

**African Americans in the United States Economy: A Legacy of
Economic and Labor Market Inequality**

Michelle López

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Omar Azfar Contest

John Jay College of Criminal Justice

I. Abstract

For years, African Americans have been subject to labor market unfairness and economic inequality, discrimination, and oppression. Although the concept of economic inequality and labor market discrimination within the African American community is not a new concept in the United States, it continues to garner attention as African Americans continue to be one of the top minority groups who live in poverty (BLS, 2016). In order to understand the inequalities African Americans face in the United States economy, it is vital that one first takes into account one of the many concepts the black political economy paradigm and liberals emphasize: history. The division between Whites and Blacks set forth during the slave era in the seventeen and eighteenth centuries was the first stage in which African American inequality was established; though they helped build the world economy through the fruit of their labor, African Americans were set to economically fail.

During the slave period, the Europeans carried much of the economic power whereas African Americans were the “properties” [slaves] of the Whites. With slavery came the building of the concepts white supremacy and race, which have played an immense factor in maintaining economic inequality and labor market unfairness. Though the quest for equality still has a long way to go, scholars such as James B. Stewart, Major Coleman, William Darity Jr, John Whitehead, Peter Bohmer, and Jessica Gordon Nembhard have all helped pave the way for African American economic and labor market justice in the United States. In the quest to examine African American economic inequality and labor market unfairness, this paper will analyze the historical economic context of slavery in the United States, neoclassical and liberal ideologies, the black political economy paradigm, the reality of African American economic inequality in the 21st century and social movements.

II. Slavery & the Rise of a World Economy

During the seventeenth century many countries, mainly European, began to partake in the deplorable practice of slavery. Slavery as defined by the Abolition Project (n.d), was the practice in which individuals were owned, classified as a form of property and thus forced to do as was told for no pay. The practice of slavery, as put forth by Darity (n.d.), made hundreds of Africans available at high prices which ultimately raised profits in American agriculture; these profits however, were unbalanced. Darity (n.d.) also notes that the enslavement of African Americans was driven by one main reason: greed for profits, which later allowed for the production of anti-Black sentiment. The ongoing slave trade during this era allowed various participating countries to experience rapid economic development.

The consequence in Africa was failure. The Atlantic Slave Trade helped set forth the imbalance of economic power between Africans and Whites. In “Africa, Europe, and the Origins of Uneven Development: The Role of Slavery” William A. Darity Jr (n.d.) notes the following:

The labor force for development of a manufacturing sector was not present...Furthermore depopulation undermined the presence of sufficient density of population to produce the market demand that would have provided the necessary stimulus for the growth of industry (p. 18).

As the trade entered the United States, it comes as no surprise that the disbursement of uneven benefits was also brought in for African Americans. In “The Critical Role of African Americans in the Development of the Pre-Civil War U.S. Economy”, James B. Stewart (n.d.) notes that “enslaved Africans was especially vital to the development and performance of the U.S. economy in the latter decades of the eighteenth century and the first decade of the nineteenth century.”

The slave-based system helped produce immense profits through the abuse of black labor and set forth an economy that was becoming dependent of slave labor far into the civil war (Stewart, n.d.). As profits were generating, the widening of economic gains between Whites and Blacks were evident. Stewart (n.d.) states that Blacks were unable to participate in post civil-war economic development. In regards to property ownership, Stewart concludes by providing an alarming statistic that still lingers today: “the average per-capita property assessments for Blacks were \$9.73 in 1880, compared to \$296.18 for whites; this disparity in wealth holdings between both races “constitutes one of the most enduring legacies of the exploitation experienced by Blacks during slavery” (p.29). With slavery came the building of racism and discrimination towards the Black race.

III. Establishment of Race, Racism & White Supremacy

According to Keith Lawrence and Terry Keleher (2004) in *Chronic Disparity: Strong and Pervasive Evidence of Racial Inequalities POVERTY OUTCOMES*, race was used as a classification to assign ones social worth and status, which would ultimately establish and maintain the individual’s privilege and power. With the concept of race, came the concepts of white supremacy and prejudice. White supremacy, as put forth by Lawrence and Keleher (2004), has been a historically perpetuated system, where whites are economically held at a higher pedestal while accommodating institutions to exploit and oppress people of color. The concept of white supremacy eventually led to the notions of discrimination, prejudice, and racism that create labor market unfairness. Today, many forms of racism exist, but the two most prevailing forms that have maintained African Americans at a lower economic platform than Whites are structural and institutional racism.

Lawrence and Keleher (2004) note that structural racism “routinely advantages whites while producing cumulative and chronic adverse outcomes for people of color” (p. 1) and institutional racism is the “discriminatory treatment, unfair policies, and inequitable opportunities and impacts, based on race, produced and perpetuated by institutions” (p. 1); institutional racism is embedded within our educational system, government, and business sector. James B. Stewart (2008) notes in *Africana Studies and Economics In Search of a New Progressive Partnership* that the racism formed early on was the result of “the successful efforts of capitalists to divide the proletariat and expressed caution about analyses emphasizing race as a primary factor in explaining economic oppression” (p. 799); these forms of racism can arguably be one of the many barriers that continue to stunt black economic progress. In Thomas and Powell’s “Toward a Path to Structural Racism” (2006) the authors note that social structures have promoted unequal economic good and services distributions. The establishment of institutions have helped limit the access to opportunity restricting African American economic success in the United States (Thomas & Powell, 2006)

IV. Neoclassical v. Liberal Ideologies

When discussing economic and labor market inequality, it is important to discuss the views of the neoclassicals and liberals. In Cecilia A. Conrad’s (2005) work titled *African Americans in the U.S. Economy*, the author emphasizes from the very beginning that neoclassical economics has failed to explain the current differences in economic status between African Americans and Whites. Neoclassicals, also known as the “conservatives”, revolve around two main arguments to explain the economic differences between the two races; these two arguments include the following: 1) competitive markets will eliminate discrimination and 2) Black-White income disparities are a result of racial differences in culture, taste, etc. However, liberal

economists have repeatedly argued that competitive markets will do the exact opposite neoclassicals note; as put forth by Conrad, (2005): “competitive markets tend to reproduce the inequality that racial bias created” (p. 2).

Liberals on the other hand, recognize that income disparities between Blacks and Whites are not a result of making poor decisions as argued by William Darity (2003). Scholar John Whitehead (n.d.) notes that liberals have argued for years that it is vital that the concept of *laissez-faire* is destroyed. According to liberals, government intervention is needed. Whitehead notes that the government needs to make education and training readily available for the Black community in order to improve their skills and have a successful and well paying profession (Conrad, 2005). According to the Bureau of Labor Statistics (2015), as of 2015, thirty-seven point seven percent of Whites had a college bachelor’s degree compared to the twenty-seven point three of African Americans; BLS concluded (2015), “individuals with higher levels of education are more likely to be employed in higher-paying jobs—such as those in management, professional, and related occupations—than are individuals with less education” (p. 1). By making education and training available to the African American community, thousands of low-income “minorities” have a better chance at entering the labor market and economically progress with high paying jobs.

Another factor that liberals argue creates economic inequalities for African Americans is globalization. Jessica Gordon Nembhard, et al., (n.d.) argue that though globalization can lead to economic prosperity, minorities are often faced with its downfalls. With a rise in technology, the service sector over manufacturing has created labor market inequality (Conrad, 2005). The authors also note that during globalization, capitalist corporations’ main objective is to gain profits; with the sole intention to gain profits, the capitalists tend to disregard the potential effects

of their behavior and who gets hurt. For this reason, throughout the 1900's various organizations began to fight for economic equality, which will be discussed later on in this paper.

V. Black Political Economy Paradigm

One very important paradigm that has fought to give African Americans better economic opportunities is the black political economy paradigm. As James B. Stewart and Major Coleman (n.d.) note, the black political economy paradigm notes that racial identity is a form of property, which has income and wealth generating characteristics. Stewart and Coleman then note that the two major focuses of this paradigm are that economic forces tend to intensify conflicts that result from different racial groups and that economic institutions are organized to accommodate patterns of racial stratification. Within this paradigm, race plays a very important role because according to the authors, the usage of race by individuals shows that "collective identity is a potentially important dimension of economic behavior" (p. 119). The BPE paradigm also analyzes racial stratification and economics. In Stewart's (2006) *Thomas Sowell's Quixotic Quest to Denigrate African American Culture*, the author notes the following:

Stratification economics is an emerging subfield that examines the structural and intentional processes generating social hierarchy and income and wealth inequality between inscriptively distinguished groups (p. 463).

In the black political economy paradigm, the term racial stratification helps explain why African Americans are held at a lower pedestal than whites. According to Stewart and Coleman (n.d.), race is used in various institutions and organizations in order to assign roles and positions to workers. The process by which race is used to assign roles has heavy wage implications for thousands of African Americans. According to Jessica Gordon Nembhard, Patrick Mason, Steven C Pitts (n.d.), the low positioning of African Americans in organizations and institutions

have created immense differences in wages; as put forth by the authors: “African Americans hold only fifteen cents of wealth to every dollar of wealth held by white households” (p. 215). In aiding to help African Americans achieve economic equality, the black political economy paradigm has various suggestions similar to that of liberals. One of the many suggestions offered by the black political economy paradigm is that individuals should mutually commit resources, whether they are economic or noneconomic, to political activities; by doing so, the voices of thousands of African Americans fighting for economic equality will be heard.

VI. Economic Inequality Today

Today in the twenty first century, the racial wealth gap between African Americans and Whites is widening at an impressive and alarming rate. According to the Center for Global Policy Solutions (2014), the median wealth of White households is twenty times greater when compared to that of African American households. In 2005, African American wealth was estimated at twelve thousand dollars and in 2009 it declined drastically to five thousand. As many liberals have noted, the barriers to economic and social equality that have kept African Americans behind the economic curtain is largely due to the fact that institutions and organizations continue to keep it this way. Today, African American families lack “the necessary savings and investments to climb up the economic ladder” (p. 1).

The Center for Global Policy Solutions (2014), sources the widening wealth gap to income inequality as a result of labor market discrimination. In terms of income, African American families earned approximately thirty-three thousand dollars compared to fifty-seven thousand dollars obtained by White families. Since organizations and institutions often play into stereotypes (e.g. the rejection of African American on the sole basis of his or her name, the “violent” and “aggressive” characteristic), Blacks settle for low paying jobs that, in the most

part, give them no opportunity to “climb the work ladder” (Center for Global Policy Solutions, 2014). The Center for Global Policy Solutions (2014), also notes that as of 2014, twelve percent of African Americans remain unemployed when compared to the low five percent for Whites. Current statistics provided by the Bureau of Labor Statistics continues to show slow, if any, black advancement. As of March 2016, more than one hundred thousands Whites are employed compared to an astonishing seventeen thousand African Americans (BLS, 2016).

VII. Fight for Economic Justice

Though African Americans have faced immense oppression in the United States, prominent leaders such as Martin Luther King Jr. and Malcolm X have all fought for black economic and social progress. Mr. King devoted himself to the fight for African American rights in the United States. Prior to his death on April 4th, 1968, Mr. King had been planning the Poor People’s Campaign march which aimed to “dramatize the reality of joblessness and deprivation by bringing those excluded from the economic to the doorstep of the nations’ leaders (Weissman, 2013:1); by dramatizing the reality, King aimed to help African Americans receive a decent living through a middle-class income. Following Martin Luther King Jr’s aspirations for the African American community, Malcolm X (1964) also sought to bring light to economic inequality in the Black community and noted the following:

The political – The economic philosophy of Black Nationalism only means that we have to become involved in a program of reeducation to educate our people into the importance of knowing that when you spend your dollar out of the community in which you live, the community in which you spend your money becomes richer and richer; the community out which you take your money becomes poorer and poorer. And because these negroes, who have been misled, misguided, are breaking their necks to

take their money and spend it with The Man, The Man is becoming richer and richer, and you're becoming poorer and poorer. And then what happens? The community in which you live becomes a slum. It becomes a ghetto. The conditions become run down (p. 1).

The creation of organizations and movements such as the Black Panthers also helped voice the economic rights of thousands of African Americans in the United States; as put forth by the Hoover Archives (n.d.), this party was the epitome of the Black Power Movement. Founder Huey P. Newton and Bobby Seale, the Black Panther Party sought to achieve black economic, political, and social equality through mass organization and community based programs (Baggins, 2002). With the uprising of African American movements, hundreds of African Americans were unfortunately harassed by government officials and police. In their ten-point program, the Black Panthers noted the position that the economy played on African Americans and vice versa. In point two, the Black Panthers emphasized the want for full employment for the African American community; the panthers argued that the federal government was responsible and obligated to secure full employment for man.

Secondly, the Panthers stated that capitalists have continuously undermined their potential growth; as put forth by Baggins (2001): "we believe that this racist government has robbed us, and now we are demanding the overdue debt of forty acres and two mules. Forty acres and two mules were promised 100 years ago as restitution for slave labor and mass murder of Black people. We will accept the payment in currency, which will be distributed, to our many communities" (p.1). Although movements like these have pushed for African American economic equality, there still is a long way to go as institutional and structural racism as well as many other factors has deprived African Americans of economic opportunity.

It is vital that we continue to take measures to have the voices of African Americans heard and that we continue to address economic and labor market inequality created by embedded racism and discrimination in organizations and institutions. Unless we tackle the class-differentiated system in the United States, African American economic inequalities will continue to persist (Darity, 2003). As put forth by The Center for Global Policy Solutions (2014): “the sooner we address these issues, the sooner we will become a more economically prosperous nation where all families can reap the rewards for their hard work” (p. 6).

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