

Inquiring Minds

Lee Cooper, Moderator

Racial Income and Wealth Gap

(Discussion questions on pg. 4)

Much has happened in the U.S. since November 15, 2019, the date of Jim Goodale's topic for Inquiring Minds: "How to Address Growing Income Inequality in the U.S." First, the U.S. economy has contracted by about one-third, resulting in the worst economic crisis since the Great Depression. Second, over 170,000 Americans have died from a coronavirus. Simultaneously, with these developments, we still have the matter of income and wealth inequality in our country.

Until this year, there was substantial debate about income inequality in the United States. In 2020, the debate has changed to become more focused on racial inequality of income and wealth. I have tried to focus first on the evidence of racial income and wealth inequality and, second, the impact such inequality has on the nation.

What evidence do we have that racial income and wealth gaps exist, and of what concern are they from a public policy perspective? Of course, certain numbers do grab our attention. For example, in 1965 the CEO of an average public company earned about 20x as much as a frontline worker. Today, that figure is 278x. (New Yorker, May 11, 2020) Further, America's 400 richest individuals own about 3 trillion dollars in wealth- more than all black American households and a quarter of all Latino households combined. (Institute for Policy Studies, 2020)

While we think about these well-to-do individuals, we can be reminded of others less well off. In Lee County, Florida, estimated salary for a starting teacher is \$40,000, who will make \$43,000 in 5 years, and \$45,000 in 10 years. Teacher salaries can be bumped by \$2500 per year for 1 advanced degree, and \$5000 additional for a PhD. So, after 10 years of teaching experience in Florida, a Lee County teacher with a PhD would receive approximately \$53,000 in annual salary, about in line with the Lee County median household income of \$54,000 in 2018.

Looking at the evidence of income and wealth inequality, the US Census Bureau presents the following, using 2018 data:

Median Household Income

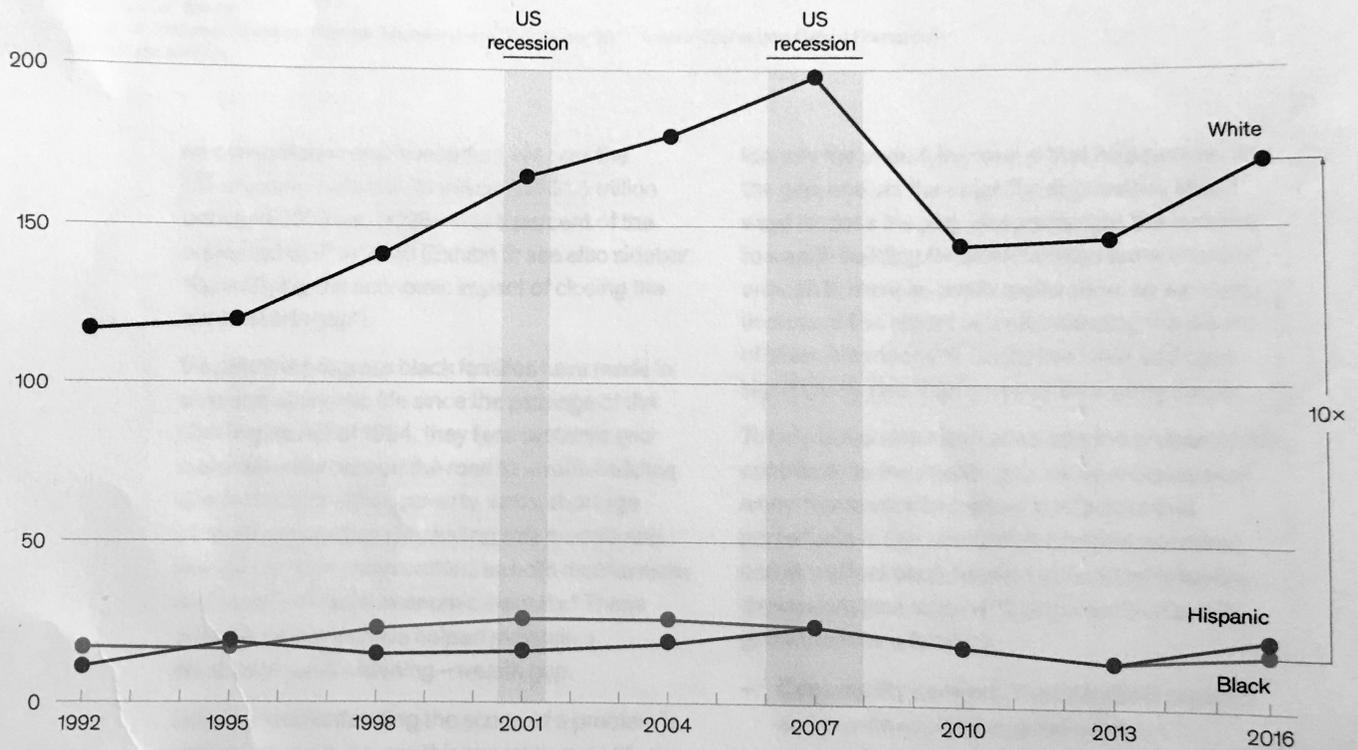
White	\$65,900	Nationwide	\$61,900
Black	\$41,600	Asian	\$85,900

Wealth Gap

- The top 10% hold 77% of all the wealth.
- The next 40% hold 22% of the wealth.
- The bottom 50% hold 1% of the wealth.

There is a wide and persistent gap in wealth between white and black families.

Median family wealth in 1992–2016 by ethnicity/race, \$ thousand¹



¹2016 dollars.

Source: "2016 survey of consumer finances," Federal Reserve Board, September 2017, federalreserve.gov

¹ "2016 survey of consumer finances," Federal Reserve Board, September 2017, federalreserve.gov.

² *Social mobility memos*, "Five bleak facts on black opportunity," blog entry by Edward Rodrigue and Richard V. Reeves, January 15, 2015, brookings.edu.

Specifically addressing, "The Economic Impact of Closing the Racial Wealth Gap", in an August 2019 report McKinsey & Company, reveals that:

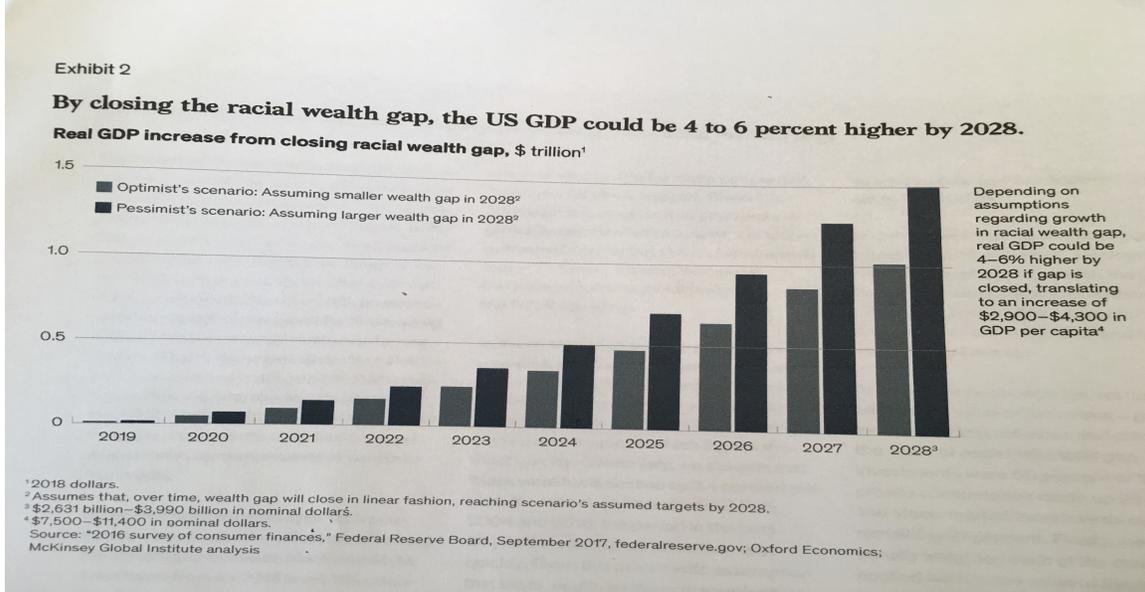
- 1.) Despite progress made by black families since the 1964 Civil Rights Act, systemic and cumulative barriers to wealth building exist due to discrimination, poverty, and a shortage of social connections. This yields a widening wealth gap.
- 2.) The median white family had more than 10x the wealth of the median black family in 2016. This widening racial wealth gap disadvantages black families and limits their economic prospects. This gap contributes to intergenerational economic precariousness: almost 70% of middle-class black children are likely to fall out of the middle class as adults. This racial wealth gap constrains the U.S. economy as a whole.
- 3.) The average black family has 1/6 the liquid savings of a white family. The black family's support network is literally poorer; in an emergency most black families do not know someone who could lend them \$3,000. (Pew Charitable Trusts, Federal Reserve Board)
- 4.) Sixteen states are home to 65% of black residents, and all these states perform below the national average on all categories of performance: economic opportunity, employment, health care access, health care quality, public health, and access to broadband.

- 5.) 8% of black families receive an inheritance compared with 26% of white families. On average, such black family inheritance is 35% of the value of a white family's inheritance.
- 6.) Black families are 1.3x more likely to have student debt. That debt is 1.7x greater than that of white families.
- 7.) Black workers are underrepresented in self-directed, creative roles (i.e. software developer), which have lower than average automation potential, and over represented in supportive roles (i.e. truck driver), which have higher than average automation potential. Supportive roles are expected to average job growth of 1.5% over the next decade, compared to 8.8% average job growth predicted for the self-directed roles over the same period. These support roles offer lower pay, an average of \$32,000, compared with the average self-directed salary \$68,000.
- 8.) The average black American family has total wealth of \$17,600 and just 5 days of liquid savings, compared with \$171,000 and 31 days for the average white American family, according to the report from McKinsey citing federal data.
- 9.) Black families are 4.6x more likely to live in areas of concentrated poverty. Black Americans can expect to earn up to a million dollars less than white Americans over their lifetimes. This discrepancy is due to a lifetime of diverging circumstances: poor school quality, differential treatment in the criminal justice system, workplace discrimination, career selection, and a lack of role models who can guide career advancement.
- 10.) 45% of black children attend high-poverty schools: 6 times the rate of white children. Growing up in such schools lowers children's probabilities of graduating from high school and attending college, which are crucial ways to increase earning potential. As a result, only 24 percent of the black population over the age of 25 holds a bachelor's degree or higher as of 2017- ten percentage points lower than the comparable white population.
- 11.) 33% of the incarcerated population is black, triple the black citizen share of the U.S. population. The white share of incarcerated population is half the white share of the U.S. general population.
- 12.) Black men without criminal records are less likely to receive job interviews than are white men who have criminal records.
- 13.) Black workers experience lower rates of professional advancement and compensation from entry level to executive levels.
- 14.) Black workers who hold Bachelor's Degrees experience a rate of unemployment equal to that of white workers with no college education.
- 15.) Black employees are underrepresented in 7 of the 8 highest paying industries, and 5 of the 8 fastest growing, and are underrepresented in self-directed, creative roles with lower than average automation potential and overrepresented in supportive roles with above average automation potential.

Minority identities and earning power.

In addition to facing conventional economic pressures, black women are more likely to function as physical and emotional caretakers, overseeing the well being of their families and communities-all while living as sole income earners of their families. The heads of single-income households are often black single mothers: 66 percent of black children live in single-parent households, and 46 percent of households with a single mother at their heads live at or below the poverty line.

Family savings.



While savings can be a source of financial stability, black families are less able to accumulate savings than white families are because of their high expenses relative to incomes. Thirty percent of black families spend more than fifty percent of their income on housing. Black families are also twice as likely as white families to lack enough liquid savings to pay each month's expenses. Prolonged difficulty affording monthly expenses make evictions more likely. As a result, while black Americans make up 13 percent of the US population, they make up 40 percent of the homeless population. Complicating family savings is the fact that the lack of affordable insurance contributes to worse health outcomes and makes black citizens less able to participate in the full-time workforce, which exposes families to financial hardship. Taken together, these factors make it more difficult for black families to save over the long term. Studies suggest black families face systemic barriers that limit wealth building. Left unchecked, these barriers could continue to grow and constrain the US economy, not just black families. The steps toward addressing these barriers comprehensively will identify initiatives and policies that are most likely to give black families a boost. In their study, McKinsey and Company calculates the country has over a trillion dollars to gain from the effort.

QUESTIONS FOR DISCUSSION:

1. Is the wealth gap in America solely a racial one or are poverty, healthcare, and education more widespread than in the black community?
2. What is the economic impact of closing the racial wealth gap?
3. Will addressing systemic racism close the wealth gap?
4. By 2045, the black/brown community will be the majority, and the white community in the minority. Should we be addressing equality, income and wealth gap issues now and be making changes in job creation, healthcare and education to prepare for the future?
5. With a shrinking middle class, is there a way out of poverty and low paying jobs?

Final thoughts:

Perhaps we need to create economic development boosting jobs so that the average worker feels valued and earns enough money to spend in their community and to enhance the well being of their families. We may need to reimagine the educational system in the U.S. and prepare everyone for jobs in the 21st century. Perhaps we need also to address healthcare and the health conditions that lead to chronic medical problems and develop a national strategy to guarantee that no one goes hungry without healthcare in this land of plenty for some and not for others.