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415 N. Killingsworth St.,
P.O. Box 5455, Portland, OR 97228.
Telephone (503) 285-5555.
E-mail: **info@theskanner.com**
World Wide Web site:
**http://www.theskanner.com**
Fax: **(503) 285-2900**

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# Report: Family Finances Shrinking

**RESPONSIBLE LENDING**

Charlene Crowell

According to findings from the Center for Responsible Lending's newest report, The State of Lending in America and Its Impact on US Households (State of Lending), the typical household has just $100 left each month after paying for basic expenses and debt payments. After controlling for inflation, the typical household had less annual income at the end of 2010 than it did at the beginning of the decade.. Moreover, as worker productivity increased, the workplace has seldom rewarded them with higher pay.

Even in households with two wage-earners, the amount of disposable or discretionary income after paying monthly expenses was less in 2010 than it was in 2000. The combined effect of stagnant wages along with unemployment and under-employment is forcing families to curb spending and use any available assets to keep pace financially. Families with no savings or assets incurred new debt.

"The recession and slow recovery have led to declining net worth for the average U.S. household and a disproportionate decline for African-American and Hispanic households", states the report.

In communities of color, income declines are higher in part because of declines in over-representation in two types of employment that historically provided stable and secure jobs: manufacturing and construction. These two industries suffered job losses of 10 and 20 percent, respectively. African-Americans who formerly worked manufacturing and construction jobs lost more than twice the number of jobs between 2007 and 2011 than they previously gained in the pre-recession decade.

These losses in income also caused losses of wealth that are even more severe. In fact, the decline in wealth from 2005-2009 between communities of color and White households is the largest documented wealth gaps since the Census Bureau began publishing wealth estimates in 1984. The net worth for African-Americans dropped 53 percent and among Latino families, 66 percent. By comparison, White household wealth declined only 16 percent in the same years.

Households headed by persons aged 55-65 saw the largest losses in wealth. People at or nearing retirement lost an average of $90,000 from 2007-2010. As wealth and retirement resources declined, many older workers remained in the labor force longer than retirees in previous decades.

> As large numbers of consumers continue to tighten their fiscal belts, sustainable economic recovery will likely be delayed

As an increasing number of older workers delay retirements, some younger workers experience higher unemployment and declining labor participation. A consequence of their delayed entry in the workforce increases the number of households doubling-up, living with friends or non-family members as a result of economic hardship. From 2005-2010, the number of these households grew 50 percent.

CRL further notes that consumer spending accounts for approximately 70 percent of total U.S. economic activity. As large numbers of consumers continue to tighten their fiscal belts, sustainable economic recovery will likely be delayed.

"In order for the U.S. economy to grow again, individual households must find themselves in a position to increase their spending," says the report. "This will be difficult as long as households continue to face stagnant incomes, increasing expenses, increasing levels of debt, and declining net worth."

(To read more on this report, visit: http://www.responsiblelending.org/state-of-lending)

*Charlene Crowell is a communications manager with the Center for Responsible Lending. She can be reached at: Charlene.crow-*

# Fixing African American Unemployment

**BENNETT COLLEGE**

Julianne Malveaux

How will African Americans improve our situation in 2013? Right now, we have higher unemployment than any other population in our nation, less wealth, higher school dropout rates, and more crime in our communities. Dr. Martin Luther King, Jr. once said that African American communities had twice the number of negatives and half the number of positives in our country. While the numbers may have shifted somewhat, it is still true that we are more likely to experience negative consequences (teen pregnancy, incarceration, crime) and less likely to experience positives (college graduation, high net worth).

Those of us who focus on public policy will look at past discrimination and ways it manifests itself in the present. We will look at the way race-neutral public policy has a racial impact (for example, changing the terms of the Parent Plus loan hits wealth-poor, credit-challenged Black families disproportionately). We will suggest ways to close gaps, some of which may include ways that government investment, such as job creation and job training, can help close these gaps. And we will be right.

Whether we fall off the fiscal cliff (final negotiations are taking place even as I write this), the focus on the level of debt our nation faces suggests that tax reform will reduce tax deductions, some in ways that may increase income inequality, and that spending cuts are imminent. Many of these cuts will be in social programs and educational spending. Again, some of these cuts will widen, not narrow, the wealth and income gaps.

What does this mean for Black America in 2013? Pretend that it is Groundhog Day, if you saw the movie. The protagonist wakes up every day to the same day when everything happens the same way. If you keep doing what you have been doing, you'll keep getting what you've been getting. For Black American, this means that if we keep looking external without looking internal, not much will change for us.

Yes, it will change for some of us: Those who are educated, middle class, well networked and disciplined are likely to find significant opportunities in our stagnant economy because even stagnant economies churn and create new opportunities. But it won't change much for those who are less educated, working class, un-networked and undisciplined, or some combination thereof. Education, networks, and discipline can be fixed. But few have an interest in fixing these things in Black America except for Black Americans. So what are we going to do?

Susan Taylor has been a passionate advocate of mentorship in the African American community. She began the work when she editor-in-chief at Essence magazine and left the magazine to expand her reach in that area. She continues to advocate mentorship and to teach us how to be mentors. Her work supports education, networking and discipline.

Similarly, in Southeast Washington, D.C., Cora Masters Barry leads the Recreation Wish List Committee and works with the Southeast Tennis and Learning Center to nurture more than 150 young people year-round (full disclosure – I am treasurer of the Wish List Board). Students are trained in physical fitness through tennis, and are encouraged in their academics through learning. Most board members have hands-on relationships with our young people, who are held to the highest standards. Again, this work supports education, networking and discipline.

> We need a seat around every table where public policy is being made, whether on issues of race, or on issues that seem race-neutral

Most historically Black colleges do the same thing, bringing corporate partners to campuses and exposing students to the many ways they can access employment opportunities. In many cases, the entire campus offers students engaged mentorship. Education, networking and discipline.

When people tell the story of the American Dream, they talk about the many ways that hard work will help someone transcend class. They talk about hard work. People who earn the minimum wage work hard. People who make ends meet on public assistance work hard. It's not just about hard work. It's about hard work – and the hook up.

A corporate leader who is a wonderful friend once said that she could use her position to hook up women and African Americans who needed a hand up. She also indicated that the hook up could help individuals, but we also, and always, need a hook in to public policy decisions that affect our nation.

That means we need a seat around every table where public policy is being made, whether on issues of race, or on issues that seem race-neutral. We should be talking about the deficit, about tax reform, about government spending. We should be talking about international affairs, about world areas of conflict, about our fluctuating currency. As long as we live in this flawed nation, all issues are Black issues.

Things won't change in Black America unless some of us do. We need to both hook in and hook up!

*Julianne Malveaux is a Washington, D.C.-based economist and writer. She is President Emerita of Bennett College for Women in Greensboro, N.C.*