A SUBALTERN MIDDLE CLASS: THE CASE OF THE MISSING “BLACK BOURGEOISIE” IN AMERICA

WILLIAM DARITY Jr., FENABA R. ADDO and IMARI Z. SMITH

A convention, particularly in economics and sociology, for empirical identification of the “middle class” has been to mark off a segment of the population above a lower bound with respect to income, occupational status, and/or educational attainment. Instead, we argue here that wealth constitutes a superior standard for demarcation of the middle class. Wealth is an especially useful standard for identification of the middle class from subaltern communities, communities that have a generally marginalized status. We illustrate the value of the wealth criteria by examining the specific case of America’s Black middle class. This alternative approach enables us to demonstrate that the Black middle class is proportionately much smaller than the White middle class and to demonstrate the limitations of several proposals recently advanced to close the racial wealth gap. (JEL Z13, D31, D63)

I. INTRODUCTION

Stratification economics (Darity 2005; Darity et al. 2017; Davis 2019), a growing subfield in economics, directs attention to the importance of intergroup and intragroup comparisons that humans make vis-à-vis the social groups with which they identify. An individual who locates themselves as a member of group A will assess their perceived position both within group A and the collective status of their group A against a rival group B.

The greater their perception of the distance between group A and group B, the greater emphasis members of each group will place on their relative position within their own group. As the perceived distance between the two groups narrows, each will place more of an emphasis on the relative position between the groups. In the U.S. context, the perception of a narrowing—or even a nonexistent—economic gap between Blacks and Whites on the part of White voters during the 2016 election appears to have been a key factor in their support for Donald Trump (Jardina 2019).

But perceptions are not always consistent with the facts, and the most accurate data available does not indicate that there has been any significant change in the relative economic position of Blacks and Whites over the course of the past half century (Chen and Enriquez 2018; Darity et al. 2018). Moreover, the magnitude of the disparity today is demonstrated powerfully by sharp differences in the resources and capacities between those segments of each group customarily identified as middle class. We believe a wealth-based index is needed for understanding class structure. As will be demonstrated here, use of even a modest standard for evaluating class position calls into question the very existence of a Black “middle class.” For Black Americans, the issue may not be restoring its middle class, but constructing a robust middle class in the first place.

II. CLASSICAL CONSTRUCTIONS OF THE MIDDLE CLASS

In classic Marxism, a “middle class” consists of those persons who lie between the two social

ABBREVIATIONS

SCF: Survey of Consumer Finances
SIPP: Survey of Income and Program Participation
UBI: Universal Basic Income
classes that define a mode of production. For example, in the slave mode of production of antiquity, the middle class was the segment of the population that was neither citizen nor slave; in the feudal mode of production, the middle class was the segment of the population that was neither lord nor serf. Under capitalism, or the “bourgeois mode of production,” the middle class was comprised of those persons who were neither capitalists (the “bourgeoisie”) nor workers.

But this conceptual approach to identification of the middle class rarely has been translated into empirical or operational criteria. While sociologists, under the sway of Mills (1951), have focused on occupational status as the indicator of class position, economists have been inclined to use a narrow empirical standard based upon income for identification of the middle class: those persons in the middle three quintiles of the income distribution. Wright (1979), the scholar who made the most concerted effort to give empirical content to Marxist class categories, ultimately crafted criteria that appeared to be, de facto, a blend of occupational status with income level. Marsh et al. (2007) developed an index for middle class status with educational attainment, income, occupational status, and homeownership as its four components.

Frazier (1957) merged Mills and Veblen (1899) to depict the Black middle class—his “Black bourgeoisie”—as persons with White collar employment who engage in conspicuous consumption. Frazier (1957, 53–54) acknowledged that the “Black bourgeoisie” was not a bourgeoisie proper; its entrepreneurship was on such a small scale that it possessed negligible ownership or control over the means of production:

Negro businesses are those enterprises which are owned and operated by Negroes. These business enterprises come within the definition of small businesses; in fact, they fall within the lowest category of small businesses. When the first study was made of Negro business in 1898, it was found that the average capital investment for the 1,906 businesses giving information amounted to only $4,600. When the latest study of Negro businesses was made in 1944, it was revealed that the average volume of business of the 3,866 Negro businesses in twelve cities was only $3,260.

In contrast, Census Bureau data for 1940 indicate the average volume of retail sales in the nation’s cities typically ranged between $20,000 and $30,000.

Conditions are no different today; in fact, the disparities may be worse. Comparatively, Black business ownership is so small that it barely registers on the landscape of corporate America. Taken collectively, in 2016, the 2.58 million Black owned businesses in the United States generate $150 billion in total revenues. In contrast, Walmart alone, during the same year, grossed $480 billion in total revenues. In fact, Walmart alone employed 2.2 million more workers than the entire Black Enterprise Top 100 Black owned firms. The five largest Black owned banks had total assets of $2.3 billion—in contrast with JPMorgan Chase’s $2.2 trillion in assets—approximately 0.1% of JPMorgan Chase’s total assets (Darity et al. 2018, 17–18).

A. The “Black Bourgeoisie” as a Subaltern Middle Class

Indeed, the “Black bourgeoisie” is best understood as a specific case of a subaltern middle class, the more affluent tier of a marginalized community. A subaltern middle class generally is not insulated from the adversity faced by the less well-off members of their social group. Since their subaltern status is the reason they bear the brunt of the exclusionary and discriminatory tactics enforced by the dominant group, the physical and mental effects of these practices span all members of the subaltern community and cannot be evaded by having a comparatively higher class status (Darity 2014).

Allostatic load scores that capture the “weathering” effects of stress, consistently are higher for Blacks than Whites at all income levels and at all adult ages. Moreover, higher income is not associated with meaningful reductions in allostatic load scores for Blacks, unlike Whites (Geronimus et al. 2006). Infant mortality rates are higher for Black women with a graduate degree than White women who never finished high school (Smith et al. 2018). The likelihood of future incarceration is higher for Blacks at every level of wealth compared with Whites (Zaw, Hamilton, and Darity 2016). Furthermore, the degree of discrimination in employment appears to increase as educational levels rise for Blacks (Tomaskovic-Devey, Thomas, and Johnson 2005).

1. In an earlier paper, one of the authors theorized the characteristics of the “subaltern native middle class” (Darity 2020). This paper does not explore the “nativization” phenomenon.
Wealth actually provides the superior index of a community’s subaltern status:

Wealth affords the most useful economic indicator of a social group’s subaltern status. It is a far superior indicator of economic well-being than income. Greater wealth or net worth — in general, the larger the difference between the value of what you own and what you owe — enables households to meet emergencies without extreme stress. Emergencies can include loss of employment, collapse of a small business, or a catastrophic illness.

Wealthier households also can ensure that their children receive high quality schooling, including access to tutors that enable them to pass the requisite examinations. Wealthier households have the capacity to live in more upscale neighborhoods, to live in neighborhoods with desirable amenities, to leave bequests, to exercise political influence, and to largely be free of anxiety over their financial condition (Darity 2020).

Intergenerational transmission mechanisms are the foundation for the Black–White gulf in wealth. The drastically lower capacity of Black parents to endow their children with the economic security associated with at least “middle class” wealth originates with the failure to provide the formerly enslaved with the promised 40-acre land grants in the immediate aftermath of the Civil War.

This failure was compounded by subsequent waves of White massacres that either destroyed or appropriated property accumulated in Black communities that displayed prosperity, particularly during the latter half of the nineteenth century and the start of the twentieth century. In the mid-twentieth century, American social policies that consciously promoted upward mobility disproportionately benefited Whites. These policies included federal redlining practices conducted in consort with private banks, the discriminatory administration of the G.I. Bill, and racially unequal access to federal home loan subsidies (Darity 2008).

The Black–White wealth gap is a creation of American public policies spanning 150 years. Therefore, the demand for removal of Black subaltern status is a demand for racial justice.

B. Wealth and Subalternity of the Black Middle Class Operationalized

Figures 1A and 1B provide White and Black representations of middle classes by cordonning off the middle three quintiles of the income and wealth distributions respectively using data based on the 2016 Survey of Consumer Finances (SCF). While the Black–White ratios of median levels of income in quintiles two, three, and four are in excess of 55%, the Black–White ratios of median net worth in the same quintiles all are less than 20%. Correspondingly, Figures 2A and 2B show that the area between the Black and White distributions of wealth is much greater than the area between the distributions of income. The difference is attributable to the enormous gap in wealth that emerges from the third quintile and beyond. It is especially notable how absolutely flat the Black distribution of wealth is until reaching the fourth quintile.

What is revealed more dramatically by examining the racial wealth distribution, instead of the income distribution, is the magnitude of the lower ladder phenomenon for a subaltern middle class. Blacks at the top of their group-specific pattern of stratification are at a resource rung far below Whites at the top of their group’s social ladder. Even when gauging this solely by looking at income and occupational status, Frazier (1957, 52–53) plainly recognized the lower Black ladder more than 60 years ago:

... the Black bourgeoisie is comprised essentially of white-collar workers. The less than one percent

2. Sponsored by the Federal Reserve Board, the SCF is designed to gather information of the financial characteristics of U.S. families and households. In addition to a random geographic sample, the survey contains an oversample of high net wealth households. https://www.federalreserve.gov/econres/scfindex.htm
of Negroes with incomes between $4000 and $5000 who are at the top of the pyramid of the Negro bourgeoisie, have incomes about equal to the median income of white-collar workers among whites. The extremely small proportion (five in every thousand) of Negroes whose annual incomes amount to $5000 or more includes principally physicians, dentists, lawyers, entertainers and businessmen. The relatively large incomes of the Negroes in the professions are due partly to their business activities. A study made some years ago showed that 32 percent of the Negro physicians and 13.5 per cent of the Negro dentists were engaged in business activities. [Carter G. Woodson The Negro Professional Man and the Community Washington: The Association for the Study of Negro Life and History 1934 pp. 110-111, 175] In this same income bracket ($5000 or more) there are a few college professors, public school principals, and persons employed in the federal, state and municipal governments. The businessmen with incomes of $5000 or more are to be found in the occupational group designated as managers, proprietors, and officials. Some of these businessmen include Negroes who have been successful in reaching the top of the rackets in the United States. In Chicago, for example, where the “policy” racket is a big business, this business was until recently “organized as a cartel in a syndicate of fifteen men including twelve Negroes”. [Drake and Cayton Black Metropolis, pp. 478–484]

Figure 3 illustrates the lower ladder phenomenon by taking a different look at the racial wealth distribution. The chart depicts the percentage of Black and White American households that are present in each of the five wealth quintiles. The national median net worth for all households was an estimated $97,300. While 20% of White and Black families met this wealth criteria, 64% or almost two thirds of Black families have a net worth that is less than the median. Half of White families have a net worth that qualifies them for the top two wealth quintiles. More than 25% of White families have net worth of at least $1 million or more; only 4% of Black families meet that standard. Somewhat arbitrarily, assume that those households with a net worth between $100,000 and $500,000 could be viewed as “solidly” middle class. Then, in 2016, out of all the households that met

3. In 2016, the $97,300 figure, based upon all households using the SCF, includes those that were classified as Black, White, and Latino. The separate estimates by race/ethnicity were $17,600 for Blacks, $171,000 for Whites, and $20,700 for Latinos.
that criteria, 73% were White, and 10% were Black.

Moreover, the economic status of Blacks, both in terms of income and wealth, is especially vulnerable. Chetty et al. (2018) show that upward mobility to reach the top fifth of the income distribution is five times greater for White than Black men born in the bottom fifth; White men born into the upper fifth of the income distribution have more than two times the odds of staying there than Black men born into that tier. Pfeffer and Killewald (2019) find that Black children born in the middle 20% of the wealth distribution are two and one-half times more likely to fall into the bottom 20% of the wealth distribution than White children born into the same tier of wealth. In general, Black youths from relatively wealthier homes are less able to translate that initial position into a comparable or better economic position in young adulthood. Student loan debt, in particular, contributes to a 10.4% reduction in wealth relative to their White counterparts (Addo, Houle, and Simon 2016; Houle and Addo 2019).

Black families have significantly less wealth than White families. Their wealth position is more fragile. They are significantly less able to transfer an improved wealth position to their children. Furthermore, contrary to the claim made in a recent study by Aliprantis and Carroll (2019) also using the SCF, higher levels of income will not translate into levels of wealth sufficiently high enough for Blacks to eliminate the Black–White wealth disparity. Aliprantis and Carroll downplay the importance of intergenerational effects by treating those effects as being narrowly associated with inheritances. This, of course, ignores in vivo transfers (or gifts while the donor is living) which are not only significant for their amounts but, also, their timing.

Feiveson and Sabelhaus (2018), also using the SCF, conclude that at least 25% of the younger generation’s wealth is directly attributable to their parents’ level of wealth. In addition, they argue that this is a lower-bound estimate because their calculation does not consider the impact of parental wealth on a child’s educational attainment, a child’s inclusion “in lucrative family businesses” while the parent or other relatives still are living, or parents “providing connections that lead to higher paying jobs, providing financial expertise that leads to higher returns, and providing resume-building experiences that lead to more labor market opportunities.” Thus, parental wealth also affects the younger generations’ income levels, a causal loop that Aliprantis and Carroll ignore. These effects are hard to capture in the SCF because the survey does not directly connect parents and children.

The inadequacy of racial income differences in explaining the racial wealth gap is reinforced by the fact that the correlation between income and wealth in the SCF is weaker for Blacks than Whites (0.42 vs. 0.53).4 Moreover, as the tables based upon the Survey of Income and Program Participation (SIPP)5 and the SCF demonstrate in Figures 4A and 4B, Black households in the third quintile of the income distribution have similar levels of wealth as the poorest White households. Indeed, data from the SCF actually places the median net worth of Whites in the lowest income quintile above that of the median net worth for Blacks in the middle quintile. Both SIPP and the SCF establish that Whites in the lowest 20% of the income distribution have higher levels of wealth than all Blacks taken collectively ($18,361 vs. $9,590 and $17,907 vs. $17,600, respectively).

Most Americans hold a significant portion of their wealth in homeownership; however, racial differences in Black and White net worth persist beyond unequal rates of homeownership. As shown in Figure 5, racial differences in wealth are also evident in the value of financial and nonfinancial assets. For example, the median nonhousing net worth of White families was $17,150 compared to $930 for Black families. Not only does the median Black family have less equity to extract from their homes, but access to fungible assets is also lower. This gulf in financial wealth translates into a lower likelihood that

4. These correlations were calculated by the authors using the 2016 Survey of Consumer Finances
5. The SIPP is a U.S. Census Bureau administered household survey with a focus on eligibility and utilization of government programs. The geographic sampling frame results in an oversample of low-income households.
III. POLICY AND THE CONSTRUCTION OF A BLACK MIDDLE CLASS

To the extent that Black subalternity is marked by racial wealth inequality, the elimination of subaltern status must mean elimination of the racial wealth disparity. Blacks hold less than 3% of the nation’s wealth despite constituting 14% of the nation’s population. Extinguishing the racial wealth gap would necessitate having Blacks own at least 14% of the nation’s wealth.

An alternative way to consider this issue is to target closure of the mean gap in wealth between Blacks and Whites as the policy objective. In the 2016 SCF, Black mean household net worth was $138,200 while White mean household net worth was $933,700—a difference of close to $800,000 per household. From this perspective, extinguishing the racial wealth gap will require equalization of mean net worth. Although, the usual discussion of wealth gaps focuses on median differences because the median captures the typical condition for American households, targeting the median will leave the racial wealth gap largely untouched. The fact that 97% of White wealth is held by households with a net worth above the White median ($171,000) makes any policy that seeks to close the racial gap at the median a policy that discounts, overwhelmingly, the largest proportion of racial wealth inequality.

Moreover, there currently are no policy proposals that will erase racial wealth inequality (Figure 6). In large part, this is attributable to the difficulty in addressing a race-specific gulf with race-neutral policies. For example, the Ultra Millionaire Tax aimed at individuals with a net worth $50 million or more could generate $2.7 trillion in revenues. The impact on the racial wealth gap will depend upon what is done with the funds. If the full amount was transferred to Black Americans, it could have a meaningful impact on the racial wealth gap, although it would, at best, reduce the gap by 30%. In principle, the racial wealth gap could be eliminated by taxing White wealth until it is driven down to existing Black levels, but that would not benefit anyone. The goal must be to prioritize building Black assets, whether or not it is accomplished by taxing the super-rich.

Another major set of policies that are touted as increasing Black wealth are those that propose to “gild the ghetto.” The Opportunity Zones plan identifies distressed areas (high-poverty and low-income) and provides tax breaks for corporations to build enterprises in those communities. Apart from the potential for an effective version of this policy to lead to gentrification that would displace current residents, there is no assurance that this program would have a significant positive impact on the profitability of Black-owned
businesses. There is also nothing that ensures that the
tax incentives will flow disproportionately to
Black entrepreneurs nor that the project will lead
to Black economic development (Weaver 2018). Therefore,
racial wealth differences will not be
abbreviated by this initiative.

The 10/20/30 proposal also centers on dis-
tressed communities, but instead of creating
zones for private investment, 10/20/30 seeks to
expand public funding to these neighborhoods.
Again, it is not evident how this will play any
significant role in addressing racial wealth dif-
fences. Moreover, as has been demonstrated
above in this paper, Black–White wealth inequal-
ity is not a matter of income poverty. It spans
Black Americans at all income levels; therefore,
an antipoverty policy of this type will do little to
close the racial wealth gap.

The American Housing and Economic Mobility
plan seeks to provide subsidies for home
mortgages for residents of neighborhoods that
have been subjected to federal redlining in the
past. One major difficulty with this proposal as
a corrective for racial wealth inequality is that
it is place-centered rather than person-centered.
It may not benefit the persons who were victim-
ized by redlining since, for a number of reasons,
they may no longer live in the neighborhoods
that were subjected to government discrimina-
tion. Furthermore, homeownership is frequently
an over-glorified route toward wealth-building.
Prior endowments of wealth enable people to get
into the home buying market in the first place,
both in terms of the purchase of a home and in
terms of the market value of the home purchased.

Given the growth of student debt and the dis-
proportionate burden of Black student loan bor-
owners, there are several new proposals aimed
at advancing major student debt relief initia-
tives including loan forgiveness, tuition free col-
lege, and expansions of grant aid. Low Black
net worth, however, is not primarily attributable
to indebtedness of any type, whether educa-
tional or otherwise, but primarily is due to low
asset ownership.

To be clear, all of these policies have the
potential to reduce poverty, deprivation, and per-
haps, as a byproduct, general inequality, but they
will generally not have much of an effect on
racial wealth inequality. Several of the policies,
including Booker’s federal job guarantee, Sena-
tor Kamala Harris’s LIFT Act, and Andrew Yang’s
version of a universal basic income (UBI) all
constitute policies with antipoverty and income
boosting dimensions, but they are not asset build-
ing initiatives that confront wealth differences.
For example, the current version of a UBI pro-
gram proposed by Yang gives individuals an
annual income supplement of $12,000, given to
everyone whether Black, White, or otherwise.
The strongest possible relative gain in wealth
for Blacks would come if Black Americans spent
none of the $12,000 and Whites Americans
spent all of it. Under these extreme assumptions,
there would then be a gain in net worth for
Black Americans for the full amount. But given

<table>
<thead>
<tr>
<th>Proposed Policy</th>
<th>Deficiencies of Policy</th>
<th>Effect on Black–White Wealth Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Job Guarantee (Booker)</td>
<td>Antipoverty policy is income-boosting but not asset-building</td>
<td>Unaffected</td>
</tr>
<tr>
<td>LIFT the Middle Class Act (Harris)</td>
<td>Antipoverty policy is income-boosting but not asset-building</td>
<td>Unaffected</td>
</tr>
<tr>
<td>Universal Basic Income (Yang)</td>
<td>Antipoverty policy is income-boosting but not asset-building</td>
<td>Unaffected</td>
</tr>
<tr>
<td>Opportunity Zones Tax Break (Trump)</td>
<td>Tax breaks may lead to gentrification and displacement. Antipoverty policy is income-boosting but not asset-building</td>
<td>Unaffected</td>
</tr>
<tr>
<td>10/20/30 Formula to Fight Persistent Poverty (Clyburn)</td>
<td>Public funding initiative may lead to gentrification and displacement. Antipoverty policy is income-boosting but not asset-building</td>
<td>Unaffected</td>
</tr>
<tr>
<td>Ultra-Millionaire Tax; (Warren)</td>
<td>Impact depends on allocation of revenues</td>
<td>30% reduction if the full amount was transferred to black Americans</td>
</tr>
<tr>
<td>Student Debt Relief (Warren)</td>
<td>Minimal impact because, overall, low black net worth primarily is due to low asset ownership, not indebtedness</td>
<td>Minimal effect</td>
</tr>
<tr>
<td>American Housing and Economic Mobility Act (Warren)</td>
<td>Tax breaks may lead to gentrification and displacement</td>
<td>Unaffected</td>
</tr>
</tbody>
</table>
the per person racial mean gap in wealth is about $200,000, even under the most propitious conditions there would still be an individual Black–White gap of at least $185,000 per person. So, while there may be some moderation of income poverty, a universal plan in these amounts will do little to close the racial wealth gap.

There is, of course, one policy that is directed at general wealth inequality: American Opportunity Accounts proposed by Cory Booker based upon the “baby bonds” idea. This program will provide each newborn infant with a publicly funded trust account that will ensure all infants with endowments in young adulthood. The Opportunity Accounts legislation calibrates the amount of the endowment on the basis of parental income, although the original version of the proposal calibrates the amount on the basis of parental wealth. Because of the weaker relationship between income and wealth for Blacks, this version of the plan reduces the potential disproportionate benefit for Blacks.

Policies that mitigate overall wealth inequality are not necessarily policies that will eliminate the racial wealth gap. “Baby bonds,” which is designed to reduce wealth differentials over time at the national (or at a higher White) median, cannot close the full racial wealth gap because it is a policy that pays no attention to the wealth held by Whites above the median. Fully executed over the course of many years—since the endowments will be distributed cohort by cohort—baby bonds might go about 20% of the way toward closing the racial wealth gap. None of the policies discussed here will move the needle sharply from a circumstance where Black Americans own 2.6% of the nation’s wealth to a circumstance where Black Americans own at least 14% of the nation’s wealth.

If the goal is to end the subaltern status of Blacks in American society, a comprehensive national program will need to be designed and implemented that is aimed directly at removing racial wealth differences. That strikes us as reparations—the authentic path toward racial justice and authentic closure of the economic distance between Black and White America (Figure 6).

IV. CONCLUSION

In U.S. society the concept of the middle class and all its associated characteristics is a White-centered narrative. To be middle class within the Black wealth distribution is to be wealth poor based on U.S. wealth distribution standards. Inequalities that exists at birth persists over the life course, with educational attainment and labor market returns rarely translating into wealth-related social mobility for most Black Americans.

If the goal is to end the subaltern status of Blacks in American society, a comprehensive national program will need to be designed and implemented that is aimed directly at removing racial wealth differences. That strikes us as reparations—the authentic path toward racial justice and authentic closure of the economic distance between Black and White America.

REFERENCES


6. For a comprehensive overview of potential reparations policies including implementation strategy, please refer to Darity Jr and Mullen (2020). In addition, a consortium of scholars known as the Reparations Planning Committee intends to release a report in February 2021 with a detailed plan of execution for a program of redress for racial injustice in the United States. Senator Cory Booker has proposed a universal Opportunity Accounts plan, the provision of an endowment for each newborn infant of a trust account, the amount for each child calibrated on family income compared with general median income. Because young people only could access the accounts until they reach young adulthood, it would require upwards of 40 years for the program to have a significant wealth equalizing effect. In principle, once fully executed, it could carry the nation one-third of the way toward closing the racial wealth gap (Darity Jr 2019, 13–14). A reparations program targeting Black American descendants of persons enslaved in the United States still would be required to complete the task.


