

The first form of paralysis tends to yield a navel-gazing posture that conflates the identity crisis of the black middle class with the state of siege raging in black working-poor and very poor communities. That unidimensional view obscures the need for redistributive measures that significantly affect the majority of blacks, who are working people on the edge of poverty.

The second form of paralysis precludes any meaningful coalition with white progressives because of an undeniable white racist legacy of the modern Western world. The anger this truth engenders impedes any effective way of responding to the crisis in black America. Broad redistributive measures require principled coalitions, including multiracial alliances. Without such measures, black America's sufferings deepening. White racism indeed contributes to this suffering. Yet an obsession with white racism often comes at the expense of more broadly based alliances to affect social change and borders on a tribal mentality. The more xenophobic versions of this viewpoint simply mirror the white supremacist ideals we are opposing and preclude any movement toward redistributive goals.

How one defines oneself influences what analytical weight one gives to black poverty. Any progressive discussion about the future of racial equality must speak to black poverty and black identity. My views on the necessity and limits of affirmative action in the present moment are informed by how substantive redistributive measures and human affirmative efforts can be best defended and expanded.

DISCUSSION QUESTIONS

1. What are economic redistribution policies?
2. What is the connection between affirmative action and redistributive economic policies?
3. What two forms of paralysis are raised? How does recognizing them relate to relieving suffering among the poor?

Getting Along Renewing America's Commitment to Racial Justice

Melvin Oliver and Thomas Shapiro

In America, though, life seems to move faster than anywhere else on the globe and each generation is promised more than it will get; which creates, in each generation, a furious, bewildered rage, the rage of people who cannot find solid ground beneath their feet.

—JAMES BALDWIN, "THE HARLEM GHETTO"

Can we all just get along?

—RODNEY KING, LOS ANGELES, 1992

INTRODUCTION: THE MEANING OF MONEY

WEALTH IS MONEY that is not typically used to purchase milk, shoes, or other necessities. Sometimes it baits families out of financial and personal crises, but more often it is used to create opportunities, secure a desired stature and standard of living, or pass along a class status already obtained to a new generation. We have seen how funds transferred by parents to their children both before and after death are often treated as very special money. Such funds are used for down payments on houses, closing costs on a mortgage, start-up money for a business, maternal and early childhood expenses, private education, and college costs. Parental endowments, for those fortunate enough to receive them, are enormously consequential in shaping their recipients' opportunities, life chances, and outlooks on life.

A common literary theme shows how money debases character, love, and relationships. In *A Room of One's Own* Virginia Woolf reminds us that the absence of money

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also deeply corrupts. As a woman, Virginia Woolf thought that her financial inheritance would be more important in her life than even gaining the right to vote. Suppose a black person inherited a good deal of money (let's not inquire about the source) at about the time the slaves were emancipated in 1863. Of the two events—the acquisition of wealth and the attainment of freedom—which would be more important in shaping the life of this person and his or her family? John Rock, the abolitionist, pre-Civil War orator, and first African American attorney to argue before the Supreme Court, lectured that “you will find no prejudice in the Yankee whatsoever,” when the avenues of wealth are opened to the formerly enslaved.

Over a century and a third later Ellis Cose disagrees with this assessment in *The Rage of a Privileged Class*. His book illustrates the daily discriminations, presumptions, and reproaches to which even very successful upper-middle-class blacks are subject. Cose reminds us that the color of the hand holding the money matters. The former mayor of New York, David Dinkins, stated pointedly: “a white man with a million dollars is a millionaire, and a black man with a million dollars is a nigger with a million dollars.”²² Even highly accomplished and prosperous black professionals bitterly lament that their personal success does not translate into status, at least not outside the black community. This notion is further elaborated in *Living with Racism* by Joe Feagin and Melvin Sikes, a book based on the life experiences of two hundred black middle-class individuals. Feagin and Sikes found that no amount of hard work and achievement, or money and resources, provides immunity for black people from the persistent, commonplace injury of white racism. Modern racism must be understood as lived experience, as middle-class blacks “tell of mistreatment encountered as they traverse traditionally white places.”²³ Occasions of serious discrimination are immediately painful and stressful, and they have a cumulative impact on individuals, their psyches, families, and communities. The repeated experience of racism affects a person's understanding of and outlook on life. It is from the well of institutionalized racism that daily incidents of racial hostility are drawn.

One's sense of autonomy and security about the future is not merely or necessarily characterological; it is also a reflection of one's personal position and status. “The secret point of money and power in America is neither the things that money can buy nor power for power's sake . . . but absolute personal freedom, mobility, privacy,”²⁴ according to the writer Joan Didion. Money allows one “to be a free agent, live by one's own rules.” Mary Ellen comes from an upper-middle-class business- and property-owning black family and is well on the road to building her own wealth portfolio. She talks about how her background helped shape her attitudes toward economic security and risk-taking.

I think that growing up as I did, I think my mindset is a little different because I don't feel like I'm going to fall back. I don't feel that. A lot of people I talk to feel that. They

don't see options that I see. They don't take as many risks. You know, I could always run home to my parents if something drastic happened. A lot of people don't have those alternatives.

As the twentieth century draws to a close the mixed legacy of racial progress and persistent racial disadvantage continues to confront America and shape our political landscape. Our focus in this book on assets has yielded a fuller comprehension of the extent and the sources of continued racial inequality. But how can we use this understanding to begin to close the racial gap?

This chapter steps back from the detailed examination of wealth to place our major substantive findings into the larger picture. Our exploration of racial wealth differences began with theoretical speculations about how wealth differences might force us to revise previous thinking about racial inequality. The unreflective use of income as the standard way to measure inequality has contributed to a serious underestimation of the magnitude and scope of the racial disadvantage, revealing only one of its causes. If income disparities are not the crux of the problem, then policies that seek to redress inequality by creating equal opportunities and narrowing racial differences are doomed to fail, even when such programs succeed in putting blacks in good jobs. The more one learns about patterns of racial wealth differences, the more misguided current policies appear. One of our greatest hopes is that this book brings to widespread attention the urgent need for new thinking on the part of those in the world of policymaking. Given the role played by racial wealth differences in reproducing inequality anew, we are more convinced than ever that well-intended current policies fail not simply because they are inadequately funded and prematurely curtailed but, perhaps more important, because they are exclusively focused on income. In some key respects our analysis of racial wealth differences forms an agenda for the future.

WHY RACIAL WEALTH INEQUALITY PERSISTS

The contemporary effects of race are vividly depicted in the racial pattern of wealth accumulation that our analysis has exposed. We have compiled a careful, factual account of how contemporary discrimination along demographic, social, and economic lines results in unequal wealth reservoirs for whites and blacks. Our examination has proven insightful in two respects. It shows that unequal background and social conditions result in unequal resources. Whether it be a matter of education, occupation, family status, or other characteristics positively correlated with income and wealth, blacks are most likely to come out on the short end of the stick. This is no surprise.

Our examination of contemporary conditions also found, more surprisingly, that equally positioned whites and blacks have highly unequal amounts of wealth. Matching

whites and blacks on key individual factors correlated with asset acquisition, demonstrated the gnawing persistence of large magnitudes of wealth difference. Because it allows us to look at several factors at once, regression analysis was then called into play. Even when whites and blacks were matched on all the identifiably important factors, we could still not account for about three-quarters of the racial wealth difference. If white and black households shared all the wealth-associated characteristics we examined, blacks would still confront a \$43,000 net worth handicap!

We argue, furthermore, that the racialization of the welfare state and institutional discrimination are fundamental reasons for the persistent wealth disparities we observed. Government policies that have paved the way for whites to amass wealth have simultaneously discriminated against blacks in their quest for economic security. From the era of slavery on through the failure of the freedman to gain land and the Jim Crow laws that restricted black entrepreneurs, opportunity structures for asset accumulation rewarded whites and penalized blacks. FHA policies then thwarted black attempts to get in on the ground floor of home ownership, and segregation limited their ability to take advantage of the massive equity build-up that whites have benefited from in the housing market. As we have also seen, the formal rules of government programs like social security and AFDC have had discriminatory impacts on black Americans. And finally, the U.S. tax code has systematically privileged whites and those with assets over and against asset-poor black Americans.

These policies are not the result of the workings of the free market or the demands of modern industrial society; they are, rather, a function of the political power of elites. The powerful protect and extend their interests by way of discriminatory laws and social policies, while minorities unite to contest them. Black political mobilization has removed barriers to black economic security, but the process is uneven. As blacks take one step forward, new and more intransigent legislative or judicial decisions push them back two steps. Nowhere has this trend been more evident than in the quest for housing. While the Supreme Court barred state courts from enforcing restrictive covenants, they did not prevent property owners from adhering to these covenants voluntarily, thereby denying black homeowners any legal recourse against racist whites. Similarly, while the Fair Housing Act banned discrimination by race in the housing market, it provided compensation only for "individual victims of discrimination,"⁵ a fact that blunts the act's effectiveness as an antidiscrimination tool. These pyrrhic victories have in no way put an end to residential segregation, and black fortunes continue to stagnate.

Our empirical investigation of housing and mortgage markets demonstrates the way in which racialized state policies interact with other forms of institutional discrimination to prevent blacks from accumulating wealth in the form of residential equity. At each stage of the process blacks are thwarted. It is harder for blacks to get approved

for a mortgage—and thus to buy a home—than for whites, even when applicants are equally qualified. More insidious still, African Americans who do get mortgages pay higher interest rates than whites. Finally, given the persistence of residential segregation, houses located in black communities do not rise in value nearly as much as those in white neighborhoods. The average racial difference in home equity amounts to over \$20,000 among those who currently hold mortgages.

The inheritance of accumulated disadvantages over generations has, in many ways, shortchanged African Americans of the rather dramatic mobility gains they have achieved. While blacks have made stunning educational strides, entered middle-class occupations at an impressive rate, and moved into political positions in numbers unheard of a quarter of a century ago, they have been unable to surmount the historical obstacles that inhibit their accumulation of wealth. Still today, they bear the brunt of the sedimentation of racial inequality.

THE SUBSTANTIVE IMPLICATIONS OF OUR FINDINGS

What are the implications of our findings? First, our research underscores the need to include in any analysis of economic well-being not only income but private wealth. In American society, a stable economic foundation must include a command over assets as well as an adequate income flow. Nowhere is this observation better illustrated than by the case of black Americans. Too much of the current celebration of black success is related to the emergence of a professional and middle-class black population that has access to a steady income. Even the most visibly successful numbers of the black community—movie and TV stars, athletes, and other performers—are on salary. But, income streams do not necessarily translate into wealth pools. Furthermore, when one is black, one's current status is not easily passed on to the next generation. The presence of assets can pave the way for an extension and consolidation of status for a family over several generations.

This is not, however, an analysis that emphasizes large levels of wealth. The wealth that can make a difference in the lives of families and children need not be in the million-dollar or six-figure range. Nonetheless, it is increasingly clear that a significant amount of assets will be needed in order to provide the requisites for success in our increasingly technologically minded society. Technological change and the new organization of jobs have challenged our traditional conception of how to prepare for a career and what to expect from it. Education in the future will be lifelong, as technological jobs change at a rapid pace. Assets will play an important role in allowing people to take advantage of training and retraining opportunities. In the economy of the twenty-first century children will require a solid educational foundation, and parents will most likely need

to develop new skills on a regular basis. The presence or absence of assets will have much to say about the mobility patterns of the future.

Second, our investigation of wealth has revealed deeper, historically rooted economic cleavages between the races than were previously believed to exist. The interaction of race and class in the wealth accumulation process is clear. Historical practices, racist in their essence, have produced class hierarchies that, on the contemporary scene, reproduce wealth inequality. As important, contemporary racial disadvantages deprive those in the black middle class from building on their wealth assets at the same pace as similarly situated white Americans. The shadow of race falls most darkly, however, on the black underclass, whose members find themselves at the bottom of the economic hierarchy. Their inability to accumulate assets is thus grounded primarily in their low-class backgrounds. The wealth deficit of the black middle class, by contrast, is affected more by the racial character of certain policies deriving in part from the fears and anxieties that whites harbor regarding lower-class blacks than by the actual class background of middle-class blacks. As Raymond Franklin suggests in his *Shadows of Race and Class*:

The overcrowding of blacks in the lower class ... casts a shadow on middle-class members of the black population that have credentials but are excluded and discriminated against on racial grounds.

Given the mutually reinforcing and historically accumulated race and class barriers that blacks encounter in attempting to achieve a measure of economic security, we argue that a focus on job opportunity is not sufficient to the task of eradicating racial disadvantage in America. Equal opportunity, even in the best of circumstances, does not lead to equality. This is a double-edged statement. First, we believe that equal opportunity policies and programs, when given a chance, do succeed in lowering some of the more blatant barriers to black advancement. But given the historically sedimented nature of racial wealth disparities, a focus on equal opportunity will only yield partial results. Blacks will make some gains, but so will whites, with initial inequalities persisting at another level. As blacks get better jobs and higher incomes, whites also advance. Thus, as Edwin Dorn points out in *Rules and Racial Equality*:

To say that current inequality is the result of discrimination against blacks is to state only half the problem. The other half—is discrimination in favor of whites. It follows that merely eliminating discrimination is insufficient. The very direction of bias must be reversed, at least temporarily. If we wish to eliminate substantive inequality we waste effort when we debate whether some form of special treatment for the disadvantaged group is necessary. What we must debate is how it can be accomplished.

How do we link the opportunity structure to policies that promote asset formation and begin to close the wealth gap? In our view we must take a three-pronged approach.

First, we must directly address the historically generated as well as current institutional disadvantages that limit the ability of blacks, as a group, to accumulate wealth resources. Second, we must resolutely promote asset acquisition among those at the bottom of the social structure who have been locked out of the wealth accumulation process, be they black or white. Third, we must take aim at the massive concentration of wealth that is held by the richest Americans. Without redistributing America's wealth, we will not succeed at creating a more just society. Even as we advance this agenda, policies that safeguard equal opportunity must be defended. In short, we must make racial justice a national priority.

TOWARD A MORE EQUAL EQUALITY

Our recommendations are designed to move the discourse on race in America beyond "equality of opportunity" and toward the more controversial notion of "equality of achievement." The traditional debate in this area is between fair shakes and fair shares. The thrust of our examination allows us to break into this debate with a different perspective. We have demonstrated that equal achievement does not return equal wealth rewards—indeed, our results have shown vast inequality. Of course, this may simply be another way of saying that wealth is not only a function of achievement; rather, it can rise or fall in accordance with racially differential state policies and in the presence or absence of an intergenerational bequest.

We are not left, however, with a pessimistic, nothing-can-be-done message. Instead, the evidence we have presented clearly suggests the need for new approaches to the goal of equality. We have many ideas related to this topic and several concrete suggestions for change that can lead to increased wealth for black and poor families. On the individual and family level, proposals are already on the table concerning the development of asset-based policies for welfare, housing, education, business, and retirement. On the institutional level we have a whole series of recommendations on how to tighten up the enforcement of existing laws that supposedly prohibit racial discrimination on the part of banks and saving and loans. After presenting those recommendations we shall broach the sensitive, yet wholly defensible strategy of racial reparations. Then we will reflect on the leadership role that the black community must play in closing the wealth gap.

DISCUSSION QUESTIONS

1. What are some examples of the daily “slights” experienced by wealthy African Americans?
2. What was discovered about the wealth of equally positioned whites and blacks?
3. What role does the racialization of the welfare state play in wealth disparities between whites and African Americans?
4. What remedies do the authors offer to close the wealth gap between whites and African Americans?

NOTES

1. Rock 1858, 172
2. Coase 1993, 28.
3. Peagin and Sikes 1994, 15.
4. Didion’s 1967 essay “7000 Romaine, Los Angeles” reprinted in Didion 1968, 71.
5. Zarembka 1990, 101–2. On the Fair Housing Act see *ibid.*, 106.
6. Our emphasis on asset acquisition is not meant to discount the need for income and employment policy. On the contrary, we believe that it is imperative to institute policies that encourage full employment at wages consistent with a decent standard of living. In fact, many of our proposals assume that people have some kind of income. However, to dwell on the intricacies of this area would divert our attention from the unique implications of our argument. There are several important proposals already under discussion that merit serious consideration (see Carnoy 1994; Ellwood 1988; Weir 1992; Wilson 1987).

Appendix

THESE FILMS AND web resources will assist readers to learn more about the history of racism and pursue opportunities for further research.

FILMS

Key Terms and Concepts

- *Race: The Power of an Illusion* (Pt.2: The Story We Tell), Produced by California Newsreel, VHS (2003)
- *Africans in America: America’s Journey Through Slavery*, WGBH Boston Video, VHS (1998)

Individual and Cultural Racism

- *Ethnic Notions*, Produced by Marlon T. Riggs, VHS (1987)
- *Ku Klux Klan: A Secret History*, Produced by Bill Brummel, DVD (2005)
- *Sa-i-gu* (Korean/African American Relations after Los Angeles Riots), Produced by Christine Choy, VHS (1993)
- *Raising Our Voices: South Asian Americans Address Hate*, Directed by Ashish Kumar, DVD (2002)

Institutional Racism: Housing

- *Holding Ground: The Rebirth of Dudley Street*, Produced by Leah Mahan, VHS (1996)
- *Race: The Power of an Illusion* (Pt.3: The House We Live In), Produced by California Newsreel, VHS (2003)

Criminal Justice and Racism

- *Ida B. Wells: A Passion for Justice*, Produced by William Greaves Productions, VHS (1989)
- *Race to Execution*, Directed by Rachel Lyon, DVD (2007)