

Wealth Inequality and Racial Wealth Accumulation



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Wealth Inequality Increasing

- Media attention
- World wealth inequality (UNU-WIDER)
 - The richest 1% of adults owned 40% of global assets in the year 2000.
 - The richest 10% of adults accounted for 85% of the world total.
 - The bottom 50% of the world's adult population owned barely 1% of global wealth.



US Wealth Inequality

- The wealthiest tenth's average net worth grew to three million dollars by 2004, up another 6% since 2001, and up 76% since 1995 (in 2004 dollars). [UFE (SCF)]
- The poorest quarter by net worth fell from average NW of \$50 in 2001 to -\$1400 in 2004 (better than 1998 at -\$2100) [though some sub groups increased wealth slightly during the last 3 years].



US Wealth Inequality

- Median wealth declined for families in the bottom 40% of the income distribution. (SCF)
- Larger increases in wealth between 1998 and 2001, than between 2001 and 2004.
- Debt burden increased for most groups, especially the middle class.



US Racial Wealth Inequality

- The racial wealth gap is larger than the income gap.
- The value of assets owned by the median white family grew from 2001 to 2004, but fell for the median family of color. [UFE (SCF)]
- The average African American family holds about 15.7% of the wealth the average White family holds. [SCF]



US Racial Wealth Gap

Median wealth in 2004 (SCF)

- African American \$ 20,600
- Latino \$ 18,600
- White \$140,700.



US Racial Wealth Gap

Homeownership [UFE (CPS-HVS)]:

- African American 49.1%
- Latino 48.1%
- Asian American 59.8%
- Native American 55.6%
- White 76%



Wealth Vs Income

- Flow versus store of value - stream versus pond.
- Net Worth: all assets less all liabilities
- Asset poverty: not enough assets to survive at poverty level more than 3 months if no longer have income.



Wealth Components

- Components of Wealth:
 - Tangible: house, business equity, real estate, vehicle(?)
 - Financial: interest-earning assets (savings accounts, Certificate Deposits, etc.), stocks, bonds, retirement accounts(?)
- Portfolio span versus composition.



Growing Scholarship

- Robert Browne (1974): need to understand the wealth distribution to understand racial economic inequality.
- Oliver and Shapiro (1995): *Black Wealth/White Wealth* - racialization of the state; public policy's role in the cumulative asset disadvantage of Blacks and asset advantages of Whites.



Continuing Scholarship

- Increasing number of volumes on wealth.
- 2006 *Wealth Accumulation and Communities of Color in the United States: Current Issues* – first volume to address wealth measurement, wealth accumulation and asset ownership of all the major racial and ethnic groups in the US: African American, Latino, Asian American and Pacific Islander, Native American.



Overview of the Book

- Fills in gaps in knowledge about wealth creation and asset ownership in communities of color and among women.
- Add wealth as a variable in understanding economic inequality, business and home ownership, location of residence, civic participation, and community development.



Overview cont'd

- We find that: Portfolio composition, and historical discrimination in credit, employment and real estate markets matter, as well as variety in the wealth portfolio, marital status, number of children and community assets.
- Net worth is interrelated with educational attainment, occupational status, family composition, financial market sophistication and participation, pension holdings, and home ownership.



Outline of the Book

Measurement and Methodological Issues:

- Discussion of the 6 major data sets that provide wealth data, strengths and weaknesses of their surveys for each racial/ethnic group, comparisons of the information about wealth holdings of each group.
- Estimation techniques and different ways to analyze wealth differences.



Women

Intra-Group Inequality:

- Differences between women and men by gender and race; differences among unmarried women (widows, divorcees, never married) – married women and widows richest; never married women least wealth (but have income parity with men).



Intra-Group Concentration

- Wealth more highly concentrated among Black and Latinos than Whites.
- Median wealth of top 5th of Black distribution is \$167,000 compared with 0 for the bottom quintile and \$2,700 for the 2nd quintile.
- Median wealth of top 5th of Latino distribution is \$213,835 compared with 0 for the bottom quintile and \$3,000 for 2nd.



White concentration

- Median net worth of the top 5% of the White distribution at \$590,500 is greater than the bottom 5th with \$6,500 (a ratio of 90.8/1). The 2nd quintile has \$61,000 NW.
- Black differences between wealthiest and poorest is largest (ratio of 167,000/1). Latino difference between wealthiest and poorest is also larger than White differences.



Native Americans

- Native American Wealth – poorest; wealth most difficult to capture
- One study shows median wealth of \$5,700 in 2000 (NLSY79).
- 75.6% own a vehicle
- 57.4% own home.



Native Hawaiians

- Insignificant sub sample for most data sets. So no NW figure (PUMS)
- 52.3% own home
- 30.8 have asset income.



Asian Americans

- Small sub group but SIPP 2000 Wave 3 data allows some discussion of NW:
- Median Net Worth: \$73,600
- Highest income, should have higher wealth.
- Nationality and immigration status and era matter.
- Intra-group disparity great.



Banking in Asian American Communities

- Asian Americans have difficulty obtaining home mortgages, but in some geographic areas Asian-owned banks function as a collective asset and help increase home ownership.



Latinos

- SCF 2001 Latino median net worth:
- \$11,149
- Home ownership rates fluctuate from 33.8% for Latinos from Central and South Americans to 58.8% for Cuban Americans.
- Nationality and immigration status and era matter.
- Bicultural and community resources also act as assets.



African Americans

- Essentially no change (no growth) in median net worth of African Americans from 2001 to 2004. (SCF - \$20,300 to \$20,400)
- Though some growth in mean level shows continuing increasing intra-group inequality among Blacks.
- SIPP 2000 median NW: \$7,700.



Pension Wealth

- Including pension holdings provides a broader view of wealth holdings.
- Black families tend to have fewer assets and less complex portfolios than White families on average.
- However, among married couples, Blacks are not less likely to own pensions than White families.



Residential Stratification

- People are thought to live in the best neighborhoods they can afford given educational and economic resources.
- However, even after controlling for compositional differences, race/ethnicity remain an important predictor of neighborhood levels of home ownership.



Racial Stratification cont'd

- Wealth is more important for African American and Latinos than for Whites in gaining access to a neighborhood with high levels of home ownership.
- Blacks and Latinos have greater returns to postcollege education and number of weeks worked than Whites.
- Whites live in stable neighborhoods no matter what the circumstances.



Wealth and Civic Engagement

- Wealth is significant to African American decision to give to a charity but not to volunteering (just the opposite for Whites)
- Workplace democracy and cooperative business ownership increase wealth and civic participation.



Conclusions

- Actual wealth values vary because of different data sets used.
- Some data on wealth has limited applicability or explanatory power depending on what race or ethnic group of concern because of the nature of each survey.
- Some data under or over sample sectors.



Conclusions cont'd

- Family characteristics matter.
- Composition and variety of assets matter.
- Income and savings matter less than we think. Savings rates about equal.
- Public policies and discrimination matter a lot.
- Community assets and community organizations matter in ways we don't always think of.



Concluding Remarks

- For families of color wealth does not accumulate smoothly over time and stabilize by retirement.
- For families of color this is a narrative that is complicated at every stage in the life cycle – continuous barriers.



Concluding Remarks cont'd

- Historical legacy of racism and asset stripping as well as contemporary processes that maintain and reproduce race-based wealth inequality.
- Also a legacy of perseverance and attainment, and collective action.