the accumulation of items of economic value.

The African American Wealth and Income Gap

One of the most troubling challenges confronting 21st century America is the economic inequality experienced by African American citizens. The wealth and income gaps between African Americans and Caucasian Americans as measures of economic well-being indicate that African Americans continue to lag far behind their Caucasian counterparts.

Wealth, as defined in its most popular usage can be described as “an abundance of items of economic value or the state of controlling or possessing such items, usually in the form of money, real estate and personal property.” A person or group is considered wealthy when they have accumulated substantial wealth relative to others in their society. From the beginning of this country through the end of slavery, the accumulation of items of economic value such as money, real estate and personal property were exclusively and legally an opportunity for Caucasian Americans. After slavery was abolished, African Americans were still denied opportunities to fully participate in the accumulation of items of economic value. Since slavery was abolished some 152 years ago, African Americans have continuously struggled to become part of an economic system that, through legal means and customs of racial discrimination, has not been welcoming or inclusive.

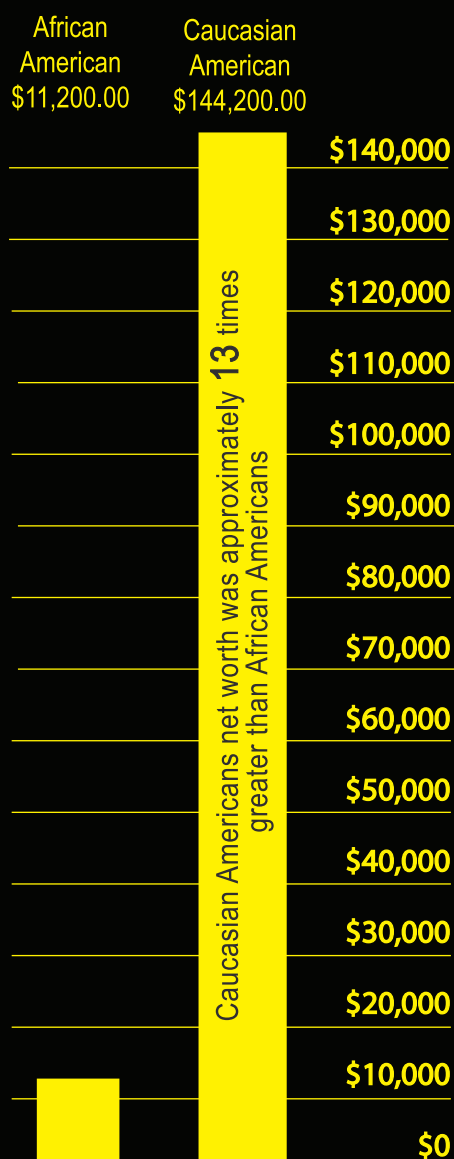
Though in recent times African Americans have become free of legally sanctioned discrimination (as aforementioned), there is an expanding body of research that indicates that for African American entrepreneurs there has not been a decline in institutional racism and discrimination (Bogan and Darity Jr., 2006). The African American wealth gap in the U.S. can be explained to a great degree by the never ending impact of historical practices of racism and discrimination through institutions, laws and culture. So, is it really difficult to believe that a wealth gap between African Americans and Caucasian Americans currently exists today? Decades of academic research and scholarship demonstrates that no other outcome could have been expected.

Wealth and Income Gap Factors

As an important measure of economic well-being, “wealth allows families to transfer income earned in the past to meet spending demands in the future; provide a buffer of economic security against periods of unemployment and is needed to finance a successful transition into retirement or provide an inheritance to children.” The Economic Policy Institute in a 2017 blog determined that failure to provide the provisions of economic well-being leading to wealth to the African American population has created an enormous racial wealth gap in this country.

A Pew Research Center 2016 report determined that there was a growing wealth gap between African Americans and Caucasian Americans. According to the Pew Center report, in 2013, the net worth of Caucasian American households was \$144,200, compared to African Americans net worth reported as \$11,200. Caucasian Americans net worth was approximately 13 times greater than African Americans, and that net worth gap between has increased since the Great Recession.

Net worth by households, 2013



A 2015 report on the Racial Wealth Gap by Demos determined that for most U.S. families home equity marks the largest segment in the wealth portfolio.

Homeownership

Homeownership Rate

	1976	2013
African Americans	44%	43%
Caucasian Americans	69%	72%

Homeownership Rate Higher Education

African Americans	58%
Caucasian Americans	76%

Homeownership Rate Higher Income

African Americans	68%
Caucasian Americans	84%



Home Ownership

As indicated in the Pew Center 2016 report, one important factor responsible for the differences in net worth between African Americans and Caucasian Americans is home ownership. A 2015 report on the Racial Wealth Gap by Demos, determined that for most U.S. families home equity marks the largest segment in the wealth portfolio. It was also indicated that home ownership was unequally distributed by racial lines. The Economic Policy Institute in a 2017 blog titled “The Racial Wealth Gap: How African Americans have been Shortchanged out of Materials to Build Wealth” stated overall, housing equity makes up about two-thirds of all wealth for the typical (median) household. The 2016 Pew Center report stated that Caucasian Americans have consistently higher rates of home ownership than African Americans, which makes it clear why the divide has remained so wide.

Specifically, 72% of Caucasian Americans own their homes, while the African American home ownership rate when compared was 43%. The home ownership gap has continued to widen from 1976 when the African American home ownership rate was 44% and the Caucasian American rate was 69%. There are also differences in home ownership rates between African Americans and Caucasian Americans when compared by higher income and education. Upper-income Caucasian Americans had an 84% home ownership rate as compared to upper-income African Americans whose home ownership rate which was significantly lower at 68%. And when examining the highly educated, the home ownership rate for Caucasian Americans with a college degree was 76% versus a 58% home ownership rate for African Americans with a college degree.

Business Ownership

Another factor that is important when understanding how Americans create wealth is business ownership. As indicated in the 2008 paper by Robert W. Fairlie and Alicia M. Robb titled “Race and Entrepreneurial Success”, there are large and persistent racial inequities in business ownership and performance in the U.S. In 2008, more than 13 million people were self-employed business owners. These 13 million self-employed business owners were responsible for 37% of total U.S. wealth (Bucks, Kennickell and Moore 2006).

African Americans own businesses at a lower rate than Caucasian Americans. Low rates of business ownership among African Americans have persisted over the entire 20th century and recent trends indicate that racial inequities in business ownership rates will not disappear in the near future (Fairlie and Robb, 2008). African American businesses, as compared to Caucasian American businesses, on average have lower sales, hire fewer employees and have smaller payrolls. There are a large number of African American owned-businesses that are successful with sales exceeding \$250,000 annually. But there are also large numbers of African American businesses that are not successful with less than average outcomes that underperform when compared to Caucasian American businesses. This pattern of performance has remained unchanged for decades.

Though the rate for all new business creation has been on a steady decline for more than three decades, African American entrepreneurs’ new business start-ups are among the fastest growing according to the U.S. Census 2012 Survey of Business increasing from 7.1% in 2007 to 9.4% in 2012. Given this rise in African American owned businesses one could suggest that the future for these businesses is indeed bright. But there are other statistics that indicate that African American owned businesses have a significant distance to travel to catch-up to businesses owned by other Americans.

The Census Bureau statistics show that African American business receipts are lower than their share of business, with sales accounting for 0.6% of all American company sales and only 0.4% of all sales for American companies with paid employees. African American businesses between 2007 and 2012 remained small, slightly increasing from 0.8% to 0.9%. In 2012 Caucasian American headed businesses had 6.4 times as many workers as African American led businesses. African Americans are more likely to be “necessity-based” business owners (and/or sole proprietors) started out of need due to low educational attainment and limited access to employment opportunities. So it is safe to conclude that African American entrepreneurs are slowly moving in a positive direction, but still significantly underperform when compared to most American businesses. The level of African American owned business underperformance impedes both wealth creation and income growth among African Americans in this country.

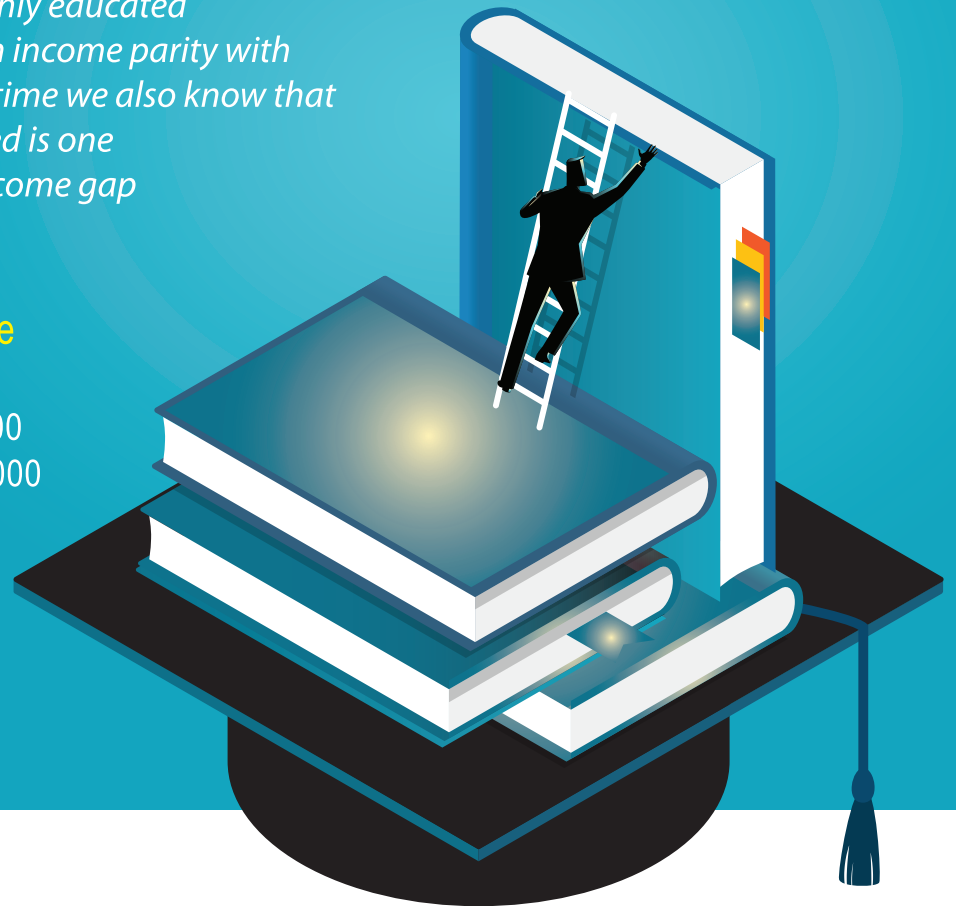
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Median Adjusted Household Income w/ Bachelor Degree

2014	African Americans	\$82,000
	Caucasian Americans	\$106,000

4-Year College Degree Attainment

2011	African Americans	68%
	Caucasian Americans	84%



Educational Attainment

African Americans' underperformance in the area of educational attainment also contributes to the racial wealth gap in the country. The 2015 Demos report noted that more African Americans are enrolled in colleges and universities across the country. But despite an increase in college attendance the college education attainment gap between Caucasian Americans and African Americans has widened over the past decade. According to the Demos report, in 2011 34% of Caucasian Americans completed a 4-year college degree, compared to just 20% of African Americans. African Americans' underperformance can be attributed to rapidly growing college costs, differences in household income and inequities in the K-12 public education system.

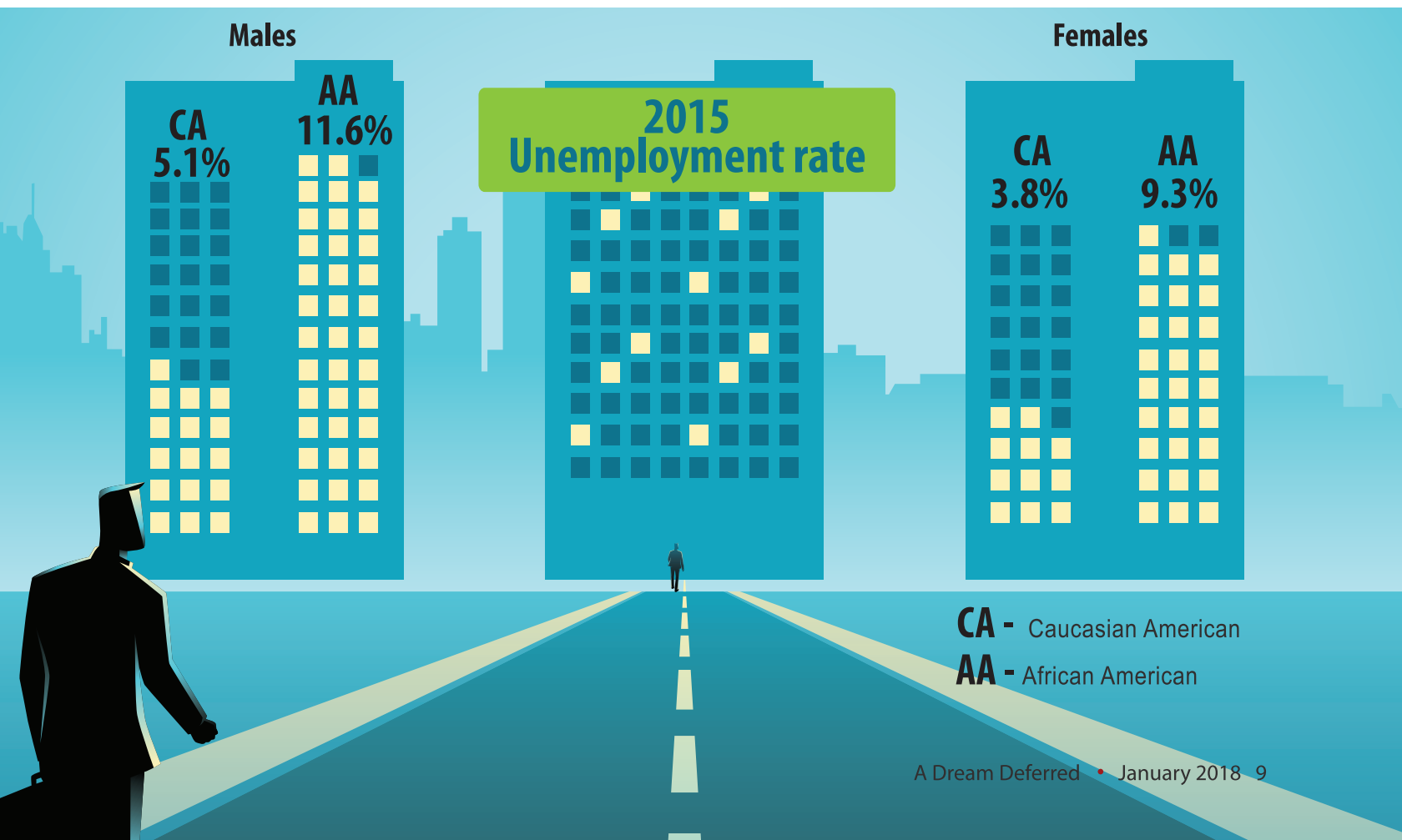
Researchers have found that higher formal education levels were an important factor in the level of household incomes. The Pew Center 2016 report found that there was an income gap across all educational levels between African Americans and Caucasian Americans. As stated in the Pew Center 2016 report, the median adjusted household income among African American households with at least a bachelor degree was \$82,300 in 2014, while the income of college-educated Caucasian American households was \$106,600.

In the 21st century, the economy is driven by those who are highly educated and highly skilled. This means that in the 21st century workforce educational attainment is the key to opening the door of employment opportunity. We know that being a highly educated African American does not mean income parity with Caucasian Americans, at the same time we also know that being highly educated is one way to decrease the income gap that now exists between African Americans and Caucasian Americans. When reviewing the 2011 U.S. Census 81.3% of the African American population age 25 or older had educationally attained some college, associate's degrees, graduated high school or had less than a high school diploma when compared to 18.7% who had attained bachelor's degrees or higher.

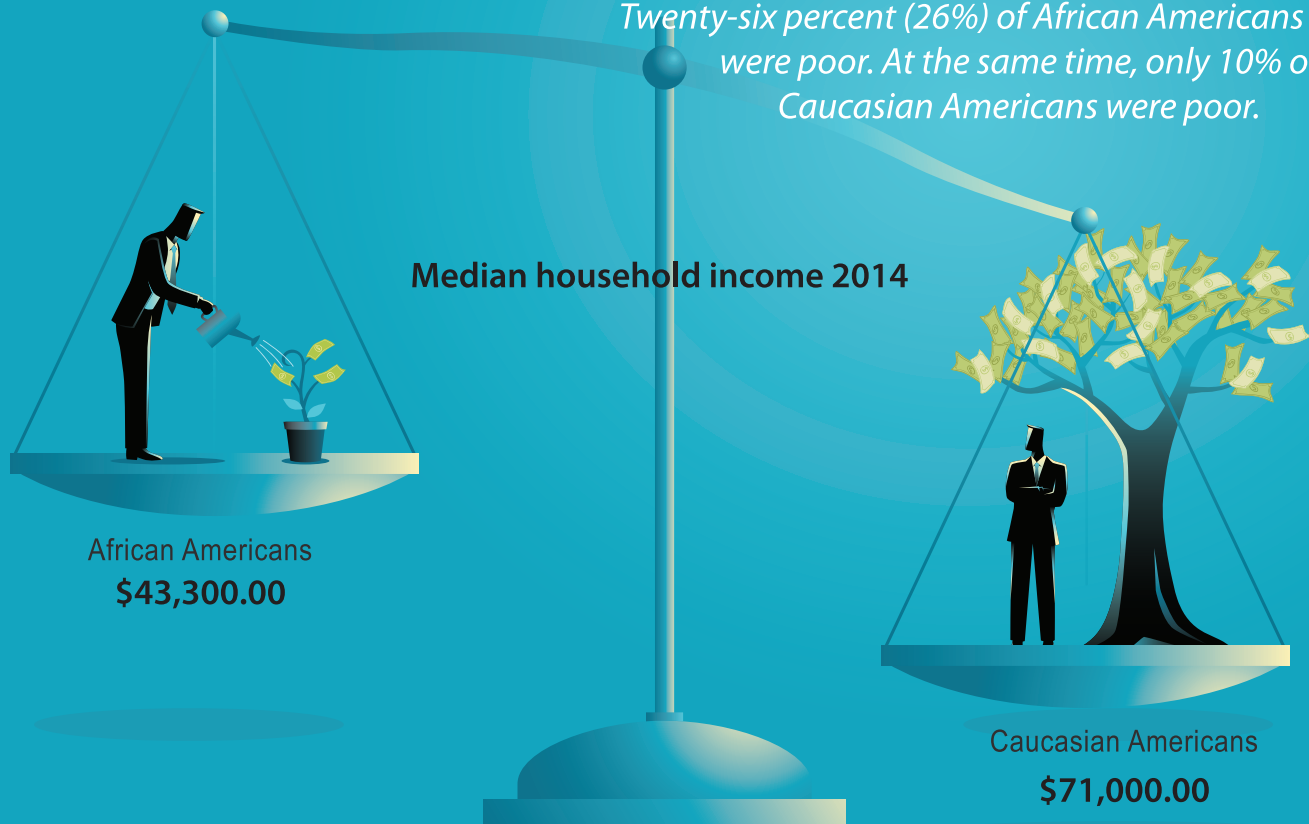
Employment

Another by-product of slavery, oppression and racial discrimination is the historical narrative created during slavery that African Americans were lazy and intellectually inept people who needed to be directed and driven physically to provide value for southern plantation owners. This narrative has remained part of a deeply held biased perspective held by many Americans when hiring or engaging African Americans in the country's workforce. Over time, African Americans have been the targets of a series of deleterious employment strategies that have prevented them from having access to and/or participating in the American workforce. Some of the strategies or practices included: discrimination in hiring, lower wages, exclusion from labor unions and racially hostile work environments. These strategies were used to ensure that Caucasian Americans or other immigrants were given preference when employment opportunities were available. These systematic strategies resulted in African Americans either being underemployed or unemployed, creating an income gap that remains prevalent in America today.

The Pew Research Center tabulation of the 1976-2015 Current Population Survey Annual Social and Economic Supplement (IPUMS) on Views of Race and Inequality: Blacks and Whites found that African American unemployment was twice as great as Caucasian American unemployment in 47 of the past 54 years for which data was available. In 2015, the Caucasian American unemployment rate was 4.5%. During the same period, the African American unemployment rate was 10.3%. African American men have a significantly greater unemployment rate (11.6%) than Caucasian American men 5.1%. There is also a significant unemployment gap between African American and Caucasian American females. The rate for African American females was 9.3% as compared to 3.8 for Caucasian American females.



African Americans are more than twice as likely as Caucasian Americans to be poor in the U.S. Twenty-six percent (26%) of African Americans in 2014 were poor. At the same time, only 10% of Caucasian Americans were poor.



Income Disparities

The Economic Policy Institute in a 2015 paper titled “The State of Working America: African Americans” states “The African American Community suffered a dramatic increase in unemployment and a staggering loss of income since the onset of the Great Recession. Yet, even before the recession, labor market outcomes for Blacks were substantially worse than for Whites.” These data illustrate the breadth and depth of the conditions that lead to the creation of an income gap not only with Caucasian Americans but also with other ethnic and immigrant groups in the U.S., African Americans, no matter what type of economic well-being measure used are still far behind.

The African American-Caucasian American income gap is large. The household income of African Americans has consistently been lower than household incomes of Caucasian Americans since the U.S. Census began collecting data in the latter part of the 1960s. Median household income for African Americans in 2014 was \$43,300. By comparison, Caucasian American household median income was \$71,300. According to a Pew Research Center tabulation of the 2011 Current Population Survey Annual Social and Economic Supplement (IPUMS), the income gap between African Americans and Caucasian Americans expanded between 1967 and 2011. The difference in household income gap for this period between African Americans and Caucasian Americans households grew from \$19,000 to \$27,000. African American households on average earned 59% as much as their Caucasian American counterparts. This income gap trend is a result of several systemic, institutional and cultural factors.

African Americans are more than twice as likely as Caucasian Americans to be poor in the U.S. Twenty-six percent (26%) of African Americans in 2014 were poor. At the same time, only 10% of Caucasian Americans were poor. A drag on our national economy and overall household income rates is created when approximately one-quarter of the African American population in the country are living in poverty and concentrated in urban communities.

Recommendations and Reflections

We can no longer fail to recognize and downplay the impact that slavery; structural and institutional racism; legal discrimination and cultural segregation has had on African Americans being able to compete with their Caucasian American counterparts in the areas of wealth and household income. The economic problems confronting African Americans are well known and documented. We now need solutions that address structural and institutional racism, cultural discrimination and that eliminate the wealth and income gaps being experienced by African Americans.

It is no longer sufficient to provide “on the ground” programmatic solutions—exclusively. Instead, changes must occur from both the “bottom-up and the top-down.” The social and economic well-being of this country as Americans move into the immediate future will be closely tied to the social and economic performance of all Americans, including African Americans.

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Perspective Transformation of Leadership

One of the most important issues confronting Americans today is how to broaden opportunities for minorities in a country where demographic trends indicate that they will become the majority portion of the population in the coming years. This means that this country must provide greater access to opportunities in addition to greater participation in decision-making in all aspects of the American society. To significantly increase opportunities and decision-making participation, all in society (especially Caucasian Americans) must begin to think differently about themselves and their roles in society.

For this “shift” in thinking to happen, there must be a transformation of American perspectives. Perspective transformation is defined as the process of becoming critically aware of how and why people’s assumptions limit the way they perceive, understand and feel about the world and how they act on this understanding. Perspective transformation involves challenging existing implicit and explicit biases about minorities, the human values that foster our biases, and the ways our biases guide the creation and implementation of public policies that reinforce the systems and structures that perpetuate the status quo and undermine inclusive and equitable opportunities for all in our society.

To begin the transformation of perspectives to eliminate the lingering impact of slavery; structural and institutional racism; legal discrimination and cultural segregation for African Americans, governmental, civic and community leaders and champions will be required. Addressing the challenges of our racial history is not the job of any single organization, entity or individual. Instead, organizations, institutions, entities and individuals from all sectors need to assume shared responsibility for leading the transformation in perspectives.

Shared responsibility emerges when leadership is exercised by governmental, civic and community leaders. And leadership is exercised when leaders understand the challenge, recognize the urgency and refuse to accept the status quo. Addressing the complex issues related to inequities experienced by minorities will require multi-and cross-sector analysis, extensive and long-term resources and sustainable action. Current and emerging leaders must participate in training and capacity building activities that focus on why structural and institutional racism still exists and how to move to a more equitable and inclusive society.

Culture and Systems Change

The systems, structures and policies that led to slavery; structural and institutional racism; legal discrimination and cultural segregation are the product of our American culture. So, bold efforts to significantly change policies and practices, as systems and structures will not happen without a change in our values. We must focus on biases and assumptions that are deeply embedded in our nation's values and culture that led to the significant gap in wealth and income between African Americans and Caucasian Americans. And we must value change.

Organizational, institutional, civic and community leaders must work together to foster economic and social inclusion. Our policies, plans and practices (as currently designed) reinforce the negative outcomes that African Americans have experienced for too long. To turn around our current thinking and the values that support that thinking, perspectives of all leaders and community stakeholders will need to become broader, more inclusive and more equitable so that all people including African Americans can prosper.

Inclusive Economic Development

The Aspen Institute Economic Opportunities Program in 2016 developed a paper titled "Working in America: Inclusive Economic Development" which defined Inclusive Economic Development as economic development planning and practice driven by values of equity, transparency, sustainability and community engagement. This definition outlines a recent transformation of perspectives by state, city and local community law makers, appointed officials, economic and community development practitioners and community stakeholders interested in creating and sustaining economies that support the quality of life for all people. These entities work with local businesses to enact policies to improve their economies.

Across this country, Inclusive Economic Development is a new orientation that is being used to stimulate greater representation by those living in urban communities, especially African Americans. Inclusive Economic Development policies, planning and practices are being devised to dramatically increase the number of African American entrepreneurs and as a means of creating employment opportunities for African Americans and others living in urban communities where jobs generally do not exist. Inclusive Economic Development is viewed as a new method to build wealth and grow incomes for those living in urban communities.

One example of Inclusive Economic Development is the Forward Cities National Learning Collaborative among Cities of Innovation. Forward Cities was a two-year pilot project funded by national and local philanthropic organizations. Forward Cities brought together more than 200 leaders from Cleveland, Detroit, Durham and New Orleans to accomplish the following: map and measure entrepreneurial and social innovation activities; share lessons learned, promulgate best practices and models across all four cities; explore issues of economic inclusion to ensure that the current entrepreneurial increase does not leave the most vulnerable behind; develop more businesses, encourage innovative leaders and entrepreneurs from minority and low-income communities; and identify and support entrepreneurs and change-makers in distressed neighborhoods. Though the Forward Cities National Learning Collaborative ended in June 2016, the policies, strategies and practices that emerged during the project are being used today to rethink and redesign economic and community development planning in Cleveland and other participating cities. It should serve as a national model.



The country's future hinges on its ability and willingness to address and resolve this seemingly intractable issue. While the past cannot be changed, the future is yet within our reach and power.

Conclusion

Is it not difficult to imagine that given an American history that was based on structural and institutional racism that slaves, their descendants and others who are part of the African diaspora would woefully compare when measured against the progress and successes of Caucasian Americans. Based on the historical legacy of structural and institutional racism that remains a deeply ingrained part of America's value system and culture, it is not really fair or just to benchmark African American progress in America to their Caucasian American counterparts who have had abundant opportunities to thrive and be successful based on a culture and/or reality of "white privilege." A benefit to be gained from comparing the status of African Americans and Caucasian Americans economic success is the analysis of the level of urgency and the availability of the resources required to remediate the gap that continues to exist. These actions would lead to the creation of more equitable opportunities and outcomes for African Americans.

In summary, it is important to note that the wealth and income gaps between African Americans and Caucasian Americans present fundamentally persistent and consistent challenges that not only negatively impact the lives of African Americans in this country, but also significantly undermine the economic growth and stability of all U.S. citizens. The country's future hinges on its ability and willingness to address and resolve this seemingly intractable issue. While the past cannot be changed, the future is yet within our reach and power.

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