Volume 26, No. 8 September 1998

FOCUS

The monthly magazine of the Joint Center for Political and Economic Studies

(Click on titles to access articles)

Perspective

A Model for Corporate Diversity

Making Votes Count in November

Black Voters Must Turnout at the Polls to Influence Important Congressional and Gubernatorial Elections This Fall

Social Security: A Fix for All

Proposals to Head Off Insolvency of the New Deal Federal Retirement Program Could Have Profound Implications for African Americans

Opposition to a Full Census Count

Congressional Republicans Voted Only Partial Funding for the Census Bureau to Block the Use of Techniques That Would Prevent an Undercount

Trendletter

Political Report: *Black Elected Officials, 1994–1997*
Economic Report: *Should We Privatize Social Security?*

ISSN 0740-0195 PRICE $1.50

A Model for Corporate Diversity

I recently spoke before General Electric's African American Forum, a group that works with chairman Jack Welch to make GE a company that's hospitable to racial and ethnic diversity. General Electric and the Forum offer a model for other companies, not only for their vigorous efforts in advancing diversity, but also in enhancing America's long-term global competitiveness.

The GE model is significant for several reasons. As a society, we are in a period of unprecedented prosperity. But African Americans have not shared in this great new prosperity to the extent that they should. The irony is that this disparate prosperity comes at the very time that blacks are seeking ways to enhance the quality of their lives by emphasizing economic advancement. This new thrust for economic progress deserves the concerted support of liberals, conservatives, Republicans, and Democrats alike.

One group that is already on the cutting edge of this new thrust is the growing number of blacks at nearly all levels of corporate America. Thus, the GE African American Forum is in the vanguard of those forces inside corporate America that are using their influence to open wider the doors of economic opportunity. For the GE African American Forum and other black corporate insiders engaged in the struggle for equal opportunity, I offer this advice:

Do more of what you are now doing. Use your know-how and impressive gains to open wider the doors of opportunity for other minorities. All indications are that you are already making a difference. As you grow in numbers and increase in influence, you can help set the corporate agenda on issues such as employment, promotions, affirmative action, and enhancing the bottom line.

Expand the pipeline of minority candidates available for managerial and entrepreneurial roles. It is exciting to note evidence of rapid growth in the number of minority college students who are now preparing for careers in business. Minorities in the corporate sector can provide support and encouragement to the growing pool of young people with business aspirations and serve as their mentors, role models, and advocates.

Help change negative perceptions about the private sector. A recent survey conducted by the Joint Center, at the request of *Fortune* magazine, found a surprisingly high level of positive attitudes towards business careers among black professionals. However, there remains a considerable residue of skepticism about corporate America and the prospects of pursuing successful careers in this area. As a result, too many of us are still reluctant to look seriously at the business sector for careers and collaboration.

Accentuate the fact that accommodating racial and ethnic diversity is a benefit, not a cost, to corporate America. The talent that will ensure America's success at home and abroad comes in all colors of the rainbow. This diversity has long been a source of strength for the United States. To the extent that corporate America opens its doors to minorities and encourages their upward mobility, it ensures its own success in the global marketplace.

Make diversity a friend and ally in the struggle. The past three decades have seen a rapid increase in the populations of Americans of Latino and Asian origin, who have faced many of the obstacles confronted by African Americans and Native Americans in the workplace. These minority groups can be vital allies in the struggle for opportunity and access. Working together, we stand a better chance of achieving our mutual goals for a racially and ethnically diverse workforce, economic progress for all Americans, and global competitiveness. This is what the GE African American Forum is all about. ■



PRESIDENT

FOCUS Copyright © 1998 Joint Center for Political and Economic Studies, Inc. The monthly magazine of the **Joint Center for Political and Economic Studies,** 1090 Vermont Ave., N.W., Suite 1100, Washington, D.C. 20005-4961 202-789-3500. The Joint Center for Political and Economic Studies is a national, nonprofit, tax-exempt institution that conducts research on public policy issues of special concern to black Americans and promotes informed and effective involvement of blacks in the governmental process. Founded in 1970, the Joint Center provides independent and nonpartisan analyses through research, publication, and outreach programs. Opinions expressed in signed *FOCUS* articles are those of the authors and do not necessarily represent the views of the Joint Center for Political and Economic Studies. *FOCUS* is published monthly. $15.00 per year by JCPES, Inc.

PRESIDENT/Eddie N. Williams
EXECUTIVE VICE PRESIDENT/Robert J. Warren
VICE PRESIDENT, RESEARCH/Margaret Simms
VICE PRESIDENT, PROGRAM DEVELOPMENT/Kathleen Vander Horst
VICE PRESIDENT, FINANCE AND ADMINISTRATION/Brenda Watkins Noel
VICE PRESIDENT, COMMUNICATIONS AND MARKETING/Denise Dugas

EDITOR, FOCUS/David C. Ruffin
CONTRIBUTING EDITORS/Marc DeFrancis, Mary K. Garber
PRODUCTION MANAGER/Carol A. Francis
TRENDLETTER RESEARCHER/Alfred Baltimore

BOARD OF GOVERNORS
Andrew F. Brimmer/Brimmer & Company, Inc., Chair
Martina Bradford/Lucent Technologies, Inc., Vice Chair
Elliott S. Hall/Ford Motor Company, Vice Chair
George L. Brown/L. Robert Kimball & Associates, Treasurer
Wendell G. Freeland/Freeland & Kronz, Secretary
Eddie N. Williams/Joint Center for Political and Economic Studies, President
Joyce London Alexander/Chief U.S. Magistrate Judge, District of Massachusetts
Norma Ketay Asnes/Ketay Asnes Productions
James P. Comer/Yale Child Study Center
Charles U. Daly/John F. Kennedy Library Foundation
Robert M. Franklin/Interdenominational Theological Center
William M. Freeman/Bell Atlantic–New Jersey, Inc.
Bonnie Guiton Hill/Times Mirror Foundation
Freeman A. Hrabowski/University of Maryland, Baltimore County
Hector M. Hyacinthe/Packard Frank Business and Corporate Interiors, Inc.
Jayne Brumley Ikard/Consultant
Vernon E. Jordan, Jr./Akin, Gump, Strauss, Hauer & Feld
Weldon H. Latham/Shaw Pittman, Potts & Trowbridge
Patrice I. Mitchell/P.G. Corbin and Company, Inc.
Anna Perez/Chevron Companies
Edward J. Perkins/University of Oklahoma
Pauline A. Schneider/Hunton & Williams
H. LeBaron Taylor/Sony Music Entertainment, Inc.

Members Emeriti: William B. Boyd, Kenneth B. Clark, James D. Wolfensohn

Making Votes Count in November

Black Voters Must Turnout at the Polls to Influence Important Congressional and Gubernatorial Elections This Fall

by David A. Bositis

A great deal is at stake in the 1998 midterm elections, and for many of these important contests, the mobilization of black voters will be critical. The 1998 midterms will determine whether partisan control of the U.S. House of Representatives shifts back from a Republican to a Democratic majority, a possibility that would only require a switch of 11 of the 435 House seats. The power and influence of the members of the Congressional Black Caucus may likewise be deeply affected. For example, if the Democrats were to gain control of the House, Charles Rangel (D–N.Y.) would be in line to chair the powerful tax-writing Ways and Means Committee. Further, the office of governor is up for election in nine of the most populous states—California, Georgia, Florida, Illinois, Michigan, New York, Ohio, Pennsylvania, and Texas. These states account for more than half of the nation's African American population.

In close elections where African Americans make up a significant proportion of the electorate they often determine the margin of victory. In 1996, President Clinton carried the southern states of Louisiana and Tennessee by narrow margins, in large part because of a solid black turnout. Likewise, in the last midterms in 1994, black votes were essential to the margins of victory in the very close U.S. senate race of Democrats Diane Feinstein of California as well as Maryland governor Parris Glendening.

However, evidence from the first half of 1998 suggests that this year's elections will be characterized by low voter turnout—perhaps reaching a record low. In the 1996 presidential election, the turnout was the lowest for any presidential election since 1924. This year, 10 of the first 13 states that have already held their primaries have experienced record low turnouts in Democratic primaries and five have experienced record low turnouts in Republican primaries, according to the Committee for the Study of the American Electorate, a nonpartisan, Washington, D.C.-based organization.

If African Americans are to influence the outcome of the 1998 midterms, they will have to engage in a strong voter mobilization effort in order to make their presence felt at the polls. Young black voters in particular have been substantially absent at the polls in recent elections, so getting this segment of the population to register and vote will be vital.

In the last midterm elections, held in 1994, Republicans won control of the U.S. Senate and, for the first time in 40 years, the U.S. House of Representatives. The GOP also gained control of 10 additional governors' mansions and several state legislative bodies. These changes caught many black leaders by surprise. As a consequence, the goal of increasing black voter participation became a key item on the agendas of civil rights groups. The first fruits of this renewed commitment were seen in 1996, when despite a large drop in voter turnout overall—from 104 million in 1992 to 98 million in 1996—black voter turnout rose. This increase was probably due in part to the aggressive voter registration drive that was part of the Million Man March.

Key characteristics that will determine how African Americans might shape the political terrain in this election are age and generation, as well as geography and competition.

Age and Generation

Voter research shows that Americans over the age of 45 have the highest voter turnout rates. This has important political implications since the black population in the United States is significantly younger than the white population. The youngest group among those of voting age—young adults ages 18 to 24—comprises 16.7 percent of the black voting-age population but only 12.6 percent of whites. By contrast, senior citizens represent only 11.6 percent of African Americans but 17.4 percent of whites. In the last midterms (1994), the turnout rate for 18- to 24-year-old blacks was 17.4 percent, somewhat lower than the rate for young whites—21.1 percent—but far lower than the rate for white seniors (62.2 percent) as well as for black seniors (51.2 percent).

To help place these racial differences in perspective, consider that in the 1994 election, white seniors accounted for 14.7 percent of the total voting-age population, but cast 20.4 percent of all votes (one out of every five). By contrast, black and Hispanic young adults (ages 18 to 24), who accounted for 3.8 percent of the total voting-age population, cast just *one-half of one percent* of all votes tallied. If African American participation in the electoral process is to increase, then greater participation by younger black voters is essential.

It is not clear that either Democrats or Republicans will target young black adults in their get-out-the-vote efforts this year. If there is to be any substantial increase in black turnout, therefore, it will have to be encouraged by nonpartisan organizations or groups with a special knowledge of and sensitivity to the issues that young black voters care about.

Geography and Competition

Geography and competition are key factors in how African Americans influence elections because the black voting-age population is not evenly dispersed across all 50 states. Approximately 92 percent of African Americans live in only

Continued on page 4

Dr. Bositis is a senior research associate at the Joint Center for Political and Economic Studies.

Elections

Continued from page 4

22 states, primarily in the South, the Midwest, and along the Atlantic seaboard. Further, at the U.S. Congressional district level, 137 of the 435 U.S. House districts have a black voting-age population of at least 10 percent. This geographical concentration is important because in any given election year, there are competitive elections in some states and congressional districts but not in others.

If an election is for an open seat, it is usually more competitive than a contest in which an incumbent is running. Open-seat district elections occur where the incumbent retires, runs for another office, or loses his or her primary election, creating a vacancy in the office. Elections in districts where the incumbent is running for another term may still be competitive. Incumbents, especially first-term members of Congress, are vulnerable to challenges if they were previously elected with less than 55 percent of the vote. And incumbents who do not belong to the same party as the presidential candidate who carried their districts in the last presidential election may also be in jeopardy.

Competition in elections affects voter participation in many ways. In competitive elections, two candidates who are more or less evenly matched will be debating, fundraising, engaging in get-out-the-vote activities, and otherwise creating excitement and raising public interest in coming out to the polls. This level of interest is not raised in uncompetitive elections. If an election for an important office has what appears to be a sure winner, people are less motivated to vote. This year, there are important offices up for election where one candidate (usually an incumbent) is almost prohibitively favored to win. Two examples are Governor George W. Bush in Texas and Senator Richard Shelby in Alabama (both Republicans).

The most extreme case of the uncompetitive election occurs when an incumbent is unopposed. This is not as unusual as it may sound. In the 1990 midterms, among the states holding U.S. Senate elections, there were three with large black populations where the incumbent senator was unopposed: Arkansas, Georgia, and Mississippi. This year, more U.S. House members are running unopposed than at any time since 1954. The presence of black candidates for office also can affect black turnout. Harvey Gantt's 1990 and 1996 U.S. Senate races in North Carolina, although unsuccessful, resulted in an enormous boost in black turnout in that state.

Races Black Voters Can Decide

This year, competitive elections will probably occur in no more than 50 U.S. House districts. Of these, just 19 are districts where black voting-age populations are greater than 10 percent. The districts include Republican open seats and Republican incumbents seeking reelection as well as Democratic open seats and Democrats seeking reelection. Black voter turnout in these districts will be crucial in determining which party achieves majority status in the 106th Congress.

Three of these 19 districts are represented by black incumbents who are facing tough reelection races. In North Carolina, Mel Watt is running in a newly drawn and now white-majority district. In Georgia, Sanford Bishop's district was recently redrawn so that it no longer contains a black majority. Bishop is favored to win reelection, but will likely have to work hard for a victory. Julia Carson, whose Indianapolis district is only 30 percent black, will face a tough opponent and a close race. All three of these districts have been targeted by national Republican leaders.

Most of the other races in the 19 competitive districts involve white candidates including open seats in Mississippi-4 (Jackson), which is 41 percent black and currently held by Republican Mike Parker, and North Carolina-8 (Fayetteville), 23 percent black, represented by Democrat Bill Hefner. Democratic incumbents Bill Pascrell, New Jersey-8 (Paterson is 13 percent black), and George Brown, California-42 (San Bernardino is 11 percent black), will both face competitive GOP challengers in 1998. Republican incumbents Anne Northrup, Kentucky-3, (Louisville), which is 18 percent black, Steve Chabot, Ohio-1 (Cincinnati, 30 percent black), and Ron Paul, Texas-14 (whose Gulf Coast district is 11 percent black), are similarly threatened.

In 1998, black voters are likely to help determine the outcomes of several competitive statewide races. Some of these contests involve black candidates, including two races in Illinois. In one race U.S. Senator Carol Moseley-Braun faces a tough reelection battle against conservative Republican State Senator Peter Fitzgerald. In the other Illinois contest black Cook County Recorder of Deeds Jesse White is pitted against Republican Al Salvi for secretary of state.

A statewide election in Georgia has historic significance. Black State Attorney General Thurbert Baker, appointed by Governor Zell Miller to fill an unexpired term, will be seeking election to that office. No southern state has ever elected an African American to be state attorney general, an office that is not only important in its own right—especially to African Americans given the South's history on racial justice—but is important as a key stepping-stone to higher offices such as governor and U.S. senator. Baker, who was unopposed for the Democratic nomination, will face Republican State Senator David Ralston in November.

African American votes will be critical to the outcomes in numerous other statewide contests as well. These include U.S. Senate races in Arkansas, California, Georgia, Missouri, and New York, as well as gubernatorial elections in Alabama, California, Florida, Georgia, Illinois, Maryland, and Ohio.

Prospects for Black Voter Turnout

If the 1998 midterms are not to be a repeat of the low-turnout 1994 midterms, it will be necessary to engage black voters in the political process and increase black voter turnout. This will not be an easy task. First, like other Americans, black voters tend to turn out in lighter numbers when the economy is strong. Second, among African Americans, especially those who are younger, there is substantial disaffection with both the political system generally and the Democratic party. A 1997 na-

Continued on back page

Social Security: A Fix for All

Proposals to Head Off Insolvency of the New Deal Federal Retirement Program Could Have Profound Implications for African Americans

by Wilhelmina A. Leigh

The Social Security program—the foundation upon which most Americans build retirement income with the addition of private savings and pensions from employers—has become the center of debate and controversy in recent years. Annual reports by the Social Security Board of Trustees have projected funding shortfalls when the Baby Boomers (Americans born between 1946 and 1964) begin to retire in the 21st century. Both young and not-so-young Americans have begun to doubt whether the program will provide a reliable, livable pension when they retire. This is of special concern to black Americans, who during retirement are generally more dependent on Social Security payments than whites because they are less likely to have pensions and private savings to complement these payments.

A report issued by the 1994-96 Advisory Council on Social Security, a blue ribbon panel mandated by Congress, recommends a variety of program modifications—from raising the eligibility age for benefits to privatization. President Clinton in his 1998 State of the Union address urged the Congress to devote any future federal budget surpluses to guaranteeing the financial solvency of the Social Security trust funds. To foster public awareness and understanding, the federal government will sponsor regional meetings this year to discuss options for modifying the program so that it will continue to serve all eligible Americans in the event of disability, retirement, or death. Changes in the program will be necessary to meet this goal. Which changes are made will determine the quality of life in retirement for many Americans.

Pay-as-You-Go

The 1935 Social Security Act established the program known today as Social Security, officially the Old Age, Survivors, and Disability Insurance (OASDI) program. The Social Security program pools the assets derived from payroll taxes paid by a large group—all workers covered by the program—to provide income for the elderly and disabled, thereby providing a minimum level of economic security. As a form of insurance, often termed social insurance, the payments to beneficiaries are calculated by a formula and, therefore, are a "defined benefit." The benefit formula redistributes income from higher wage earners to lower wage earners, because the benefits paid to lower wage earners make up a larger percentage of their lifetime wages than for persons with higher lifetime wages. This aspect of the formula is generally beneficial for black Americans because they have, on average, lower lifetime earnings. The program simultaneously preserves individual equity, however, by providing larger annual pensions for higher lifetime earners than for lower earners.

Federal Insurance Contribution Act (FICA) taxes were first collected for Social Security in January 1937, and the first beneficiaries received payments in 1942. Few blacks were eligible for benefits in the first years of the program because most worked in the South either as tenant farmers or sharecroppers, jobs the program did not cover. In the early years of the program, the ratio of workers to beneficiaries was high since so many workers were paying into the system compared to the few eligible to receive benefits. For example, in 1950, the ratio of workers to beneficiaries was 16 to 1. Today, this ratio has fallen to 3.3 workers per beneficiary. During 1997, about 147 million people worked in jobs covered by the Social Security program; 44 million received benefits. The ratio is expected to drop to two workers per beneficiary by the year 2030. This projected decline in the ratio over time contributes to the concern about future program solvency.

The Social Security program has always been funded on a pay-as-you-go basis, with the money collected from FICA taxes on covered workers in any given year used to make payments to beneficiaries that same year. More than 90 percent of FICA payroll taxes are paid out immediately as benefits; the remainder goes into the OASDI trust funds. During 1997, a total of $457.7 billion was deposited into the OASDI trust funds, out of which benefits of $369.1 billion were paid. The remaining $88.6 billion was retained in the trust funds, increasing these assets to $655.5 billion. Monies in the OASDI trust funds are invested in U.S. government guaranteed long-term, low-yield Treasury bonds.

Today's Social Security program is thought of as an "earned entitlement" benefit for retirees because contributions are mandatory for all persons who work in covered employment. In 1998, the maximum earnings subject to FICA taxes is $68,400. The current eligibility age for retiree benefits is 65 years, with early retirement and reduced benefits available at age 62.

Heading Off Insolvency

The Board of Trustees is required to assess the status of the OASDI funds annually and project solvency for future time periods of both 10 years and 75 years in length. Low, intermediate, and high projections are developed based on factors anticipated to influence the trust fund balances, such as economic growth, wage growth, inflation, unemployment, fertility, immigration, and mortality.

Dr. Leigh is a senior research associate at the Joint Center for Political and Economic Studies.

Continued on page 6

Social Security

Continued from page 5

Using intermediate projections and assuming no increase in FICA tax rates, the 1998 Board of Trustees report estimates that FICA taxes will become insufficient to meet all the payment obligations of the Social Security funds in the year 2013, shortly after the Baby Boomers begin to retire. At that time, interest earned by the trust funds will have to be used along with payroll tax revenues to cover benefit payments. Interest income is projected to keep the system solvent through the year 2020. Beginning in the year 2021, the government bonds in which Social Security assets are invested will have to be sold and the proceeds combined with the payroll tax receipts and interest earnings to cover payments. These three revenue sources are projected to cover all beneficiary payments through the year 2032, at which point they will be adequate to cover only three-fourths of mandated benefit payments.

Fix # 1: Reducing Benefits

The projected shortfall can be met by reducing benefits or increasing revenues—or a combination of the two. Proposals to reduce benefits include:

- Increasing taxes paid on benefits;
- Reducing growth of benefits by freezing annual cost-of-living adjustments;
- Raising the age of eligibility for benefits sooner than is currently scheduled;
- Reducing benefits for disabled workers and for women who have never worked outside the home;
- Making Social Security means-tested; and
- Altering the benefit formula to reduce benefits for all future beneficiaries.

For low-income persons who are the most dependent on Social Security for retirement income, some of these proposals could have dire consequences, especially if inflation begins to increase.

In particular, speeding up the scheduled increase in the eligibility age would have a disproportionate impact on African Americans and other groups with shorter-than-average life expectancies. Currently, the age of eligibility is scheduled to rise by the year 2022 from 65 years to 67 years for normal retirement and from 62 years to 65 years for early retirement. Any increase in eligibility age is more likely to hurt African American males, whose life expectancy from birth is only 65 years, than white males, whose life expectancy is 73 years.

African Americans also are more likely to be disabled and, therefore, will be disproportionately disadvantaged by proposals to reduce benefit payments to the disabled. In 1995, although African Americans were only 12 percent of the U.S. population, they constituted 18 percent of disabled workers receiving Social Security benefits.

On the other hand, making Social Security a means-tested program would make African Americans and other disproportionately poor populations more likely to receive benefits than wealthier subpopulations. However, this approach could detract from the political support for the program among workers with higher lifetime earnings and from their willingness to contribute to the system.

Fix #2: Increasing Revenue

The alternative to reducing benefits is increasing revenues. Proposals to meet the shortfall through higher revenue include:

- Increasing payroll taxes on both employers and employees above the 6.2 percent each currently pays;
- Expanding coverage to include all workers, especially state and local government employees, one fourth of whom currently are not covered; and
- Allowing government or private individuals to begin investing a portion of their assets in the stock market.

Privatization proposals—those that would allow the government or individuals to invest a portion of their Social Security payments in the stock market—have been most controversial and could be problematic (see "Should We Privatize Social Security?" in this issue's Economic Report). These proposals are based on the belief that wage earners setting aside funds for retirement would prefer to bear part of the risk individually rather than to share risk in a system for which all participants are collectively responsible. The 1994–96 Advisory Council on Social Security made two main proposals of this type. Under one, the government would invest in the stock market a portion of all FICA taxes. Under the other, a private savings account (PSA) would be established for each covered individual, and its funds would be invested in mutual funds managed by the government. Other privatization proposals vary in the amount of FICA payments to be invested in the stock market (ranging from a small share to 100 percent), the nature and management of the investment accounts (individual or one account for all covered workers), and the types of equities in which investments are made (mutual funds or individual stocks).

All of the proposals to privatize part or all of the Social Security system involve potentially significant costs for transition and administration. No matter how these costs are borne within the system, they would reduce the net yields from stock market investments. In addition, proposals that create individual accounts but do not make private investment mandatory would enable lower wage earners to tap into their nest eggs before retirement. This could result in some individuals not having adequate income upon retirement. Even if private investment is mandatory with PSAs, those who are very skilled at managing funds and timing withdrawals, or simply lucky, will have high incomes upon retirement; others not so skilled or lucky will have low retirement incomes.

For African Americans and others who are more dependent upon Social Security than on employer pensions or savings for their retirement incomes, privatization proposals would add stock market uncertainty to what historically has been a guaranteed formula payment. The privatization of the Social Security pro-

Continued on back page

Opposition to a Full Census Count

Congressional Republicans Voted Only Partial Funding for the Census Bureau to Block the Use of Techniques That Would Prevent an Undercount

by Mary K. Garber

The predicted computer Armageddon known as "Y2K," is not the only problem associated with the beginning of the next millennium. The federal government's next decennial census, to occur in the year 2000, has stirred considerable controversy. In the latest scuffle over how the census will be conducted, the House of Representatives voted (227 to 201) along party lines on August 5 to defeat an amendment that would have provided full funding for the Census Bureau for the next year. The bill, which sets the FY 1999 appropriations for the Departments of Commerce, Justice, State, and the Judiciary, only provides the Census Bureau with half of its funding. The appropriations measure also requires the Clinton administration to negotiate with the Congress in order to obtain the funding for the second half of the year. This would include an explanation from the administration over how it intended to conduct the census and at what cost. The companion Senate bill, passed earlier, contains no such language.

At issue are the administration's plans to use statistical sampling and other improved techniques along with traditional enumeration techniques to obtain a more accurate count. Traditional enumeration methods include mailing questionnaires to households and follow-up visits by enumerators who visit locations from which they receive no response. In the past, significant numbers of minorities and low-income persons, including many African Americans and Hispanics, have been missed in the census. The census tallies are important to each of the major political parties because they determine how the House of Representatives will be reapportioned for the next decade. Over the past 30 years, states in the Northeast and industrial Midwest have sustained massive losses of their populations to Sun Belt states. The result has been a shift in political power away from states such as New York, Pennsylvania, Illinois and Michigan and toward states such California, Texas, and Florida. In addition, funding formulas for federal programs to states and localities are based on census figures. States most affected by undercounts in the past have sued the government, charging that they haven't received their fair share of federal resources.

The Clinton administration and congressional Democrats contend that the 1990 census failed to count six million Americans, most of whom were Hispanics and African Americans, and that without some change in the way the population is counted, the 2000 census is not likely to do any better. House Minority Leader Richard A. Gephardt (D–Mo.) has even called the sampling issue "today's great civil rights issue." Sampling is supported by most of the academic and scientific community, including the National Academy of Sciences and the American Statistical Association.

The Republicans, who oppose statistical sampling, are insisting that "actual enumeration," as phrased in the Constitution, ought to be employed by the Census Bureau. Speaker of the House Newt Gingrich said in a speech on the House floor that using statistical sampling would allow Democrats to "manipulate political boundaries," referring to legislative redistricting. Those missed by the census he described as "virtual citizens." Republicans contend that any method other than that prescribed by the Constitution is unconstitutional. According to political observers, they fear that a more accurate count of the population would give Democrats a better chance to regain control of the House of Representatives after redistricting. The undercounted groups are precisely those that have the most Democratic leaning voting histories. The GOP currently holds only a slim majority in the House.

Meanwhile, the conservative Southeastern Legal Foundation filed a lawsuit against the Department of Commerce challenging the constitutionality of nontraditional means of conducting the census. The suit asks the court to decide if methods of counting the population other than a strict enumeration are unconstitutional. On August 24, a federal court ruled that sampling could not be used in the next census, but the administration will appeal the decision to the Supreme Court.

Unless an agreement can be reached, the rejection of full funding for the Census Bureau will lead to a pre-election clash between the administration and the Congress this fall. The administration had offered to go back to the compromise that was forged last year, which would have allowed the Republicans to fund the Census Bureau for only half a year, but also placed a hold on half of the budgets for the Departments of State, Justice, and Commerce as well as the courts. This would have put pressure on the Republicans to come up with an agreement on the census so that the government could continue to operate in these areas. Last year's compromise also allowed the Census Bureau to conduct a test run of both the sampling and the traditional enumeration methods. President Clinton has promised to veto the entire Commerce, Justice, State, and Judiciary Appropriations bill if full funding is not restored. The result could be another budgetary "train wreck" of the sort that shut down the government two years ago. ■

Social Security

Continued from page 6

gram could transform all three categories of retirement income—Social Security, pensions, and private savings—into defined-contribution plans, that is, those in which the return is determined primarily by the contribution and how it has fared in the stock market.

Conclusions

Deliberations about the future form and function of the Social Security system will shape the program that will serve Americans 10, 20, 30, or more years from now. Ways to cover the projected funding shortfall vary tremendously, as do their likely effectiveness and implications for black Americans. Any actions by the government to change the system warrant close scrutiny by all, but especially by African Americans, who rely heavily on Social Security for retirement income. ■

Elections

Continued from page 5

tional Joint Center survey found that 86 percent of black seniors identify themselves as Democrats (61 percent as "strong" Democrats), but just 58 percent of young black adults do and only 22 percent as "strong" Democrats. Since most black voters do not consider the Republican party a viable alternative, the choice for some may be between voting Democratic and not voting at all. The combination of these factors—together with the fact that midterm elections lack a presidential race to draw voters to the polls—will make mobilizing black voters this November a difficult task. ■

In Next Month's Issue

The October 1998 issue of FOCUS will include a **survey to gauge reader interest** in the devolution of the funding and administration of social programs from the federal government to state and local governments. This survey is being conducted as part of "Devolution on the Ground: Widening and Deepening the Dialogue," a Joint Center project funded by the W.K. Kellogg Foundation to inform advocates, elected and appointed officials, and policy makers about opportunities and pitfalls created by recent changes in federal laws governing welfare and other family support systems.

This project is being conducted in collaboration with the Center for Law and Social Policy and the Center on Budget and Policy Priorities. The survey will inform us of your interest in devolution, and how you—our reader—want to receive information on this subject. *Look for the survey in next month's issue*. Your responses will help us provide the information you both want and need.

Thank you!

FOCUS *is printed on recycled paper with soy-based ink.*

FOCUS
Joint Center for Political and Economic Studies
1090 Vermont Ave., NW
Suite 1100
Washington, D.C. 20005-4961
202-789-3500

ADDRESS CORRECTION REQUESTED

Postmaster:
Form 3547 requested

IMPORTANT!

NOTICE TO READERS: Please send address or title changes to Information Resources, Joint Center for Political and Economic Studies. YOU MUST ATTACH THE MAILING LABEL FROM THE BACK COVER when writing about service or change of address. Thank you.

NON-PROFIT
U.S. POSTAGE
PAID
PERMIT No. 6958
Washington, D.C.

SEPTEMBER 1998

TRENDLETTER

POLITICAL REPORT

Black Elected Officials, 1994–1997

David A. Bositis

The last four years have seen small but steady growth in the number of black elected officials (BEOs) nationwide. Between 1993, when the Joint Center for Political and Economic Studies published its last edition of *Black Elected Officials: A National Roster*, and 1997, their total number rose by 643, from 8,015 to 8,658. This represents an 8 percent increase over the period (in rounded percents; see table for detailed statistics). Looking back to 1970, when the Joint Center first began tabulating BEO totals, the African American presence among elected officials has grown nearly sixfold from that year's total of 1,469.

Education officials. Those elected to education posts—primarily school superintendents and school board members—underwent the largest increase, rising by 16 percent. By contrast, municipal officials only showed a 5.4 percent increase. In no category of elected office were there fewer BEOs in 1997 than in 1993.

Women. One of the most dramatic changes during the *Roster*'s 27-year history has been the rapidly expanding presence of women. In 1970, there were only 160 female BEOs, but as of 1997 there were 2,812—an 18-fold increase. With this growth, women moved up from being onetenth of BEOs to being fully one-third.

Black mayors. There are now 387 black mayors in the country. This represents a 9 percent increase over 1993, although the number remained static among large municipalities (where populations are 50,000 or more, black mayors dropped from 38 to 37). The big cities that gained black mayors since 1993 are Dallas, Houston, Minneapolis, San Francisco, Savannah, and Des Moines.

Congress. The size of the Congressional Black Caucus remained unchanged since 1993, with 40 members. However, this does not mean the CBC has not experienced great change in its membership. For a group whose members are well known for their longevity on Capitol Hill, it is notable that 13 representatives have left the House since 1993. In addition, at the end of this session, Rep. Louis Stokes' (D–Ohio) name will be added to those departing Congress. The number of women members of the CBC is currently at a record high of 12.

The states. Ranking states by the number of BEOs their citizens have elected, the same four states appear in the same rank now as in 1993. Mississippi ranks first with 803, followed by Alabama (726), Louisiana (646), and Georgia (579). In 1997, Illinois superseded Texas to rank fifth (545). The state that experienced the fastest growth in BEOs since 1993 is Virginia. Its phenomenal 115 percent increase from 155 to 333 is largely due to the fact that Virginia's school boards are now elected instead of appointed. Maryland (40 percent growth) and Arkansas (27 percent) also had major increases.

The number of states with no black elected officials at all remained static. This year Hawaii, Montana, North and South Dakota, and Wyoming had no BEOs. In 1993, South Dakota and Wyoming were not on that list, but Idaho and Utah were.

The states with the most black members in their state legislatures are Georgia and Mississippi (both with 45), followed by Maryland (36), Alabama (35), and South Carolina (34). Between 1993 and 1997, the states whose legislatures saw the biggest increases in membership were Alabama (13 additional members, a 59 percent increase) and South Carolina (9 new members, a 36 percent increase).

The published roster. The 1993 edition of *Black Elected Officials: A National Roster* was the last printed-book version of the *Roster,* which the Joint Center had published nearly every year since 1970. Due to changes in the information technology, the Joint Center has decided to release its information on BEOs in different formats than in the past. Beginning with this 1998 release, the Joint Center will publish, in printed form, statistical summaries of BEOs rather than complete rosters

with names and addresses. It will also provide statistical information on its website (www.jointctr.org). More detailed information, such as, names, addresses, offices, etc., will still be available on all (or any subset of) BEOs in a variety of formats including labels, lists, and computerized formats. In a forthcoming issue of *FOCUS*, readers will be advised on how they may receive BEO data from the Joint Center, including specific formats available and charges. ■

Number of black elected officials in the United States, by state and office, January 1997

			Federal		State				Substate Regional		County			Municipal					Judicial and Law Enforcement						Education			
State	Total	Net Change since January 31, 1993	Senators	Representatives	Governors	Administrators	Senators	Representatives	Members, Regional Bodies	Other Regional Officials	Members, County Governing Bodies	Members, Other County Bodies	Other County Officials	Mayors	Members, Municipal Governing Bodies	Members, Municipal Boards	Members, Neighborhood Advisory Commissions	Other Municipal Officials	Judges, State Courts of Last Resort	Judges, Other Courts	Magistrates, Justices of the Peace, Constables	Other Judicial Officials	Police Chiefs, Sheriffs, and Marshals	Other Law Enforcement Officials	Members, State Education Agencies	Members, University and College Boards	Members, Local School Boards	Other Education Officials
Alabama	726	27		1			8	27			90	1	16	42	402				1	19	18	7	7		2		85	
Alaska	1	-2													1													
Arizona	17	2					1	3						1	2					3	2					1	4	
Arkansas	484	104					3	10					2	28	210			22		7	53					2	147	
California	255	-18		4			3	4	3		4		1	9	43	10		5	1	76		1	1			19	71	
Colorado	20	0				1	1	2			1				3				1	9							2	
Connecticut	63	1					3	11							28	7		3		4							7	
Delaware	25	2					1	3			2			2	12					2							3	
District of Columbia	147	-51		1										1	7		131										5	
Florida	216	16		3			5	15			24	1		10	110			1	1	31							15	
Georgia	579	34		3			11	34			94		5	21	258	2	8	1	2	27	2	4	2			1	104	
Hawaii	0	0																										
Idaho	1	1																		1								
Illinois	545	80	1	3			8	14			42	2	1	22	168	49	1	25	1	54							154	
Indiana	80	8		1			5	7			9				30		10	2	1	9							6	
Iowa	11	0						1			3				4								1				2	
Kansas	21	0					2	5			2				4					4							4	
Kentucky	58	-5					1	4			2				40					3	2						6	
Louisiana	646	10		1			9	24	1		136			25	199			2	2	46	47	4	14		2		134	
Maine	3	2					1							2														
Maryland	196	56		2			9	27			7			13	94			1	2	26		3	2				10	
Massachusetts	33	3					1	6							15	4		2			1	1	1				2	
Michigan	333	0		2			5	12			24		1	15	73	6		15	1	49	1				1	14	114	
Minnesota	14	-2						1						1	2				1	6							3	
Mississippi	803	52		1			10	35			95	65	9	35	314		1		1	52	28	11	6				134	6
Missouri	188	3		1			3	12			2			21	110			3		12		2				4	18	
Montana	0	0																										
Nebraska	4	-2					1				1				1												1	
Nevada	16	6					3	2			1				4					4						1	1	
New Hampshire	2	0						2																				
New Jersey	222	11		1			3	10			11		1	17	95												84	
New Mexico	5	2						2												2							1	
New York	311	12		4			6	21			17			5	43	7		3	1	77		1					126	
North Carolina	506	38		2		1	7	17			60	3	1	30	260				1	23		2	3				96	
North Dakota	0	0																										
Ohio	231	12		1		1	4	14			1			12	107	4		5		29		1					52	
Oklahoma	102	-21		1			2	3			2			13	47	2		12		1							19	
Oregon	7	-3				1	1	2			1									2								
Pennsylvania	162	4		1			3	15			1			4	49			1	1	38	17	1	1				30	
Rhode Island	10	-2					1	8							1													
South Carolina	542	92		1			8	26			68	2	5	23	221	4			1	5		2	4			1	171	
South Dakota	0	-3																										
Tennessee	174	6		1			3	13			49			3	56					16	6	4					23	
Texas	448	-24		2			2	14			14		1	24	253	1			1	9	35				2	7	83	
Utah	1	1																		1								
Vermont	1	-1						1																				
Virginia	333	178		1			5	9			45		3	6	80			3		1		11	5				164	
Virgin Islands	39	8		1	1	1	12			14										1					10			
Washington	23	4					1	1			2			1	6				1	8	1						2	
West Virginia	19	-2						2						1	13					2	1							
Wisconsin	35	5					2	6			7				10					4							6	
Wyoming	0	-1																										
Total	**8,658***	**643**	**1**	**39**	**1**	**5**	**154**	**425**	**4**	**14**	**817**	**74**	**46**	**387**	**3375**	**96**	**151**	**106**	**21**	**662**	**214**	**55**	**47**	**0**	**17**	**50**	**1889**	**6**

* Total includes one statehood senator and one statehood representative from the District of Columbia.
Data compiled by Alfred Baltimore and tabulated by Rick Hart.

ECONOMIC REPORT

by Cecilia Conrad

Should We Privatize Social Security?

With his March introduction of a Social Security reform bill, Senator Daniel Patrick Moynihan (D–N.Y.) became the latest public figure to endorse some type of privatization of the Social Security system. Moynihan's proposal is far more restricted than the full privatization urged by Martin Feldstein, former chair of the Council of Economic Advisors under President Ronald Reagan, but it would divert some payroll taxes to voluntary individual investment accounts. Seven of the thirteen members of the 1994–96 Social Security Advisory Council (SSAC) have also endorsed Social Security's partial privatization. Donna Shalala, secretary of Health and Human Services, appointed this panel of leading experts on public and private pension systems to examine the system's long-term financing.

For African Americans, a critical issue in evaluating these proposals is determining whether they allow the government to maintain a safety net for the low-income elderly. Social Security payments account for nearly 47 percent of the income of elderly African Americans (65 and older); 46 percent of the income of elderly Hispanics; and 42 percent of the income of elderly whites. Social Security has helped to alleviate poverty among the black elderly. Without these government cash transfers, 59.5 percent of elderly African Americans today would have incomes below the poverty threshold. With the payments, their poverty rate is only 25.3 percent.

The Pros and Cons of Privatization

Advocates for privatization argue that it will increase the national savings rate by shifting from "pay as you go" financing of social security obligations to advanced funding. "Pay as you go" financing reduces savings by shifting dollars away from young workers, who tend to have high savings rates, toward retirees, who tend to save less. With advanced funding, each generation would pay for its own retirement through investments made while its members were young. This would create greater incentives to save for the future.

Proponents of privatization also argue that individuals would earn more by investing their Social Security taxes in private accounts. In a 1997 essay for the Cato Institute, Martin Feldstein wrote that a "pay as you go" system could yield no more than a 2.6 percent rate of return—the average growth rate of real wages since 1960. Feldstein argues that with private retirement accounts, individuals can expect to earn a rate of return up to 9.3 percent—the real pretax return on nonfinancial corporate capital (profits before all taxes plus the net interest paid) over the same period.

A 1998 Heritage Foundation analysis by William Beach and Gareth Davis suggests that African Americans would particularly benefit from such privatization. According to the Heritage analysis, a low-income African American male born in 1950 can expect a rate of return from social security of less than 1 percent. For all low-income males of all races born in 1950, the expected rate of return is 1.97 percent. Beach and Davis estimate that a low-income African American male could accumulate $79,846 over his lifetime if his Social Security taxes were invested in US treasury bills, but loses $13,377 over his lifetime by paying into the current Social Security system.

This difference in lifetime income is striking, but it is also misleading. The Social Security Administration identified several methodological flaws in the Heritage study. Most significant, the study overstates the expected number of years of work and understates the expected number of retirement years. As a result, it overestimates the amount paid into Social Security and underestimates the benefits received.

Furthermore, the Heritage study probably exaggerates the rate of return possible under a private system. For example, it assumes that the return rate normally available in the private market would be unaffected by the privatization itself. This defies the laws of supply and demand. If the supply of a good increases and demand is unchanged, its price will fall. The privatization of Social Security would in fact increase the supply of funds in private capital markets, thereby driving down the rate of return offered to investors.

Risks to Blacks

Even if a private system would yield a higher rate of return for the average worker, it may not be a better deal for African Americans. In financial markets there is a tradeoff between high rates of return and risk. The greater the risk of an investment, the higher the potential return it must offer to induce individuals to invest. A private retirement system that offers a substantially higher return is also likely to create considerable risks for individual investors. "If people placed their money in a fund that invested poorly or was fraudulently administered," wrote Economic Policy Institute analyst Dean Baker in 1996, "they would be out of luck when

they retired." The Private Security Account Plan (PSA), endorsed by five members of the SSAC, provides very little safety net for those who find themselves "out of luck." The guaranteed benefit is $410 a month, or $4,920 a year, roughly $2,000 less than the poverty threshold for an elderly person living alone.

A privatized social security system is also likely to have higher administrative costs than the current system. The administrative costs for the current social security program are about 1 percent of benefits. In contrast, administrative costs for private insurance, according to the American Council of Life Insurance, range between 12 and 14 percent of annual benefit amounts.

In addition, full privatization would impose substantial transition costs. During the transition, younger workers would make contributions to their private retirement accounts in lieu of payroll taxes. As a result, there would be less revenue available to fund the benefits for retirees who were employed under the old system. Maintaining benefits for current retirees will require either an increase in payroll taxes or government borrowing. For example, the PSA plan increases payroll taxes by 1.52 percent and proposes government borrowing of nearly *two trillion* dollars over the next 40 years to meet transition costs.

The transition costs of partial privatization schemes are lower because they supplement rather than replace the old Social Security system. For example, the Gramlich plan (named for Edward Gramlich, the economist who chaired the SSAC) would create a system of individual defined contribution accounts to supplement the existing Social Security system. Mandatory contributions from employees (equal to 1.6 percent of covered payroll) will fund these accounts. At retirement, each individual's account would be converted into an annuity that pays a guaranteed income each year.

The Gramlich proposal provides benefits for low-income workers comparable to current levels, but it reduces benefits for some middle- and high-wage workers. According to Dean Baker of EPI, a worker with income of $30,000 (in 1996 dollars) would receive approximately 20 percent less in Social Security benefits per year.

The Moynihan Plan

Senator Moynihan's bill, The Social Security Solvency Act of 1998 (S.1792), also proposes partial privatization. However, under Moynihan's scheme, contributions to individual retirement accounts would be voluntary. Moynihan proposes a 2 percent cut in the payroll tax with lower rates set for the next 30 years. Workers could then either invest the entire 2 percent tax reduction in voluntary private savings accounts or take the employee share of the tax cut (1 percent) as an increase in disposable income.

Unlike most privatization proposals, Moynihan's plan maintains Social Security as a "pay as you go" system. In recent years, a portion of payroll taxes has gone into the Social Security trust fund to pay for future benefits. Under Moynihan's proposal, *all* payroll taxes would be used to fund current benefits. This change would make possible the immediate cut in payroll taxes. Moynihan claims his proposed tax cut is feasible because it increases the amount of wages subject to taxation, reduces cost-of-living adjustments for social security benefits, and raises the retirement age.

By increasing the amount of wages subject to taxation, Moynihan's plan would increase payroll taxes for high wage workers. Under the current scheme, wages above $60,000 are not subject to this form of taxation. Moynihan's proposal would increase the limit to $97,500. Nevertheless, the decrease in the cost of living and the increase in the retirement age would cut social security benefits. An increase in the retirement age would particularly reduce benefits for African Americans, who tend to have lower life expectancies than white workers and who are more likely to occupy physically demanding jobs from which workers tend to retire early.

Voluntary plans create incentives for investments and savings—either by increasing disposable income or by reducing taxes for those who save more. The drawback of voluntary plans is that some workers, most likely low-wage workers, would choose not to contribute and would later find themselves without adequate income in retirement.

Privatization and African Americans

The greater the degree of privatization, the greater the uncertainty created for African Americans. Rates of return could increase for some individuals. However, full privatization would eliminate much of the safety net provided by Social Security and could put low-wage workers and less-sophisticated investors at risk. In addition, the administrative and transition costs of these programs are not insignificant. Partial privatization can maintain the existing safety net while increasing rates of return, but administrative costs are likely to increase and retirees will face some risks. Preserving the current system is an option (see "Social Security: A Fix for All" in this issue of *FOCUS*), but only through increases in payroll taxes and reductions in benefits. ■