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Exploring the Racial Wealth Divide

Black Communities: A Conference for Collaboration

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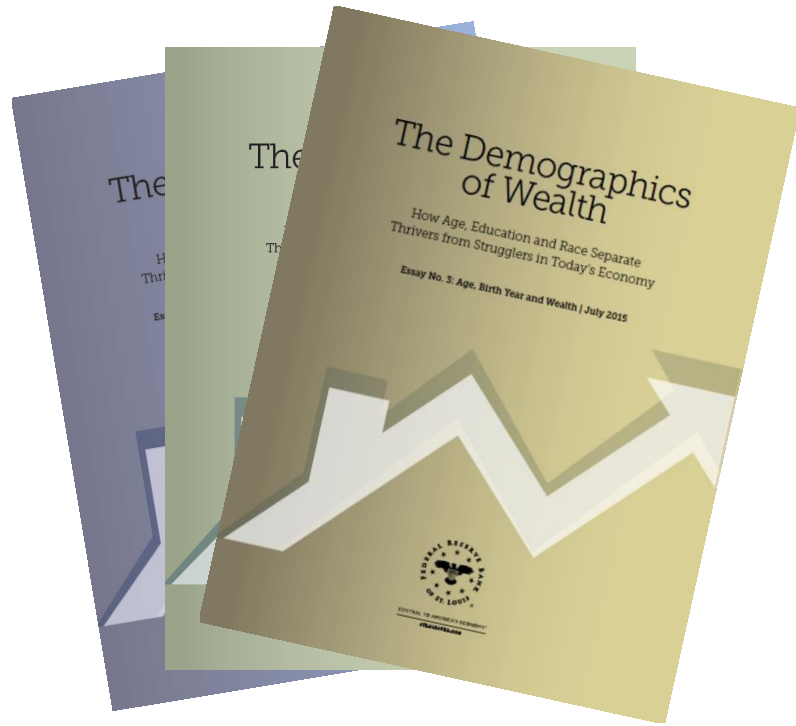
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Overview

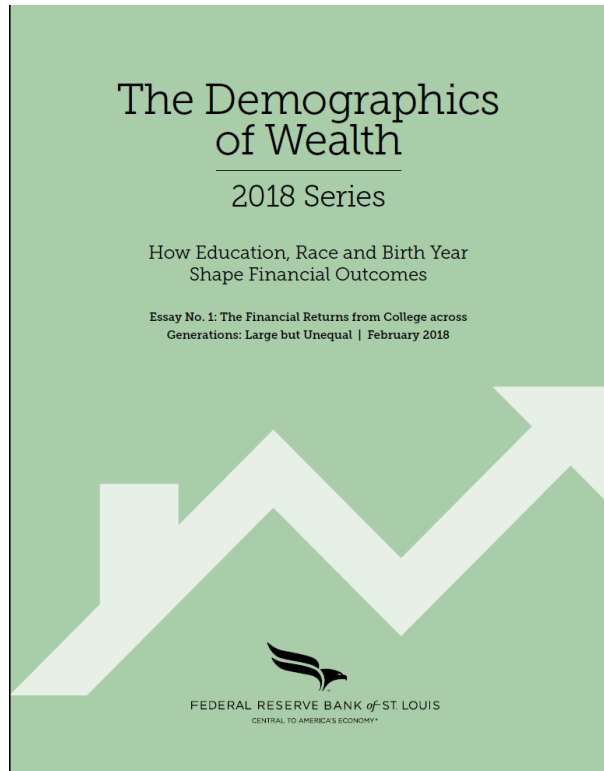
- Introducing the *Demographics of Wealth*
- The Racial Wealth Divide Now and Over Time
- Racial Wealth Gaps Among College Graduates
- College: An Unwitting Engine of Disparity
- A Structural View of the Racial Wealth Divide
- Conversation One vs. Conversation Two

The Demographics of Wealth



- Three essays written by Center staff in 2015.
- The series explores the connection between wealth and a person's race/ethnicity, education and age.
- These three factors increasingly predict which families struggle and thrive.

The Demographics of Wealth Redux

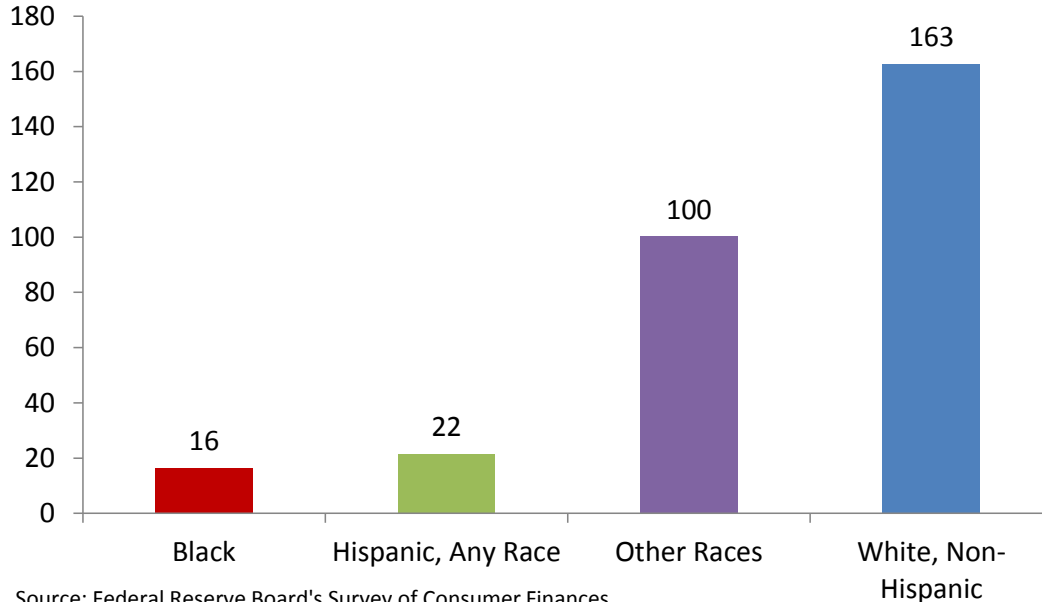


- The new series uses 2016 data from the Survey of Consumer Finances (SCF).
- It explores connection between financial outcomes and the education of both a family and their parents.
- The third essay will explore the complex relationship between race and wealth.

The Racial Wealth Gap is Wide...

Median Household Net Worth, by Race/Ethnicity of Respondent, 2016

Thousands of 2016 \$



Source: Federal Reserve Board's Survey of Consumer Finances.

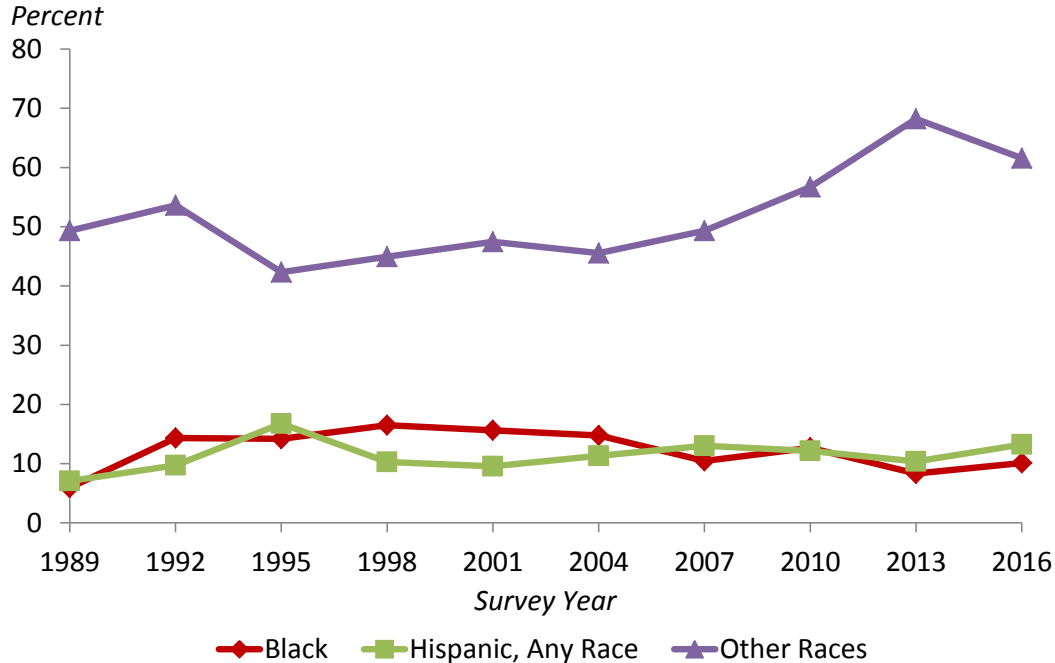
Note: "Other Races" includes Asians, Native Alaskans, Pacific Islanders, Native Americans, and families identifying with more than one race or ethnicity.

- The racial wealth gap in the U.S., observed at the aggregate, is wide and most severe for black and Hispanic families.
- As of 2016, the median black family had 10 cents per dollar that the median white family owned.



And It Has Been Persistent

Median Real Net Worth, Relative to Non-Hispanic White Families



Source: Federal Reserve Board's Survey of Consumer Finances.

- Per dollar of white wealth, the median black family had between a low of 6 cents in 1989 to a high of 17 cents in 1998.
- Median net worth for Hispanic families has similarly been stagnant over the past 27 years.

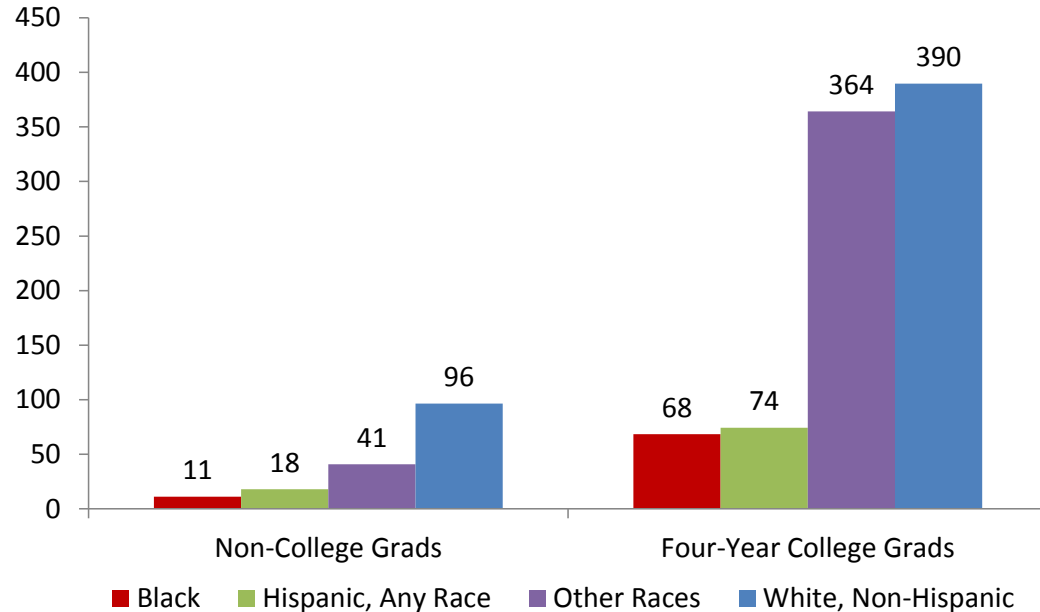
Can Higher Education Close These Gaps?

- A college education is widely held as a powerful source of upward mobility.
- Can higher education close the racial wealth gap?
- We find that a college degree is associated with higher expected earnings and wealth accumulation for all families, regardless of race or ethnicity.
- However, the returns are unequal across groups at even the highest levels of education.

Racial Wealth Gaps Remain Despite College

Median Household Net Worth, by Race/Ethnicity and Education, 2016

Thousands of 2016 \$



Note: College grads include any family headed by someone with a four-year degree or higher.

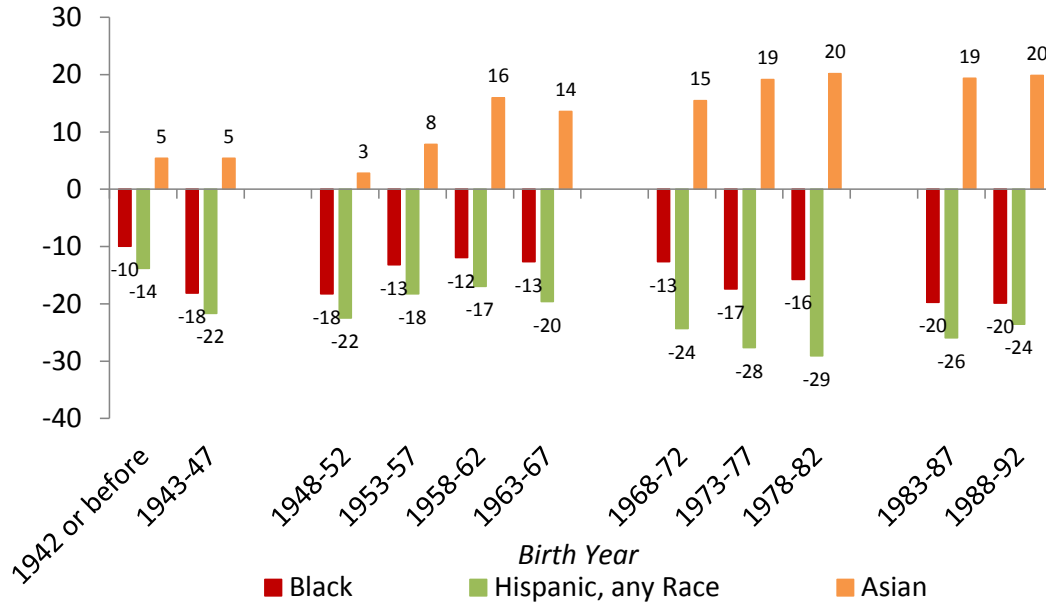
Source: Federal Reserve Board's Survey of Consumer Finances.

- Importantly, a college degree is associated with greater median wealth for *all groups*.
- However, the racial wealth divide remains even among college-educated families.
- Among college-educated peers, the black-white gap is 17 cents per dollar.

Attainment Gaps Are Growing

Difference in College Attainment Rates, Relative to Whites, 2017

Percentage Points



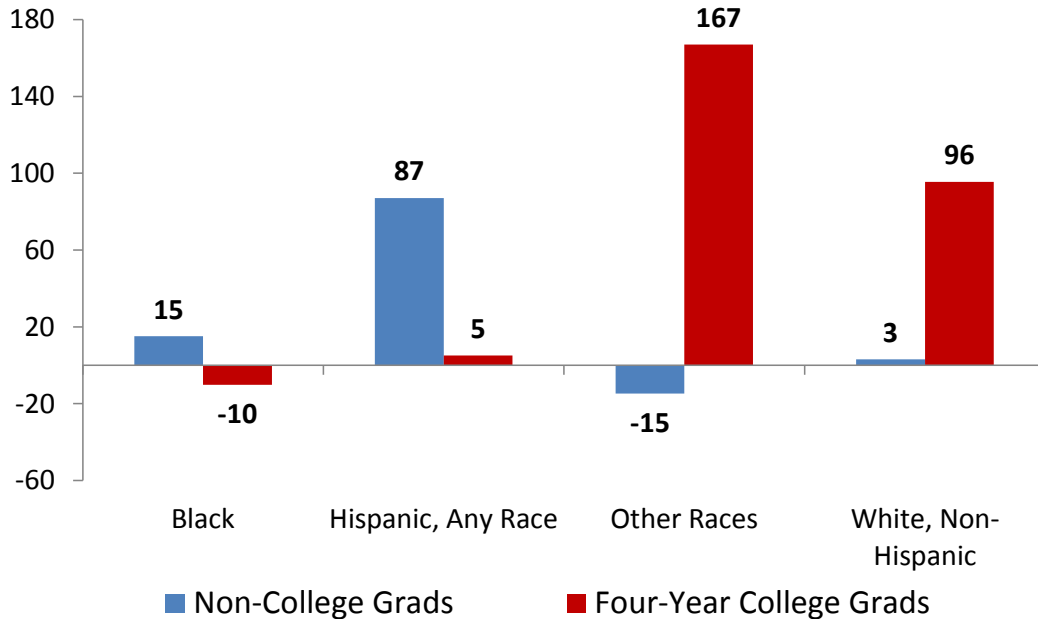
Notes: Attainment rates include four-year college degree or higher. Population aged 25 and over.
Source: Census Bureau's Current Population Survey, 2017 Annual Social and Economic Supplement.

- College attainment rates have generally increased over time for all groups.
- However, they have increased unevenly across groups.
- The black-white gap in attainment among individuals born between 1983-92 is at a recent peak.



Similar Education, Different Returns Over Time

Change in Median Real Net Worth between 1992 and 2016
Percentage Difference



Source: Federal Reserve Board's Survey of Consumer Finances.

- Since 1992, there have been significantly different returns to a college degree by race/ethnicity.
- Median net worth among black families headed by college grads *declined*.
- Meanwhile, median net worth among white college grads doubled.

College Itself Has Become an Engine for Widening Disparities

- Returns associated with a college degree have been higher among white graduates.
- Those returns have increased for white graduates and declined for black graduates over time.
- The black-white college attainment gap is growing over time.
- These facts and trends point toward *increasing* racial and ethnic wealth gaps in the future.

What's Driving These Divergent Wealth Outcomes Among Graduates?

- Our Center organized a research conference in May 2016 that explored potential causes for this disparity.
- Commissioned papers looked at multiple factors:
 - The college experience
 - Labor market outcomes
 - The homeownership experience
 - Family structure
 - Wealth transfers

Why Are Wealth Outcomes So Unequal?

- Our research suggests that *structural, systemic or other unobservable factors* related to race and ethnicity may be important drivers of wealth inequality (Emmons & Ricketts 2017).
- Historical discrimination and disadvantage created large wealth gaps in the past, which profoundly affect today's children and adults.
- Ongoing structural and systemic barriers make it difficult to narrow wealth gaps.

Conversation One vs. Conversation Two

- **Conversation one** outlines feasible, smaller-scale interventions aimed to solve tightly defined problems or improve existing institutions (Jackson 2017).
- **Conversation two** involves a deeper discussion about where wealth gaps come from and what larger-scale changes might close them.
- Both conversations are necessary but often in social sciences the first is preferred or crowds out the second.

Conclusion

- The racial wealth gap has been wide and persistent.
- The return to a college degree, on average, remains large for all racial and ethnic groups.
- However, the racial wealth gap remains even among college-educated families.
- Closing these wealth gaps is no small task given deep-rooted causes, realistic policy proposals need big ideas along with proven interventions.

References

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