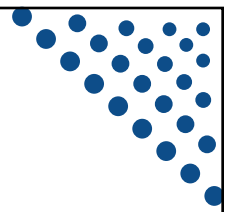


The Black-White Wealth Gap

Aging Action Initiative
October 12, 2022

Jon Haveman, Ph.D.
Executive Director, NEED

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National Economic Education Delegation

- **Vision**

- One day, the public discussion of policy issues will be grounded in an accurate perception of the underlying economic principles and data.

- **Mission**

- NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States.

- **NEED Presentations**

- Are **nonpartisan** and intended to reflect the consensus of the economics profession.

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Who Are We?

- **Honorary Board: 52 members**

- 2 Fed Chairs: Janet Yellen, Ben Bernanke
- 6 Chairs Council of Economic Advisers
 - o Furman (D), Rosen (R), Bernanke (R), Yellen (D), Tyson (D), Goolsbee (D)
- 3 Nobel Prize Winners
 - o Akerlof, Smith, Maskin

- **Delegates: 520+ members**

- At all levels of academia and some in government service
- All have a Ph.D. in economics
- Crowdsource slide decks
- Give presentations

- **Global Partners: 45 Ph.D. Economists**

- Aid in slide deck development

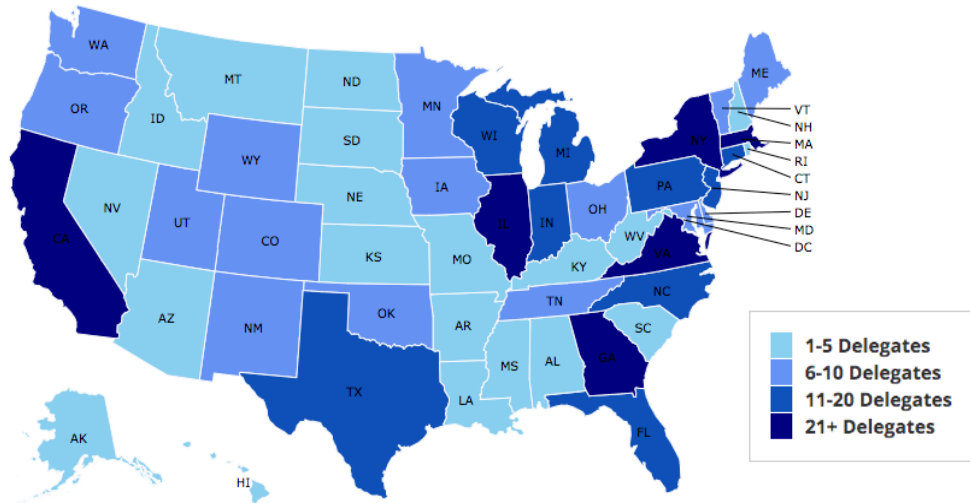


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Where Are We?



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Credits and Disclaimer

- **This slide deck was authored by:**
 - Darrick Hamilton, Ph.D., The New School
 - Jon Haveman, Ph.D., NEED
- **Disclaimer**
 - NEED presentations are designed to be nonpartisan.
 - It is, however, inevitable that the presenter will be asked for and will provide their own views.
 - Such views are those of the presenter and not necessarily those of the National Economic Education Delegation (NEED).



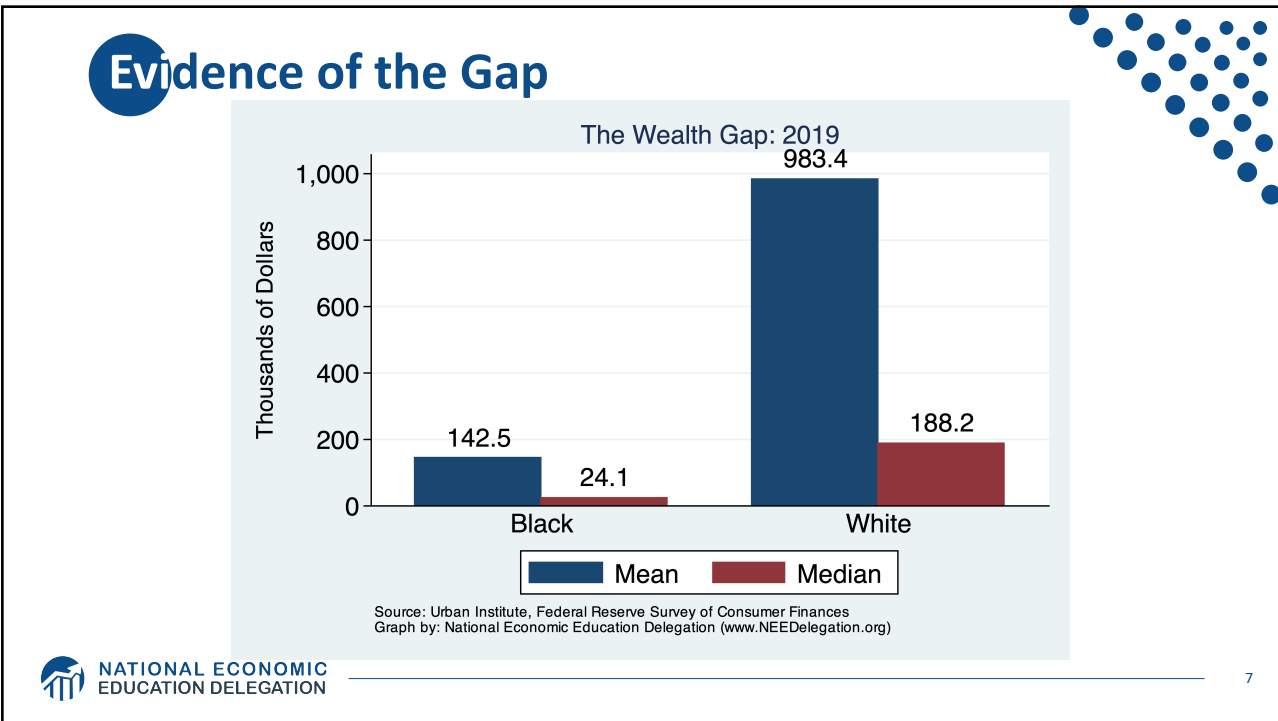
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Outline

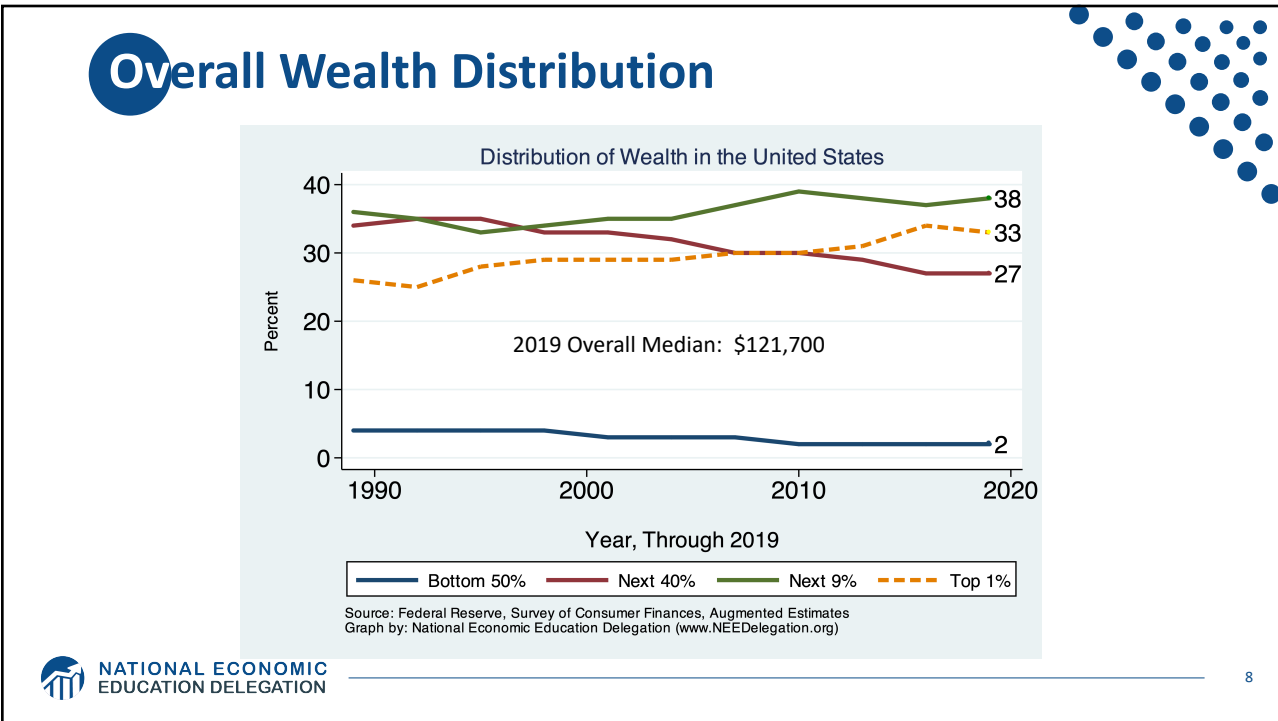
- **Evidence of disparities**
- **Why wealth is important**
- **Sources of disparities**
- **Implications of disparities**
- **Policy solutions**



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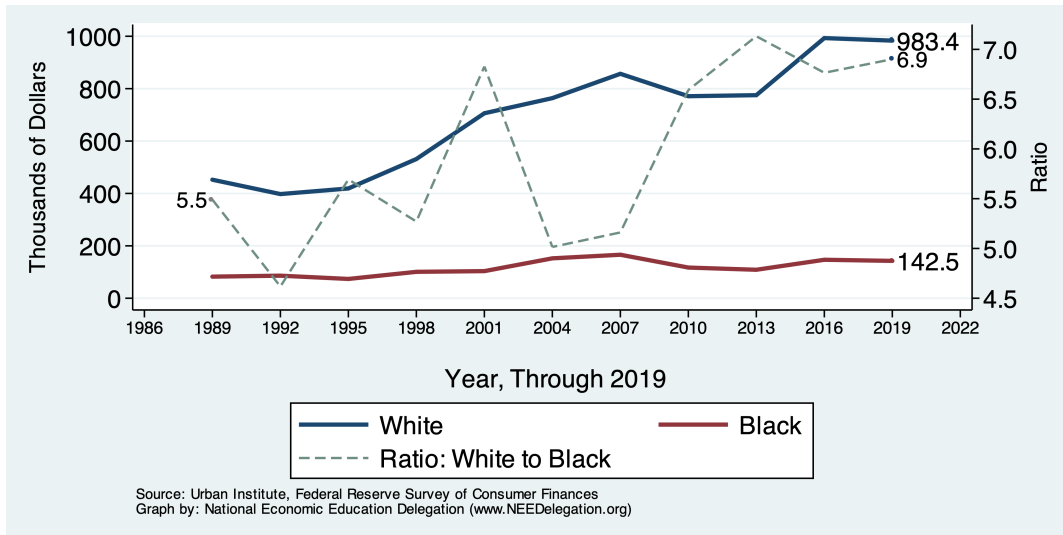


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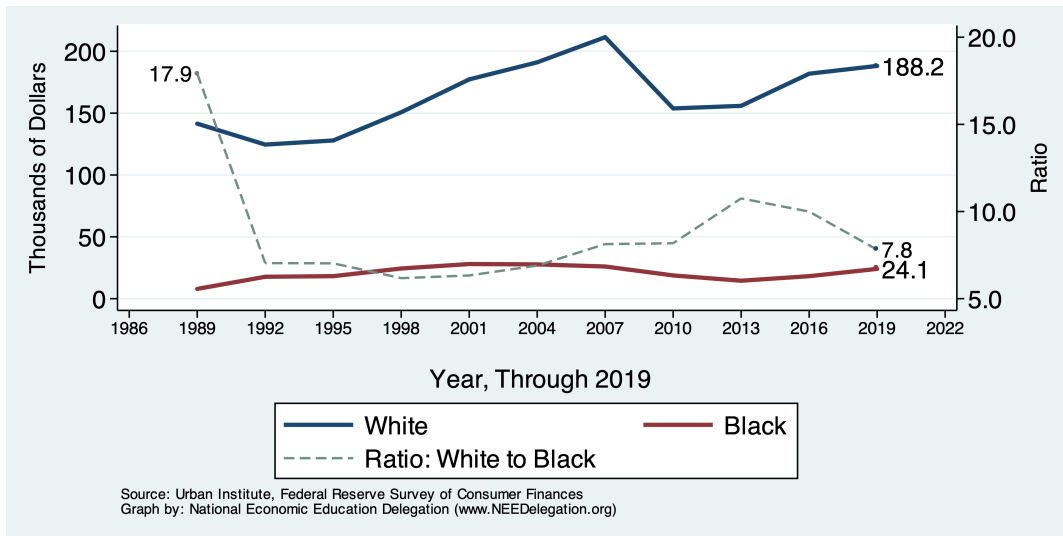
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Wealth Gap Over Time: Mean



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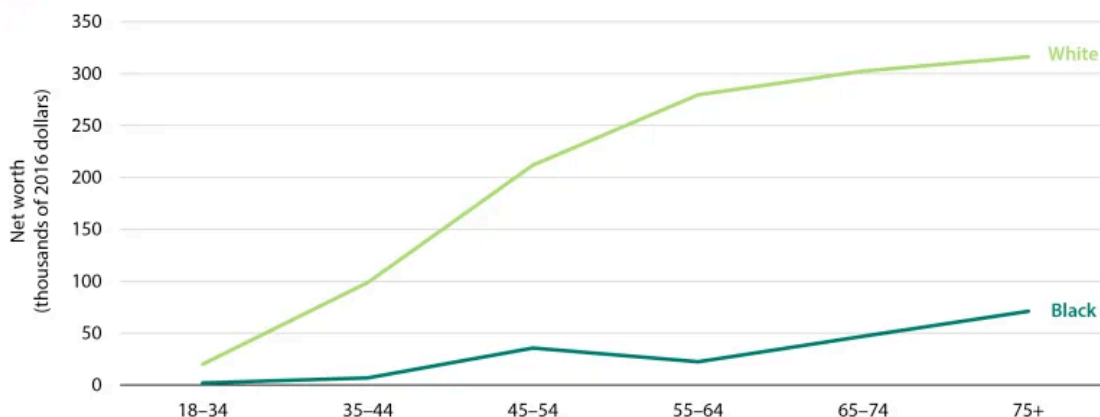
Wealth Gap Over Time: Median



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Net Worth by Age and Race

FIGURE 2.
Median Net Worth, by age of Household Head



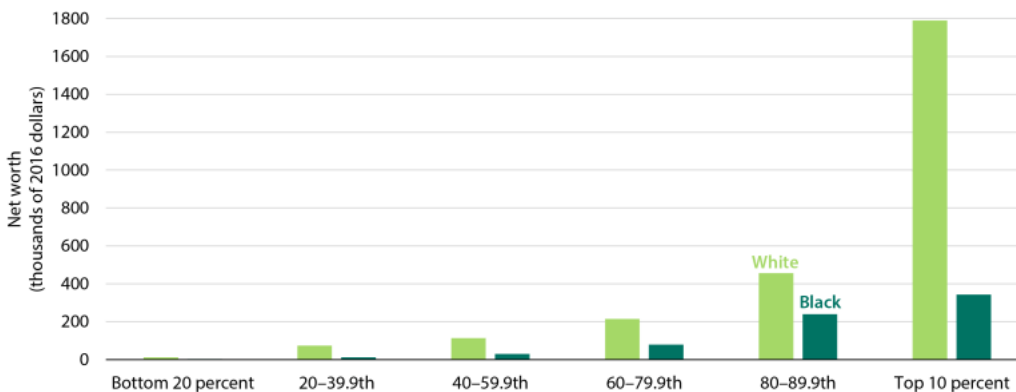
Source: Survey of Consumer Finances 2016; authors' calculations.
Note: Data are from 2016. Net worth refers to the difference between assets and debt for a household head. Race and ethnicity are those of the survey respondent.



Source: <https://www.brookings.edu/blog/up-front/2020/02/27/examining-the-black-white-wealth-gap/>

By Household Income

FIGURE 3.
Median Net Worth, by Household Income Percentile



Source: Survey of Consumer Finances 2016; authors' calculations.
Note: Data are from 2016. Net worth refers to the difference between assets and debt for a household head. Race and ethnicity are those of the survey respondent.






Why Wealth is Important

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Widespread Household Wealth Pays Dividends

- **To individuals in the household**
 - Choices/Agency
 - Wealth is iterative
- **And to broader society**
 - Human capital development
 - Entrepreneurship and innovation

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Household Level Benefits

- **Choices/Life Agency**

- Finance elite education
- Living in good neighborhoods
- Saving for retirement
- Capital to start a business
- w/stand financial hardship
- Better legal counsel
- Exert political influence
- Finance costly medical procedure
- Bequests

- **Wealth is iterative**

- Wealth begets more wealth.
 - Access to higher return investments.
- Wealth transfers across generations.
 - Wealth is sticky.



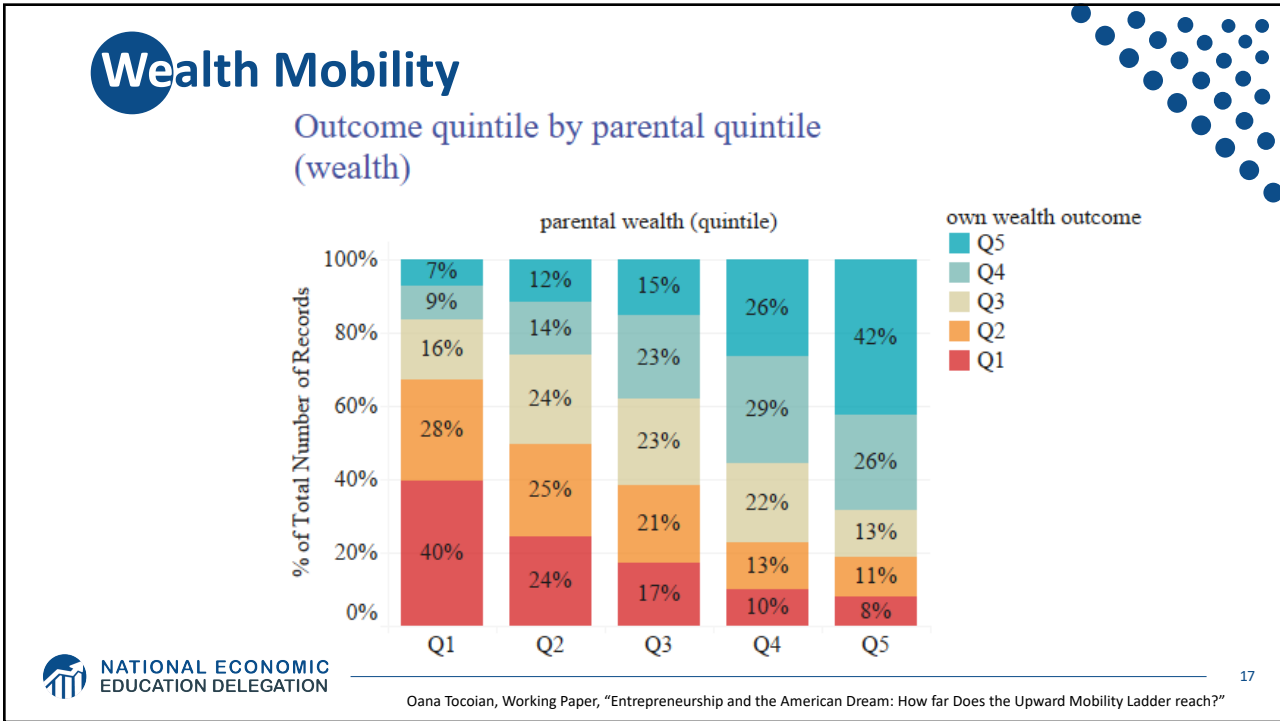
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Tangible Benefits for the Broader Economy

- **More human capital development**
- **Increased entrepreneurship**
- **Greater labor force participation**
- **Healthier labor force**
- **Less social unrest**
- **Less reliance on social programs**



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Parental Wealth is Important

- **Important pre-estate transfer effects on kids:**
 - Influences human capital accumulation
 - Influences the returns to education
 - Adult incomes of offspring
- **There are clearly enormous differences in wealth held by parents of Black and White children.**

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Sources of Disparities



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Results for Black Families

- **Much lower accumulation of wealth than among White families.**
- **Implications:**
 - Less financial contribution from parents to children.
 - More difficult access to higher education.
 - Less access to capital for business formation.
 - More likely to live in disadvantaged neighborhoods
 - Fewer role models.
 - Less access to quality education.
 - ***Disparities in the capacity to build wealth.***



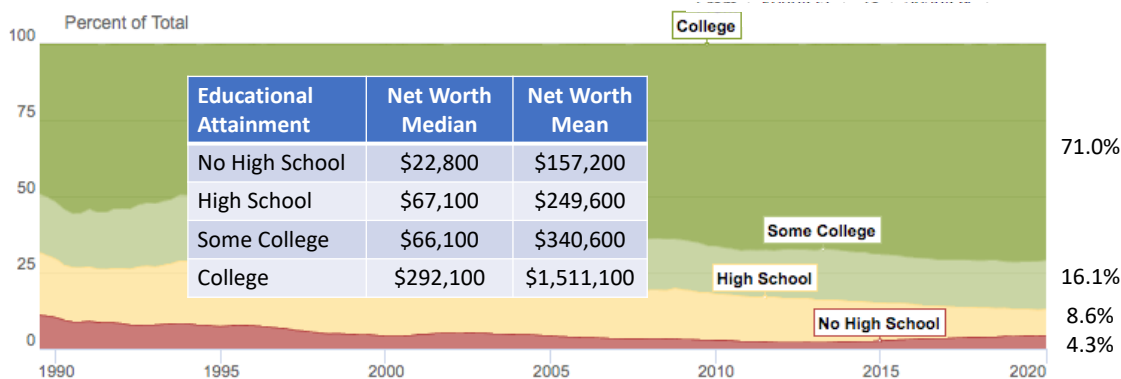
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Potential Explanations: Differences in...

- Educational attainment
- Home ownership
- Increased savings
- Financial literacy
- Entrepreneurship
- Soft skills and personal responsibility
- Wages
- Labor force participation
- Family disorganization
- Initial endowment

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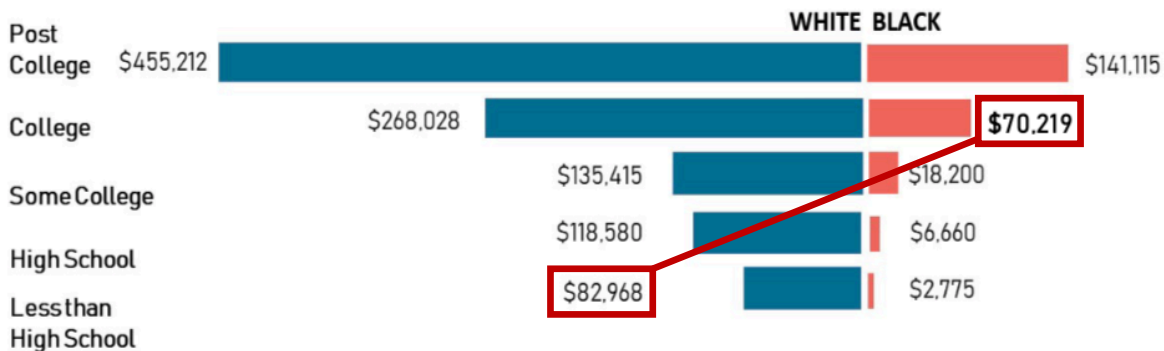
Wealth by Educational Attainment



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Educational Attainment

Median Household Net Worth by Race and Education



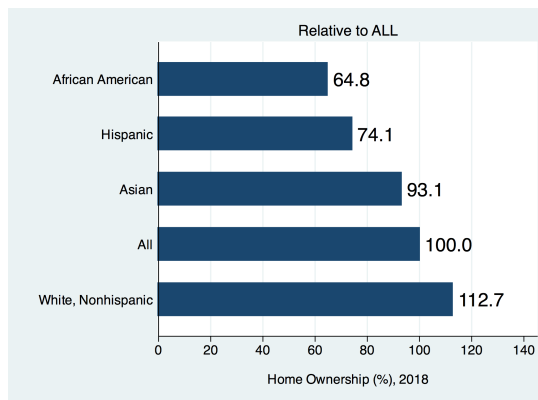
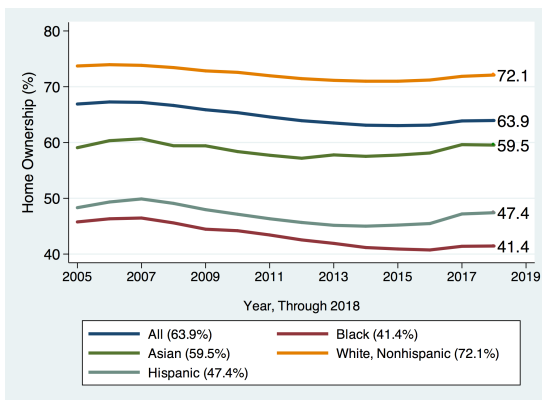
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Educational Attainment: Policy

- **How do we increase educational attainment?**
 - Increase universal quality of public schools.
 - Increased/improved counseling in high schools.
 - Reduce costs (including living) of attending college.
 - Increased access to funds for education

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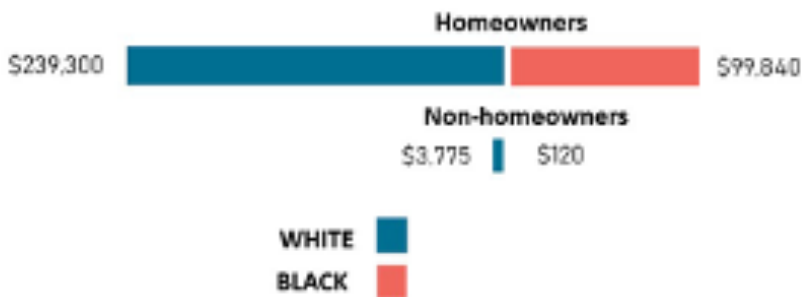
Home Ownership



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Home Ownership

Housing Status	Net Worth Median	Net Worth Mean
Renters	\$5,200	\$91,100
Owner	\$231,400	\$1,034,200



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Increased Savings & Financial Literacy

- **Savings:**

- After accounting for household income, Blacks have a slightly higher savings rate than Whites.

- **Financial literacy:**

- Evidence reveals that Black households rely more on payday lenders.
 - This is out of necessity, not out of ignorance.
- Financial literacy does little benefit with little in the way of finances to manage.



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Entrepreneurship

- **Disparities in access to capital**

- Wealth disparities
 - Specifically differences in home equity.
 - Differences in wealth levels of friends and family.
- Less likely to rely on banks and more likely to rely on credit cards.
- Loans have higher int rates and more likely to be declined.
- Less access to venture funds.

- **Education levels**

- **Previous business ownership by family**

- **Social capital**



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Soft Skills and Personal Responsibility

• Employability

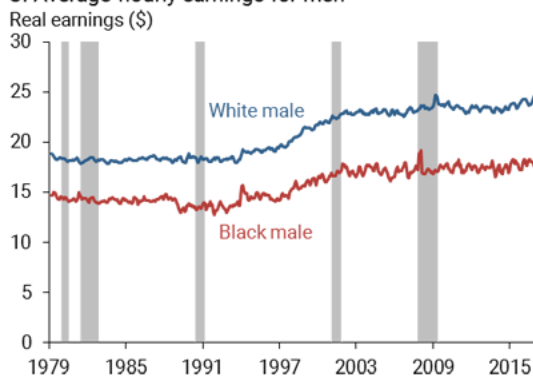
- Show up on time
- Eye contact with customers
- Dress well
- Collaborative skills

• Reality

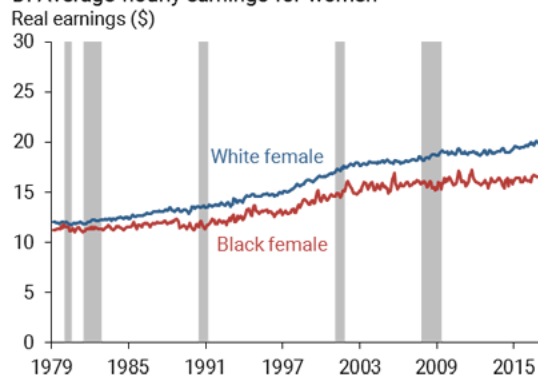
- Black workers are crowded into service sector jobs.
- Well represented in service, sales and office, and production, transportation, and material moving
- Relatively less well represented in construction, extraction, and maintenance.

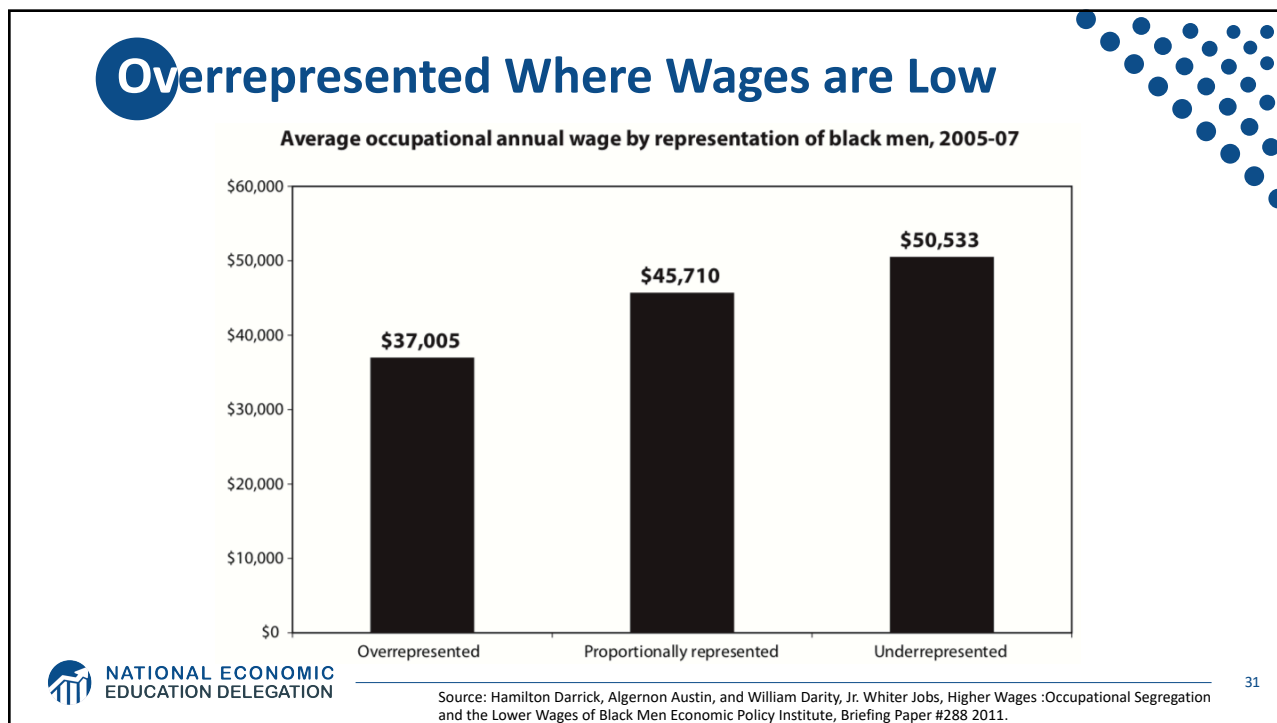
Wage Gap

C. Average hourly earnings for men

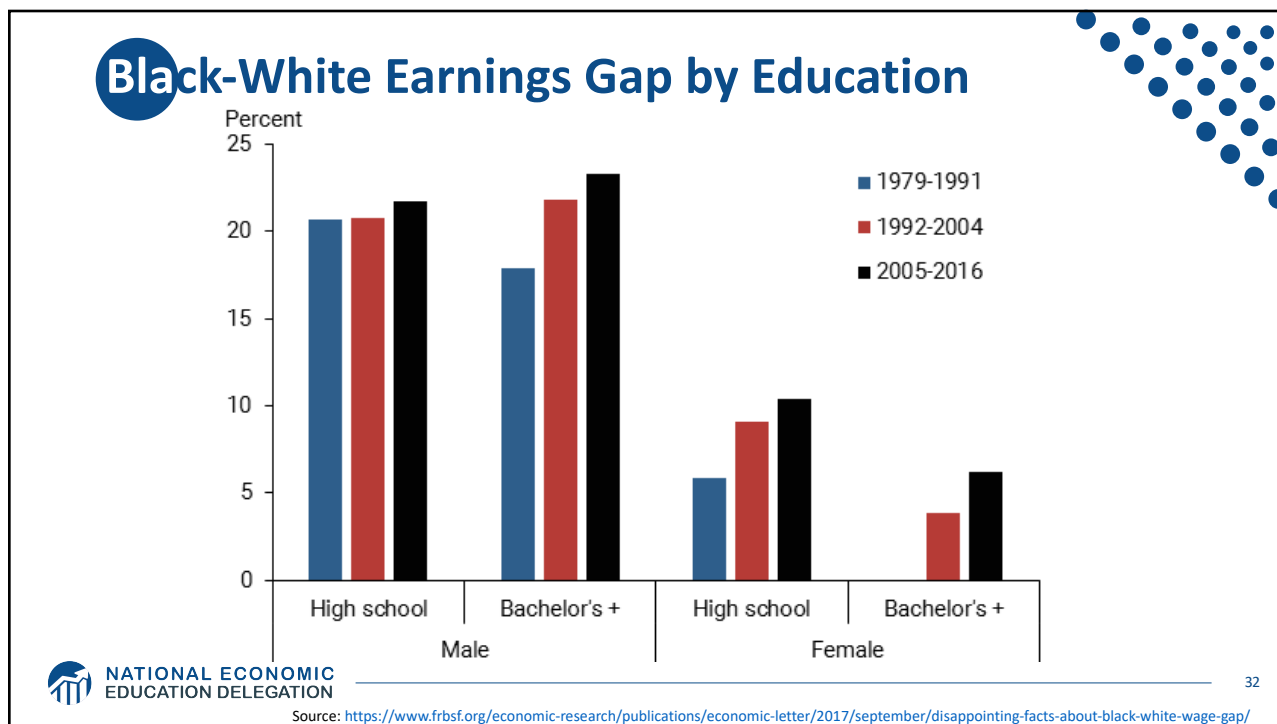


D. Average hourly earnings for women

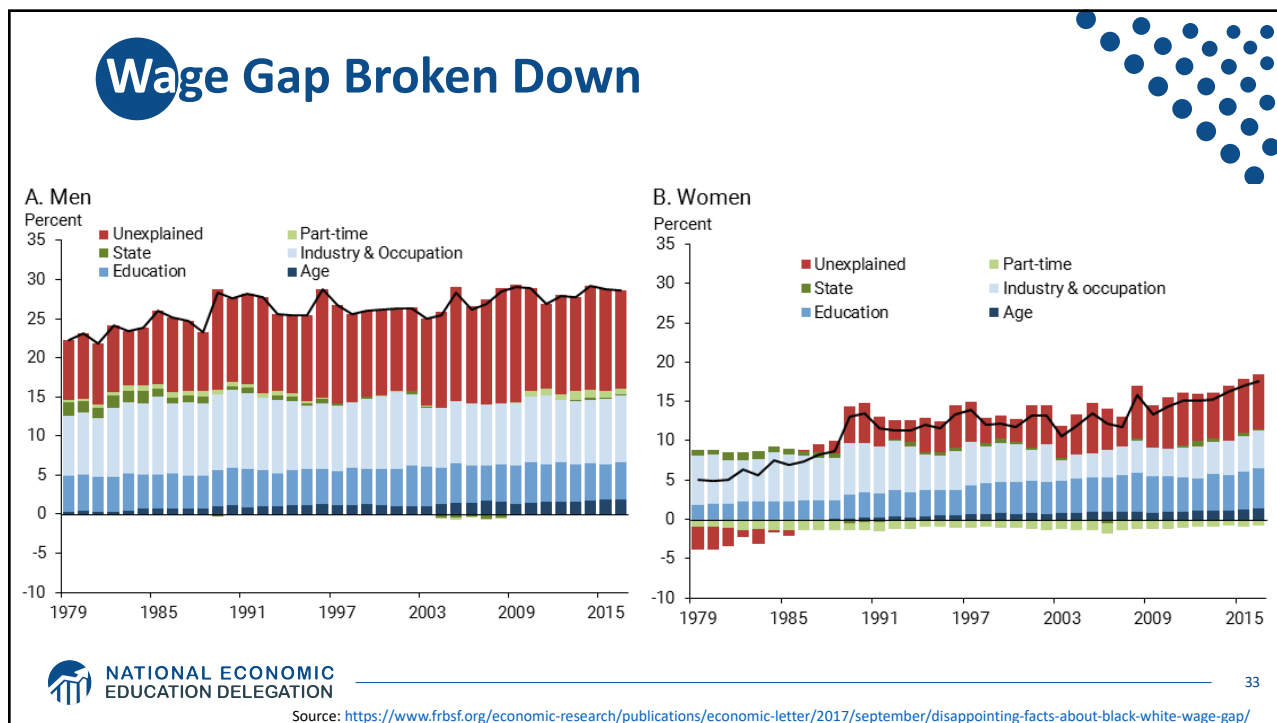




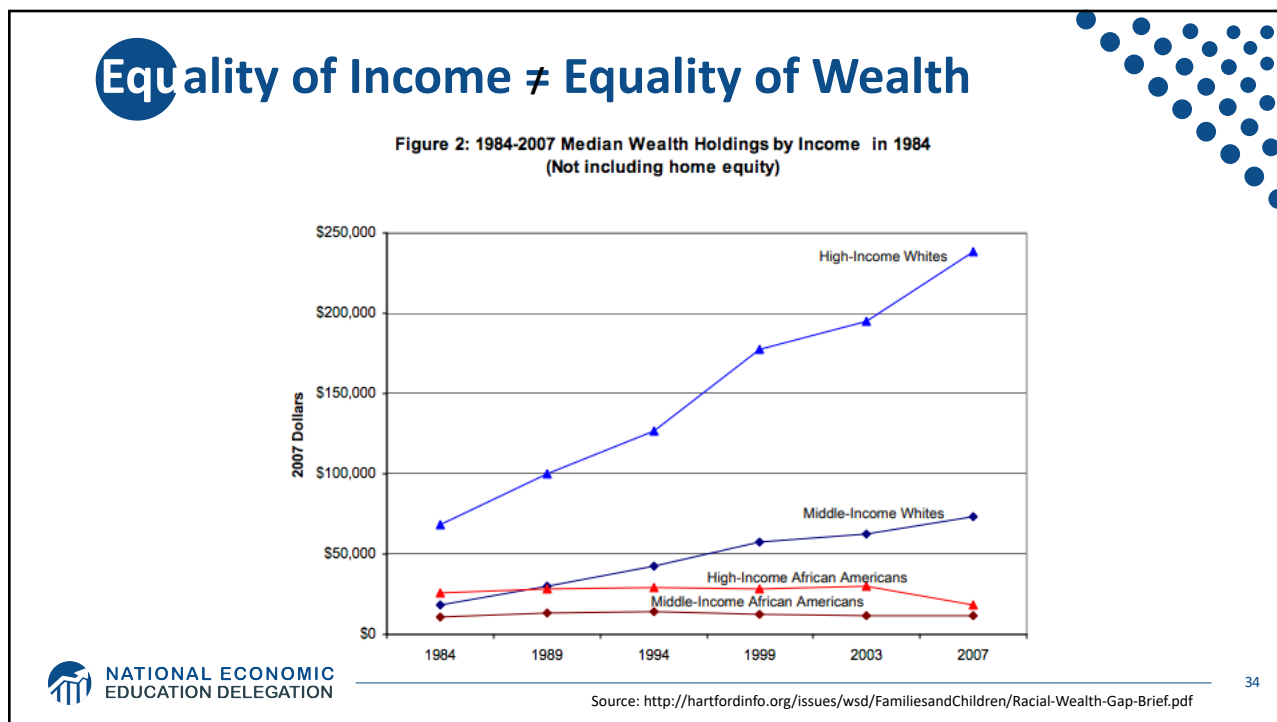
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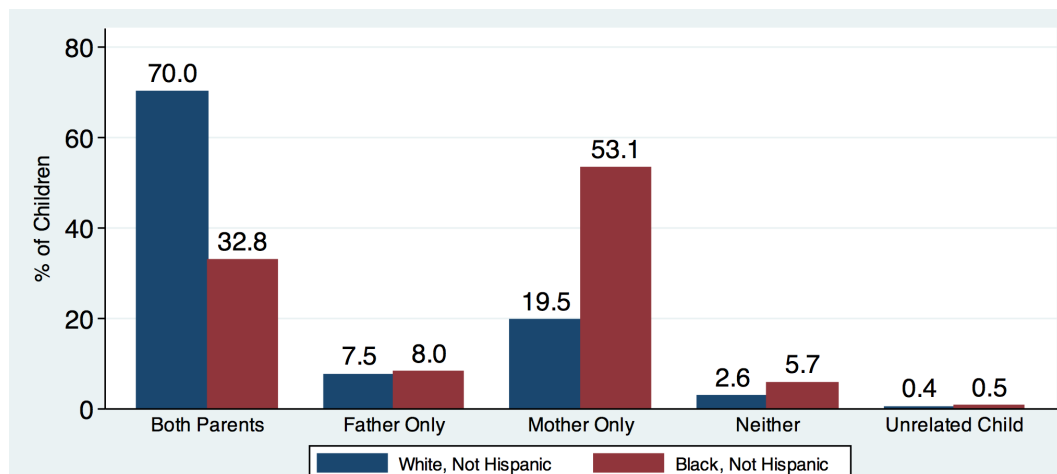
Family Disorganization

AGE	No Bachelor's Degree				With Bachelor's Degree			
	MARRIED		SINGLE		MARRIED		SINGLE	
	BLACK	WHITE	BLACK	WHITE	BLACK	WHITE	BLACK	WHITE
20-29	\$4,000	\$13,000	\$0	\$2,000	\$7,700	\$18,700	-\$11,000	\$3,400
30-39	\$12,000	\$33,450	\$0	\$0	-\$20,500	\$97,000	\$0	\$7,500
40-49	\$22,501	\$60,000	\$1,000	\$3,006	\$12,000	\$195,000	\$6,000	\$25,000
50-59	\$38,000	\$155,000	\$2,000	\$8,200	\$198,000	\$430,000	\$9,500	\$117,500
60+	\$89,500	\$344,700	\$12,000	\$60,000	\$424,000	\$778,000	\$11,000	\$384,400

Source: Zaw, Khaing, Jhumpa Bhattachayra, Anne Price, Darrick Hamilton and William Darity, Jr. *Women, Race and Wealth* Samuel DuBois Cook Center for Social Equity and the Insight Center for Community Economic Development 2017.

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Kids – Household Types

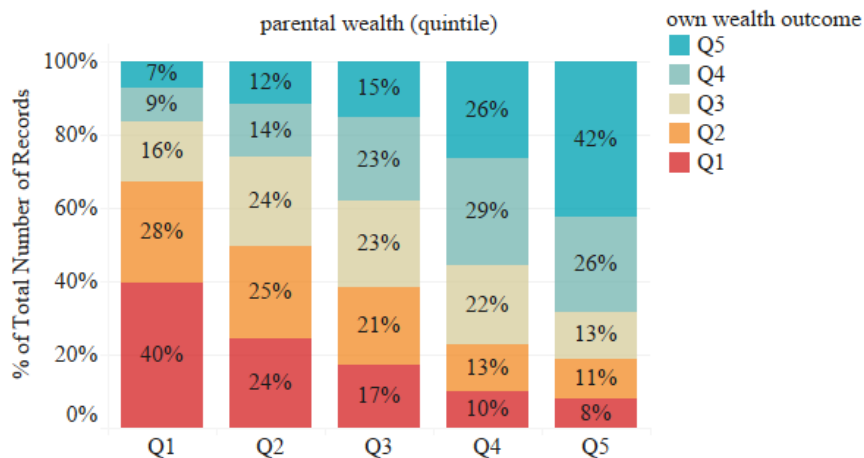


Source: Census Bureau, 2018 American Community Survey PUMS
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

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Initial Endowment

Outcome quintile by parental quintile (wealth)

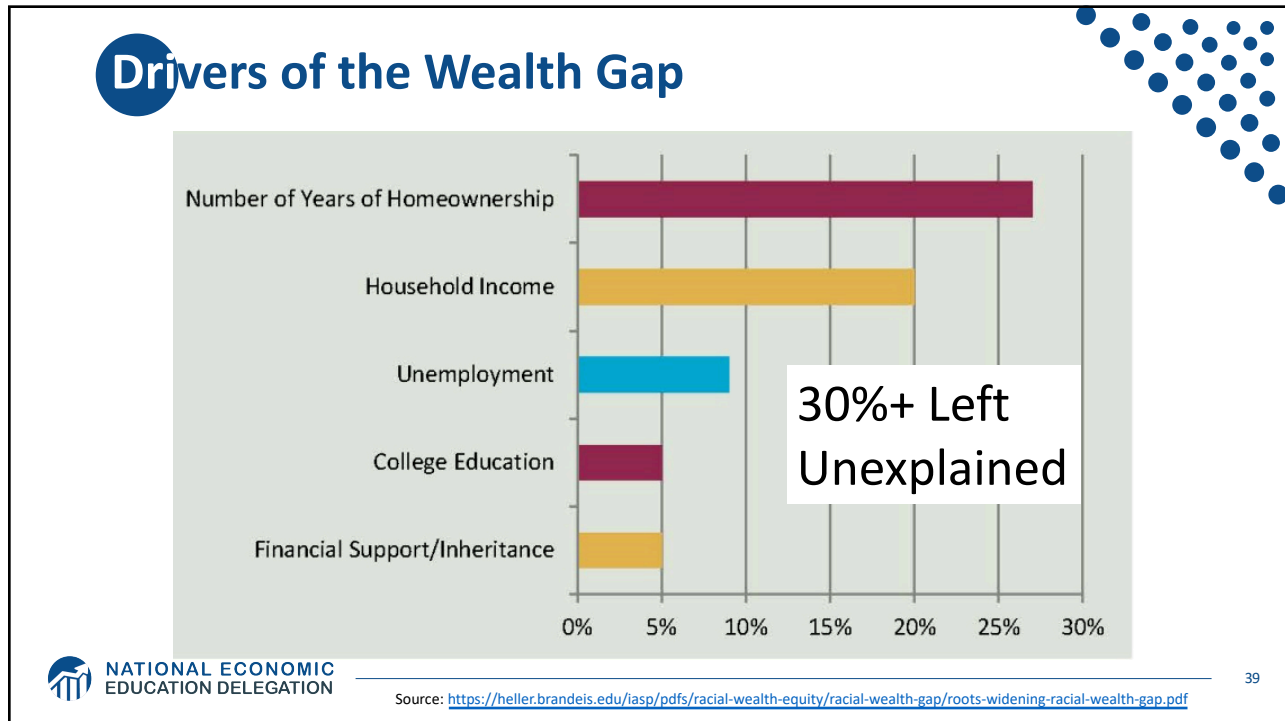


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What is Fundamentally Responsible?

- Individual behaviors?
- Structural characteristics of the economy?
- History – policy and otherwise?

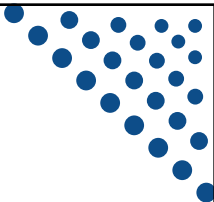
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- ## Policy History with Direct Wealth Implications
- **Slave trade**
 - The first deprivation
 - **Slavery**
 - **40 acres (and a mule)**
 - The second deprivation
 - Discriminatory distribution of land
 - **Freedmen’s Bank**
 - Lax oversight and dissolution
 - **Homestead Act**
 - Discriminatory distribution of land
 - **Land theft and destruction**
 - E.g., Black Wall Street – Tulsa, 1921
 - **GI Bill**
 - Discriminatory access – Levittown
 - **Federal Housing Authority**
 - Redlining
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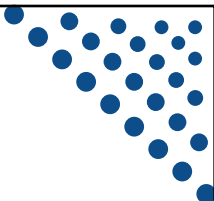


Policy Options

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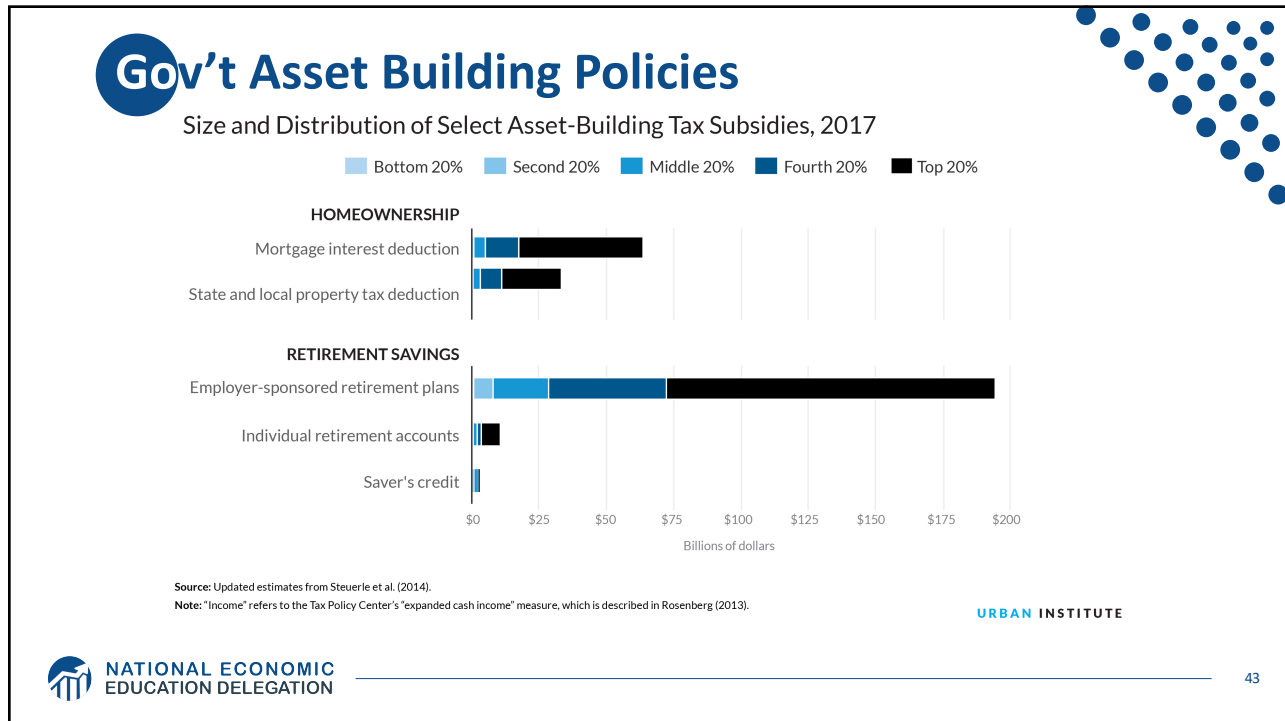
Categories of Policy Areas

- **Housing**
 - FHA and redlining
- **Health Care**
- **Incarceration**
 - Evidence on rates of incarceration
- **Transportation**
 - Interstate system
- **Broadband**
 - Access is highly related to regional income
- **Education**
- **Workforce**
- **Income support and stability**
- **Asset accumulation**

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- ## Specific Policy Options
- **Global solutions that affect all source areas**
 - Child Trust Accounts - "Baby Bonds"
 - UBI – Universal Basic Income
 - **Addressing racial disparities directly**
 - Reparations
 - Labor and other laws that address discrimination
 - Enforce more aggressively and make adjustments where necessary to increase efficacy.
 - **Fundamental reorientation of asset building agenda.**
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Summary

- **The Black White wealth gap is enormous (2016)**
 - Mean: White wealth is 6.6x Black wealth
 - Median: White wealth is 9.8x Black wealth
- **There are many explanations in the common narrative.**
 - Many do not stand up to scrutiny.
- **Government policies have contributed enormously this gap.**
- **Wealth endowments (parental wealth) are enormously important for determining own wealth in adulthood.**
 - Policies that address this relationship are most likely to be effective.



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Thank you!

Any Questions?

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- Federal Budgets
- Federal Debt
- 2017 Tax Law
- Autonomous Vehicles

