

Prologue for Special Issue on Race and Wealth

Thomas Shapiro¹ · Hannah Thomas^{2,3}

Published online: 26 February 2016
© Springer Science+Business Media New York 2016

In front of the Lincoln Memorial commemorating the 50th anniversary of the March on Washington for Jobs and Freedom, President Obama muted his own celebration of black Americans' successes unimaginable half a century earlier, noting, "The gap in wealth between races has not lessened, it's grown." In 1963 there were no data, much less analysis or public awareness, about race and wealth. Today, backed by compelling research, activists, advocates, and academics have put the racial wealth gap between whites and people of color into the national discourse and social justice policy agenda.

The Civil Rights movement and 1960s' landmark legislation were premised on the hope that eliminating barriers to opportunity would move African American families and other families of color toward equality, even if the pace was slow. An African American middle class built upon educational, professional, income, and workplace achievements has emerged since the 1960s. Even as limited progress has been made by African American families, new immigrants are joining the wealth underclass. The 2013 median net wealth of white families was \$142,000, with African American families owning \$11,000 and Hispanics' owning \$13,700.¹ The gap between white and black family wealth—

what we own minus what we owe—has widened considerably increasing nearly threefold over the past generation (Shapiro et al., 2013). This growing racial wealth gap matters because it means that even when families of color have incomes comparable to white families, they have much less wealth to use: to cushion financial potholes such as unemployment or a personal crisis; as down-payment on a home that can place their families in resource-rich and strong neighborhoods; to send children to private schools; to start a business; or to draw on for security during their retirement years. Historically hindered, families' of color disadvantage has become baked into the American economy. African Americans and other families of color are effectively impaired from generating and retaining wealth of their own, not simply because of what we ordinarily think of as racial discrimination, but also thanks to continuing discrimination and senseless policies that protect existing wealth—wealth that often originated from plunder, is inherited, or else somehow enabled by past and current policies. Race and wealth have intertwined throughout our nation's history, and today's new inequality ushers in an era in which historic and rising levels of wealth and income inequality intersect a widening racial wealth gap accompanied by heightened racial injustice as evidenced in criminal justice, employment, and public attitudes.

Lacking the wealth necessary to save, invest, buy homes, start businesses, or pay for college, minorities' opportunity for economic success has been restricted. These restrictions have solidified into a lower social status emanating from and reinforced by social divisions of labor, residential segregation, education, homeownership, and businesses. The overlap of racial and wealth inequality is

✉ Thomas Shapiro
tshapiro@brandeis.edu

Hannah Thomas
Hannah_Thomas@abtassoc.com

¹ Institute on Assets and Social Policy, The Heller School for Social Policy and Management, Brandeis University, 415 South Street (MS 035), Waltham, MA 02454, USA

² Brandeis University, Waltham, MA, USA

³ Abt Associates, 55 Wheeler Street, Cambridge, MA 02138, USA

¹ <http://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/>.

then reinforced by institutions and contemporary policy, which place African Americans in a uniquely precarious position that both increase the immediate challenge of moving ahead and also makes it more difficult to sustain achievements across generations. Wealth and race map together with consolidate historic injustices into neighborhoods, education, labor markets, social divisions, and economic and social mobility. This nexus enduringly locks a huge percentage of African Americans and other communities of color into a disadvantaged status, based on racial stratification. The racial wealth gap is one important symptom of this racial inequality.

A public and media breakthrough about a different sort of inequality came with the Occupy Wall Street movement in the fall of 2011. Focused on class inequality—the difference between the resources of those at the top of the income and wealth distribution and those at the bottom—this movement splashed inequality on the front pages and provided space for legitimate discussions about its causes and consequences. A year later, a YouTube video showing a shockingly skewed wealth distribution was viewed by over 18 million people and struck a deep democratic chord.² Robert Reich's film, *Inequality for All*, provided another defining moment in 2013. Thomas Piketty's best-selling 2014 book, *Capital in the Twenty-First Century*, opened more space for the increasingly legitimate concern about inequality. The popular and academic accounts of inequality, spurred by media coverage and the emerging national discourse, continued to focus on income, economic class, and the mega-rich. Yet this public conversation about inequality too often ignored the realities of race-based wealth inequality.

Race was sidelined or left out in these emerging accounts of inequality, as if the causes and harshest consequences of widening inequality and potential solutions are race-neutral. The message of these traditional accounts has been the persistently widening gulf between the very top and various segments further down the distribution ladder, whether it is the top compared to the middle, the bottom 40 %, a numerical dwindling and vulnerable middle class, or simply the share garnered by the best off. This approach prioritizes class and economics as the central (and sometimes only) explanation with resulting national discourse and policy ideas pleading universal—sounding notes that seem to neither recognize nor account for the wealth and race nexus nor the distributional impact of universal—sounding solutions for families of color.

This RASP special issue on race and wealth puts front and center the intersection of race and wealth, providing depth to our understanding of how the racial wealth gap plays out over the life course. Adults experience quite

dramatic fluctuations in wealth streams and utilization from young adulthood through retirement and old age. A life-course perspective on wealth typically sees childhood and young adulthood as investment periods for human capital and often low earnings. Earnings and wealth usually rise until just prior to retirement. Wealth scholars often examine the how wealth and life-course events, such as marriage, children, divorce, unemployment, impact one another. This life-course perspective does not always play out in the same way for white families and families of color. Teasing out the differences in an individual or family's relationship with wealth at different points in the life course is critical if we are to understand how best to implement policy solutions to address the racial wealth gap.

In this issue of RASP we bring together some of the cutting-edge research on race and wealth, with several of the contributions combining a policy and social movement slant. These scholars provide new perspectives and analyses on race and wealth delving not just into the empirics but into stages of the life course significantly impacted by race and wealth. The issue opens with two papers that examine the wealth gap for families of color at two different geographic levels.

Cedric Herring opens the issue with a paper that identifies competing and complementary theories purporting to account for racial differences in wealth in the USA and examines several social science theories that seek to explain racial disparities in wealth. He identifies the major sources of wealth differences between African Americans and whites, specifically empirically sorting through cultural, behavioral, and structural explanation.

Data on race and wealth have been limited, among other things, by the lack of representational information for Latinos, Asian-Americans, Native Americans, and others. When surveys include these populations, the data are aggregated at the highest levels. Tatjana Meschede, Darrick Hamilton, Ana Patricia Munoz, Regine Jackson, and William Darity use new data as part of the National Asset Scorecard for Communities of Color (NASCC) survey, to provide detailed information on financial assets that allow analysis to extend beyond the traditional black–white divide. Targeting US-born blacks, Caribbean blacks, Puerto Ricans, Dominicans, and other Hispanics in metropolitan Boston, underscores the large racial and ethnic disparities in financial wealth, even after controlling for demographic and socioeconomic status. These findings point to the need for wealth building opportunities in communities of color and further investigation of the causes and consequences of financial disparities between groups of color disaggregated by specific ancestral origin.

The focus of Tyson Brown's paper incorporates a life-course perspective to examine whether racial/ethnic

² <https://www.youtube.com/watch?v=QPKKQnijnsM>.

inequality in wealth dissipates or increases between middle and late life, and by how much. While socioeconomic, behavioral, and health factors are important, his analysis suggests that parental wealth, segregation, and discrimination play a role in the production and maintenance of racially based wealth inequality.

Terri Friedline and Stacia West explore young adults' wealth and entrepreneurial activities with particular emphasis on how these relationships differed among racial and ethnic groups. Their analysis shows that wealth appeared to play an outsized role in the self-employment of black and Latino/young adults compared to that of their white counterparts. Racial and ethnic minority young adults may have a heavier burden for generating their own capital to embark on entrepreneurial activities when mainstream credit markets are unresponsive or inaccessible.

Taking out student loans to assist with the costs of post-secondary schooling in the USA has become the norm in recent decades. Fenabo Addo, Jason Houle, and Daniel Simon examine the debt burden young adults acquire during the higher education process, focusing on how it is increasingly stratified with black young adults holding greater debt burden than whites. Their findings highlight the precarious situation for black youth not protected by their parents' wealth. This suggests a new form of racial stratification for recent cohorts of young adults, and that student loan debt may be a new mechanism by which racial economic disparities are inherited across generations.

Tatjana Meschede, Hannah Thomas, Alexis Mann, Alison Stagg, and Thomas Shapiro question what accounts for intra-generational relative and absolute wealth mobility for families with children in the first decade of the twenty-first century and, critically, how it differs by race. Analysis of quantitative and qualitative data reveals the need for targeted policies that reinforce and expand opportunities for all families to build wealth over the life course.

Scott Bowman focuses on intrinsic factors that influence wealth and the decision-making process for middle-class blacks. He examines the manner in which social and human capital influences shape black middle-class wealth and asset decision-making. This piece is particularly relevant because research shows that middle-class blacks have great difficulty passing their hard-earned status along to children, unlike their white counterparts.

Incarceration of African Americans has penetrated the scholarly and public conversations, as well as the national policy agenda. The impact of incarceration on family wealth, especially among African Americans, has been a key missing link in understanding the lasting impacts of

incarceration. Khaing Zaw, Darrick Hamilton, and William Darity begin this exploration looking at the interwoven links between race, wealth, and incarceration. They examine data on race and wealth status before and after incarceration and indicate how higher levels of wealth were associated with lower rates of incarceration, yet the likelihood of future incarceration still was higher for blacks at every level of wealth compared to the white likelihood, as well as the Hispanic likelihood.

David Pate explores child support policy, especially experiences with various imposed sanctions for nonpayment of their child support order. In-depth interviews provided an opportunity to conduct comparisons across and within races on their experiences with the child support enforcement program. Pate's results provide insight into the "lived" experiences with law enforcement by race when child support was in arrears. The data also highlight the limited social networks for referrals to employment among black noncustodial fathers and the accumulated debt of child support for black men, which hampers their ability to maintain a minimal level of economic security.

Data regarding race and wealth have only been available in the last several decades. As this information percolated into public awareness, a movement of activists, grass-roots organizations, policy advocates, scholars, and communications experts emerged. Kilolo Kijikazi is a central figure in this movement, and her contribution tells the story of strategically forming a movement to close the racial wealth gap. One challenge was the lack of a substantial presence of organizations of color in the growing savings and asset building field. In addition, there was an absence of people of color with expertise in this field at decision-making tables.

Fifty years on from the March on Lincoln Memorial it is past due time to address the deeply rooted racial wealth gap. We hope these articles bring together some of the latest research and understanding of the racial wealth gap in order to increase our understanding and reveal what we do not yet know, so we as a country can implement effective policies to eliminate this enduring inequality.

Reference

- Shapiro, T., Meschede, T., & Osoro, S. (2013). The roots of the widening racial wealth gap: Explaining the black-white economic divide. *IASP Policy Brief*. Waltham: IASP.