

Wonkblog

White high school dropouts are wealthier than black and Hispanic college graduates. Can a new policy tool fix that?

By **Michael A. Fletcher** March 10 at 8:00 AM

Maybe no economic statistic captures the continuing impact of the nation's history of inequality better than the racial wealth gap. It has left a yawning gulf that separates whites from blacks and Hispanics. And it persists across income and educational levels in ways that have left whites who are high school dropouts with a higher median net worth greater than blacks and Hispanics who are college graduates.

The gap has been known for years, but it has not received the same level of attention as the broader debate about economic inequality, which is moving closer to the center of the political debate.

“It is great we are talking about economic inequality but we have not fully brought the racial lens into it,” said Tamara Draut, vice president of policy and research for Demos, a liberal advocacy organization.

Given that, advocates are concerned that they have not developed a good way of assessing what would do the most to close the racial wealth gap. Would bolstering homeownership work? What if policymakers could find ways to help African Americans and Latinos gain as much from home ownership as whites? Could closing the college completion gap have a big impact? What effect would closing the income gap have?

Those are some of the questions Demos and the Institute for Assets and Social Policy (IASP) at Brandeis University's Heller School for Social Policy and Management hope to address with their [Racial Wealth Audit](#), which is being unveiled on Tuesday. They hope policy makers use the tool to evaluate the impact various initiatives would have on the staggering racial wealth gap. "I think the tool helps underscore the idea that public policy matters," Draut said. "Historically, the opportunities to build wealth in this country have been lopsided racially. And that history shows up in people's wallets today."

According to their analysis of the Census Bureau's Survey of Income and Program Participation data, in 2011 the typical white household had \$111,146 in wealth, compared to \$7,113 for blacks and \$8,348 for Latinos.

Many factors contribute to that gap. Whites typically earn more than blacks and Hispanics. A higher percentage of whites are college educated, and they are much more likely than blacks and Hispanics to be homeowners, which is the number one source of wealth creation for most Americans. At the end of 2014, the Census Bureau said, 72.3 percent of white households lived in homes of their own, compared to 44.5 percent of Hispanics and 42.1 percent of blacks.

But what would happen to wealth if some of those disparities were closed?

The Racial Wealth Audit found that if homeownership rates were equal, the wealth gap between whites and blacks would close 31 percent, and the gap separating whites from Hispanics would shrink by 28 percent. Similarly, if home ownership brought Latinos and blacks the same returns as it does to whites, the wealth gap would shrink 16 percent for blacks, and 41 percent for Latinos.

When it comes to education, 34 percent of white adults have four-year college degrees, compared to 20 percent of blacks and 13 percent of Latinos. Meanwhile, the Census Bureau said the typical white household has an income of \$58,270 in 2013, compared to \$34,598 for blacks and \$40,963 for Hispanics. Shrinking those disparities would also shrink the wealth gap, but not by nearly as much as making changes in homeownership, Demos said.

Demos said they hope the new audit will help policy makers better understand the best ways to attack the race gap. They also hope the tool will elevate the discussion of the problem.

“We have a long tradition in this country of using public policy to address inequities,” Draut said, adding that the marketplace alone cannot address the problem. “By and large, the market is not where human and social values can be arbitrated.”

Read more:

[How the housing crisis has damaged black wealth](#)

[The elements of the racial wealth gap](#)

Michael A. Fletcher is a national economics correspondent, writing about unemployment, state and municipal debt, the evolving job market and the auto industry.
