

## Income Inequality Between White and Black College Graduates

There have always been income differences among races, especially between blacks and whites, but now that inequality appears to be shrinking, especially when looking at college graduates. Noticeably this income inequality existed in the South when black slaves were still kept and continued up until the Civil Rights movement in the 1960s. After the main issue of racism was confronted, sociologists started to look at the differences between the races and show that while things were better in terms of visible differences, socio-economic factors between the groups were still quite unequal. Even now, there is still an income gap in how much blacks make compared to whites. A difference now from when the civil rights movement happened is that there is seemingly less discrimination when it comes to college entry. In 1952, only 2% of blacks age 25 and over had graduated from college, a number that has risen to 17% in 2002 (U.S. Census Bureau, 2004). Any student who can pass the standardized test with a certain score can get into a school of higher learning. Though it is questionable how much of a bias against certain ethnic and economic groups there is in those tests, those who can do well on it can get into colleges.

The purpose of this paper is to document if there is or is not an income gap between black college graduates and white college graduates. If an income gap exists, possible explanations will be presented as to the existence. I hypothesize that there is an income gap between black college graduates and white college graduates and that while it is

getting smaller, racial discrimination is still a factor in relation to graduates relative earnings.

Back in the 1970s, James D. Gwartney wrote on this topic. In his research he said that the the earnings ratios for racial groups, with equal years of education are meaningless due to scholastic achievement differential by race. His adjusted ratio is generation by two sets of SA (Scholastic Achievement) rates, derived from the U.S. Office of Education and from Dave O Neill's work on armed forces qualification data. He states that if you take into account that blacks are only starting to get a college education and by looking at the achievement rates, that basically the earnings are relative and are basically equal. Critics of his work (Orley Ashenfelter and Michael Taussig) do admit that by using SA rates there can be a slight decrease in the income gap, but not as big as Gwartney has suggested. The scholastic achievement rates are different for blacks and whites because it takes into account high school dropouts and more high school dropouts are black and thereby, skewing the results which can be used for comparison. One critic concluded, "racial income differentials may also reflect differences in productivity due to the inability of blacks to secure positions on those career ladders which are most promising as vehicles to greater productivity and earnings." (Rawlins, V. Lane 1974)

In a study done by Catherine J. Weinberger (Race and Gender Wage Gaps, 1998) it is shown that among 1984 college graduates, a year after graduation, black men earned only 90% as much as white men and that black women earned 80% as

much as white men. She shows that the wage gaps between black graduates and white graduates cannot be accounted for by colleges that normally produce low earning graduates. Historically Black Colleges and Universities produce superior incomes but the wage gap is still there. It has been suggested that HBCUs produce higher earnings because of the general notoriety of the college and the amount of black graduates. The income gap between graduates however was the same in the 1990s as the 1980s.

In a 1996 article entitled, "Race Discrimination and Higher Education: too soon to proclaim the arrival of a level playing field," the income gap was shown more visibly. It showed statistics that black men with a bachelors degree made \$33,217 after graduation while white men made \$43,335, a 23% income gap, explainable only in terms of continual racial discrimination. They did not delve into possible reasons of why it persists, but just that it does. The article also mentioned that in 1994, blacks with a degree and who worked in executive or managerial positions had median earnings of 73.5% of whites who had the same qualifications and position, the gap however is likely to be smaller at the current time.

Despite the income inequalities the U.S. Census Bureau shows that blacks with a 4 year college degree earn twice as much as those with only a high school diploma (\$15,138 compared to \$31,489) (The Power of Higher Education 2000). That is good news, you can succeed with a college education. However only 15.5% of black adults have that kind of education, it's an increase from previous years, but still relatively small. In 1998 black college graduates had incomes that are 89% of the income of white

college graduates (\$35,201 compared to \$31,489). Black women had higher incomes than white women who graduated (\$30,945 to \$26,448) and it has been suggested that this is because either black women work more than one job or that white women sometimes stop full time work to take care of their kids or both. Neither one of these ideas have been actually tested among women who have graduated from college but are believed due to historical tendencies and studies on women and the workforce. Black men have a lower income compared to white men with the equivalent level of education (\$36,433 to \$45,825 for those with bachelors degrees). It shows a slight improvement over 1997 data but there is still that gap. Interesting to note is that for holders of professional degrees, the gap widens. In 1998 blacks with a professional degree made around \$51,196, only 78.5% of the median income of whites with the same degree (The Power of Blacks in Higher Education 2000). This is due possibly to whites serving the economically well off and more established white clients and therefore can charge higher fees and make more. The general white population is still reluctant to seek out services of black professionals. Because of that, black professionals are more likely to have clients that are black, and therefore, cannot charge the same fee that they could charge the wealthy whites. Keep in mind that only 15.5% of the population of black adults are college educated and even less are “professionals” who have gone to graduate school.

A study (Race Discrimination And Higher Education 1996) was done on the lifetime earnings of the college educated have shown that black men with a bachelors degree work for around 41 years with annual earnings of \$35,980 (1998 dollars) for a

total of \$1,475,000. White men will earn around \$694,000 more over a lifetime than blacks, putting lifetime earnings at around \$2.2 million. The most recent data has shown that white women make \$37,800 while black women earn \$41,000. White men make around \$66,000 while black men around \$45,000. If you take into account all the different factors and rates and adjustments you still see that Weinberger's figure over black men making around 90% as much as whites is still true today. The lifetime earning difference between blacks and whites is about 29.4%. Some point to the figure of blacks making 95% as much as whites as progress toward equality. However the problem with that figure is that most of it is because of the gains of the women. Black women are making more than white women, however black men are not making as much as white men. The data has shown that even if they have the same level of college education, there is still an earnings inequality among blacks and whites. The numbers may have increased for everyone, but the gap remains the same.

Some have suggested that the economy has a part to do with it because no matter what race you are, your life and income will be affected by what the government does and that the government favors whites in position as opposed to blacks, a power struggle. Others, have said that how smart a person is determines how much money they make. This is based on the idea of the American Dream; the belief that everyone has the chance to succeed and with hard work and studying, even you can become successful. While it is nice, this suggested idea actually avoids the issue. Its idealistic stance is in a sense true, people can be successful, but forgets to mention that while you may succeed, others who perhaps are just as good as you, or maybe worse, can

still succeed and be better off financially than you. Another view that has come about saying that big business is the one essentially to blame. That those really in power are international enterprises who control, by lobbyists, the government and promote who they want and keep down who they want.

Black culture traditionally holds to the view that the government is the ones that are keeping them from succeeding, that the man is keeping them down. It is a valid argument as there are many inequalities among the black population compared to the whites, especially in the area of income. This weariness and dislike of the white government has led to an almost separate culture in America. MTV is a good example of this. Most of what MTV shows appeals to the black culture and being proud of being black. However this social segregation may lead to economic inequality. A group of people thought up a social situation involving Manhattan, New York (Science News Online, 2007) They imagined that the black population of Manhattan Island had been equally distributed among all the residence areas and that there was no discrimination. That race did not matter and that equal skills would receive equal wages. They figured that those who were discriminated against in the past were less likely to have the skills needed for good jobs and therefore, did not have a good job. Because of the lack of income, their children only acquired certain skills, skills that do not need money to develop. Children tend to associate with those who have similar interests and likes. It is not likely that a child with poor parents would be accepted very long among children who's parents were rich and could take their child out to fancy restaurants and theme parks often. So the child would start having friends with those in their own socio-

economic group and the cycle would continue as it is today. While in their idealistic society of equal work for equal pay, anyone who rose above their parents could in a sense break that cycle, but history has shown that this is the exception and not the rule. Those who thought of the experiment concluded with the idea that social integration is the key to equality. If people, especially children, would accept others equally (not shunning them) regardless of what their parents teach them, then equality would ensure. To them, the key to changing the system is social integration, the great american melting pot.

That however, is exactly the opposite of what blacks are currently doing. They are avoiding integration more than any other minority groups, others do it, but blacks more so. Everyone likes being around those who are similar to themselves. Whites gather with whites, Asians with Asians, blacks with blacks. But blacks seem to have formed a more visible counter culture than other groups. This is partly a form of rebellion against “The Man” and its values. Though most reject the “back to Africa” movement that occurred a while back, some blacks still consider American culture and values to be oppressive and anti-black. With good reason of course, many bad things were done to blacks by the dominant white culture. This is visible in small ways such as some blacks having their pants down, rejecting “white” style, and a growing number of blacks turning to Islam and Nation of Islam, rejecting white Christianity. However there is a growing tolerance toward most religions so it is the things such as the low pants that separate black and white society. Granted, other ethnic groups, and especially young people have absorbed this into their lifestyle but the question must be asked, “who started it?” If we look back into its history we find that prisoners were the

first to utilize that style and it has moved into the popular culture from there. Integration into the “American value system” is refused by most blacks because of the history of oppression that whites have imposed on them. Integration would in essence be saying that they accept what has been done to them and give the green light for some more racial mistreatment. That is not to say that blacks are unable to make it into the middle class, they are, but rather they do not hold onto the same cultural values as whites. Because of the different cultural values, I am unsure how true equality can occur, equality that involves more than income. It is ironic that in order to have equality, the minority group must trust and make compromises with the majority group who has oppressed them before. I would say that that is the primary reason for inequality between groups of people, both groups are wary of the other, and so it takes a great leader on both sides who can and are able to lead both groups toward an equal ground. Without this compromise, the majority group will tend to give themselves better treatment and shun more equality.

The American Dream as it was first articulated promised that with hard work, you can be successful. It was this originally puritan ethic in New England that helped caused the colonies to become the United States and eventually into the world power that it now is today. However those pilgrims probably would have had no idea that eventually we would be thinking about equality for all. Even those who came over from Eastern Europe who believed in the dream probably did not believe that they would be entirely equal, but rather that they would be successful. Through the years the sons and daughters of those East European immigrants have gradually become integrated into

American society. That is not to say they have lost their traditions and backgrounds, but that they came into a new country realizing that they would have hardships and problems adjusting. The dream never promised equality, but rather success. Now that we as Americans have become more integrated as never before we are searching for equality. Equal work demands equal pay right? Unfortunately, even through all the equality we have there is still the problem of why do certain people get paid more than others even though they have the same qualifications? Education and IQ have been used to try and explain this. They say that because a person gets what they deserve based on their merit and hard work. This avoids the issue of racism and the very real problems that cause not only blacks to make less than whites. There are some people in positions of high power and authority that are not the most intellectual people in our country. Using the logic that education and IQ gets a person to the top, the current president should not be at that high of a position of power. There are other factors out there beside IQ that determine inequality. The smartest are not always at the top. They defend their position by saying that some people have to be paid less as an incentive to move up the corporate ladder to the top. As a reward for hard work people get promoted and can become one of the elite. The problem still remains, the smartest and most qualified are not always at the top. If one becomes more qualified, it is argued, then they move to the top. True, but if one becomes less qualified they do not move down. So at the top of corporations are for the most part, white men in their 70s and above who may or may not be as qualified as some of the younger workers, but who will not step down because of the money, and if they do, will favor those of their own race.

One other argument for the inequality of income between black and white college graduates is because of big business. We know that business is in everything these days, that it is as big as it is, simply because our country is a capitalist country and business has to thrive here. All companies have to hire workers and they have set wages for each position. They reward some of the better workers with things like raises and bonuses and then eventually promotion. More and more employers are becoming fairer than others and hire based on ability and not use surface characteristics such as race in deciding who to employ. Still a lot of employers have a discriminatory attitude toward others and will hire a token number of workers of a certain race. They probably might not even do that if laws were not in place. An observer notes in regard to income inequality that “if large firms limit employment opportunities for black workers, other firms can pay lower wages because they know that blacks have fewer employment opportunities.” (African Americans in the U.S. Economy 85) He suggests that with the larger businesses employing the minimum or limiting employment based on race, other businesses can get away with paying them less, not necessarily because they are being racist, but because they have a reason to pay less and make more profit.

There is also a growing trend in companies hiring college graduates for work that use to be done by high school graduates a few years ago. They do this because there are more people graduating from college than ever before and that there are only a limited number of those desirable jobs around. College graduates were taught from the beginning that if they go to college, they will get a better job with more pay than if they just stopped after high school. The businesses has only a few options: make old high

school jobs the new college jobs, open up more college graduate jobs and expand the business or stop growing. The last one is not a viable option so they settled with a combination of the two. The business expanded to a certain point, opening up more desirable jobs and made the high school graduate jobs college jobs. This expanding of the higher level jobs can only happen to a point otherwise nothing will get done. They had to reorganize how to distribute delegates in congress instead of just simply adding more because too much more people would hinder progress of passing legislation. The same has to be done in business.

Merton in his typology describes four types of people in regard to prejudice. Those who are prejudice and discriminate, those who are prejudice but do not discriminate. Those who are not prejudice but are forced to discriminate and those who are not prejudice nor discriminate. All four of those types of people are represented in employers. However those who are prejudice and who discriminate are the smaller of the groups. Those employers and bosses who are neither prejudice nor do they discriminate are those who are closest to the idea of equality. They hire and treat everyone of every race and group the same because of genuine love for the person, they really care. Then there are some people, usually employers are forced to discriminate though they themselves are not prejudice. The employer who is forced by the big boss not to hire any more blacks because he feels there is too many in the workforce. These people reluctantly follow because otherwise they can lose their job to someone who is perhaps more willing to follow that particular order. The other group consists of those who act nice, but are really thinking un-nice things. A majority of these

people are employees and not in positions of power and influence. Though some do get promoted to power and start forcing other people to discriminate. This also applies to pay. Some pay equal because they believe they earn it, some discriminate because they are “forced to” for economic reasons or because the higher ups determine so, and some pay equal but hate it so other benefits are cut. Some employers/companies do not discriminate, but the question remains, why is there discrimination?

I believe this goes back to lack of integration and racial stereotyping. Those in power see the MTV blacks (or in the case of certain companies, create them) and stereotype them. Then when they see a college educated black, they start wondering if he fits the stereotype and in what ways. They use that then as an excuse to economically exploit them by paying them less. They do not go out and say that they are paying them less because they are black, but rather that because they are black, they pay them less.

This is manifest in several different ways. One way is the idea of bonuses and raises. Most people get bonuses and raises for doing well, however whites tend to get more bonuses and in higher amounts than blacks, the same goes for raises (The Power of Higher Education 2000). Obvious racism here sometimes is exposed but mostly, since many do not divulge their paychecks to coworkers consistently, this is a more underground problem. Another thing is the glass wall and glass ceiling. The idea is that those in power (those white men over 70) in the corporate offices are still discriminatory in the sense that they want only the young white males to ascend to the top, younger

versions of themselves you might say. And so when blacks are hired, they are hired to positions that cannot take a person to the top. They can go only up to a certain point and then will allow no further promotions nor ways of getting to a different position within the company that does get promoted. If they try and move to a position to get higher up they are faced with the responses that only they could do the job they are currently in and that they may not do well in the other position. It creates an almost separate ladder for blacks and (for the most part) women to climb, and the white male ladder would always go up above them.

So it has been shown that there are earnings differences between blacks and whites who have both gone and received bachelors degrees. Blacks have received about 90% as much as whites have, a great improvement since the 1980s. Black women however are making more than white women with the same degrees. Despite this fact, the inequality among blacks and whites persists at an unacceptable rate. The reason for this is because companies are there to make a profit. The whole point of companies existing is to make more money than what you started out with. You see this all the time in business, trying to cut cost of whatever service they offer in order to make more money. Money is the name of the game and race is the excuse used for certain people to make more money. To get to the point of equal pay for equal work and skills, a compromise must be made. A leader on both sides must be born that can work out a deal and convince their own side that compromise is the way to equality. Without compromise, without a more visible and solid unity of beliefs and visions, there can be no end to inequality. Perhaps one day the idea that, "all men are created equal," will be

realized and through that, a common unity, peace, and equality can be reached. You cannot just deal with racism in earnings, “racism must be placed in a wider context of subjective self interest, stratification beliefs, and cognitive bias.” (Pettigrew, Thomas F. 1985)

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