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*Beyond Today's Financial Headlines*

# **Economic Challenges Facing Black Men and Boys: Beyond the Data to Lived Experience**

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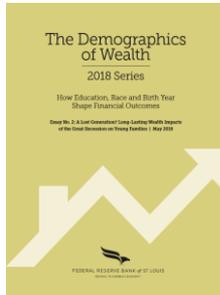
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# Overview of the Presentation

- HFS' *Demographics of Wealth* Essay Series
  - Income and Wealth Gaps by Race and Ethnicity.
  - Divergent Fortunes of Black, Hispanic, and White College Grads.
- Intergenerational Economic Challenges Facing Black Men and Boys
  - Raj Chetty's team shows that black boys' opportunities depend on the presence of black fathers and a low level of racial bias.
  - Almost all black boys grow up in low-opportunity neighborhoods.

# The Demographics of Wealth Series

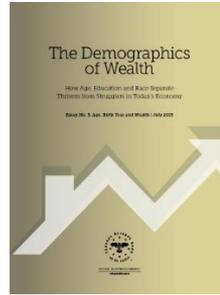
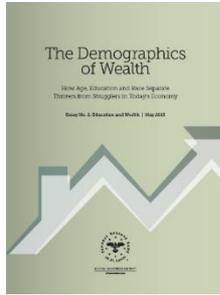
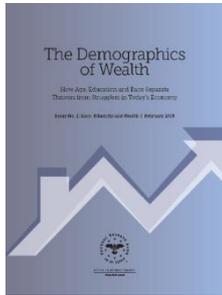
## 2018 Series



- This essay series studies wealth and other key outcomes according to a person's or family's:

- Race/ethnicity
- Education (own and parents')
- Age and birth year.

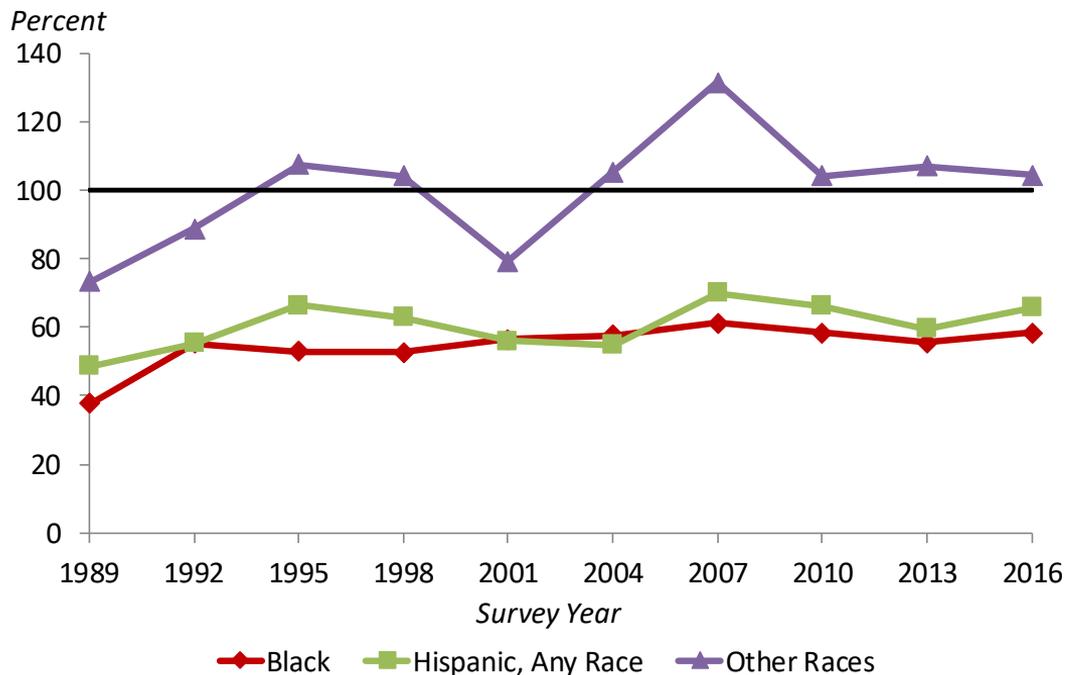
## 2015 Series



- Your race, education and birth year are strong predictors of your income, wealth and well-being.

# Racial Income Gap is Slowly Closing

Median Real Income, Relative to Non-Hispanic White Families



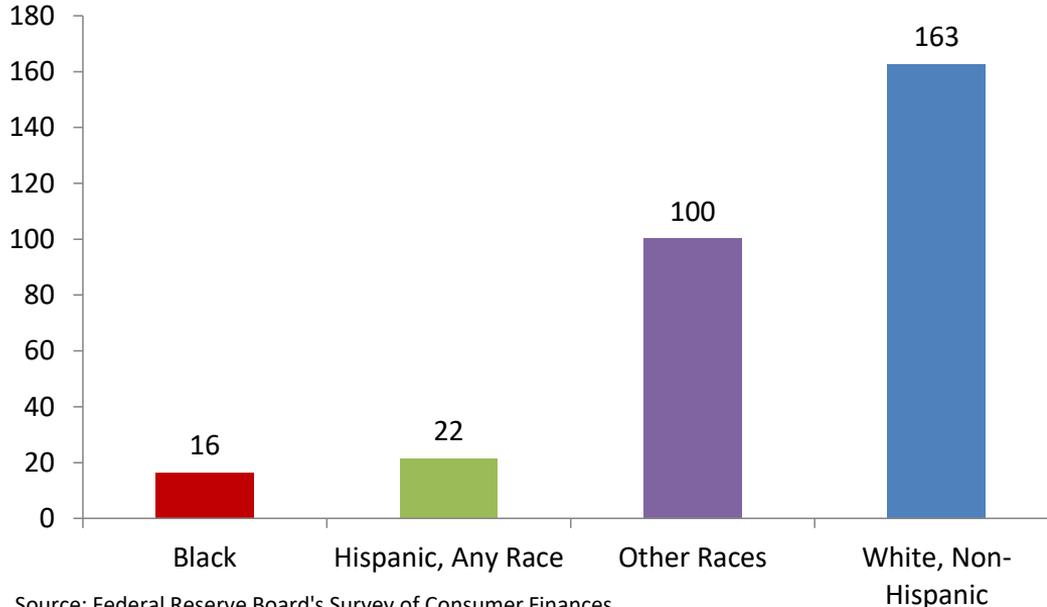
Source: Federal Reserve Board's Survey of Consumer Finances.

- Typical earnings of Hispanic and black families moved around 20 percentage points closer to their white peers since 1989.
- The typical “other” nonwhite family actually earned more than their white counterpart for majority of time period.

# The Racial Wealth Gap is Wide...

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

Thousands of 2016 \$



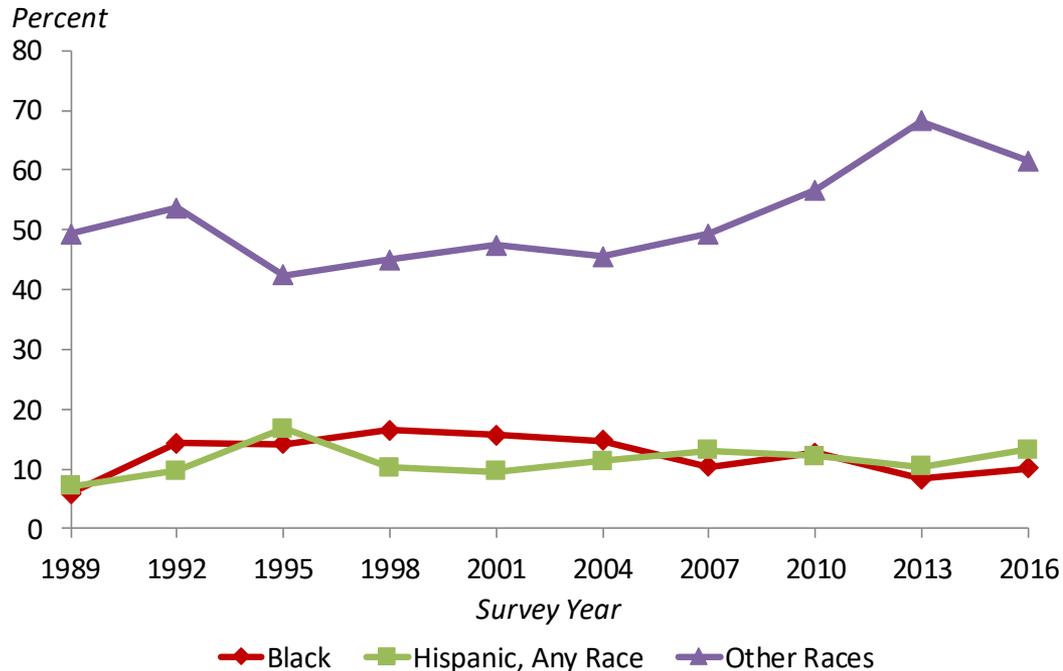
Source: Federal Reserve Board's Survey of Consumer Finances.

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.

- The wealth level of the typical black and Hispanic family has improved since the low seen in 1989.
- However, progress closing the overall wealth gap has been uneven.
- “Other” nonwhite families have done better, especially since 2004.

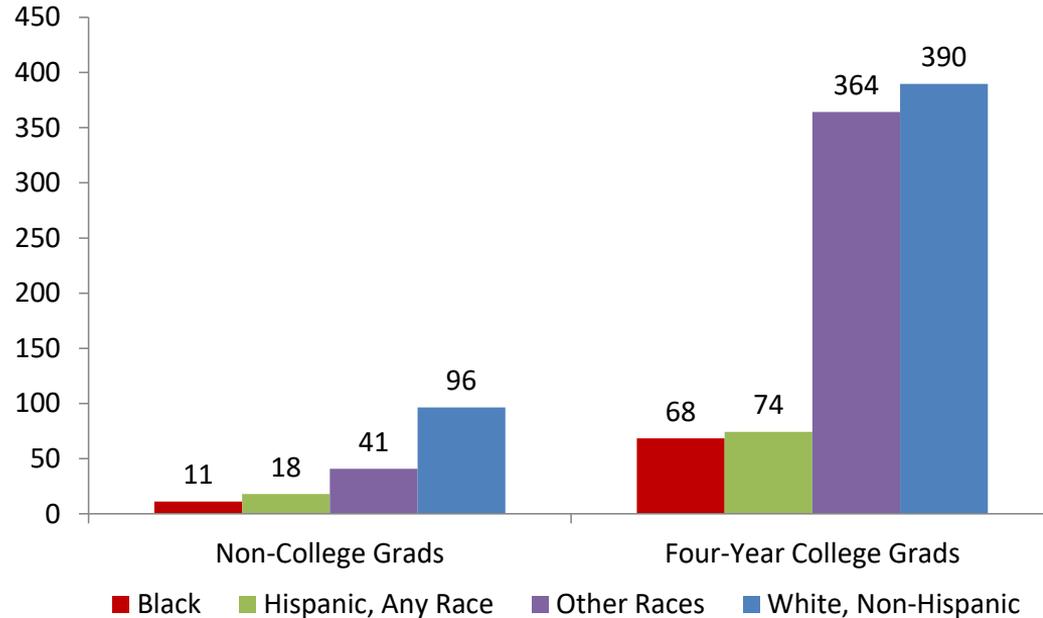
# Can Higher Education Close These Gaps?

- Our findings: College alone does not close the gap.
  - We find that a college degree is associated with higher expected earnings and wealth accumulation for all racial and ethnic groups.
  - However, the benefits 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.

# Why Are Wealth Outcomes So Unequal?

- We conclude 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.

# Intergenerational (IG) Income Mobility

- Measure parents' income while a child is a teenager.
- Measure the child's income in his/her 30s (20 years later).
- Two extreme cases:
  - Perfect IG income rigidity: You end up exactly like your parents.
  - Perfect IG income mobility: Your parents' income doesn't predict your adult income; everyone equally likely to end up rich or poor.
- U.S. data: Somewhere in-between; differences by race and location.

# Raj Chetty Has the Best Dataset Ever Assembled for Studying IG Mobility

- Results reported in the *New York Times*, Mar. 19, 2018:
  - “Extensive Data Shows Punishing Reach of Racism for Black Boys,” <https://www.nytimes.com/interactive/2018/03/19/upshot/race-class-white-and-black-men.html>.
- Underlying research paper and website:
  - Raj Chetty, Nathaniel Hendren, Maggie R. Jones and Sonya R. Porter, “Race and Economic Opportunity in the United States: An Intergenerational Perspective,” NBER working paper, Mar. 2018.
  - See the website of the *Equality of Opportunity Project*: <http://www.equality-of-opportunity.org/>.

# Parents' Incomes Differed Greatly by Race and Ethnicity in the 1990s

<i>Percentiles run from 0 (lowest) to 100 (highest)</i>	Mean income percentile rank (median Income) of <u>parents</u> in 1990s when kids were in their teens		
White	58% (\$70,600)		
Asian	49% (\$53,000)		
Hispanic	36% (\$33,100)		
Native American	37% (\$34,900)		
Black	33% (\$29,200)		

Source: Chetty, Hendren, Jones, Porter (2018), Appendix Tables V and VIII

# Little IG Mobility for White, Black Children

<i>Percentiles run from 0 (lowest) to 100 (highest)</i>	Mean income percentile rank (median Income) of <u>parents</u> in 1990s when kids were in their teens	Mean income percentile rank of <u>children</u> in 2014-15 when they were in their 30s	
White	58% (\$70,600)	56 (-2)	
Asian	49% (\$53,000)	61 (+12)	
Hispanic	36% (\$33,100)	46 (+10)	
Native American	37% (\$34,900)	37 (--)	
Black	33% (\$29,200)	35(+2)	

Source: Chetty, Hendren, Jones, Porter (2018), Appendix Tables V and VIII

# On Current Trends, Little Further Racial-Group Income Mobility Is Likely

<i>Percentiles run from 0 (lowest) to 100 (highest)</i>	Mean income percentile rank (median Income) of <u>parents</u> in 1990s when kids were in their teens	Mean income percentile rank of <u>children</u> in 2014-15 when they were in their 30s	Chetty et al's predicted <u>long-run</u> mean income percentile rank by racial/ethnic group
White	58% (\$70,600)	56 (-2)	54 (-2)
Asian	49% (\$53,000)	61 (+12)	63 (+2)
Hispanic	36% (\$33,100)	46 (+10)	49 (+3)
Native American	37% (\$34,900)	37 (--)	36 (-1)
Black	33% (\$29,200)	35(+2)	35 (--)

Source: Chetty, Hendren, Jones, Porter (2018), Appendix Tables V and VIII

# Why Has Black Upward Mobility Stalled?

- Low rate of upward IG mobility (doing better than parents) among low-income black children.
- High risk of downward IG mobility (doing worse than parents) among high-income black children.
- Chetty et al: “Black children continue to fall behind their white peers even if their parents catch up.” (p. 18)

# The Main Fault Line: Black Boys vs. Girls

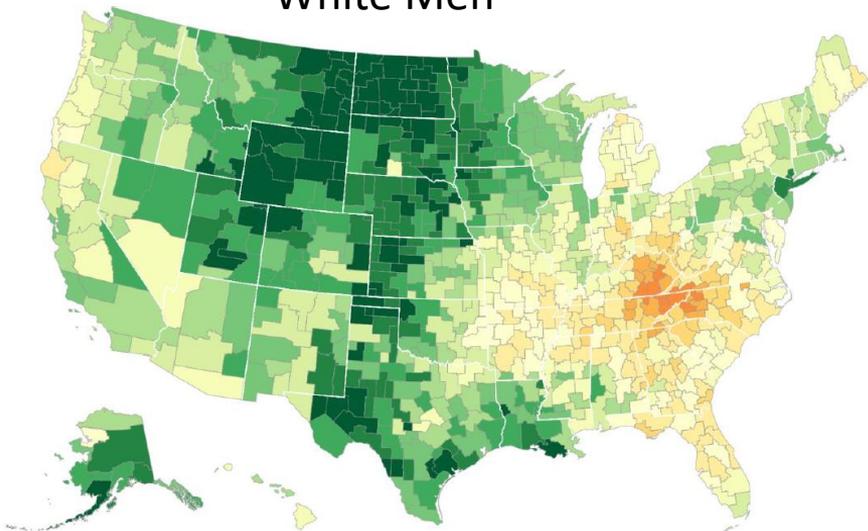
- Black girls are just as upwardly mobile as white girls with the same parental income.
- Black boys are not—they're much more likely to earn incomes far below white boys even with the same parental income.
- Interesting fact: Black girls' high-school completion and college-attendance rates are higher than those of white boys.

# Large Regional and Neighborhood Variation in IG Mobility

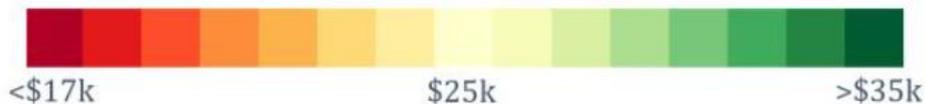
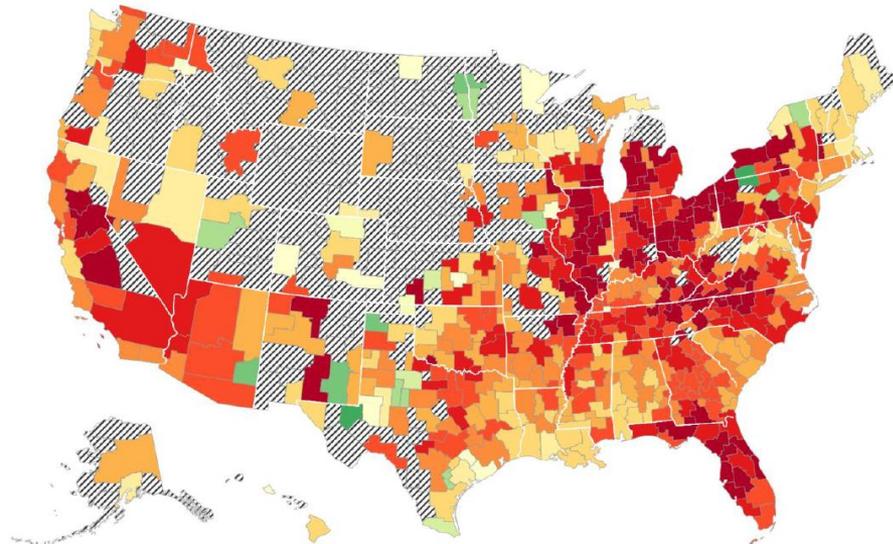
- More IG income mobility for black children—especially boys—in some parts of the South, Northeast and West.
- Very poor outcomes for black boys in the industrialized cities of the Midwest.
- Black boys are especially vulnerable to bad (low-opportunity) neighborhoods, regardless of income.
- In general, Memphis is in-between—better than Chicago but not as good as New Orleans or parts of New York.

# Average Incomes for Black and White Men Who Grew Up in Low-Income (25<sup>th</sup>-ile) Families

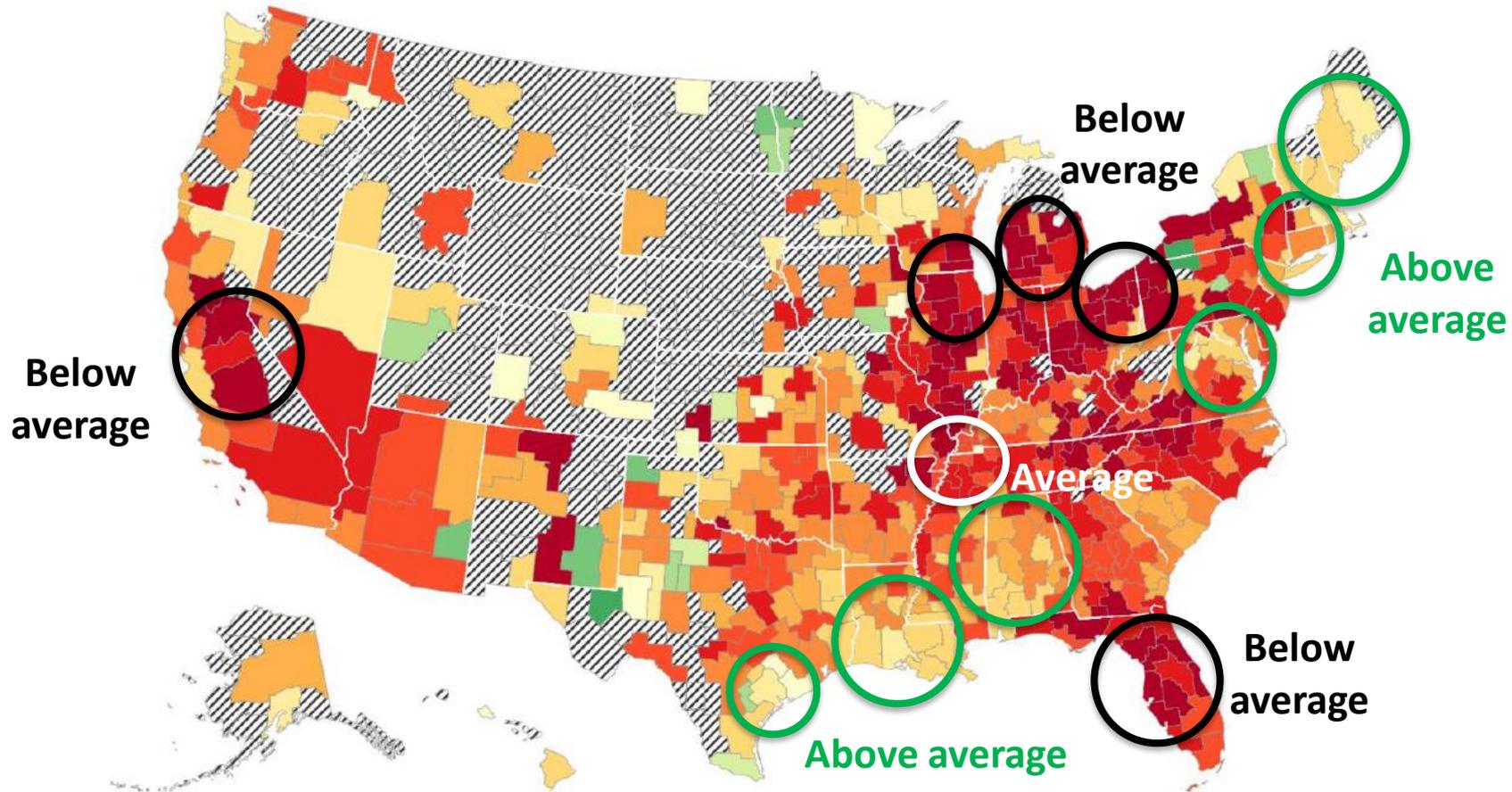
White Men



Black Men



[Source: Chetty, Raj; Hendren, Nathaniel; Jones, Maggie; and Porter, Sonya. R \(2018\)](#)



# Examples of Good Neighborhoods Where Black Boys Are More Likely to Thrive

<b>Poor neighborhoods:</b> Average family income at 25 <sup>th</sup> percentile (\$27,000); most black fathers are present; relatively low poverty rate.		<b>Rich neighborhoods:</b> Average family income at 75 <sup>th</sup> percentile (\$94,000); most black fathers are present; relatively low poverty rate.	
<b>Washington DC</b>	Downtown Silver Spring, Woodside Park, Woodside Forest	<b>Newport News VA</b>	Richneck, Newport News County
	College Park, Prince Georges' County		<b>Baton Rouge</b>
	New Carrollton, Prince Georges' County	<b>New Orleans</b>	Terrytown, Jefferson County
	Greenbelt, Prince Georges' County		Woodmere, Jefferson County
<b>New York City</b>	Queens Village, Queens		
	Laurelton, Queens		
	Wakefield / Eastchester, Bronx		

Source: Chetty, Hendren, Jones, Porter (2018), Appendix Table XV

# Examples of Average Neighborhoods Where Black Boys Do About Average

Poor neighborhoods: Average family income at 25<sup>th</sup> percentile (\$27,000); many black fathers are present; moderate poverty rate.

Rich neighborhoods: Average family income at 75<sup>th</sup> percentile (\$94,000); many black fathers are present; moderate poverty rate.

<b>Houston</b>	Ost-South Union, Harris County	<b>Chicago</b>	Harvey, Cook County
	Sunnyside, Harris County		South Holland, Cook County
<b>Memphis</b>	White Haven, Shelby County	<b>Memphis</b>	Hickory Ridge-South Riverdale, Shelby County
	Coro Lake, Shelby County		

Source: Chetty, Hendren, Jones, Porter (2018), Appendix Table XV

# Examples of Bad Neighborhoods Where Black Boys Do Worse than Average

Poor neighborhoods: Average family income at 25<sup>th</sup> percentile (\$27,000); least black fathers are present; high poverty rate.

Rich neighborhoods: Average family income at 75<sup>th</sup> percentile (\$94,000); least black fathers are present; high poverty rate.

<b>Chicago</b>	Robert Taylor Homes/Fuller Park, Cook County	<b>Chicago</b>	Humboldt Park, Cook County
	Bronzeville, Cook County		West Garfield Park, Cook County
	Garfield Park, Cook County	<b>Detroit</b>	Harper Woods, Wayne County
	Englewood, Cook County		Hamtramck, Wayne County
<b>Detroit</b>	Chandler Park, Wayne County		
<b>Cincinnati</b>	South Fairmont, Hamilton County		
<b>Los Angeles</b>	South Los Angeles/Watts, Los Angeles County		

Source: Chetty, Hendren, Jones, Porter (2018), Appendix Table XV

# What Makes Chicago Neighborhoods So Much Worse than New Orleans for Black Boys?

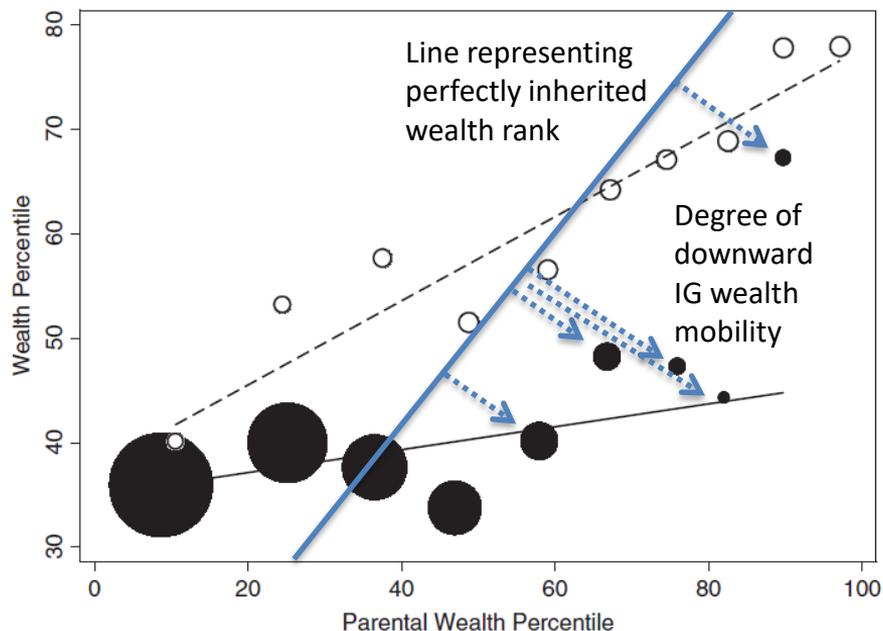
- It's *not* primarily due to individual “race-related shortcomings,” because black girls do much better than black boys (and white girls and boys, in some respects).
- It's *not* primarily due to family structure or marriage rates because it's share of neighborhood dads present that matters most, not presence of the child's own dad.
- It's *not* primarily due to environmental factors like school quality because black boys do worse even in good schools.

# What Makes Chicago Neighborhoods So Much Worse than New Orleans for Black Boys?

- According to Chetty and coauthors, it *is* due to:
  - High fraction of fathers present in the neighborhood: Dad in the house is good, many black dads in the neighborhood are even better.
  - Low levels of racial bias: Racial hostility expressed by local whites hurts black boys and black girls more than Hispanic or Asian boys or girls.... White hatred hurts low-income whites, too.
- Unfortunately, Chicago is more typical than New Orleans: Neighborhoods with low poverty, many black fathers present and low racial hostility from whites are very, very rare.

# Black IG Wealth Mobility Is Even Lower

**Figure 1. Race differences in intergenerational wealth correlations** (Binned scatterplot (with bins defined as wealth deciles) and linear fit; age 45–64.)



**Note:**

(a) Hollow circles and dashed line = Whites ( $N = 1,135$ )

(b) Solid circles and solid line = African Americans ( $N = 802$ )

Source: Pfeffer, Fabian T.; and Killewald, Alexandra (2018)

- The racial wealth gap is much larger than the racial income gap.
- Black families are greatly over-represented in the bottom of the wealth distribution.
- Black children face a high risk of downward IG wealth mobility even at higher parental wealth levels.

# In Sum: Black Men and Boys Face Immense Economic Challenges

- Black-white income and wealth gaps are large and intractable because black IG income and wealth mobility are low.
- Raj Chetty's team believes the key is increasing the opportunities facing black boys.
- Reality check: How do we shield black boys from poverty, increase the presence of black dads and decrease whites' racial hostility?

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