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# African Americans and the Future of the U.S. Economy

by

Lou Ferleger and Jay R. Mandle



Lou Ferleger



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For the first time in the country's history, the level of skills and education of the African-American labor force is a critical determinant of the potential for growth of the economy itself. The integration of black labor into the economy now means that the development of one is dependent upon the development of the other. To investigate this relationship we first examine the recent performance of the economy and the consequences of that performance for the black standard of living, and then the role the African-American labor force can play in overcoming the economic deficiencies that have plagued the economy.

In 1973 the median family income in the United States was \$32,190. Median family income in 1988, after adjusting for price changes, was \$32,191. During this 15-year period, then, this fundamental measure of welfare went nowhere. Income levels in the United States have stagnated since the early 1970s.<sup>1</sup>

At one level the source of this stagnation is not hard to discover. As is indicated in table 1, economic growth during the 1980s was only about 65% of the rate of growth experienced during the 1960s. In the context of a growing population and a tendency for the wealthy to claim a disproportionate share of the national income, this slowing of growth meant that insufficient income was generated in the economy to raise the income of typical families in the United States population. There has, in other words, been a dramatic slowdown in the rate of growth of the United States economy.

Table 1

Average Annual Percentage Increase in Real Gross National Product, 1950/1960 to 1980/90

|             | 1950-60 | 1960-70 | 1970-80 | 1980-90 |
|-------------|---------|---------|---------|---------|
| Growth Rate | 4.0     | 4.1     | 2.8     | 2.7     |

Source: Office of the President. (1990). *Economic Report of the President*. Washington, DC: U.S. Government Printing Office. Table C-5.

The reason for this slowdown, however, is a complex one that does not lend itself to single-factor explanations. At its root is the fact that the rate of growth in labor productivity during the 1970s and 1980s was considerably lower than it was during the

1950s and 1960s. The source of this decline has given rise to a lively controversy in the economics profession, but to date no consensus has emerged. Although conventional wisdom has it that declining productivity growth rates are associated with falling rates of investment, this was not the case during the past two decades. In fact, gross investment rates during the 1970s and 1980s decades were actually higher than they had been in the 1960s.<sup>2</sup>

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*Americans with the least education (less than a high school diploma) experienced the most significant decline in labor force participation between 1970 and 1988.*

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A more likely explanation for the slowdown in the rate of growth of our economy is that the improvement in the quality of the United States labor force has not kept pace with the requirements associated with modern technology. It is significant, for instance, that only about 20% of the people in the United States have been exposed to at least one year of college education.<sup>3</sup> And, there is now widespread recognition that the level of skills and education received by the remaining 80% of the population is inadequate to allow effective participation in a technologically modern and internationally competitive economy. If this is so, it follows that unless something is done to upgrade the competence of this large fraction of the labor force, the productivity lag that has plagued us will continue or even intensify. On the other hand, if we were to educationally equip a larger fraction of the United States labor force to work effectively with modern technology, it is highly likely that the rate of productivity—and therefore economic growth—would accelerate.

Nowhere is the problem of incomplete education more pronounced than among the African-American population. It is true that in recent years substantial gains in this regard have been achieved. Nonetheless it is striking that, as indicated in table 2, even in 1988 36.6% of the black population had not

**Table 2**  
**Years of School Completed by Race, 1970, 1980, 1988**

|               | High School          |            | College              |            |
|---------------|----------------------|------------|----------------------|------------|
|               | Less than Four Years | Four Years | Less than Four Years | Four Years |
| <i>Blacks</i> |                      |            |                      |            |
| 1970          | 68.6                 | 21.2       | 5.9                  | 4.4        |
| 1980          | 48.8                 | 29.3       | 13.5                 | 8.4        |
| 1988          | 36.6                 | 37.1       | 15.0                 | 11.3       |
| <i>Whites</i> |                      |            |                      |            |
| 1970          | 45.4                 | 32.2       | 11.1                 | 11.3       |
| 1980          | 31.2                 | 35.7       | 16.0                 | 17.1       |
| 1988          | 22.3                 | 39.5       | 17.2                 | 20.9       |

Source: U.S. Bureau of the Census. (1990). *Statistical Abstract of the United States, 1990*. Washington, DC: U.S. Government Printing Office. Table 216, p. 133.

graduated from high school. In that year there were nearly three times as many non-high school graduates as there were college graduates among the African-American population.

The significance of the lag in educational attainment among blacks lies in two dimensions. On the one hand, it has an obvious and direct effect on African American economic well-being. Failure to keep pace with the advancing educational requirements of employment renders a population increasingly vulnerable to setbacks in the labor market. This vulnerability may show up in the form of unemployment. But unemployment is not the only measure that would register a decline in the ability to successfully compete in the labor market because of an inadequate education. Labor force participation rates, the percentage of the population that seeks work, also decline as individuals become frustrated with their market prospects. Similarly, individuals with a low level of skills and/or education may remain in the market and find work, but be compelled to accept reduced relative wages. The latter would be the consequence of a decreased demand for poorly educated workers.

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*While the relatively low level of educational attainment experienced by African Americans hurts that population's economic well-being, it should also be recognized that this lag in education harms the economy generally.*

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There is evidence that in recent years the relative position of poorly educated African-American workers in the United States has declined in all three of these measures (unemployment rate, the labor force participation rate, and the mean income earned). For instance, table 3 indicates that when we compare the periods 1977-1980 and 1984-1988—two periods of relative prosperity—the unemploy-

**Table 3**  
**Unemployment Rate among African Americans by Years of Educational Attainment, 1977/80-1984/88**

|                | 1-3         | 4           | 1-3     | 4 or more |
|----------------|-------------|-------------|---------|-----------|
|                | High School | High School | College | College   |
| 1977-80        | 11.2        | 9.6         | 8.2     | 3.7       |
| 1984-88        | 15.7        | 12.4        | 8.8     | 4.4       |
| Percent Change | +40.2       | +29.2       | + 7.3   | +18.9     |

Source: U.S. Bureau of the Census. (1990). *Statistical Abstract of the United States, 1990*. Washington, DC: U.S. Government Printing Office. Table 654, p. 397.

ment rate for black high school nongraduates increased more than the unemployment rate for African Americans with higher levels of educational attainment. In addition, as is indicated in table 4, Americans with the least education (less than a high school diploma) experienced the most significant decline in labor force participation between 1970 and 1988. What seems to have happened is that among blacks having the least exposure to school, discouragement with job prospects grew so intense that large numbers of individuals actually gave up the search for work. Finally, as is indicated in table 5, the weekly earnings of African Americans with limited education also suffered compared to those who have been more exposed to formal education. Between the years 1969 and 1984, mean yearly earnings declined for African-American men at each level of education, and they declined as well in three out of five educational categories for women. Notably, the experience was the worst for poorly educated men, for whom the declines ranged between 16% and 29%. College educated men and all black women did better than that, though even in these cases reduced yearly incomes sometimes occurred. The mean yearly income for African Americans generally fell during this period, but the decline was most dramatic for men who possessed either a high school education or less.

**Table 4**  
**African-American Labor Force Participation Rate by Level of Educational Attainment, 1970-1988**

|      | 1-3         | 4           | 1-3     | 4 or more |
|------|-------------|-------------|---------|-----------|
|      | High School | High School | College | College   |
| 1970 | 67.1        | 76.8        | 81.0    | 87.4      |
| 1975 | 60.9        | 75.1        | 79.7    | 85.1      |
| 1980 | 58.1        | 79.2        | 82.0    | 90.1      |
| 1985 | 57.0        | 77.2        | 85.6    | 89.9      |
| 1988 | 56.2        | 77.9        | 85.5    | 90.6      |

Source: U.S. Bureau of the Census. (1990). *Statistical Abstract of the United States, 1990*. Washington, DC: U.S. Government Printing Office. Table 627, p. 379.

While the relatively low level of educational attainment experienced by African Americans hurts that population's economic well-being, it should

**Table 5**  
**Mean Yearly Earnings of African Americans by Sex**  
**and Level of Educational Attainment, 1969–1984**

|                | 1969      | 1979      | 1984     | Percent<br>Change<br>1969–1984 |
|----------------|-----------|-----------|----------|--------------------------------|
| <i>Males</i>   |           |           |          |                                |
| 8 or less      | \$ 11,900 | \$ 13,017 | \$ 9,957 | –16.3                          |
| 9–11           | 12,809    | 11,988    | 9,127    | –28.7                          |
| 12             | 15,950    | 15,313    | 12,382   | –22.4                          |
| 13–15          | 17,067    | 16,648    | 14,960   | –12.3                          |
| 16+            | 26,977    | 25,187    | 24,175   | – 6.6                          |
| <i>Females</i> |           |           |          |                                |
| 8 or less      | \$ 5,440  | \$ 7,209  | \$ 6,283 | +15.5                          |
| 9–11           | 6,694     | 7,782     | 6,135    | – 8.4                          |
| 12             | 9,307     | 10,401    | 9,521    | + 2.3                          |
| 13–15          | 11,296    | 11,566    | 11,094   | – 1.8                          |
| 16+            | 19,090    | 17,805    | 18,592   | – 2.6                          |

Source: Jaynes, G. D. (1990, Fall). The Labor Market Status of Black Americans: 1939–1985. *Journal of Economic Perspectives*, 4(4). Tables 1 and 2.

also be recognized that this lag in education harms the economy generally. A June 1990 report issued by the National Center on Education and the Economy reports that “women, minorities and immigrants will make up the vast majority of new entrants to the workforce in the 1990s and jobs requiring higher skills will grow faster than low skill jobs.”<sup>4</sup>

In most cases, individuals who have not attained at least a high school diploma cannot be expected to perform well in an increasingly technically sophisticated economy. Yet, as we see in table 6, almost half of all Hispanics and over one-third of all African Americans have not achieved that level of education. To the extent that the productivity of the American economy of the future depends upon the education and training of the minority population it is clear that the nation is in big trouble. Put another way, unless the educational attainment of the minority population in the United States improves, the country’s hopes for resuming high rates of growth and an increasing standard of living look increasingly dubious.

**Table 6**  
**Percent of Population with Less than Twelve Years**  
**of School, 1988**

|           |      |
|-----------|------|
| All Races | 23.8 |
| White     | 22.3 |
| Black     | 36.7 |
| Hispanic  | 49.0 |

Source: U.S. Bureau of the Census. (1990). *Statistical Abstract of the United States, 1990*. Washington, DC: U.S. Government Printing Office. Table 218, p. 134.

That this is so represents a major discontinuity in the needs of the United States economy and the role played by the black population in our economy.

Throughout most of the history of this country, the African-American population was entrapped in the Southern plantation economy. As such, it was purposefully denied education in order to constrain its options to that of providing low-level labor to the region’s cotton plantations.<sup>5</sup> Technological change and productivity growth occurred at a much faster rate in the rest of the country than was the case in the South, a pattern that closely paralleled regional differences in educational attainment. Low levels of black education were functional for the low-productivity Southern economy, but did not impede technological progressivity elsewhere.

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With the massive black migration of the 1940s and 1950s, the confinement of African-American labor to low-productivity agricultural work came to an end. A halting and uneven process of occupational integration then occurred in which, over time, black labor came to occupy a significant share of occupations to which in the past it had all but been excluded. Tables 7 and 8 reveal the concentration of black workers in low-income occupations at the time of their massive first entry into the northern industrial economy. Of African-American men who were working in 1950, almost one-half were employed in the low-income occupations of service, laborers, and private household work.<sup>6</sup> By contrast, only 13.6% of nonfarm white laborers were employed in such low-income jobs. A similar pattern was true for women. Almost half of all black women who were working in 1950 were employed in private household work, and the next largest concentration was in services. In contrast, again, white working women were much more evenly distributed over the entire range of occupations. Obviously, although the movement to the cities of the North represented occupational advancement, jobs that were available to African Americans were still the least attractive ones generated by the economy. A substantial degree of additional occupational mobility was required if poverty was to be escaped.

Though parity with the white labor force still had not been achieved by 1990, a substantial degree of occupational integration had been achieved by the African-American labor force. The pattern of upward mobility is particularly obvious among black men in the professional category, where the share of the labor force grew from 2.2% in 1950 to 9.0% in 1990. Substantial increases among black men were

**Table 7**  
**Occupational Distribution of Male Labor Force by Race:**  
**1950, 1970, 1990**

| Occupation                          | 1950         |              | 1970         |              | 1990         |              |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                     | <i>Black</i> | <i>White</i> | <i>Black</i> | <i>White</i> | <i>Black</i> | <i>White</i> |
| Professional, Technical and Kindred | 2.2          | 7.9          | 7.8          | 14.6         | 9.0          | 15.4         |
| Managers, Officials and Proprietors | 2.0          | 11.6         | 4.7          | 14.3         | 6.9          | 14.5         |
| Clerical                            | 3.4          | 6.8          | 7.4          | 7.1          | 8.4          | 5.7          |
| Sales                               | 1.5          | 6.6          | 1.8          | 6.1          | 5.1          | 11.9         |
| Craftsmen, Foremen and Kindred      | 7.6          | 19.3         | 13.8         | 20.8         | 15.5         | 20.2         |
| Operatives                          | 20.8         | 20.0         | 28.3         | 18.7         | 21.8         | 13.3         |
| Service except Private Household    | 12.5         | 4.9          | 12.8         | 6.0          | 17.9         | 8.9          |
| Laborers                            | 23.1         | 6.6          | 17.5         | 6.2          | 12.7         | 5.6          |
| Private Household                   | 0.8          | 0.1          | 0.1          | 0.3          | 0.1          | —            |
| Farm Related                        | 24.8         | 14.9         | 5.3          | 5.6          | 2.6          | 4.5          |
| Not Stated                          | 1.3          | 1.2          | 0.5          | 0.3          | —            | —            |

Source: U.S. Bureau of the Census. *1950 Census of the Population*. Washington, DC: U.S. Government Printing Office; U.S. Department of Labor. (1971). *Handbook of Labor Statistics*. Washington, DC: U.S. Government Printing Office; Department of Labor. (1990, May). *Employment and Earnings*, 37(5) Washington, DC: U.S. Government Printing Office. Table A-23.

**Table 8**  
**Occupational Distribution of Female Labor Force by Race:**  
**1950, 1970, 1990**

| Occupation                          | 1950         |              | 1970         |              | 1990         |              |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                     | <i>Black</i> | <i>White</i> | <i>Black</i> | <i>White</i> | <i>Black</i> | <i>White</i> |
| Professional, Technical and Kindred | 6.2          | 13.4         | 10.8         | 15.0         | 14.4         | 19.3         |
| Managers, Officials and Proprietors | 0.5          | 4.8          | 1.9          | 4.8          | 7.3          | 11.6         |
| Clerical                            | 4.0          | 29.8         | 20.8         | 36.4         | 27.4         | 28.5         |
| Sales                               | 1.3          | 8.9          | 2.5          | 7.7          | 9.0          | 13.4         |
| Craftsmen, Foremen and Kindred      | 1.0          | 1.7          | 0.8          | 1.2          | 2.4          | 2.0          |
| Operatives                          | 14.6         | 19.8         | 17.6         | 14.1         | 9.6          | 6.5          |
| Service except Private Household    | 17.8         | 11.4         | 25.6         | 15.3         | 24.1         | 15.1         |
| Laborers                            | 1.1          | 0.7          | 0.7          | 0.4          | 1.9          | 1.5          |
| Private Household                   | 42.0         | 4.4          | 17.5         | 3.4          | 3.5          | 1.0          |
| Farm Related                        | 10.8         | 3.0          | 0.8          | 0.7          | 0.4          | 1.1          |
| Not Stated                          | 0.7          | 2.7          | 1.0          | 1.0          | —            | —            |

Source: See table 7.

also achieved in other white-collar occupations, whereas the low-income occupations that had dominated the 1950 pattern all saw marked declines.

The pattern among African-American women is much the same. Most dramatically the concentration of these workers in private household labor has almost completely dispersed. By 1990 more than one-fifth of all black women workers were either professionals or managers, while the largest concentration of black women workers occurred in the clerical category. Despite these gains, however, black women in 1990, like their male counterparts, tended to be relatively more concentrated in low-income occupations than white women in the labor market.

In conclusion, the unintended consequence of the process of occupational integration was to tie more closely together the interests of the black labor force and the ability of the American economy to grow and, more specifically, to compete in the interna-

tional economy. In the past, the South's plantation economy required poorly educated and low-income workers. The low level of educational attainment of these mostly African-American workers came at no cost to northern productivity growth. However, now that the black labor force has been substantially integrated into the work force as a whole, the competencies possessed by black workers are of increased importance in determining the pace of the country's technological growth and economic potential. The education of the black population increasingly looms as a critical determinant of the country's economic well-being. The rejuvenation of United States productivity growth may be helped by—indeed, may actually depend upon—a substantial advance in the level of education, and therefore economic well-being, secured by African Americans. In short, for the first time in United States history, what would be good for the African-American

population economically is also what the economy generally requires.

## References

<sup>1</sup>U.S. Bureau of the Census. (1990). *Statistical Abstract of the United States: 1990*. Washington, DC: U.S. Government Printing Office. Table 727, p. 450.

<sup>2</sup>Ferleger, L. & Mandle, J.R. (1990, July/August). Reverse the Drain on Productivity with Mass Education and Retraining. *Challenge*, 33, (4), pp. 17-21.

<sup>3</sup>U.S. Bureau of the Census. (1990). *Statistical Abstract of the United States: 1990*. Washington, DC: U.S. Government Printing Office. Table 42, p. 37.

<sup>4</sup>National Center on Education and the Economy. (1990, June). *America's Choice: High Skills or Low Wages! The Report of the Com-*

*mission on the Skills of the American Workforce*. Washington, DC: Author. P. 24.

<sup>5</sup>For the most recent analysis of African-American educational deprivation in the South see Margo, R.A. (1990). *Race and Schooling in the South, 1880-1950: An Economic History*. Chicago: The University of Chicago Press.

<sup>6</sup>This and the following complementary estimates were obtained by subtracting the percentage of the labor force in agriculture from 100 and then dividing the share of the labor force in a specific sector by the result.

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