

The greasy ladder

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Middle-income blacks are downwardly mobile. Why?

SOME black Americans are doing very well. Barack Obama is pulling ahead of Hillary Clinton in Iowa. Tiger Woods is the world's best-paid athlete. Stan O'Neal was given a \$160m golden parachute as he was ejected from Merrill Lynch last month. But these exceptional folk are indeed exceptional. For members of the black middle class, the news is gloomier. New research suggests that their grip on affluence is precarious.

The Economic Mobility Project, an arm of the impeccably non-partisan Pew Charitable Trusts, compares contemporary Americans' family income (based on surveys conducted between 1996 and 2003) with their parents' (between 1968 and 1972). Overall, the picture is cheerful. Two-thirds of Americans who were children in 1968 and are now in their 30s or 40s enjoy higher household income than their parents did then. The same is true for black Americans. But black upward mobility consists largely of people from poor families moving up. Blacks born halfway up the income ladder, by contrast, show an alarming tendency to fall down. Only 31% of blacks who were children in 1968 and whose parents were in the middle fifth of America's income distribution now earn more than their parents did. The average household income for this group has actually declined—from \$53,700 (in 2006 dollars) to \$44,900. Nearly half fell all the way into the bottom fifth.

These findings have furrowed many brows. CBS News calls them “chilling”. The *Washington Post* laments that the middle-class dream is eluding African-Americans. Many people find the data perplexing. Why, if America really is the land of opportunity, are so many blacks finding it hard to hold onto the middle rungs of the ladder?

Some caution is in order. Black families who managed to pull themselves up to the middle of the national income distribution by the late 1960s—ie, within five years of the Civil Rights Act—must have been hot stuff. Certainly, they would have been near the top of the income distribution for blacks. So it would not be that odd for their children to fall short of their high standards. Gary Burtless of the Brookings Institution, a think-tank, thinks some of the downward mobility unearthed by the Pew study will turn out to be nothing more sinister than a reversion to the mean. White children whose parents were in the top 20% in the late 1960s have also fallen slightly behind their parents. But nothing like as dramatically as middle-income blacks have. Furthermore, at all income levels, blacks were less likely than whites to surpass their parents.

(Overall, blacks and whites were equally likely to be upwardly mobile, but this was because anyone who starts at the bottom has more room to climb, and more blacks started at the bottom.)

Is racism to blame for downward mobility among middle-class blacks? Probably not much. Discrimination is far from dead, but it is hard to argue that it has intensified since the 1960s. The grease on the ladder must have other ingredients, too. An oft-cited one is the changing structure of the economy. Forty years ago a man with a high school diploma could work at a steel factory for a middle-class salary. Nowadays good jobs typically require a college degree, which black men are less likely than whites to have. Black men who worked full-time in 2004 earned 22% less than white men did, and fewer of them were employed at all.

Another big change since the 1960s is that the black family has all but disintegrated. In 1969 two-thirds of blacks in their 30s were married. Three decades later, 42% were. White families have gone non-nuclear too, but much less dramatically. This affects household income. Other things being equal, two working parents earn more than one. White household incomes have risen sharply in the past generation largely because white women are now far more likely to work outside the home. The richest households typically consist of two professionals, married to each other and working full-time. Few black households look like this. Black women, who have always worked outside the home in large numbers, now earn 95% as much as white women. But they are more likely to be sole breadwinners. And for those who want to marry a black man of similar status, the odds are unkind. For every 100 black female college graduates, there are only 70 black male ones.

Cash is king

A third factor is that even when blacks earn the same as whites, they tend to be less wealthy. In 2000 the average white household in the bottom fifth of income-earners was worth \$24,000. For black households the figure was \$57—less than Mr O'Neal might spend on lunch. Whites in the middle fifth were five times wealthier than their black counterparts; those in the top fifth were three times more so.

Dalton Conley, a sociology professor at New York University and the author of “Being Black, Living in the Red”, thinks this explains a lot. Extra cash cushions whites against temporary setbacks, such as losing a job or falling sick. It makes it easier to buy a home near a good school, and to borrow money for university. Blacks are less likely to graduate from college than whites with the same family income, but the gap disappears if you compare families with the same income and net worth. Wealthier parents can more easily lend their offspring cash to start a business, and assets mean you can plan for the future.

So what can blacks do to keep their grip on the ladder? Financial education is one big thing, says Dawn Franklin of the National Association for the Advancement of Coloured People. As the recent collapse of the subprime-mortgage market shows, people without assets need to be careful how much they borrow, and on what terms. “Just because a bank says yes to you doesn't mean you got a good deal”, she says.