



## *Structural Racism and Research*

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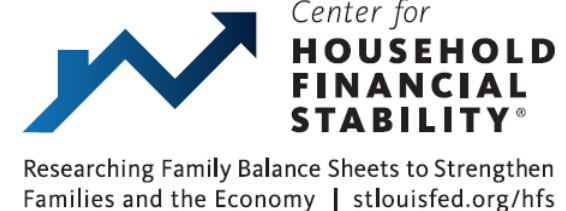
# *Framing Matters:*

## “Post-Racial” vs. Structural Approaches to the Racial Wealth Gap

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# *Framing Matters: Post-Racial vs. Structural Approaches to the Racial Wealth Gap*

- **We explore two modeling approaches to the racial wealth gap.**
  - A “Post-Racial” model of wealth (PR model—standard in the economics literature)
  - A model that recognizes Structural or Systemic factors related to Race or ethnicity (SR model—an approach more familiar to sociologists than economists)
- **Our empirical results depend critically on the framing used.**
  - PR model: Differing financial choices are key in “explaining” much of racial wealth gaps.
  - SR model: Latino and black wealth gaps are due mostly to unobservable factors, possibly including past or present discrimination or other disadvantages.

## *The Post-Racial (PR) Model*

- **Are there observable factors—like age, education level, family structure, financial choices, luck—that can “explain” racial and ethnic wealth gaps?**
- **Criteria for empirical success**
  - **Indicator variables for race or ethnicity have little or no predictive power in a wealth regression once observables are included.**
  - **Many highly statistically and economically significant explanatory variables with the expected signs.**
  - **High R-squared statistic for the regression.**
- **Policy implication of empirical success for a PR model: Change the behaviors and/or incentives of low-wealth groups to match high-wealth (white) norms on observables; higher wealth will follow.**

## *The Structural-Racism (SR) Model*

- **Key fact: Families of different races and ethnicities at a given life-cycle stage vary significantly, on average, on observable factors like education level, family structure, financial choices, luck.**
- **A structural/systemic approach breaks each family's observable factors into two parts:**
  - **Peer-group mean (defined by race/ethnicity and age)**
  - **Individual deviation from peer-group mean**
- **Peer-group-mean effects absorbed in race/ethnicity.**
- **Criteria for empirical success of SR model:**
  - **High R-squared and significant explanatory variables.**
  - **Indicator variables for race or ethnicity have a great deal of predictive power but interpretation is unclear.**



# *Comparison of Assumptions in PR and SR Framing*

- **PR framework: A Post-Racial model of wealth**
  - All families face the same opportunities.
  - All choices are available equally to all families.
  - All wealth-enhancing or wealth-inhibiting behaviors reflect individual choices.
  
- **SR framework: A wealth model that recognizes Structural or Systemic factors related to Race or ethnicity**
  - All families *do not* face the same opportunities.
  - All choices *are not* necessarily available equally to all families.
  - All wealth-enhancing or wealth-inhibiting behaviors reflect *both* group means or norms *and* individual choices.



## *Example of Post-Racial Framing*

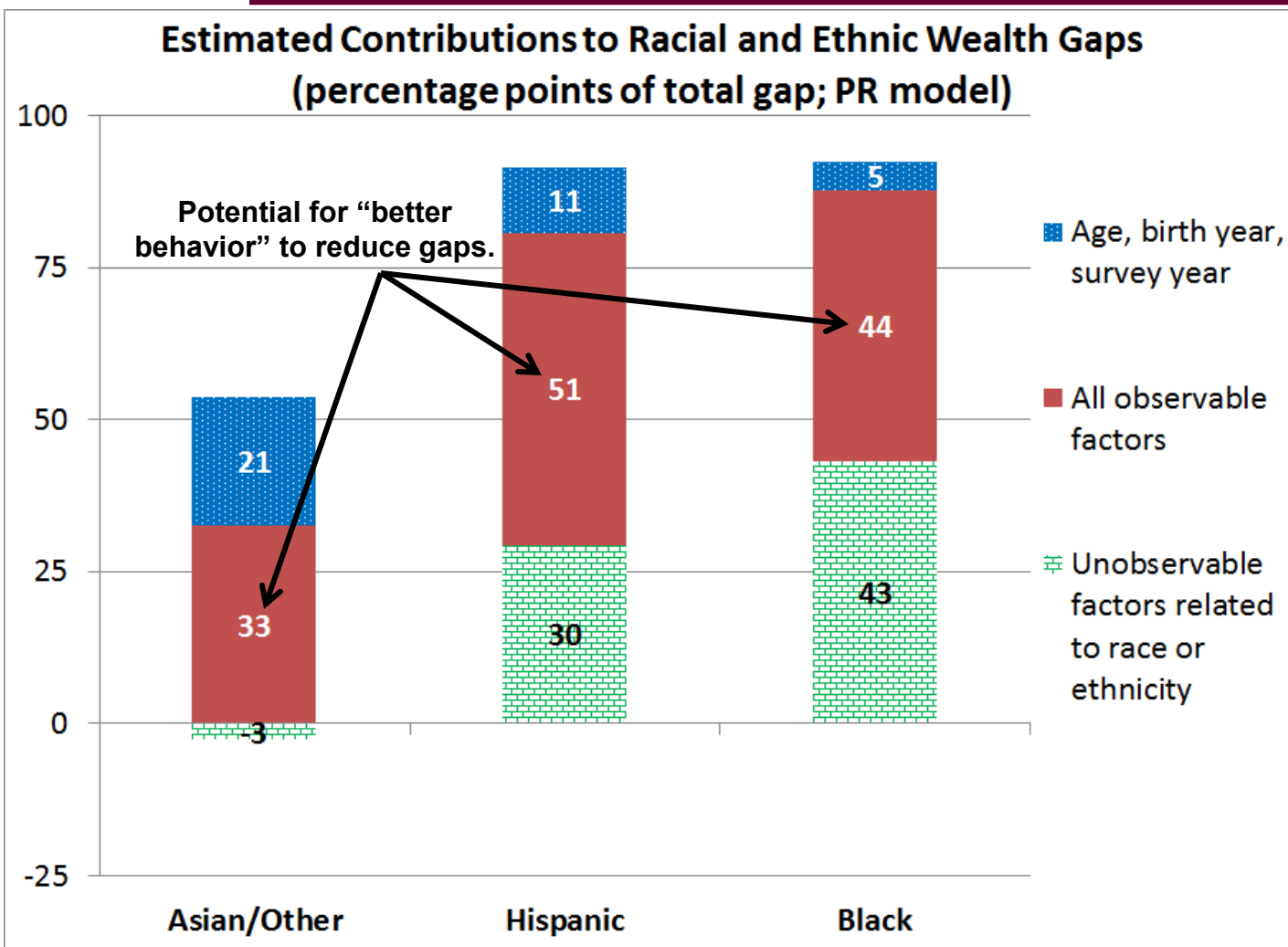
**Jeffrey P. Thompson and Gustavo Suarez, “Exploring the Racial Wealth Gap Using the Survey of Consumer Finances,” Federal Reserve Board of Governors working paper, Aug. 2015:**

**“[N]early all of the Hispanic/white wealth gap... can be accounted for by differences in observable traits, with basic demographic characteristics and educational attainment making up most of the gap. Also, most of the white/black wealth gap can be accounted for by differences in observable characteristics, particularly basic demographic traits and homeownership.**

**“Using the full set of observable characteristics discussed in this paper, including homeownership and usual income, we can account for 80 percent of the observed wealth differences between white and black families (p. 33).”**

# Results of Our Post-Racial (PR) Model

Percentage points of gap relative to white families



Source: Emmons and Ricketts (2016), based on data from the Survey of Consumer Finances



## *Example of Structural or Systemic Framing*

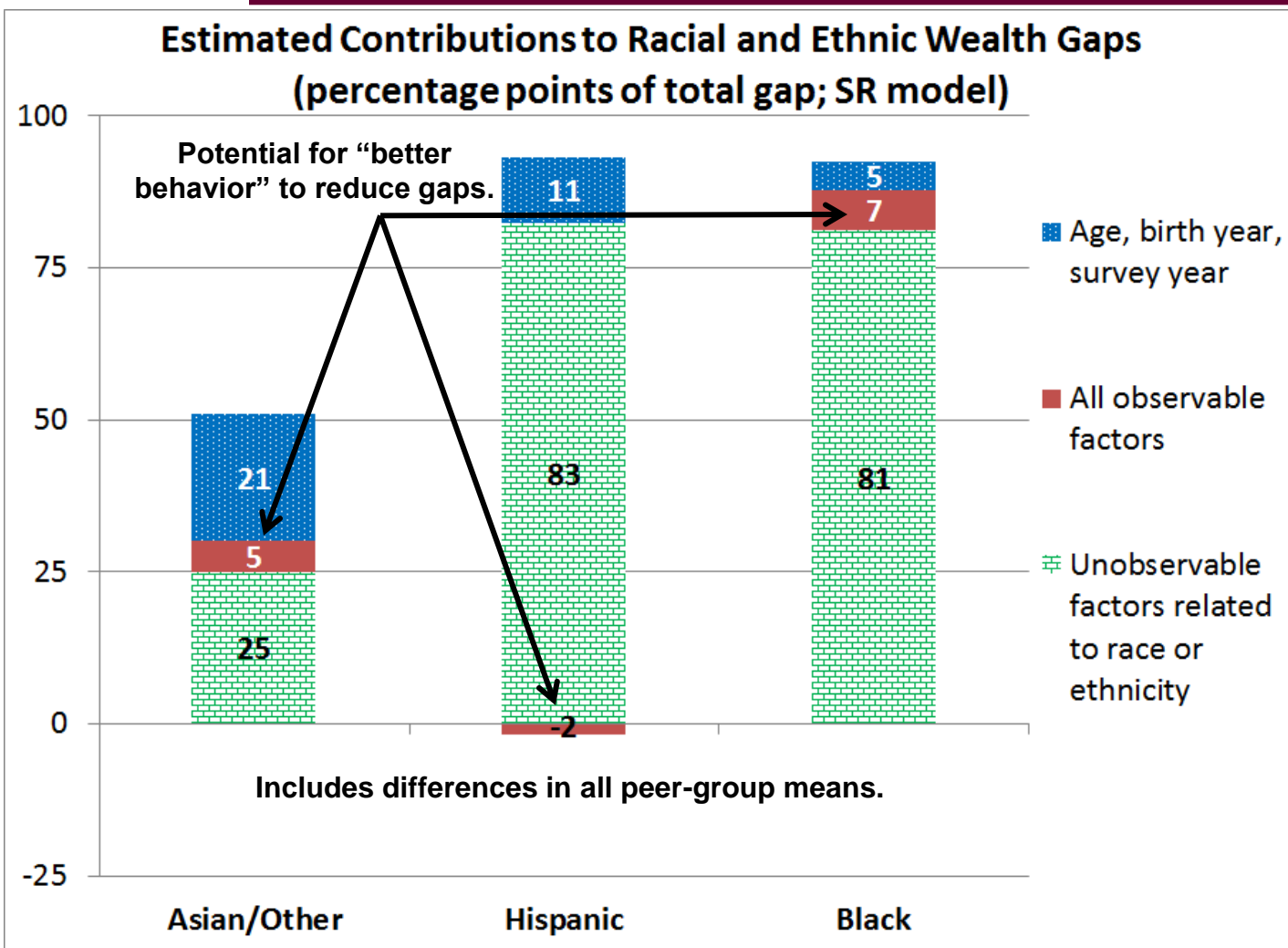
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**Darrick, Hamilton; William Darity, Jr.; Anne E. Price; Vishnu Sridharan; and Rebecca Tippett; “Umbrellas Don’t Make it Rain: Why Studying and Working Hard Isn’t Enough for Black Americans,” The New School working paper, April 2015:**

**“[L]ife outcomes can diverge radically, in particular for those subject to systemic historically rooted discrimination, which is not related to the amount of personal effort exerted (p. 3).”**



# Results of Our Structural-Racism Model

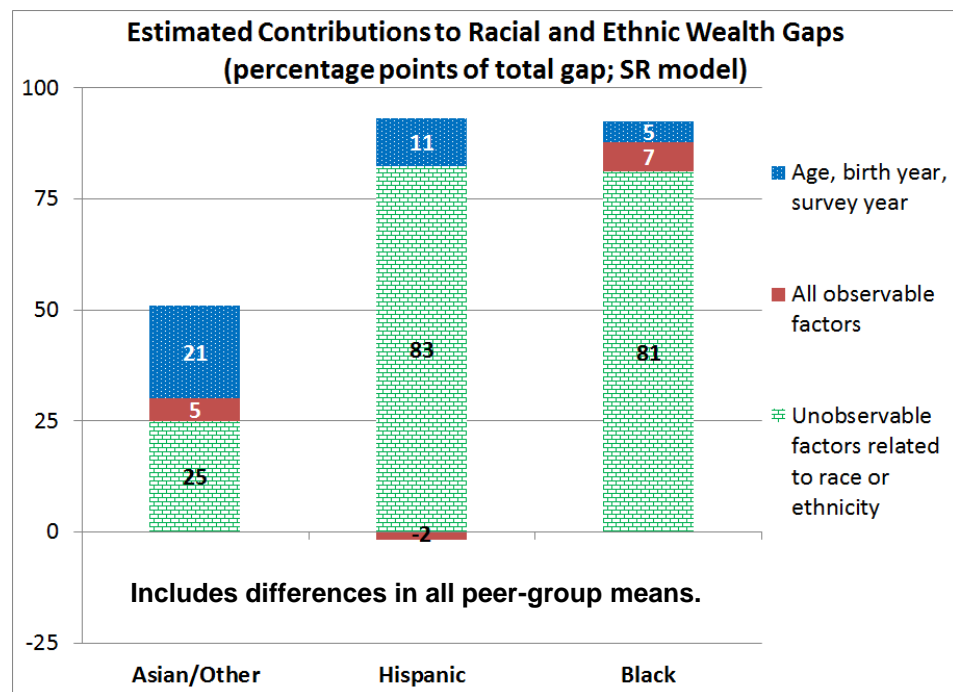
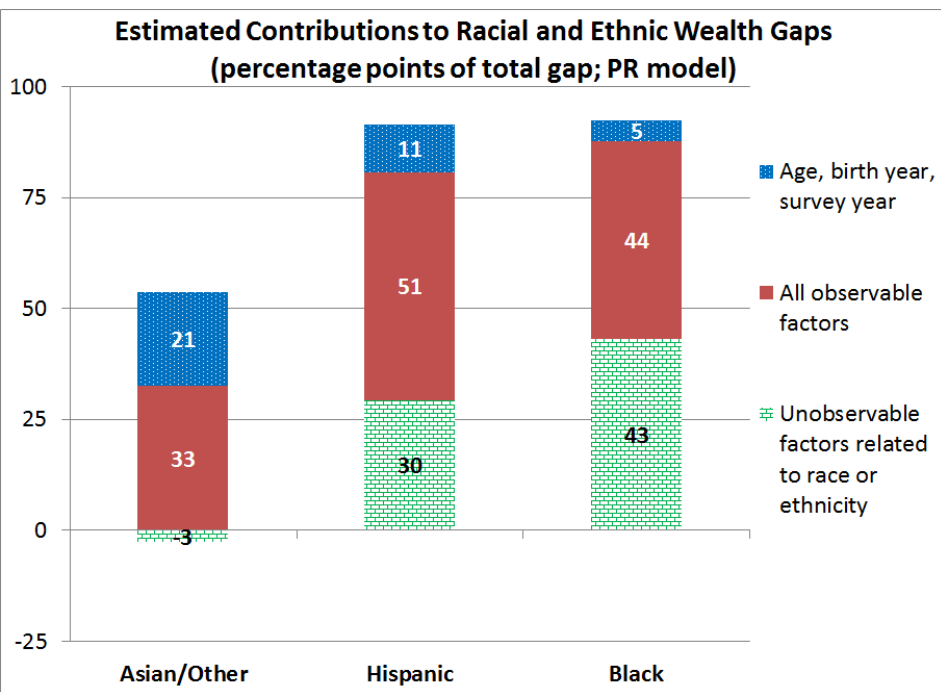


Source: Emmons and Ricketts (2016), based on data from the Survey of Consumer Finances

# Results Depend on Framing!

## PR model highlights behavior and choice

## SR model highlights structure and systems



### PR model

- Age, survey year, birth year
- Education
- Family structure
- Financial choices
- Luck

### SR model

- Deviations from peer-group means of:
  - Age, survey year, birth year
  - Education
  - Family structure
  - Financial choices
  - Luck



## *For More Information*

**Paper on which this presentation is based:**

**<https://files.stlouisfed.org/files/htdocs/publications/review/2017-02-15/college-is-not-enough-higher-education-does-not-eliminate-racial-and-ethnic-wealth-gaps.pdf>**

**Center for Household Financial Stability**

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Researching Family Balance Sheets to Strengthen Families and the Economy | [stlouisfed.org/hfs](http://stlouisfed.org/hfs)