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Race, Wealth, and Equality

Introduction

Over a hundred years after the end of slavery, more than thirty years after the passage of major civil rights legislation, and following a concerted but prematurely curtailed War on Poverty, we harvest today a mixed legacy of racial progress. We celebrate the advancement of many blacks to middle-class status. In sharp contrast to previous history, school desegregation has enhanced educational access for blacks since the late fifties. Educational attainment, particularly the earning of the baccalaureate, has enabled substantial numbers of people in the black community to take advantage of white-collar occupations in the private sector and government employment. An official end to “de jure” housing segregation has even opened the door to neighborhoods and suburban residences previously off-limits to black residents. Nonetheless, many blacks have fallen by the wayside in their march toward economic equality. A growing number have not been able to take advantage of the opportunities now open to some. They suffer from educational deficiencies that make finding a foothold in an emerging technological economy near to impossible. Unable to move from deteriorated inner-city and older suburban communities,
they entrust their children to school systems that are rarely able to provide them with the educational foundation they need to take the first steps up a racially skewed economic ladder. Trapped in communities of despair, they face increasing economic and social isolation from both their middle-class counterparts and white Americans.

The stratified nature of racial inequality highlights the importance of social class background as a factor in the continuing divergence in the economic fortunes of blacks and whites. The argument for class, most eloquently and influentially stated by William Julius Wilson in his 1978 book *The Declining Significance of Race*, suggests that the racial barriers of the past are less important than present-day social class attributes in determining the economic life chances of black Americans. Education, in particular, is the key attribute in whether blacks will achieve economic success relative to white Americans. Discrimination and racism, while still actively practiced in many spheres, have marginally less effect on black Americans’ economic attainment than whether or not blacks have the skills and education necessary to fit in a changing economy. In this view, race assumes importance only as the lingering product of an oppressive past. As Wilson observes, this time in his *Truly Disadvantaged*, racism and its most harmful injuries occurred in the past, and they are today experienced mainly by those on the bottom of the economic ladder, as “the accumulation of disadvantages … passed from generation to generation.”

We believe that a focus on wealth reveals a crucial dimension of the seeming paradox of continued racial inequality in American society. Looking at wealth helps solve the riddle of seeming black progress alongside economic deterioration. Black wealth has grown, for example, at the same time that it has fallen further behind that of whites. Wealth reveals an array of insights into black and white inequality that challenge our conception of racial and social justice in America. The continuation of persistent and vast wealth discrepancies among blacks and whites with similar achievements and credentials presents another daunting social policy dilemma. At stake here is a disturbing break in the link between achievement and rewards. If educational attainment is the panacea for racial inequality, then this break carries distressing implications for the future of democracy and social equality in America.

Disparities in wealth between blacks and whites are not the product of haphazard events, inborn traits, isolated incidents, or solely contemporary individual accomplishments. Rather, wealth inequality has been structured
over many generations through the same systemic barriers that have hampered blacks throughout their history in American society: slavery, Jim Crow, so-called de jure discrimination, and institutionalized racism. How these factors have affected the ability of blacks to accumulate wealth, however, has often been ignored or incompletely sketched. By briefly recalling three scenarios in American history that produced structured inequalities, we illustrate the significance of these barriers and their role in creating the wealth gap between blacks and whites.

**Reconstruction**

*From Slavery to Freedom without a Material Base*

Reconstruction was a bargain between the North and South to this effect: “We’ve liberated them from the land—and delivered them to the bosses.”

—James Baldwin, “A Talk to Teachers”

“De slaves spected a heap from freedom dey didn’t get. … Dey promised us a mule an’ forty acres o’ lan’.”

—Eric Foner, *Reconstruction*

The tragedy of Reconstruction is the failure of the black masses to acquire land, since without the economic security provided by land ownership the freedmen were soon deprived of the political and civil rights which they had won.

—Claude Oubre, *Forty Acres and a Mule*

The close of the Civil War transformed four million former slaves from chattel to freedmen. Emerging from a legacy of two and a half centuries of legalized oppression, the new freedmen entered Southern society with little or no material assets. With the North’s military victory over the South freshly on the minds of Republican legislators and white abolitionists, there were rumblings in the air of how the former plantations and the property of Confederate soldiers and sympathizers would be confiscated and divided among the new freedmen to form the basis of their new status in society. The slave’s oft-quoted demand of “forty acres and a mule” fueled great anticipation of a new beginning based on land ownership and a transfer of skills developed under slavery into the new economy of the South. Whereas slave muscle and skills had cleared the wilderness and made the land productive and profitable for plantation owners, the new vision saw the freedmen’s hard work and skill
generating income and resources for the former slaves themselves. W. E. B. Du Bois, in his *Black Reconstruction in America*, called this prospect America's chance to be a modern democracy.

Initially it appeared that massive land redistribution from the Confederates to the freedmen would indeed become a reality. Optimism greeted Sherman's March through the South, and especially his Order 15, which confiscated plantations and redistributed them to black soldiers. Such wartime actions were eventually rescinded and some soldiers who had already started to cultivate the land and build new lives were forced to give up their claims. Real access to land for the freedman had to await the passage of the Southern Homestead Act in 1866, which provided a legal basis and mechanism to promote black landownership. In this legislation public land already designated in the 1862 Homestead Act, which applied only to non-Confederate whites but not blacks, was now opened up to settlement by former slaves in the tradition of homesteading that had helped settle the West. The amount of land involved was substantial, a total of forty-six million acres. Applicants in the first two years of the Homestead Act were limited to only 80 acres, but subsequently this amount increased to 160 acres. The Freedmen's Bureau administered the program, and there was every reason to believe that in reasonable time slaves would be transformed from farm laborers to yeomanry farmers.

This social and economic transformation never occurred. The Southern Homestead Act failed to make newly freed blacks into a landowning class or to provide what Gunnar Myrdal in *An American Dilemma* called “a basis of real democracy in the United States.” Indeed, features of the legislation worked against its use as a tool to empower blacks in their quest for land. First, instead of disqualifying former Confederate supporters as the previous act had done, the 1866 legislation allowed all persons who applied for land to swear that they had not taken up arms against the Union or given aid and comfort to the enemies. This opened the door to massive white applications for land. One estimate suggests that over three-quarters (77.1 percent) of the land applicants under the act were white. In addition, much of the land was poor swampland and it was difficult for black or white applicants to meet the necessary homesteading requirements because they could not make a decent living off the land. What is more important, blacks had to face the extra burden of racial prejudice and discrimination along with the charging of illegal fees, expressly discriminatory court challenges and court decisions, and land speculators. While these
barriers faced all poor and illiterate applicants, Michael Lanza has stated in his *Agrarianism and Reconstruction Politics* that “The freedmen’s badge of color and previous servitude complicated matters to almost incomprehensible proportions.”

Gunnar Myrdal’s *An American Dilemma* provides the most cogent explanation of the unfulfilled promise of land to the freedman in an anecdotal passage from a white Southerner. Asked, “Wouldn’t it have been better for the white man and the Negro” if the land had been provided? The old man remarked emphatically:

“No, for it would have made the Negro ‘uppity,’ … and “the real reason … why it wouldn’t do, is that we are having a hard time now keeping the nigger in his place, and if he were a landowner, he’d think he was a bigger man than old Grant, and there would be no living with him in the Black District. … Who’d work the land if the niggers had farms of their own?”

Nevertheless, the extent of black landowning was remarkable given the economically deprived backgrounds from which the slaves emerged. Blacks had significant landholdings in the 1870s in South Carolina, Virginia, and Arkansas according to Du Bois’s *Black Reconstruction in America*. Michael Lanza has suggested that while the 1866 act did not benefit as many blacks as it should have, it did provide part of the basis for the fact that by 1900 one-quarter of Southern black farmers owned their own farms. One could add that if the Freedmen’s Bureau had succeeded, black landowners would have been much more prevalent in the South by 1900, and their wealth much more substantial.

John Rock, abolitionist, pre–Civil War orator, successful Boston dentist and lawyer, and the first African American attorney to plead before the U.S. Supreme Court, expressed great hope in 1858 that property and wealth could be the basis of racial justice:

When the avenues of wealth are opened to us we will become educated and wealthy, and then the roughest-looking colored man that you ever saw … will be pleasanter than the harmonies of Orpheus, and black will be a very pretty color. It will make our jargon, wit—our words, oracles; flattery will then take the place of slander, and you will find no prejudice in the Yankee whatsoever.”
The Suburbanization of America
The Making of the Ghetto

Because of racial discrimination, blacks were unable to enter the housing market on the same terms as other groups before them. Thus, the most striking feature of black life was not slum conditions, but the barriers that middle-class blacks encountered trying to escape the ghetto.

—Kenneth T. Jackson, *Crabgrass Frontier*

A government offering such bounty to builders and lenders could have required compliance with nondiscriminatory policy. ... Instead, FHA adopted a racial policy that could well have been culled from the Nuremberg laws. From its inception FHA set itself up as the protector of the all-white neighborhood. It sent its agents into the field to keep Negroes and other minorities from buying houses in white neighborhoods.

—Charles Abrams, *Forbidden Neighbors*

The suburbanization of America was principally financed and encouraged by actions of the federal government, which supported suburban growth from the 1930s through the 1960s by way of taxation, transportation, and housing policy. Taxation policy, for example, provided greater tax savings for businesses relocating to the suburbs than to those who stayed and made capital improvements to plants in central city locations. As a consequence, employment opportunities steadily rose in the suburban rings of the nation’s major metropolitan areas. In addition, transportation policy encouraged freeway construction and subsidized cheap fuel and mass-produced automobiles. These factors made living on the outer edges of cities both affordable and relatively convenient. However, the most important government policies encouraging and subsidizing suburbanization focused on housing. In particular, the incentives that government programs gave for the acquisition of single-family detached housing spurred both the development and financing of the tract home, which became the hallmark of suburban living. While these governmental policies collectively enabled over thirty-five million families between 1933 and 1978 to participate in homeowner equity accumulation, they also had the adverse effect of constraining black Americans’ residential opportunities to central-city ghettos of major U.S. metropolitan communities and denying them access to one of the most successful generators of wealth in American history—the suburban tract home.

This story begins with the government’s initial entry into home financing. Faced with mounting foreclosures, President Roosevelt urged passage of a bill
that authorized the Home Owners Loan Corporation (HOLC). According to Kenneth Jackson’s Crabgrass Frontier, the HOLC “refinanced tens of thousands of mortgages in danger of default or foreclosure.” Of more importance to this story, however, it also introduced standardized appraisals of the fitness of particular properties and communities for both individual and group loans. In creating “a formal and uniform system of appraisal, reduced to writing, structured in defined procedures, and implemented by individuals only after intensive training, government appraisals institutionalized in a rational and bureaucratic framework a racially discriminatory practice that all but eliminated black access to the suburbs and to government mortgage money.” Charged with the task of determining the “useful or productive life of housing” they considered to finance, government agents methodically included in their procedures the evaluation of the racial composition or potential racial composition of the community. Communities that were changing racially or were already black were deemed undesirable and placed in the lowest category. The categories, assigned various colors on a map ranging from green for the most desirable, which included new, all-white housing that was always in demand, to red, which included already racially mixed or all-black, old, and undesirable areas, subsequently were used by Federal Housing Authority (FHA) loan officers who made loans on the basis of these designations.

Established in 1934, the FHA aimed to bolster the economy and increase employment by aiding the ailing construction industry. The FHA ushered in the modern mortgage system that enabled people to buy homes on small down payments and at reasonable interest rates, with lengthy repayment periods and full loan amortization. The FHA’s success was remarkable: housing starts jumped from 332,000 in 1936 to 619,000 in 1941. The incentive for homeownership increased to the point where it became, in some cases, cheaper to buy a home than to rent one. As one former resident of New York City who moved to suburban New Jersey pointed out, “We had been paying $50 per month rent, and here we come up and live for $29.00 a month.” This included taxes, principal, insurance, and interest.

This growth in access to housing was confined, however, for the most part to suburban areas. The administrative dictates outlined in the original act, while containing no antiurban bias, functioned in practice to the neglect of central cities. Three reasons can be cited: first, a bias toward the financing of single-family detached homes over multifamily projects favored open
areas outside of the central city that had yet to be developed over congested central-city areas; second, a bias toward new purchases over repair of existing homes prompted people to move out of the city rather than upgrade or improve their existing residences; and third, the continued use of the “unbiased professional estimate” that made older homes and communities in which blacks or undesirables were located less likely to receive approval for loans encouraged purchases in communities where race was not an issue.

While the FHA used as its model the HOLC’s appraisal system, it provided more precise guidance to its appraisers in its Underwriting Manual. The most basic sentiment underlying the FHA’s concern was its fear that property values would decline if a rigid black and white segregation was not maintained. The Underwriting Manual openly stated that “if a neighborhood is to retain stability, it is necessary that properties shall continue to be occupied by the same social and racial classes” and further recommended that “subdivision regulations and suitable restrictive covenants” are the best way to ensure such neighborhood stability. The FHA’s recommended use of restrictive covenants continued until 1949, when, responding to the Supreme Court’s outlawing of such covenants in 1948 (Shelly v. Kraemer), it announced that “as of February 15, 1950, it would not insure mortgages on real estate subject to covenants.”

Even after this date, however, the FHA’s discriminatory practices continued to have an impact on the continuing suburbanization of the white population and the deepening ghettoization of the black population. While exact figures regarding the FHA’s discrimination against blacks are not available, data by county show a clear pattern of “redlining” in central-city counties and abundant loan activity in suburban counties.

The FHA’s actions have had a lasting impact on the wealth portfolios of black Americans. Locked out of the greatest mass-based opportunity for wealth accumulation in American history, African Americans who desired and were able to afford home ownership found themselves consigned to central-city communities where their investments were affected by the “self-fulfilling prophecies” of the FHA appraisers: cut off from sources of new investment their homes and communities deteriorated and lost value in comparison to those homes and communities that FHA appraisers deemed desirable. One infamous housing development of the period—Levittown—provides a classic illustration of the way blacks missed out on this asset-accumulating opportunity. Levittown was built on a mass scale, and housing there was eminently affordable, thanks to the
FHA’s and VHA’s accessible financing, yet as late as 1960 “not a single one of the Long Island Levittown’s 82,000 residents was black.”

**Contemporary Institutional Racism**  
**Access to Mortgage Money and Redlining**

It can now no longer be doubted that banks are discriminating against blacks who try to get home mortgages in city after city across the United States. … In many cities, high-income blacks are denied mortgage loans more frequently than low-income whites. This is a persuasive index of bias, whether conscious or not. … Construction of single-family housing is practically nonexistent, and much of the older housing is in disrepair. Some desperate homeowners, forced out of the conventional mortgage market, have fallen prey to unscrupulous lenders charging usurious rates of interest.

—*Boston Globe*, 22 October 1991

For years, racial discrimination in mortgage lending has been considered an issue of geographic “redlining” by banks reluctant to lend in minority neighborhoods. But new evidence raises the specter of an even more insidious form of discrimination, one that follows blacks wherever they live and no matter how much they earn.

—*Boston Globe*, 27 October 1991

In May of 1988 the issue of banking discrimination and redlining exploded onto the front pages of the *Atlanta Journal and Constitution*. This Pulitzer Prize–winning series, “The Color of Money,” described the wide disparity in mortgage-lending practices in black and white neighborhoods of Atlanta, finding black applicants rejected at a greater rate than whites, even when economic situations were comparable. The practice of geographic redlining of minority neighborhoods detailed in the articles had long been suspected, but one city’s experience was not taken as conclusive evidence of a national pattern. Far more comprehensive evidence was soon forthcoming.

A 1991 Federal Reserve study of 6.4 million home mortgage applications by race and income confirmed suspicions of bias in lending by reporting a widespread and systemic pattern of institutional discrimination in the nation’s banking system. This study disclosed that commercial banks rejected black applicants twice as often as whites nationwide. In some cities, like Boston, Philadelphia, Chicago, and Minneapolis, it reported a more pronounced pattern of minority loan rejections, with blacks being rejected three times more often than whites.
The argument that financial considerations—not discrimination—are the reason minorities get fewer loans appears to be totally refuted by the Federal Reserve study. The poorest white applicant, according to this report, was more likely to get a mortgage loan approved than a black in the highest income bracket. In Boston, for example, blacks in the highest income levels faced loan rejections three times more often than whites. These findings and reactions from bankers and community activists appeared in newspapers across the country. Bankers refuted the study’s findings, labeling it unfair because “creditworthiness” was not considered. A later Federal Reserve study in 1992, taking creditworthiness into account, tempered the severity of bias but not the basic conclusion. We discuss this report more thoroughly in chapter 6.

The problem goes beyond redlining. Not only were banks reluctant to lend in minority communities, but the Federal Reserve study indicates that discrimination follows blacks no matter where they want to live and no matter how much they earn. A 1993 Washington Post series highlighted banks’ reluctance to lend even in the wealthiest black neighborhoods. One of the capital’s most affluent black neighborhoods is the suburban community of Kettering in Prince George’s County, Maryland. The average household income is $65,000 a year and the typical Kettering home has four or five bedrooms, a two-car garage, and a spacious lot. Local banks granted proportionately more loans in low-income white communities than they did in Kettering or any other high-income black neighborhoods. In Boston high-income blacks seeking homes outside the city’s traditional black community confronted mortgage refusals far more often than whites who live on the same streets and who earn similar incomes. Previously banks responded to allegations of redlining by saying that it is only natural to have higher loan rejection rates in minority communities because a greater proportion of low income families live there. The lending patterns disclosed in the 1991 Federal Reserve study show, however, that disproportionate mortgage denial rates for blacks have little, if any, relation to neighborhood or income. The Boston Globe of 22 October 1991 cites Massachusetts congressman Joe Kennedy to the effect that the study’s results “portray an America where credit is a privilege of race and wealth, not a function of ability to pay back a loan.”

These findings gave credence to the allegations of housing and community activists that banks have been strip-mining minority neighborhoods of housing equity through unscrupulous backdoor loans for home repairs. Homes
bought during the 1960s and 1970s in low-income areas had acquired some equity but were also in need of repair. Mainstream banks refused to approve such loans at “normal” rates, but finance companies made loans that, according to activists, preyed on minority communities by charging exorbitant, pawnshop-style interest rates with unfavorable conditions. Rates of 34 percent and huge balloon payments were not uncommon. Mainstream banks repurchased many of these loans, and the subsequent foreclosure rates were very high. Civil rights activists noted, as reported in the 23 January 1989 *Los Angeles Times*, that this “rape” of minority communities was aided and abetted by the Reagan administration’s weakening of the regulatory system built up in the 1960s and 1970s to combat redlining.

In Atlanta Christine Hill’s story is typical. It started with a leaky roof and ended in personal bankruptcy, foreclosure, and eviction. Using Hill’s home as collateral, the lender charged interest that, according to Rob Wells’s piece in the 10 January 1993 *Chicago Tribune* “made double-digit pawnshop rates look like bargains.” The Hills couldn’t pay. The lender was a small and unregulated mortgage firm, similar to those often chosen by low-income borrowers because mainstream banks consider them too poor or financially unstable to qualify for a normal bank loan. Approximately twenty thousand other low-income Georgian homeowners found themselves in a similar predicament. The attorney representing some of them is quoted in Wells’s *Tribune* article as saying: “This is a system of segregation, really. We don’t have separate water fountains, but we have separate lending institutions.” Senator Donald Riegle of Michigan in announcing a Senate Banking Committee hearing on abuse in home equity and second mortgage lending pointed to “reverse redlining.”17 This means providing credit in low-income neighborhoods on predatory terms and “taking advantage of unsophisticated borrowers.”

In Boston more than one-half of the families who relied on these kinds of high-interest loans lost their homes through foreclosure.18 One study charted every loan between 1984 and mid-1991 made by two high-interest lenders. Families lost their homes or were facing foreclosure in over three-quarters of the cases. Only 55 of the 406 families still possessed their homes and did not face foreclosure. The study also showed that the maps of redlined areas and high-interest loans overlapped.

Across the country a strikingly similar pattern emerged regarding home-repair loans. Banks redlined extensive sections of minority communities,
denying people not only access to home mortgages but access to home-repair
loans as well. States inexplicably failed to license or regulate home-repair
contractors. Home-repair salespeople went door to door in the redlined areas
“soliciting” business, and their subsequent billing routinely far exceeded their
estimates. Finally, the high-interest mortgages needed to procure the home-
repair work were secured through finance companies, often using existing
home equity as collateral in a second mortgage. Mainstream banks then often
bought these high-interest loans.

Even briefly recalled, the three historical moments evoked in the pages
above illustrate the powerful dynamics generating structured inequality in
America. Several common threads link the three scenarios. First, whether it
be a question of homesteading, suburbanization, or redlining, we have seen
how governmental, institutional, and private-sector discrimination enhances
the ability of different segments of the population to accumulate and build
on their wealth assets and resources, thereby raising their standard of living
and securing a better future for themselves and their children. The use of land
grants and mass low-priced sales of government lands created massive and
unparalleled opportunities for Americans in the nineteenth century to secure
title to land in the westward expansion. Likewise, government backing of
millions of low-interest loans to returning soldiers and low-income families
enabled American cities to suburbanize and their inhabitants to see tremen-
dous home value growth after World War II. Quite clearly, black Americans
for the most part were unable to secure the same degree of benefits from these
government programs as whites were. Indeed, in many of these programs the
government made explicit efforts to exclude blacks from participating in them,
or to limit their participation in ways that deeply affected their ability to gain
the maximum benefits. As our discussion indicates, moreover, contemporary
patterns of institutional bias continue to directly inhibit the ability of blacks to
buy homes in black communities, or elsewhere. As a result of this discrimina-
tion, blacks have been blocked from home ownership altogether or they have
paid higher interest rates to secure residential loans.

Second, disparities in access to housing created differential opportunities
for blacks and whites to take advantage of new and more lucrative opportuni-
ties to secure the good life. White families who were able to secure title to land
in the nineteenth century were much more likely to finance education for their
children, provide resources for their own or their children’s self-employment,
or secure their political rights through political lobbies and the electoral process. Blocked from low-interest government-backed loans, redlined out by financial institutions, or barred from home ownership by banks, black families have been denied the benefits of housing inflation and the subsequent vast increase in home equity assets. Black Americans who failed to secure this economic base were much less likely to be able to provide educational access for their children, secure the necessary financial resources for self-employment, or participate effectively in the political process.

The relationship between how material assets are created, expanded, and preserved and racial inequality provides the focus of this book. From the standpoint of the late twentieth century we offer an examination of black and white wealth inequality that, we firmly believe, will substantially enhance our understanding of racial inequality in the United States.

Before proceeding, however, it is necessary to set the larger context for an investigation of racial differentials in this chapter. The critical importance of the notion of equality needs a firm foundation. It is similarly crucial to present the logic behind and the importance of examining wealth as an indicator of life chances and inequality.

**Racial Inequality in Context**

At the most general level, “social inequality” means patterned differences in people’s living standards, life chances, and command over resources. While this broadly defined concern involves many complex layers, our analysis will focus mainly on the fundamental material aspects of inequality. The specific level of analysis will thus feature disparities in life chances and command over economic resources between and among blacks and whites.

Taking into account the long history of black oppression in America, the overall social status of African Americans improved dramatically from 1939 to the early 1970s as a result of the civil rights movement coupled with a period of extraordinary economic growth. Civil rights laws ended many forms of segregation and paved the way for some improvement in blacks’ position. The evidence for this improvement includes a sizable increase in the number of blacks in professional, technical, managerial, and administrative positions since the early 1960s; a near doubling of blacks in colleges and universities between 1970 and 1980; and a large increase in home ownership among blacks. Twice as many black families were earning a middle-class income in 1982 as
in 1960. Furthermore, the number of blacks elected to public office more than tripled during the 1970s. Blacks hold prominent positions at major universities, in corporations, government, sports, and television and films.

The most visible advances for blacks since the 1960s have taken place in the political arena. As a result of the civil rights movement, the percentage of Southern blacks registered to vote rose dramatically. The number of black elected officials increased and the black vote became a crucial and courted electoral block. Yet, in 1993, blacks still accounted for less than 2 percent of all elected officials. The political power of black officials is limited by their political isolation. Norman Yetman explains in his *Majority and Minority* that “given the exodus of white middle-class residents and businesses to the suburbs, African Americans often find they have gained political power without the financial resources with which to provide the jobs and services (educational, medical, police and fire protection) that their constituents most urgently need.”

Since the 1960s blacks have also made gains in education. By the late 1980s the proportion of blacks and whites graduating from high school was about equal, reversing the late-1950s black disadvantage of two to one. The percentage of blacks and whites attending college in 1977 was virtually identical, again reversing a tremendous black disadvantage. Since 1976, however, black college enrollments and completion rates have declined, threatening to wipe out the gains of the 1960s and 1970s. The trends in the political and education areas indicate qualified improvements for blacks.

Full equality, however, is still far from being achieved. Alongside the evidence of advancement in some areas and the concerted political mobilization for civil rights, the past two decades also saw an economic degeneration for millions of blacks, and this constitutes the crux of a troubling dilemma. Poor education, high joblessness, low incomes, and the subsequent hardships of poverty, family and community instability, and welfare dependency plague many African Americans. Most evident is the continuing large economic gap between blacks and whites. Median income figures show blacks earning only about 55 percent of the amount made by whites. The greatest economic gains for blacks occurred in the 1940s and 1960s. Since the early 1970s, the economic status of blacks compared to that of whites has, on average, stagnated or deteriorated. Black unemployment rates are more than twice those of whites. Black youths also have more than twice the jobless rate as white youths. Nearly one out of three blacks lives in poverty, compared with fewer than one in ten
whites. Residential segregation remains a persistent problem today, with blacks being more likely than whites with similar incomes to live in overcrowded and substandard housing. Nearly one in four blacks remains outside private health insurance or Medicaid coverage. Infant mortality rates have dropped steadily since 1940 for all Americans, but the odds of dying shortly after birth are consistently twice as high for blacks as for whites. Close to half (43 percent) of all black children officially lived in poor households in 1986. A majority of black children live in families that include their mother but not their father. The word “paradoxical” thus aptly characterizes the contemporary situation of African Americans. A recent major accounting of race relations summarized it like this: “the status of black America today can be characterized as a glass that is half full—if measured by progress since 1939—or a glass that is half empty—if measured by the persisting disparities between black and white Americans.”

The distribution of wealth may reveal much about the dynamics and paradoxical character of racial inequality. Let’s briefly look at a couple of examples. White and black incomes are nearing equality for married-couple families in which both husband and wife work: in 1984 such black households earned seventy-seven cents for every dollar taken home by their white counterparts. Yet in 1984 dual-income black households possessed only nineteen cents of mean financial assets for every dollar their white counterparts owned. A black-to-white income ratio of 77 percent represents advancement and is cause for celebration, while a 19 percent wealth ratio signals the persistence of massive inequality. The rapidly growing proportion of middle-income earners among blacks is often cited as evidence of the newly achieved middle-class status of blacks. A focus on wealth, by contrast, alerts one to persistent dimensions of racial inequality. For every dollar of mean net financial assets owned by white middle-income households (yearly incomes of $25,000–50,000) in 1984, similar black households held only twenty cents.

**Dwindling Economic Growth and Rising Inequality**

The standard of living of American households is in serious trouble. For two decades the United States has been evolving into an increasingly unequal society. After improving steadily since World War II, the real (adjusted-for-inflation) weekly wage of the average American worker peaked in 1973. During the twenty-seven-year postwar boom the average worker’s wages outpaced inflation every year by 2.5 to 3 percent. The standard of living of most Americans
Notes

Introduction
1. The nation’s wealthiest 400. For the Forbes magazine profile see Senecker 1993.

Chapter 1
1. This is a modified version of the argument advanced by Wilson’s The Declining Significance of Race in 1978. Much of the literature on race in American society since then has been an attempt to address Wilson’s question via empirical test and theoretical argument. The proponents of the class argument concentrate on how race is less important than class and impersonal forces like economic restructuring (see, e.g., Kasarda 1990; Smith and Welch 1989; Wilson 1987); opponents quickly respond that race has endured in significance (Oliver 1980; Willie 1979) and in some cases become more important, especially for the black middle class (Feagin and Sikes 1994; Landry 1987). Others have attempted to map out the ways in which race and class interact to produce racial inequality (Franklin 1991; Fainstein 1993).
2. The quote on “the accumulation of disadvantages …” is from Wilson 1987, 120.
3. The quote on the “basis of real democracy …” is from Myrdal 1944, 223.
4. For the percentage of white applicants for Southern Homestead Land Act see Lanza 1990.
5. The quote on “the freedman's badge of color …” is from Lanza 1990, 87.
6. “’No, ’ he said emphatically …” The quote is from Myrdal 1944, 226-27.
7. “When the avenues of wealth opened” is from John Rock's Address to the Boston Antislavery Society, March 5, 1858.
8. For discussions of the suburbanization of America see Feagin and Parker 1990; Jackson 1985; Lipsitz 1995; and Squires 1994.
10. For quotations from Crabgrass Frontier on the discriminatory impact of HOLC standards see Jackson 1985, 196.
11. “We had been paying …” The quote is from Jackson 1985, 206.
12. The quote on “real estate subject to covenants” is from Jackson 1985, 208. See also Bell 1992b, 691–94.
17. On “reverse redlining” see Zuckoff 1993.
18. For the study of high-interest loans in Boston see Boston Globe 1991a.
21. For figures on black elected officials see Black Elected Officials from the Joint Center for Political Studies 1993.
22. The quote on African American political powers is from Yetman 1991, 394.
23. For information on the trends in education for blacks see Carnoy 1994; Jaynes and Williams 1989; and Yetman 1991.
25. For the quote on “the status of black America today …” see Jaynes and Williams 1989, 4.
27. On black-to-white ratio of net financial assets see Oliver and Shapiro 1989.
28. For the quote on Americans' deteriorating living standards see Harrison and Bluestone 1988, 137.