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## **Intergenerational Class Mobility by Race: Can the Black Middle Class Reproduce Itself?**

**Sarah Ireland**



# **Intergenerational Mobility By Race: Can the Black Middle Class Reproduce Itself?**

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# Intergenerational Mobility By Race: Can The Black Middle Class Reproduce Itself?

## ABSTRACT

What is the fate of the black middle class? The rise of the black middle class is a relatively recent phenomenon, and as such, it remains to be seen whether it successfully passing its prosperity to the next generation. Building upon various models used by Featherman & Hauser (1978), Hout (1985), and Mazumder (2005), this paper uses intergenerational elasticities and mobility tables to examine the transmission of class status from one generation to the next. Data from the Panel Survey of Income Dynamics (PSID) is used to compare the differences in mobility between middle class blacks and whites over the period from 1968-2003. The results indicate that African-Americans in the middle class show higher levels of class persistence than middle class whites and that the black middle class is actually growing over time, while the number of whites in the middle class is shrinking.

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## I. INTRODUCTION

Issues of poverty, crime, welfare dependency and segregation tend to dominate research on African-Americans. The large proportion of blacks in the bottom quintile has focused the majority of attention invariably on concentrated poverty and inner-city “ghettos.” These studies, however, are unrepresentative of the larger African-American population. Not all African-Americans are poor, high school dropouts, or live in the ghetto. More prosperous blacks have been eclipsed by the plight of the overwhelming number of those living at or below the poverty line. Research has too often taken race as a whole, without considering important within-race differences such as class. The black middle class, in particular, has passed largely unnoticed.

This paper focuses on the intergenerational mobility of the black middle class. Intergenerational mobility is a key indicator of wellbeing, as the transmission of success to the next generation is essential for a class to perpetuate itself. While a few authors have written about the state of the black middle class in general, there have been very few intergenerational studies since the 1970’s. Times have changed dramatically since then, particularly for African-Americans, and a study on this issue is long overdue.

Understanding racial differences in class intergenerational mobility is critical. It is only through upward intergenerational mobility and persistence in the middle class that African-Americans can achieve long-term parity with whites. This issue is especially relevant to the black middle class, which does not have the longevity or historical economic stability of the white middle class. The black middle class, as we know it today, arose out of the 1960’s Civil Rights Movement. Its very existence is argued to be fragile (Collins 1983, 1999; Patillio-McCoy 1999; Oliver & Shapiro 1995), and it remains to be seen whether the black middle class can sustain itself in the long-run without support – or if, without government intervention, it is doomed to disappear into the underclass.

In this paper, I examine the intergenerational elasticity of the black middle class, relative to the white middle class, to determine whether middle class African-Americans are passing their success on to their children. The paper takes the following format: Section II provides a literature review, focusing on the formation of the black middle class and studies of intergenerational income and occupational mobility. It describes the issues involved in intergenerational mobility and frames the debate over the future of the black middle class. In Section III, the conceptual framework is discussed, and the model used for analysis is described. Alternative approaches and possible criticisms are also examined in Section III. Section IV presents the data and methodology used in the study, including the construction of the matched dataset and a discussion of the data constraints. Section V presents an interpretation of the findings and Section VI concludes.

## II. LITERATURE REVIEW

### **A Brief History of the Formation of the Black Middle Class**

The black middle class did not arise naturally over the course of African-American economic development. Rather, it was the direct product of the anti-discrimination legislation of the 1960’s. As such, it is a relatively recent phenomenon, and the future of the black middle class is still far from certain. The rise of the black middle class was both dramatic and rapid. Before 1960, the majority of African-Americans lived in deep poverty in the rural South. Racial

discrimination, segregation, and lack of access to equal education were critical factors which limited the economic and social mobility of blacks in the United States.

Prior to 1960, few African-Americans could be counted in the middle class. Fewer than ten percent held middle class occupations, and black incomes were considerably lower than whites performing the same role. The opportunity structure was extremely narrow, and there was little to no chance for advancement for blacks. The white middle class, by contrast, has constituted more than twenty percent of the white population since as early as 1910 (Landry 1987). While the white middle class held a wide range of occupations, the black middle class pre-1960 was limited to a small number of professionals – primarily small businessmen, ministers, and teachers – who were largely confined to serving the black population. There were extremely limited white-collar opportunities for blacks in either the public or private sectors (Kusmer 1976). Outside the black community, African-Americans worked in unskilled industrial or service jobs, and black women worked virtually exclusively as maids (Landry 1987).

The situation of African-Americans improved dramatically in the 1960's. The effects of the anti-discrimination legislation from the Civil Rights movement and the War on Poverty combined to generate opportunity for African-Americans and created an astounding growth in the black middle class. The new civil rights laws desegregated the military, opened a wide new range of occupations to African-Americans, and effectively removed barriers to education. This rapid social change was swept along by a period of unprecedented economic growth and prosperity (Oliver & Shapiro 1995).

Racial discrimination, segregation, and lack of access to education – all of which were critical factors limiting the economic and social mobility of African Americans – were systematically targeted by the new legislation. The Civil Rights Act of 1964 barred discrimination in public accommodations, transportation, education, and employment, while the Voting Rights Act of 1965 made the ballot more accessible to blacks. As result, the number of blacks in colleges and universities almost doubled, and the number of blacks in technical, administrative, and managerial positions increased considerably (Harris 1999). Between 1960 and 1970, the black middle class grew at an astounding rate (Pattilo-McCoy 1999).

After such explosive growth in the 1960's, however, the black middle class was unable to sustain such rapid expansion. It was hit hard by the economic downturn of the 1970's, and saw many of its gains eroded. The rate of growth of the black middle class slowed in the 1970's and 1980's, and studies show that the black/white income gap showed no signs of narrowing. After reversing more than a century's worth of educational disadvantage and achieving college enrollment rates that were on a par with whites, African-Americans saw college enrollment and completion rates fall in the mid-1970's. These rates continued to decline every year since 1976 (Landry 1987; Oliver & Shapiro 1995).

Throughout the 1980's, African-Americans experienced stagnating or falling earnings and wages relative to whites (Cancio, Evans & Maume 1996). The situation was worsened by the withdrawal of federal supports by the Reagan administration, and the curtailing of affirmative action programs. Young African-Americans were hit particularly hard by the downturn and the loss of federal support (Blau & Beller 1992). The fate of young African-Americans is of particular importance to this study, as it is a key variable in the measure of intergenerational mobility, and its success is crucial if the black middle class is to reproduce itself. Without the necessary education and experience, the young generation will never gain the skill-set necessary to achieve middle class status.

## **Declining Significance of Race?**

The initial rapid success of the black middle class prompted William Julius Wilson to claim that for African-Americans social class is now a more important determinant of economic opportunity than race. Wilson argues that racism and discrimination, while still factors, will have diminishing effects on black socio-economic attainment over time. Instead, he posits that differences in education, skills, and experience will play an increasingly larger role (Wilson 1978). Opponents of this class argument counter that race has persisted as an explanation of the differences between black and white attainment (Oliver 1980; Willie 1979), and even become more important for certain groups such as the black middle class (Feagin & Sikes 1994; Landry 1987; Collins 1983, 1999; Patillo-McCoy 1999).

## **Two Middle Classes**

Opponents of Wilson's theory argue that there are, in fact, two different middle classes: a superior, white middle class and an inferior, black middle class. The consensus is that "being middle class does not necessarily overcome the particular disadvantages of being black" (Patillo-McCoy 1999). The inequalities between the two middle classes are apparent in almost all arenas. The black middle class lives in poorer neighborhoods, on average, than the white middle class (Massey, Condrant, Denton 1987), with higher crime rates and weaker schools (Gregory 1992).

The typical black middle class family also possesses far less wealth than the average white middle class family. The black/white wealth ratio is only 0.15 – which indicates that middle class blacks own only fifteen cents in wealth for every dollar that middle class whites own. Middle class blacks are also significantly less likely to invest in the stock market, or own high-risk/high-return assets. This means that they will not experience as much return on their investments as whites, and middle class black wealth will follow a lower, slower trajectory than whites (Oliver & Shapiro 1995).

Occupationally, the black middle class is still characterized by inequality. As Collins writes, "the black middle class's opportunity for income depends more heavily on political tides than economic trends" (Collins 1983). Historically, the black middle class has been over-represented in government positions such as public administration and protective services. Public sector jobs frequently pay less than the corresponding private sector jobs, which places African-Americans on a lower lifetime earnings track. Blacks do not necessarily trade higher income for increased job security, as very often these government jobs are in positions which are the first to be laid off during budget cuts (Collins 1983).

In the private sector, African-Americans are often marginalized into "dead-end jobs" which provide little room for advancement or the acquisition of new skills (Collins 1989, 1997; Toliver 1998):

Too often Black managers are channeled into The Relations as I call them-the community relations, the public relations, the personnel relations. These may be important functions, but they are not the gut functions that make the business grow or bring in revenues. And they are not the jobs that prepare an executive to be a CEO. (Jones 1986:89)

This suggests that the black white-collar workers, even if nominally earning the same wage as whites, are not given access to the same broad array of occupations. While annual earnings may be comparable, lifetime earnings will almost certainly be lower, as black workers are trapped in



jobs and denied upward mobility. Furthermore, such practices prevent African-Americans from gaining the same skill-set or contacts as whites, and are later unable to pass them down to their children in the form of social capital.

### **Instability of the Black Middle Class**

In addition to facing marginalization in the workplace, inferior neighborhoods and schools, and fewer opportunities for advancement, the black middle class must also work harder to stay middle class. Fifty-eight percent of black middle class households required two full-time workers in order to stay middle class, compared to only forty-three percent of white middle class households (Landry 1987). Black families live perilously close to falling out of the middle class.

Oliver and Shapiro (1995) document how the average white middle class family can support its present standard of living for an average of four and one-third months without a regular stream of income. The typical black middle class family, however, cannot support itself for even one month. Not controlling for class, nearly two-thirds of all African-Americans own no financial assets whatsoever. Seventy-two percent of whites, on the other hand, hold financial assets.

The small number of African-Americans who do own assets own distressingly little. An African-American with \$2000 in financial assets would be in the top fifth of the black wealth distribution. The same amount would place them in the fortieth percentile among whites (Oliver & Shapiro 1995). The lack of wealth and inheritable assets among the black middle class poses a serious threat to the transmission of success from one generation to another. With such little wealth to pass on, the next generation must reach middle class status through earnings alone. The white middle class, by contrast, is able to reproduce itself through dual avenues of earnings and inheritance of wealth.

The overall conclusion from the literature is that, while the growth of the black middle class over the last fifty years has been impressive, African-Americans continue to lag behind whites. The black middle class is not as financially secure as is commonly assumed. There is also evidence of a pendulum effect where blacks gain, only to have those gains partially eroded by both political and economic downturns.

What the literature hardly touches, however, is the intergenerational mobility of the black middle class. It is troubling enough that the newly created black middle class has not achieved parity with the white middle class; it would be far worse if the black middle class is unable to reproduce itself. Inevitably, downward attrition from the black middle class would result in all but a handful of African-Americans living in the underclass.

### **Intergenerational Mobility**

The intergenerational mobility of the black middle class should be seen in the context of intergenerational mobility as a whole. A high intergenerational elasticity (IGE) is indicative of a rigid society, as it signifies that an individual's lifetime income is largely a reflection of that of his or her parents'. A low IGE means that society is relatively mobile, and that an individual's income is independent of that of his or her parents'.

There is some debate over the precise amount of intergenerational mobility in the United States right now, with the estimate of IGE typically falling around 0.4 (Solon 1992), or 0.6 and higher (Mazumder 2005). An IGE of 0.4, for example, implies that forty percent of an earnings gap between groups would remain after one generation. This is akin to saying that it would take approximately three to four generations for all earnings advantages and disadvantages to be

erased, and for a household to move to the national average household income. If IGE were 0.6, intergenerational mobility would be substantially lower, and 60% of the earnings gap would remain after one generation. It would then take a family an average of five to six generations to return to the mean income.

IGE is estimated to be significantly higher for families with low net worth, and negligible for the super-rich (Mazumder 2001). This implies that black families will, on average, experience higher IGE/less mobility, as they are overrepresented in the bottom income quintiles. This high estimate of IGE is most likely driven by the large numbers of African-Americans trapped in the underclass, however, who experience little to no mobility over the course of their lives. It remains to be seen how much of the high IGE estimate applies to the black middle class today. (Somewhat counter-intuitively, an IGE of 0.6 for the black middle class would be an excellent finding, as it implies that most blacks in the middle class will experience little social mobility and will remain in the middle class instead of falling to the bottom).

In recent years, there has been a decline in upward mobility across all groups (Duncan et al 1995a; Mazumder 2001, 2005; Duncan, Smeeding, Rogers 1991). Importantly, the younger generation is slower in attaining middle class status. Duncan et al. report that only forty-two percent of males who turned thirty in 1989 to 1992 earned enough to be considered middle class, compared to sixty percent of the males who turned thirty in the period from 1977 to 1988.

Featherman and Hauser provide one of the first analyses of black intergenerational mobility. Using CPS data from the 1962 and 1973 OCG surveys, they found that young African-Americans did not “inherit” low status, but were able to take advantage of the improved access to education and increased occupational mobility. Cohorts born after the mid-1930’s showed higher intergenerational mobility than the general population, while the mobility of younger cohorts was even higher still. The WWII birth cohorts “with the undertaking of their first jobs, bridged a difference in social status nearly equal to the lifetime social mobility of the pre-Depression black cohorts” (Featherman & Hauser 1978). The intergenerational mobility to first jobs of these cohorts was equal to, or greater than, the mobility of whites. These conclusions led Featherman and Hauser to speculate that a slow convergence towards occupational equality for black and white males (Featherman & Hauser 1978).

Such upward intergenerational mobility is only to be expected, however, in light of the radical transformation of American society during the Civil Rights movement and the strong post-war economy. When the careers of young, relatively advantaged black men are compared to their parents who are less fortunate almost by definition, it would be alarming *not* to see upward mobility. The true question is whether or not African-Americans (and specifically the black middle class) have managed to *maintain* an intergenerational elasticity over time that is on a par with whites. In studying a period of extraordinary expanding opportunity for African-Americans, Featherman and Hauser may have captured only a period effect, and not a long-run trend.

In 1988, Hout’s later study of intergenerational occupational mobility found that overall mobility remained unchanged between 1972 and 1985. Hout decomposes mobility into two components (circulation mobility and structural mobility) for a more in-depth analysis.<sup>1</sup> He finds that, while overall mobility was unchanged, a decline in structural mobility actually counterbalanced the decrease in association between socioeconomic origins and destinations.

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<sup>1</sup> Circulation mobility is the amount of mobility accounted for by exchange movements up and down the occupational structure; whereas structural mobility is the amount of mobility due to macro-changes in the occupational structure itself.

His findings appear to reject Featherman and Hauser's theory that there is a slow regression towards occupational equality for blacks and whites. According to Hout, the decline in structural mobility exactly offset the increase in circulation mobility arising from the decrease in association between origins and destinations. The net effect on mobility was zero. A detailed reading of his study reveals that for African-Americans this trend is actually an increase in the association between the occupation of the parent and the occupation of the child. It demonstrates occupational persistence, and not upward occupational mobility.

What Hout does show is that a college education or higher eliminates the effect of socioeconomic background. (Origin is still a determining factor in destination status for those with less than a college degree, however). Hout shows that upward mobility exceeded downward mobility in the 1980's, but by a smaller margin than it did in the 1960's and 1970's. Those from the most advantaged backgrounds exhibited the highest degree of upward mobility, irrespective of race (Hout 1984, 1988). This appears to suggest that class is more important than race when it comes to socioeconomic mobility.

A more recent comparison of black/white intergenerational mobility challenges Hout's view. Using the 1972-1989 Cumulative General Social Survey, Davis demonstrates that black males experienced greater downward occupational mobility than white males during the 1970's and 1980's, and that intergenerational occupational persistence levels were higher for white men than for black. Similarly, Davis finds that white fathers in white collar jobs are better able to protect their sons from downward occupational mobility than black fathers in white collar positions. He concludes that race is still a factor in intergenerational mobility (Davis 1995).

Davis' study has some major flaws, however. Critically, he fails to control for the age of the father in his analysis, which will lead to invalid conclusions. It does not make sense to compare the occupation of the father at 50 with the son at age 24, for example. He also uses occupation as his sole measure of comparison, and sorts individuals across five broad occupational categories. Such an analysis loses much of the detail. Finally, his study is severely limited in that it examines only fathers and sons. It fails to take into account the impact of women during a period when they entered the labor force in droves, as well as the high prevalence of single female-headed households in the African-American community.

### III. CONCEPTUAL FRAMEWORK

#### **Definition of Class**

It is important to arrive at a standard definition of class before attempting to analyze any class differences. Defining class is inherently difficult. The notion of a middle class is central to American society, and yet strangely there is no official, universal definition. Instead the concept of middle class is amorphous and even changes over time (Parker 1972). The typical consumer goods that are associated with the middle class lifestyle tend to change, making intergenerational comparisons difficult. For example, the one bath-one car home of the 1950's is no longer the norm for today's middle class. Similarly, today it is not considered a symbol of middle class status to have a refrigerator, color television, or indoor plumbing as it once was. Generally speaking, sociologists predominantly use occupation categories to assign class, while economists prefer measures of income.

In this study, I use income as my primary measure for several reasons. The first is that occupation does not take unemployment status into account. Not only do African-Americans tend to have higher rates of unemployment, but they are also more likely to drop out of the labor

force due to incarceration or discouragement. Occupation would not capture this activity. Furthermore the status of occupations tends to change across time, which can become problematic in intergenerational studies. For these reasons, and the fact that the PSID provides excellent information on income, I use income quintiles to define class.

**Table 1: 2003 Income Quintiles**

Year	Upper limit of each fifth (2003 dollars)				Lower Limit of Top 5%
	Lowest	Second	Third	Fourth	
2003	\$17,981	\$33,993	\$54,443	\$86,851	\$154,092

Source: U. S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements, Table H-1. Income Limits for Each Fifth and Top 5 Percent of Households All Races: 1967 to 2005.

Upper limits for each income quintile and the top five percent of households, for all races. The dollar amounts are adjusted to 2003 dollars using the Bureau of Labor Statistics' CPI-U.

Using the U.S. Census Bureau CPS Annual Social and Economic Supplements Table H-1, I define the middle class as households with a pre-tax income between \$25,001 and \$86,851 – a group occupying roughly the middle half of the Census income distribution tables. “Lower Class” is those in the lowest income quintile and in the bottom half of the second quintile (\$0-\$25,000), while “Lower Middle Class” is defined as the top half of the second quintile (\$25,001-\$33,993). The third income quintile (\$33,994-\$54,443) represents the center of the middle class, and the fourth (\$54,444-\$86,851) constitutes “Upper Middle Class”. I define “Upper Class” as all those in the fifth income quintile, or those making \$86,852 per year or more. The middle class (\$25,001-\$86,851) is then the aggregation of “Lower Middle Class”, “Center Middle Class”, and “Upper Middle Class”. Importantly, my quintiles are drawn from the total population, rather than creating separate income quintiles for blacks and whites, as some have done in the past. Creating separate income quintiles by race falsely inflates the number of African-Americans in the middle and upper classes and does not give an accurate portrayal of the real situation.

## Measures of Mobility

After defining class, it is necessary to define measures of mobility. To measure the intergenerational mobility of the black middle class, I compare the parents and children across two measures: income (primary measure) and occupation (secondary).

## Income

To estimate the intergenerational mobility of the black middle class, I employ transition matrices to estimate the observed probability of moving from one point in the income distribution to another. I also use a simple Markov Model of transmission of income between two generations as specified in eq(1).

$$(1) \quad Y(t) = \beta_0 + \beta_1 Y(t-1) + \varepsilon$$

where  $Y$  is log income,  $t$  is the “child’s” generation, and  $t-1$  represents the “parents” generation.  $Y(t)$  can also be thought of as the destination, and  $Y(t-1)$  as the origin.

Equation (1) states that the child’s lifetime adult income ( $Y(t)$ ) is a function of the parents’ lifetime adult income ( $Y(t-1)$ ) and a random variable ( $\varepsilon$ ), where  $\varepsilon \sim N(0, \sigma^2)$ . In this framework, mobility is simply the difference between destination and origin:

$$\text{Mobility} = Y(t) - Y(t-1) = \beta_0 - (1-\beta_1)Y(t-1) + \varepsilon$$

The equation decomposes mobility into two parts. The intercept ( $\beta_0$ ) captures the structural mobility – it reflects the amount of growth which has occurred in the economy and is the growth in income across the two generations which is independent of the parents’ income. Structural mobility typically results from a change in the distribution of occupations, expanding opportunities in some and decreasing them in others. The coefficient  $(1-\beta_1)$  captures the “circulation mobility”, or opportunity, that an individual experiences. It measures the association between the “child” and his or her parent’s income. In a society with high circulation mobility, there is a lot of opportunity and income and social status are determined primarily by a person’s innate skills and ambitions, not by any inherited advantages or disadvantages.

As I am using log income,  $\beta_1$  can be read directly as intergenerational elasticity. A high elasticity translates into low intergenerational mobility, and is indicative of a rigid society in which an individual’s income is largely determined by the income of his or her parents. A low elasticity, on the other hand, signifies that mobility is high (both upwards and downwards), and that there is a lot of opportunity for a person to change his socioeconomic position. The lower the elasticity, the more opportunity that exists, and the more likely it is that children with equal abilities will have an equal chance to succeed. Note that it is possible for  $\beta_0$  and  $\beta_1$  to work in the same direction, or to work against each other.

## Occupation

Occupation is my secondary measure of mobility. I use occupational mobility tables to estimate occupational “inflows” and “outflows” to chart the movement of respondents into and out of middle class occupations. Comparisons are drawn between blacks and whites using both occupational categories, and prestige scores.

The initial question is to determine whether or not the black middle class is reproducing itself. This can occur via two mechanisms: either (1) internal: the children of the black middle class maintain their middle class status as adults, or (2) external: there are new entrants to the middle class over time, as children from upper or lower class black families join the middle class as adults. (Interestingly, if the first scenario is predominant, then this is evidence of a class effect. If the second case prevails, then it suggests that the existence of a black middle class is not perpetuating the black underclass, as some have suggested. Additionally, if the majority of the black middle class is made up of new entrants and reproduction is not occurring internally, then the black middle class appears transitory and limited to a single generation. This raises the issue of the stability of the black middle class).

Mobility is decomposed into “structural mobility” and “circulation mobility” to determine whether the effects of these two components affect blacks and whites differently. Given the dire picture of the black middle class painted by the literature and the general trend of decreased mobility nationwide, I expect to find (relative to whites in the middle class):

## Hypotheses:

- (1) The black middle class is not able to reproduce itself, and is slowly shrinking in size over time.
- (2) Internal class reproduction is not occurring at the same rate as that of the white middle class. That is to say: the children of middle class blacks are not maintaining their middle class status and are falling out of the middle class at higher rates than the children of middle class whites.
- (3) Internal reproduction is occurring, but only by class and not by income quintile. The black middle class is experiencing a sort of “sedimentary effect” over the years, as blacks fall to the bottom of the middle class and the entire class grows increasingly “bottom-heavy”. Evidence for this would be higher rates of persistence in the fourth income quintile when compared to the second or third.
- (4) External reproduction, or new entrants to the black middle class, is not occurring with the same frequency as it is seen in the white middle class. This means that over time there are few new entrants to the black middle class from other classes, as African-Americans are either trapped in the lower class or part of a “super-elite” upper class. This would be indicated by a high elasticity/low mobility for all African-Americans in the upper and lower classes.
- (5) An overall reduction in the number of middle class blacks over time. If hypotheses one through three are correct, then it would necessarily follow that the black middle class is shrinking over time as African-Americans “fall out” and are not replaced by new entrants.

#### IV. DATA AND METHODOLOGY

##### **Data Source**

The data for this analysis come from the Panel Study of Income Dynamics (PSID), administered by the University of Michigan’s Survey Research Center. The PSID is an annual longitudinal survey which began in 1968 with a national probability sample of 4,800 families. The members of the original sample have been followed as they age, and data have been collected on their offspring throughout childhood and into adulthood. As children mature and form families of their own, these new families are also incorporated into the PSID. As a result, the sample size has grown from the original 4,800 families in 1968 to over 8,000 families by the time of the 2003 survey. The 2003 PSID is nationally representative and contains annual information on over 67,000 individuals. Altogether, the PSID provides rich economic and demographic information spanning as much as thirty-six years of the respondents’ lives.

The PSID has a consistently high response rate of 97% for the core re-interview sample, which provides a thorough collection of data on families over their lives, and ensures that attrition is relatively low. Information is also collected on current co-residents, e.g. spouses, co-habitators, children, and others living with the core members. Due to budget constraints, the PSID switched to biennial data collection in 1997 and reduced the core sample. A “refresher sample” of post-1968 immigrant families and their adult children were added to keep the study representative of the U.S. population.

The PSID contains detailed information on economic and demographic behavior, with a particular eye to income sources and amounts, employment, and family composition. Such data make it possible to relate the income and occupational status of the children as adults to that originally reported by their parents. The annual income data collected represents income from the previous year. The data are available at both the family and individual levels, with the most extensive data available for the family head. Major funding for the PSID comes from the National Science Foundation. For a fuller description of the PSID, see Hill (1992).

The PSID was chosen for this study, not only because it follows children from the original sample into adulthood, but because the dataset contains excellent information on income and the over-sampling of poor households in the late 1960's resulted in a sizeable sub-sample African-Americans. Fortuitously, this over-sampling coincided with the rise of the black middle class, making the PSID one of the few datasets which contains a substantial number of African-Americans for the period in question.

I first measure intergenerational elasticity using income. I examine the income correlation across generations using a life-course approach and match parents and children at age-synchronized points in their life-cycle. This approach has the advantage of observing child/parent head of household pairs at similar stages in their careers. I initially choose to observe heads of households from age thirty-five to age forty-two. These years are chosen as they typically represent the peak earning years and can be taken as a measure of permanent earnings. As earnings generally rise until age forty, an individual's earnings during this eight year period are a good measure of his or her earning capacity (Mincer 1974). Studies have also shown that measures of earnings around age forty may also suffer less attenuation bias than those taken at age thirty, or over age fifty (Gordon 1984; Baker & Solon 1999). As these age requirements result in a rather small sample size for "child" households, they are then extended by five years, in order to increase the size of the sample. The heads of the "child" households are followed from age thirty to age forty-two.

Following Solon (1992), I use more than one year's worth of income data to create measures of permanent income for both the parents and the children. Averaging income over several years reduces the bias from transitory income shocks and measurement error. Using only one year of income can lead to mis-measurement as an individual may have been temporarily laid off, experiencing atypical earnings, or the data may not have been entered correctly. Averaging income over such a large period of time also leads to a more robust estimate of intergenerational elasticity (Mazumder 2005). I average eight years worth of data for the parents over the period when each head is age thirty-five to forty-two, and thirteen years of data for the children over the period when the head is age thirty to forty-two.

### **Description of Variables**

(i) *Total Family Income*: Total family income is calculated as the median total family income for heads of households over the period they are 35 to 42 (30 to 42 for "child" households). It is adjusted to 2003 dollars using the Bureau of Labor Statistics CPI-U, and then logged to correct for skewness. Total family income data is collected each year by the PSID for the preceding year. Total family income is preferred to individual income as it contains the income of all the adults present in the family unit, as well as transfers and assets. Family income is unlikely to be zero (unlike individual income), and is a more robust measure of economic status. This is especially true for females, as the individual labor earnings of women are usually not available. The main difficulty with using total family income is that it does not reflect the number of

dependents present in the family unit. To account for this, I use the Ruggles' Equivalent Income scale to identify equivalent income levels for households of different sizes.<sup>2</sup> While there is an extensive literature on the use of equivalence scales, the Ruggles Scale was chosen for its simplicity.

(ii) *Occupation*: PSID occupation data is based on the U.S. Census Bureau 3-digit 1970 occupational classification code. Occupations from 1968 to 1981 are coded in 1 or 2-digit codes, but retroactive occupation data is available from the PSID website. Codes for 2003 and 2005 are coded in Census 2000 classifications, but a crosswalk from the National Crosswalk Service Center (NCSC) converts the data to 3-digit 1970 occupation classification codes. Each occupation code can be categorized into one of thirteen groups. If the head has more than one occupation over the eight year period, then the modal value is chosen.

(iii) *Occupational Prestige*: Each occupational code is mapped to an occupational prestige score based on Socioeconomic Index Scores (SEI). The occupational prestige score facilitates more nuanced comparisons between parents and children with disparate occupations. Occupational prestige is also a more accurate measure for heads whose occupation changed during the period in question. Occupational prestige is their mean prestige score over this time. It reflects all the head's occupations in this time, as well as the number of years in each occupation.

(iv) *Race*: Parental race is defined as the race of the head of the household at age 35 to 42. In the rare instances where the race of the head changed during this period, the modal value was chosen. The race of the child is similarly defined as his or her race at age 30 to 42. As the coding of race changed repeatedly throughout the history of the PSID, race was recoded uniformly as: (1) white (2) black (3) Hispanic (4) other. Because the PSID does not provide good coverage of Asians, this group was combined into the (4) "other" category. Due to the low number of Hispanics and "Others", these groups were ultimately dropped.

(v) *Education*: Education for both the parent and the child is defined as the highest year of schooling completed by the head (parent/child) during the time he or she is aged 35 to 42 (parents) or 30 to 42 (children).

(vi) *Sex*: Sex is defined as the gender of the head of the household (parent/child) over the multi-year period. If, in the case of the parent, the gender of the head changes (e.g. the father dies/leaves and the mother becomes head), then the modal value is chosen.

(vii) *Total Number in Family*: This variable reflects the number of people living in the family unit. It is used to control for the effect of family size on consumption and total family income.

(viii) *Region*: Region is added to control for the variability in income and cost of living across labor markets.

(ix) *Relationship to Head & Sequence Number*: These two variables identify individuals who are the (1) head of a household, (2) wife, or (3) "wife" in a given year. Together, they are used to assign income and occupation data to the correct individual within the family unit.

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<sup>2</sup> Ruggles =(Household size)<sup>0.5</sup>



(x) *Birth Year*: Since I am specifying an age range rather than a birth cohort, I am studying all parents aged 35 to 42 and all children 30 to 42 across the history of the PSID. Birth year is used to identify the generation to which each parent/child belongs.

(xi) *Middle Class*: This is a dummy variable which reflects whether or not the family is in the middle class.

## Matching

Parents and children are matched through the PSID Family Identification and Mapping System (FIMS). An intergenerational balanced map is created using both biological and adoptive parents. This file provides the link between parents and children and allows the creation of a subset that contains information on both. Of the just over 8,000 families in the PSID (un-weighted), 4,729 independent child-parent family pairs were successfully created. Of these, approximately 63% (n=2,999 family pairs) have heads in the correct age range. Approximately 94% of the parents' and children's family units (n=2,810 pairs) in this age range are successfully matched to their income data, while 91% are matched to occupational data.

## V. FINDINGS

**Table 10:**

		Decomposition of Intergenerational Mobility				
		Child's Class				
		Upper Class	Upper Middle Class	Middle Class	Lower Middle Class	Lower Class
		(V)	(IV)	(III)	(II)	(I)
White	Structural Mobility (B0)	.899 (.011)***	.855 (.013)***	.682 (.014)***	.640 (.014)***	.723 (.011)***
	Elasticity (B1)	.304 (.007)***	.322 (.008)***	.435 (.009)***	.420 (.009)***	.222 (.007)***
	Circulation Mobility (1-B1)	.696	.678	.565	.580	.778
	Adjusted R Square	.513	.302	.115	.159	.463
Black	Structural Mobility (B0)	.861 (.009)***	.855 (.011)***	.645 (.012)***	.601 (.011)***	.711 (.009)***
	Elasticity (B1)	.138 (.007)***	.309 (.008)***	.414 (.009)***	.397 (.009)***	.219 (.007)***
	Circulation Mobility (1-B1)	.862	.691	.586	.603	.781
	Adjusted R Square	.520	.305	.123	.167	.463

OLS Regression estimates of intergenerational elasticities. Dependent variable = Child's Income (log), adjusted for family size using Ruggles Scale, 2003 dollars. Standard errors given in parentheses. Significance denoted as: \*, p<0.05; \*\*, p<0.01; \*\*\*, p<0.001.

Hypothesis (1):

The results from the Intergenerational Mobility table (Table 2) indicate that the hypothesis that the black middle class is unable to reproduce and is shrinking over time is false. The data show that the percentage of African-Americans in the middle class is actually growing as newcomers enter from the lower and lower-middle classes.

Hypothesis (2):

The hypothesis that internal class reproduction among middle class blacks is not occurring at the same rate as that of middle class whites and that black children are falling out of the middle class at higher rates than white children is partially rejected. African-Americans in the middle class actually demonstrate more class persistence than their white counterparts. Table 3 shows that 40% of blacks in the middle class remain there in the next generation, whereas the same is true for only 34% of whites. The hypothesis is partially rejected as black children are falling out of the middle class faster than white children. White children of the middle class experience significantly more upward mobility than middle class black children: 30% of white children leaving the middle class are headed to a higher class while, of the black children leaving the middle class, virtually all of them are downwardly mobile.

Hypothesis (3):

Hypothesis (3) – that, if internal class reproduction were occurring, the black middle class would be growing increasingly “bottom heavy” as black children would barely manage to stay middle class and would sink to the lower- middle class – is also rejected. Table 10 reveals that blacks in the middle class have the highest rate of persistence of all the classes. As Table 2 shows, the over-arching trend is for upward mobility. Every single class above the lower class is growing, while the percentage of blacks in the lower class is shrinking. Although 87% of black children originated in the lower or lower-middle class, only 78% remain there as adults. African-American children are moving to the center of the middle class and beyond. The percentage of black children in the middle class or higher is almost 8.5% greater than that of their parents.

Hypothesis (4):

Table 4 indicates that this hypothesis of few new entrants to the black middle class from other classes can also be rejected. The majority of African-Americans in the middle class are in fact new arrivals. As Table 4 shows, over 50% of blacks in the middle class originated in the lower class and an additional 20% came from the lower-middle class. Table 10 shows that the reverse of the hypothesis that African-Americans in the upper and lower classes experience high elasticity/low mobility is actually true: blacks in the upper and lower classes actually experience the most mobility and have lower elasticities than those in the middle class.

Hypothesis (5):

Hypothesis (5), that the black middle class is shrinking over time as African-Americans “fall out” and are not replaced by new entrants, must also be rejected. Hypothesis (5) follows from hypotheses 1-4, which have all been rejected. The black middle class is not shrinking over time, nor are African-Americans perched on the brink of “falling out.” Black, middle class

Americans show more class persistence than middle class whites, and more blacks than whites are joining the middle class.

## VI. DISCUSSION

Black family units comprise approximately 12.4% of the total sample, and are found almost proportionately represented in the middle class by 2002. Figure 1 depicts the growth of the black middle class since 1968. Although the size of the middle class has fluctuated over time, the percentage of black families in the middle class has increased steadily from 4% in 1968 to 10.5% by 2002.

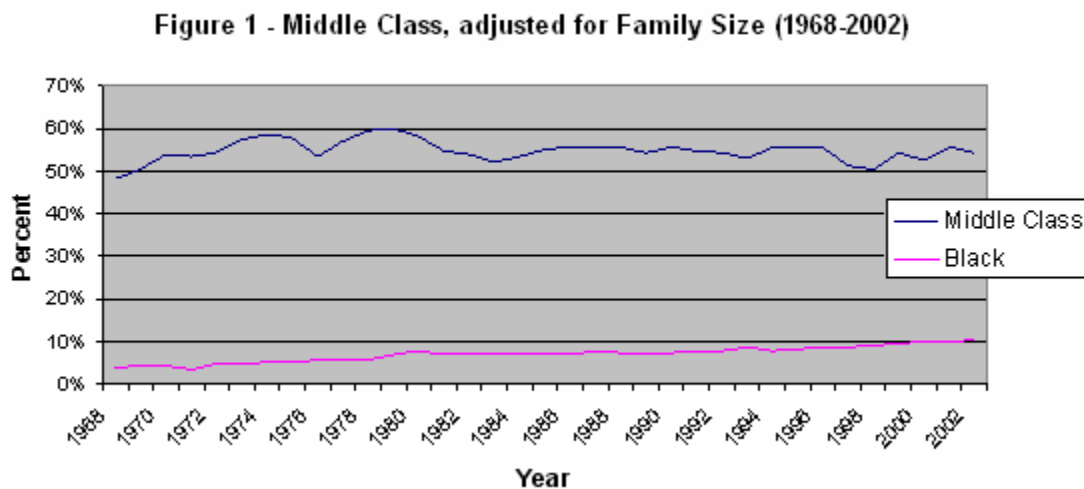
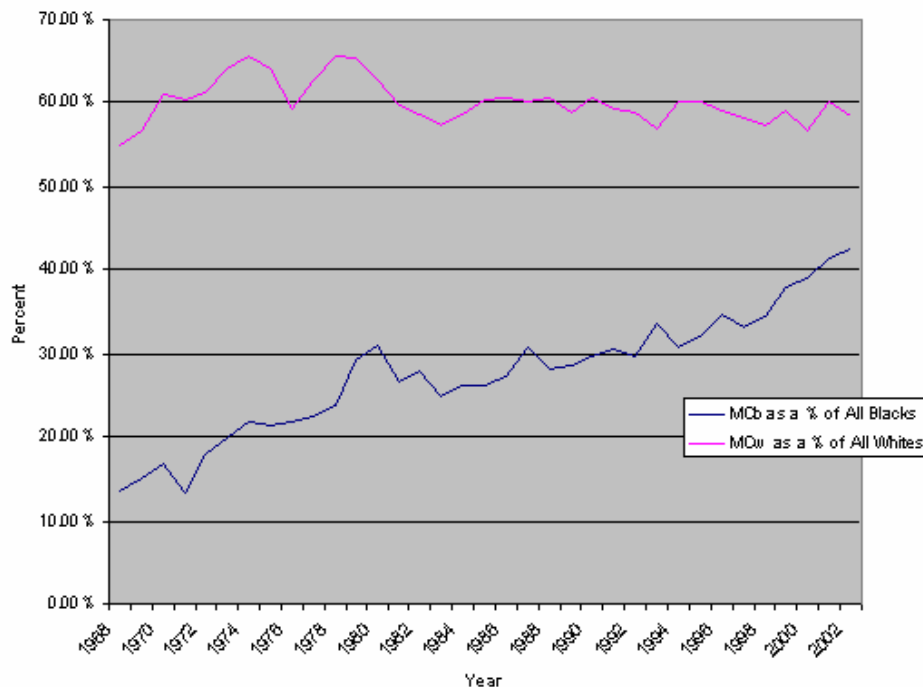


Figure 2 shows the remarkable increase in middle class blacks as a percentage of the total black population. The percentage escalates from just over 13% of all blacks in 1968 to almost 43% in 2002. Although whites appear to be joining the middle class faster than blacks in the late 1960's and 1970's, almost all of this growth of whites in the middle class is lost by 1984. The percentage of whites in the middle class reaches a high of 65% in 1978, only to decline abruptly after this point. Since the mid-1980's, the percentage of whites in the middle class has shown little growth, and hovered around 58%.

**Figure 2 - Black/White Composition of the Middle Class (UMC/MC/LMC), adjusted for family size (1968-2002)**



While whites in the middle class were hit hard in the early 1980's and declined by 8% in four years, blacks in the middle class proved considerably more robust, showing a smaller drop (5%) in the same period and recovering faster. After strong growth throughout the late 1960's and 1970's, blacks in the middle class weathered the dip of the 1980's and continued to increase their numbers steadily throughout the mid-1990's. Remarkably, the steep rise in the trajectory of the graph after 1995 indicates that the rate of growth in the percentage of blacks in the middle class is growing even faster today than it did during the strong civil rights movements of the late sixties and early seventies.

Figures 3 and 4 show the class distribution of blacks and whites respectively over time. These graphs break down the middle class into three tiers, so that it is possible to observe exactly where the growth in the middle class is occurring. The most striking line is that of lower class blacks. The percentage of blacks in the lower class has been halved in just thirty-four years. The percentage of blacks in the lower class falls from almost 90% in 1968 to 50% by 2002. This is double the rate of decline seen in lower class whites during the same time period.

**Figure 3 - Class Distribution of Blacks, adjusted for family size (1968-2002)**

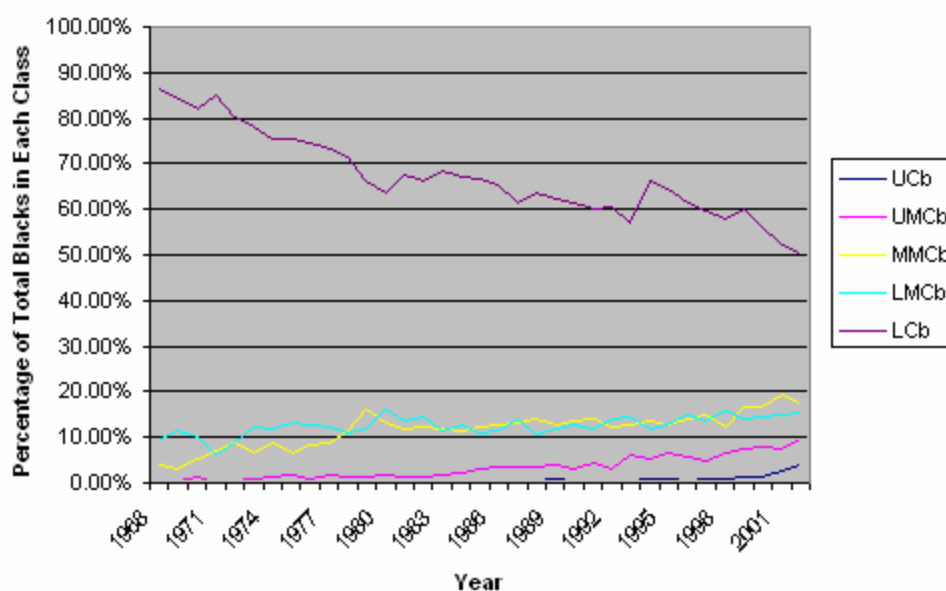
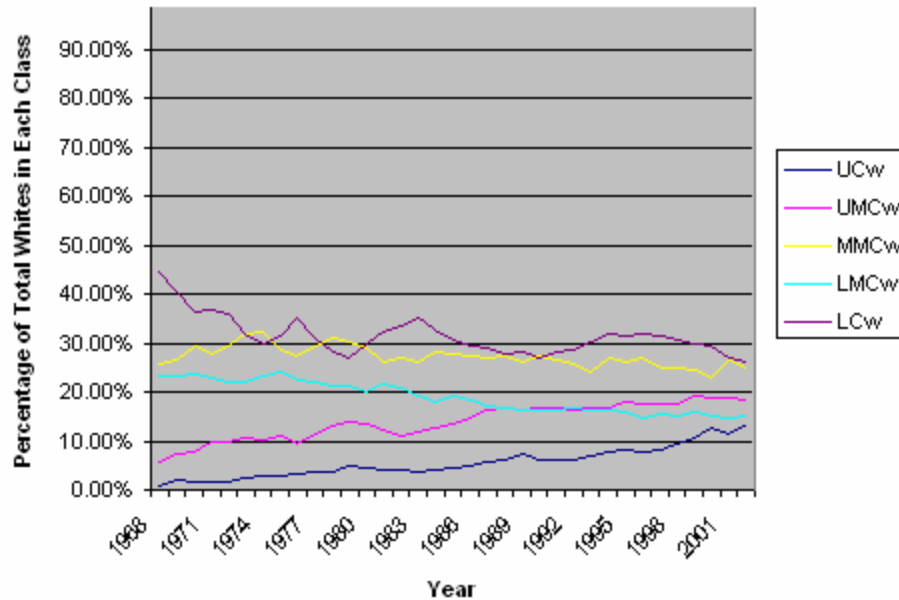


Figure 3 reveals that not only has the percentage of blacks in the lower class fallen dramatically, but that the upward flow is shared among all the other classes – every single other class has experienced growth. In 1968, 97% of blacks are concentrated at the bottom end of the income distribution, with approximately 87% in the lower class and 10% in the lower-middle class. Less than 4% of all African-Americans fall outside the two lowest classes. By 2002 however, almost eight times this number (32%) are middle class or above. The center of the middle class (those making between \$33,994 and \$54,443 after adjusting for family size) shows the most growth, increasing from less than 4% in 1968 to almost 18% in 2002. The lower-middle class shows slower but sustained growth over the entire period, growing from 10% to 15%. While only 0.04% of blacks are in the upper-middle class in 1968, that number swells incredibly to almost 10% by 2002, with most of the growth occurring after the mid-1980's.

The percentage of African-Americans in the upper class is slower to grow, with blacks not appearing in any real numbers until the 1980's, and then witnessing slow growth until the turn of the millennium when the percentage increases rapidly from 0.86% in 1997 to 3.75% in 2002. Unfortunately, it is too soon to tell whether this accelerated rise in the percentage of blacks in the upper class is a sustained trend, although it is clear from the graph that the number of blacks in the upper class is increasing steadily, albeit slowly, over time.

As African-Americans are moving out of the lower class and into higher classes, the distribution of the white population is also changing. Figure 4 shows the class distribution of whites from 1968 to 2002 as percentages of the total white population. The overall trend is also for upward mobility for whites. The percentages of whites in the lower class, lower-middle class, and middle class are all declining, while the upper-middle class and upper class are growing steadily. Whites are leaving the middle class and joining the ranks of the upper middle class and upper class. The percentage of whites in the upper class increased by approximately 13% between 1968 and 2002. This is approximately four times faster than the growth in the percentage of blacks in the upper class over the same time period.

**Figure 4 - Class Distribution of Whites, adjusted for Family Size (1968-2002)**



These shifts are also evident in comparisons between generations. The overall intergenerational mobility pattern is for only moderate levels of class inheritance, with considerable movement between classes. Blacks show slightly more class mobility than whites. The gamma coefficients (0.374 for whites and 0.327 for African-Americans)<sup>3</sup> support this conclusion. Class inheritance between parents and children is greatest in the lower class, particularly for black individuals, while blacks in the middle class also display somewhat higher levels of class inheritance than whites.

Table 2 presents intergenerational mobility by class and race. It shows the movement between the parent's class and the child's class while they are both at similar ages. Comparing the origin and destination distributions, a dramatic change in class structure becomes apparent. Overall, there has been a general upgrading of class structure for both blacks and whites.

<sup>3</sup> This indicates a 37.4% reduction in guessing errors by using the parent's class to predict the child's class for whites, and a 32.7% reduction in guessing errors in predicting the class of black children.

**Table 2: Intergenerational Mobility Table by Class, by Race**

			<u>Destination</u>						
			Upper Class	Upper Middle Class	Middle Class	Lower Middle Class	Lower Class	Total	Marginal Dist.
<u>Origin</u>	<b>White</b>	Upper Class	25	148	113	-	33	319	1.73%
		Upper Middle Class	294	500	395	257	179	1625	8.79%
		Middle Class	533	1593	2277	1193	1188	6784	36.71%
		Lower Middle Class	203	933	1083	945	1141	4305	23.30%
		Lower Class	53	466	1418	1130	2379	5446	29.47%
		Total	1108	3640	5286	3525	4920	18479	
		Marginal Dist.	6.00%	19.70%	28.61%	19.08%	26.62%		
<b>Black</b>			Upper Class	Upper Middle Class	Middle Class	Lower Middle Class	Lower Class	Total	Marginal Dist.
	Upper Class	-	-	-	-	-	-	-	-
	Upper Middle Class	-	-	-	-	-	-	-	-
	Middle Class	6	-	145	58	148	357	13.15%	
	Lower Middle Class	-	24	83	98	180	385	14.19%	
	Lower Class	50	33	244	387	1258	1972	72.66%	
	Total	56	57	472	543	1586	2714		
	Marginal Dist.	2.06%	2.10%	17.39%	20.01%	58.44%			

Symmetric Measures			Value	Asymp. Std. Error(a)	Approx. T(b)	Approx. Sig.
White	Ordinal by Ordinal	Gamma	0.373922	0.007249929	49.7258724	0.000
	N of Valid Cases		18479			
	Ordinal by Ordinal	Gamma	0.327182	0.029475513	9.787946175	0.000
		N of Valid Cases	2714			
a	Not assuming the null hypothesis.					
b	Using the asymptotic standard error assuming the null hypothesis.					

The marginal distributions indicate that the white upper class and upper-middle class are increasing in relative size, while the middle class, lower-middle class and lower class have all declined. Only 1.73% of white children came from upper class families, but 6% of them are themselves in the upper class. Similarly, only 8.79% of white children came from the upper-middle class, but more than twice that many (19.7%) are upper-middle class as adults. While the bottom three classes have all declined, the white middle class has shrunk the most: 36.71% of children originated in the middle class but only 28.61% are there as adults.

For African-Americans, the boost impacts all classes, but occurs mainly at the bottom of the income distribution. Although blacks are still disproportionately represented in the lower

class, blacks are moving out of the lower class almost five times faster than whites. While 72.66% of black children originated in the lower class, only 58.44% are there as adults.

Table 3 shows a breakdown of the “outflows”, or the percentage of those from each origin class who are found in each destination class. The percentages in the table, computed horizontally, reveal the outflow from class origins to class destinations. The figures in the main diagonal of the table show the degree of class immobility, or percentage of children whose own class is the same as their parents. The majority of blacks leaving the lower class tend to move into the lower-middle class, and at approximately the same rate as whites. Lower class blacks move at a slower rate than whites into the middle and upper-middle class, but proportionally more than two and a half times as many blacks as whites make the jump straight from the lower class into the upper class.

**Table 3: Intergenerational Mobility: “Outflows” Table**

			<u>Destination</u>					Sample Size (%=100)
			Upper Class	Upper Middle Class	Middle Class	Lower Middle Class	Lower Class	
<u>Origin</u>	<b>White</b>	Upper Class	0.078	0.464	0.354	0.000	0.103	319
		Upper Middle Class	0.181	0.308	0.243	0.158	0.110	1625
		Middle Class	0.079	0.235	0.336	0.176	0.175	6784
		Lower Middle Class	0.047	0.217	0.252	0.220	0.265	4305
		Lower Class	0.010	0.086	0.260	0.207	0.437	5446
		Sample %	0.060	0.197	0.286	0.191	0.266	18479
	<b>Black</b>	Upper Class	-	-	-	-	-	-
		Upper Middle Class	-	-	-	-	-	-
		Middle Class	0.017	0.000	0.406	0.162	0.415	357
		Lower Middle Class	0.000	0.062	0.216	0.255	0.468	385
		Lower Class	0.025	0.017	0.124	0.196	0.638	1972
		Sample %	0.021	0.021	0.174	0.200	0.584	2714

Although lower class blacks traditionally demonstrate greater class immobility than whites (63.79% vs. 43.68% here), this study shows that this is not the only class in which African-Americans show stronger persistence. African-Americans in the middle class also display a higher degree of class inheritance than middle class whites: 40.62% of blacks originating in the middle class remain there as adults, compared to 33.56% of whites. This indicates that blacks in the middle class experience more class stability than whites.

One of the reasons why blacks in the middle class show higher rates of persistence, however, is because middle class whites are more upwardly mobile. While blacks are more likely than whites to stay in the middle class, they are far less likely to advance to a higher class. Just over 31% of whites originating in the middle class move to the upper or upper-middle class, whereas only 1.68% of middle class blacks move to a higher class. Instead, middle class African-Americans display significantly more downward mobility than middle class whites.



Almost 60% of blacks in the middle class fall out by the children's generation, but only 35% of middle class whites do. Whites leaving the middle class are almost equally divided between moving to a higher class and moving to a lower class. Almost all blacks leaving the middle class, however, are headed to a lower class.

Table 4 shows these "inflows", or the composition of each class in terms of the class origin of its members. The black middle class draws primarily from the lower class for its members. Only 30% of African-Americans currently in the middle class originated the middle class, whereas 18% came from the lower-middle class and a full 52% came from the lower class. The white middle class by contrast relies mainly on itself for reproduction. Forty-three percent of present middle class whites originated in the middle class, and no other class contributes more than about a quarter of the total.

**Table 4: Intergenerational Mobility: "Inflows" Table**

			<u>Destination</u>				
			Upper Class	Upper Middle Class	Middle Class	Lower Middle Class	Lower Class
<u>Origin</u>	<u>White</u>						Sample %
	Upper Class		0.023	0.041	0.021	0.000	0.007
	Upper Middle Class		0.265	0.137	0.075	0.073	0.036
	Middle Class		0.481	0.438	0.431	0.338	0.241
	Lower Middle Class		0.183	0.256	0.205	0.268	0.232
	Lower Class		0.048	0.128	0.268	0.321	0.484
	Sample Size (%=100)		1108	3640	5286	3525	4920
							18479

			Upper Class	Upper Middle Class	Middle Class	Lower Middle Class	Lower Class
<u>Black</u>							Sample %
	Upper Class		-	-	-	-	-
	Upper Middle Class		-	-	-	-	-
	Middle Class		0.107	-	0.307	0.107	0.093
	Lower Middle Class		0.000	0.421	0.176	0.180	0.113
	Lower Class		0.893	0.579	0.517	0.713	0.793
	Sample Size (%=100)		56	57	472	543	1586
							2714

Amazingly, many high socio-economic level African-American children appear to be skipping the middle class altogether and moving directly to the upper or upper-middle class. Almost 90% of blacks in the upper class grew up in lower class families, while only the remaining 10% are from the middle class. The upper-middle class shows a similar trend: approximately 40% of its black members came from the lower-middle class and almost 60% came directly from the lower class.

While Table 3 shows the percentage of African-Americans in the middle class experience higher class inheritance than whites, Table 4 shows that the percentage of middle class blacks is also expanding. The percentage of blacks in the middle class as a destination exceeds the percentage as an origin. The majority of blacks in the middle class are newcomers who have

moved up from the lower class. The percentage of whites in the middle class, on the other hand, not only displays lower rates of class inheritance but is actually declining slightly in size as middle class whites move out and fewer members of other classes move in.

With unprecedented numbers of African-Americans moving out of the lower classes and into the middle class at the same time as whites are moving out of the middle class and becoming stratified between the upper and lower classes, what is happening to overall equality? Table 5 shows the dissimilarity indices between blacks and whites in 1968 and 2002, as well as between parents and children.

**Table 5: Dissimilarity Indices (%)**

<b>Parents</b>				<b>1968</b>			
	<b>Black</b>	<b>White</b>	<b>DI</b>		<b>Black</b>	<b>White</b>	<b>DI</b>
UC	0	1.8	0.9	UC	0	0.8	0.4
UMC	0	9.7	4.85	UMC	0.04	5.6	2.78
MC	13.5	36.6	11.55	MC	3.93	25.9	10.985
LMC	14.2	23.1	4.45	LMC	9.58	23.36	6.89
LC	72.3	28.9	21.7	LC	86.37	44.35	21.01

<b>Children</b>				<b>2002</b>			
	<b>Black</b>	<b>White</b>	<b>DI</b>		<b>Black</b>	<b>White</b>	<b>DI</b>
UC	1.9	5.7	1.9	UC	3.75	13.61	4.93
UMC	2.2	18.6	8.2	UMC	9.5	18.44	4.47
MC	18	29.1	5.55	MC	17.64	22.78	2.57
LMC	20.2	19.5	0.35	LMC	15.4	15	0.2
LC	57.8	27.2	15.3	LC	50.35	26.32	12.015

The dissimilarity index is a measure of the evenness with which blacks and whites are distributed across the classes. These dissimilarity indices indicate the percentage of cases that would be required to change class in order to make origin and destination distributions identical. Each index is computed as:

$$\frac{1}{2} \sum_{i=1}^N \left| \frac{b_i}{B} - \frac{w_i}{W} \right|$$

where

$b_i$  = the black population of the  $i^{\text{th}}$  class

$B$  = the total black population

$w_i$  = the white population of the  $i^{\text{th}}$  class

$W$  = the total white population

The comparisons between the two fixed points in time (1968 and 2002) and between the parents and children reveal the same thing: the racial distribution in the lower and middle classes is becoming more equal, but the racial disparity at the top is now even greater than it was in the past. The middle class shows less than half of the dissimilarity between children as it did between parents and, in 2002, only 23% of the dissimilarity seen in 1968. At the upper end of

the spectrum, however, dissimilarity has only grown. The upper-middle class is almost twice as dissimilar by race for the children as it is for the parents. The upper class shows the greatest dissimilarity of all: comparisons between parents and children by race yield approximately twice as much dissimilarity among the children as parents, and the disparity is twelve times greater between blacks and whites in 2002 than it was in 1968 – a time when very few people of either race were considered upper class.<sup>4</sup>

**Table 6: Descriptives - Children**

		CHILDREN											
		Lower Class		Lower Middle Class		Middle Class		Upper Middle Class		Upper Class		Total	
		White	Black	White	Black	White	Black	White	Black	White	Black	White	Black
		Column %	Column %	Column %	Column %	Column %	Column %	Column %	Column %	Column %	Column %	Column %	Column %
Sex	Male	51.6	32.7	65.3	61.2	75.1	55.9	75.2	70.8	77.7	93.4	67.0	44.6
	Female	48.4	67.3	34.7	38.8	24.9	44.1	24.8	29.2	22.3	6.6	33.0	55.4
Housing	Owens home (or trailer, fully or jointly)	35.6	19.7	58.0	34.5	70.1	43.5	74.4	52.4	68.9	93.4	59.2	29.0
	Rents (or shares rent)	55.5	68.7	35.7	65.1	27.6	51.2	21.5	47.6	29.1	6.6	35.7	63.2
	Neither (owns nor rents)	8.9	11.6	6.2	.4	2.3	5.3	4.1	-	2.0	-	5.2	7.7
Region	Northeast	16.9	21.8	12.5	22.6	18.0	43.9	28.1	-	19.1	6.6	18.5	25.1
	North Central	29.1	15.2	23.9	13.3	22.3	6.2	23.5	6.6	10.8	10.7	24.0	12.9
	South	34.1	50.8	40.6	58.4	41.3	41.2	28.5	49.5	40.4	82.6	36.9	51.2
	West	18.8	12.2	22.4	5.8	17.1	8.7	19.9	43.8	22.4	-	19.4	10.8
	Alaska, Hawaii	.9	-	-	-	.5	-	-	-	.0	-	.4	-
	Foreign Country	.2	-	.6	-	.7	-	-	-	7.3	-	.8	-
Highest Level of Education	Completed 9th Grade	-	-	-	-	-	-	-	-	-	-	-	-
	Completed 10th Grade	4.3	5.0	2.4	-	1.6	-	-	-	-	-	2.1	3.3
	Completed 11th Grade	7.3	12.0	-	4.3	1.2	-	-	-	-	-	2.2	8.8
	Completed 12th Grade	58.1	52.8	43.9	56.7	35.2	27.4	18.0	46.5	23.6	-	39.1	50.0
	Completed 1st Yr College	12.7	10.9	12.0	5.1	7.1	-	3.2	17.3	4.8	-	8.7	8.5
	Completed 2nd Yr College	12.6	11.8	11.9	14.9	10.7	43.9	10.7	-	11.8	-	11.5	16.4
	Completed 3rd Yr College	.5	2.9	9.0	4.7	4.7	20.8	5.2	-	8.7	-	4.8	5.6
	Completed 4th Yr College	4.0	4.5	11.7	13.5	22.4	7.9	49.7	-	28.1	-	20.8	6.6
	At least some post-graduate work	.5	-	9.1	.8	17.1	-	13.2	36.2	23.1	100.0	10.8	.9

<sup>4</sup> The parent/child comparisons by race show less dissimilarity than the comparisons between 1968 and 2002 as they are not fixed points in time, but rather span data from the entire period.

Table 7: Descriptives – Parents

		PARENTS											
		Lower Class		Lower Middle Class		Middle Class		Upper Middle Class		Upper Class		Total	
		White	Black	White	Black	White	Black	White	Black	White	Black	White	Black
		Column %	Column %	Column %	Column %	Column %	Column %	Column %	Column %	Column %	Column %	Column %	Column %
Sex	Male	100.0	100.0	100.0	100.0	99.8	100.0	100.0	-	100.0	-	99.9	100.0
	Female	-	-	-	-	.2	-	-	-	-	-	.1	-
Housing	Owns home (or trailer, fully or jointly)	72.4	44.8	87.8	67.4	89.6	52.2	93.6	-	94.3	-	84.7	49.0
	Rents (or shares rent)	23.4	46.9	9.2	32.6	9.2	46.4	5.3	-	-	-	12.7	44.8
	Neither (owns nor rents)	4.1	8.3	3.0	.0	1.2	1.4	1.1	-	5.7	-	2.5	6.2
Region	Northeast	19.8	21.3	23.0	13.6	24.0	34.5	28.6	-	33.1	-	23.2	22.0
	North Central	35.0	10.5	39.1	21.0	24.8	17.8	16.6	-	18.8	-	30.1	13.0
	South	30.2	56.3	20.1	59.9	32.0	35.7	36.3	-	30.4	-	29.1	54.0
	West	15.1	12.0	17.8	4.1	18.5	12.0	18.5	-	17.7	-	17.3	10.8
	Alaska, Hawaii	-	-	-	-	-	-	-	-	-	-	-	-
	Foreign Country	-	-	-	1.4	.6	-	-	-	-	-	.2	.2
Highest Level of Education													
	Completed 9th Grade	1.8	10.7	-	-	-	-	-	-	-	-	.5	6.7
	Completed 10th Grade	16.0	17.6	8.4	8.2	2.8	3.8	-	-	-	-	7.0	13.2
	Completed 11th Grade	13.4	13.4	3.0	16.3	3.6	-	-	-	-	-	5.4	11.2
	Completed 12th Grade	46.6	52.2	54.1	59.3	29.0	30.3	11.7	-	14.5	-	37.1	48.9
	Completed 1st Yr College	6.5	.4	4.0	7.6	7.7	9.5	11.5	-	7.0	-	6.9	3.5
	Completed 2nd Yr College	7.3	-	8.2	8.6	15.6	46.8	19.1	-	6.5	-	12.0	11.0
	Completed 3rd Yr College	1.2	5.1	1.8	-	3.4	-	3.6	-	-	-	2.4	3.2
	Completed 4th Yr College	4.8	.6	12.2	-	26.8	9.6	47.4	-	55.5	-	20.7	2.3
	At least some post-graduate work	2.3	-	8.3	-	11.2	-	6.7	-	16.6	-	8.0	-

One of the biggest differences between parents and children is the number of female-headed households. For both black and white parents alike, the head of the household is almost invariably male – regardless of class. For the children, however, the number of female-headed households has risen dramatically. While the greatest number of female heads of households are in the lower classes, substantial numbers of black and white women appear as heads in the middle and upper classes. A full 44% of middle class black families are headed by women, while almost 25% of middle class white heads are female. The percentages are similar for upper-middle class and upper class families. In terms of race, black children are considerably more likely to be in a female-headed household than whites for all classes, except the upper class. Only 6.6% of black upper class households are headed by women, compared to 22.3% of white.

Another major difference between the families of parents and children is the average family size. Family size has fallen across the board for the children. The average parental family size is 5 for whites and 7 for blacks – compare this to the children, where average family size has fallen to 3 for whites and 2 for blacks. The extreme case is upper class black families, which have an average family size of 1. Middle class families have shrunk from an average of 4 for blacks and 5 for whites to 2 and 3, respectively. Black children have smaller families than whites for all classes except the lower class, where the average family size is 3 irrespective of race. Unfortunately, due to data constraints, it is difficult to know how much of the decrease in family size is attributable to families having fewer children versus the increased prevalence of divorce and the rise of professional care for the elderly.

This movement towards a smaller family size helps to camouflage the fact that median real incomes have fallen for all classes. Children are making less than their parents, and African-Americans are still making less than whites. Adjusted to 2003 dollars, the median income of parents unadjusted for family size is considerably higher than that of the children. With little difference by race, the median income of children in the lower class is almost half that of their parents. Whites in the middle class make just 73% of what their parents make, while blacks make only 61%. This discrepancy almost doubles the difference between the median incomes of black and white children in the middle class compared to the difference between their parents.<sup>5</sup>

**Table 8: Descriptives II - Children**

	CHILDREN II											
	Lower Class		Lower Middle Class		Middle Class		Upper Middle Class		Upper Class		Total	
	White	Black	White	Black	White	Black	White	Black	White	Black	White	Black
Median Family-Size Adjusted Income (2003 \$)	17,966.84	13,868.23	29,223.43	29,424.41	41,394.95	42,628.67	67,324.52	61,502.36	108,239.84	96,300.00	35,823.26	20,400.88
Median Income, unadjusted for family size (2003 \$)	24,352.86	20,149.77	49,739.58	41,358.00	63,425.50	47,808.60	97,370.00	86,977.47	168,484.87	96,300.00	55,305.34	32,643.70
Total Number in Family (Mean)	3	3	3	2	3	2	2	2	2	1	3	2
Average Work Hours (Annual)	1,679.63	1,366.90	2,201.46	1,969.68	2,239.38	2,062.44	2,284.69	1,948.20	2,413.46	2,067.82	2,101.63	1,634.04
Occupational Prestige	36.48	32.82	43.50	38.23	45.85	38.62	49.93	41.53	54.27	45.04	44.21	35.26
Median Housing Value	30,020.99	10,268.79	61,096.47	19,939.24	84,795.67	43,344.13	145,033.28	84,776.04	191,686.72	292,659.97	82,724.23	25,057.43

**Table 9: Descriptives II – Parents**

	PARENTS II											
	Lower Class		Lower Middle Class		Middle Class		Upper Middle Class		Upper Class		Total	
	White	Black	White	Black	White	Black	White	Black	White	Black	White	Black
Median Family-Size Adjusted Income (2003 \$)	19,634.42	12,781.06	29,915.13	30,201.11	41,164.90	41,753.69	61,048.84	-	101,227.26	-	33,068.76	17,403.62
Median Income, unadjusted for family size (2003 \$)	45,282.40	38,577.44	66,130.29	64,490.00	87,294.94	78,919.30	135,093.40	-	217,518.00	-	69,811.74	41,173.26
Total Number in Family (Mean)	6	8	5	5	5	4	4	-	4	-	5	7
Average Work Hours (Annual)	2,227.78	1,913.91	2,280.80	2,087.19	2,442.14	2,256.60	2,613.52	-	2,851.61	-	2,367.59	1,984.89
Occupational Prestige	37.65	27.06	42.64	31.00	49.13	43.78	50.45	-	55.44	-	44.63	30.15
Median Housing Value	57,534.50	25,138.61	104,925.47	69,037.09	140,114.63	44,346.85	190,358.35	-	294,707.48	-	116,015.05	33,970.47

Once median incomes are adjusted for family size, however, African-Americans close the gap. Middle class black families actually have higher median incomes, adjusted for family size, than their white counterparts. This does not reflect greater earning potential, however, but smaller family sizes among middle class African-Americans. This suggests that a considerable amount of the upward mobility of blacks in the second generation is due to a reduction in family size, rather than increased earnings.

## VII. CONCLUSION

<sup>5</sup> The difference in median incomes (unadjusted for family size) between black and white parents is approximately \$8,000. The difference between the median incomes (unadjusted for family size) of black and white children is approximately \$15,500.

It appears that, while the black middle class is reproducing itself, it shows little upward mobility into the higher classes. Instead, blacks in the middle class are narrowing the economic gap between themselves and middle class whites. Black children in the middle class show less than half the socio-economic dissimilarity that existed in their parents' generation. African-Americans are staying middle class, and becoming more solidly middle class. Importantly, however, they are not yet advancing to the upper classes at the same rates as whites, and blacks leaving the middle class demonstrate a high degree of downward mobility. Middle class African-Americans still have less wealth than whites, lower home ownership, and typically hold jobs with lower occupational prestige. Although a greater percentage of blacks than whites remain in the middle class, almost all African-Americans leaving the middle class are headed to the lower class. Middle class whites, on the other hand, show much greater upward mobility into the upper classes and are almost as equally likely to move up as they are to move down. Approximately half as many whites as blacks move from the middle class to the lower class.

Added to this, African-Americans are still concentrated at the lower end of the income distribution and are only just beginning to appear in any number in the upper classes. Despite the general upward shift of black advancement out of the lower classes and into higher classes, the socio-economic dissimilarity between upper-class blacks and whites has almost doubled. Of course, it is too soon to provide a definitive conclusion for the state of the black upper class. Almost all black entrants to the upper classes are new, and it is likely that upper-class blacks are still solidifying their position, and that there will be more entrants over time – the majority coming directly from the lower class, if the current trends continue. The majority of the black child family heads are still young, and their final socio-economic path remains to be seen. What is clear is that the percentage of blacks in the middle class is growing steadily over time, and the upper classes are starting to show small signs of increasing numbers of African-American families. This study should be revisited in the future, as more data become available.

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