Economic Challenges Facing Black Men and Boys

Hooks Institute Open House and Policy Papers Presentation
October 28, 2019

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*These are my own views, and not necessarily the views of the Federal Reserve Bank of St. Louis, Federal Reserve System, or the Board of Governors
Overview

- **Demographics of Wealth Essay Series**
  - Income and Wealth Gaps by Race and Ethnicity

- **Intergenerational Economic Challenges Facing Black Men and Boys**
  - Raj Chetty’s team show that black boys’ opportunities depend on the presence of black fathers and a low level of racial bias.
  - Majority of black boys grow up in low-opportunity neighborhoods.
The Demographics of Wealth Series

- HFS essay series links income, wealth and other socio-economic outcomes to a family’s:
  - Race/ethnicity
  - Education (own and parents’)
  - Age and birth year.

- Your race/ethnicity, education and birth year are strongly related to your adult outcomes.

stlouisfed.org/hfs
Black & Hispanic Income Gaps Closing Slowly

- Typical (median) income of black and Hispanic families has moved closer to that of white families but remains 40% lower.
- The typical “other-race” family has surpassed the typical white family’s income.

Source: Federal Reserve Board's Survey of Consumer Finances.
Racial/Ethnic Wealth Gaps are Wide and Persistent

Despite some fluctuation, the large racial and ethnic wealth gaps remain essentially unchanged.

Typical white families had about 10 times wealth of typical black families.

Even wealthier black families (75th percentile) fall short of white medians (50th percentile).
Racial/Ethnic Wealth Gaps are Wide and Persistent

- Over a nearly three-decade period, the U.S. has seen very little progress in narrowing racial and ethnic wealth gaps.
- In terms of the total wealth pie, white families in 2016 owned 89% of it, while black and Hispanic families owned 3% each.
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

- 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.

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

**Thousands of 2016 $**

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Non-College Grads</th>
<th>Four-Year College Grads</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>11</td>
<td>68</td>
</tr>
<tr>
<td>Hispanic, Any Race</td>
<td>18</td>
<td>74</td>
</tr>
<tr>
<td>Other Races</td>
<td>41</td>
<td>364</td>
</tr>
<tr>
<td>White, Non-Hispanic</td>
<td>96</td>
<td>390</td>
</tr>
</tbody>
</table>

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.
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 and 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 et al. Have 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,” [Link](#).

- Underlying research paper and website:
Parents’ Incomes Differed Greatly by Race and Ethnicity in the 1990s

<table>
<thead>
<tr>
<th>Percentiles run from 0 (lowest) to 100 (highest)</th>
<th>Mean income percentile rank (median Income) of parents in 1990s when kids were in their teens</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>58% ($70,600)</td>
<td></td>
</tr>
<tr>
<td>Asian</td>
<td>49% ($53,000)</td>
<td></td>
</tr>
<tr>
<td>Hispanic</td>
<td>36% ($33,100)</td>
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<tr>
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<tr>
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<td>33% ($29,200)</td>
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Source: Chetty, Hendren, Jones, Porter (2018), Appendix Tables V and VIII
## Little IG Mobility for White, Black Children

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<th>Percentiles run from 0 (lowest) to 100 (highest)</th>
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<th>Mean income percentile rank of children in 2014-15 when they were in their 30s</th>
</tr>
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<tr>
<td>White</td>
<td>58% ($70,600)</td>
<td>56 (-2)</td>
</tr>
<tr>
<td>Asian</td>
<td>49% ($53,000)</td>
<td>61 (+12)</td>
</tr>
<tr>
<td>Hispanic</td>
<td>36% ($33,100)</td>
<td>46 (+10)</td>
</tr>
<tr>
<td>Native American</td>
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Source: Chetty, Hendren, Jones, Porter (2018), Appendix Tables V and VIII
## On Current Trends, Little Further Racial-Group Income Mobility Is Likely

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<th>Chetty et al’s predicted long-run mean income percentile rank by racial/ethnic group</th>
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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.” (pg. 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.
What Makes Chicago Neighborhoods So Much Worse than New Orleans for Black Boys?

- It’s *not* primarily due to individuals “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 hostility 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 rare.
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.

- Policy challenge: How do we shield black boys from poverty, increase the presence of black dads and decrease whites’ racial hostility?