Narrowing the Wage Gap Between Blacks and Whites . . .
A Look at Forty Years of Economic Progress . . .

Research Brief
NARROWING THE WAGE GAP BETWEEN BLACKS AND WHITES . . .
A LOOK AT FORTY YEARS OF ECONOMIC PROGRESS . . .

The perniciously stubborn wage gap between blacks and whites described by Gunnar Myrdal in his 1944 masterwork on race relations, *An American Dilemma*, has in fact significantly narrowed in the last forty years, with a large overall reduction in the number of black poor, according to a new Rand research report that probes the current economic status of black working men in America.

The report, which focuses on forty-year trends in wage rates, says that black male wages increased 52 percent faster than white males' between 1940 and 1980, due largely to a booming economy in the 1950s and 1960s, migration to the urban North, and vast improvements in the quantity and quality of blacks' education.

Then and Now . . . Moving Up the Economic Ladder . . .

In 1940, three quarters of black men were destitute, the study points out. One in five had incomes equal to middle-class white males, and upper income levels were strictly a white preserve. The typical black male earned $4,500 a year (in 1984 dollars), or 43 percent as much as his white counterpart.

By 1980, however, his earnings had increased to $19,000, or 73 percent as much as his white competitor in the job market. Moreover, a new black middle class had emerged, three times its proportion of the black population in 1940, while the odds of a black man becoming wealthy had increased 10-fold.

Even the black family, which the authors say has not shared equally in the economic gains of black working men, elevated its income from 41 percent of the average white family's in 1940 to 62.5 percent in 1980.
In sum, the authors say that the extent of improvement in the relative economic status of blacks over the past forty years is impressive, a surprising contrast to Myrdal’s bleak portrait—if, indeed, it is only a “partial American Resolution to his American Dilemma.”

Recent Trends . . . Some Reason for Concern . . .

As the authors note, there are still some 20 percent of blacks “left out and left behind” in the poor black underclass. And there were “disquieting trends” that the report says emerged in the 1970s and could erode the hard-won gains of blacks. Chief among these:

— The breakup of the black family, which in the last two decades has lowered black family income in direct proportion to the growth in numbers of black families headed by women. In 1980, 56 percent of black families headed by women fell below the poverty line.

— The recent decline in American economic growth, which the report says left the pool of black poor 25 percent larger than it would have been if growth had continued at the pace set in the 1960s.

— Rising black unemployment, which was concentrated among young blacks 16 to 25, but worked to offset overall black economic progress.

— And finally, what the authors see as a trend toward “misdirected” public policy debate on race that they say has lost sight of the aim of achieving long-run permanent reductions in black poverty. Social programs like those referred to as the ‘safety net’ provide a needed cushion against hardship, but do not expand skills or promote economic growth, the report says. Eighty percent of the forty-year reduction in black poverty occurred before 1965, when the programs making up the safety net were first put in place.
Education and a Healthy Economy... the Need for More of Both...

The foundation of a long-term policy of reducing black poverty should rest on proven eradicators of black poverty, the authors contend—education and economic growth.

Since 1940, the study says, improvements in the quality and quantity of blacks’ education increased their ability “to translate... schooling into more dollars in the job market,” boosting black wages relative to those of whites from 11 to 38 percent. Education contributed to blacks’ expanded labor market skills, and along with other factors such as migration, accounted for 55 percent of the overall reduction in black poverty since 1940. The other 45 percent of the reduction in black poverty was due to economic growth, which boomed in the 1950s and 1960s but grew less than 3 percent in the 1970s—a tenth of the growth achieved in the previous ten years.

The pace of economic growth during the remainder of the decade will largely dictate how history views the impact of the Reagan years on the economic well-being of blacks, the report says. This will depend, in turn, upon whether the rest of the decade is typical of the 1980-1982 recession years, or of the 1982-1984 period, when the real incomes of blacks rose by 2.3 percent. If the latter, then economic growth will again lift large numbers of blacks out of poverty. But if the former, the study concludes, further inroads on black poverty will not occur.

The study also discusses the effects of affirmative action on black employment, and says that the landmark anti-discrimination provisions of the 1964 Civil Rights Act helped to increase the representation of black males—mostly young college graduates—in managerial and professional jobs, but had no long-run impact on the male racial wage gap. The wage gap narrowed as rapidly in the 20 years prior to 1960 (before affirmative action) as it did in the 20 years after. According to the authors, this conclusion again
underlines the importance of "slowly evolving historical forces" in determining long-term black economic improvement.

The findings reported in this research brief were condensed from R-3330-DOL, Closing the Gap: Forty Years of Economic Progress for Blacks, by James P. Smith and Finis R. Welch, February 1986, ISBN 0-8330-0707-6, 128 pp., $10.00. The full report may be obtained directly from the Publications Department, The Rand Corporation, 1700 Main Street, P.O. Box 2138, Santa Monica, CA 90406-2138. Telephone (213) 393-0411, Extension 686.

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February 1986