INSTITUTE ON ASSETS AND SOCIAL POLICY

Monthly Perspective

Closing the Racial Wealth Gap

Thomas Shapiro and Melvin Oliver - September 2005

Closing the racial wealth gap needs to be at the forefront of the Civil Rights Movement. Without sufficient assets, it is difficult to lay claim to economic security or true opportunity in American society. Ten years ago, we identified the racial wealth gap as a fundamental axis of racial inequality, finding that African Americans owned eight cents of wealth for every dollar owned by whites.

New data indicates that the level of racial wealth inequality has shown a stubborn persistence in the ensuing decade, reflecting a firmly embedded racial stratification. The most optimistic analyses suggest that the black/white median net worth ratio is .10, meaning blacks have control of ten cents for every dollar of net worth that whites possess. Other estimates indicate that the ratio is closer to seven cents.

The racial wealth gap in 1988 was $60,980, meaning that the net worth of white households on average was this much larger than for African-Americans. By 2002 it had increased to $82,663. Isolating the period and dynamics of the past decade a little more closely, the racial wealth gap grew by $14,316 between 1996 and 2002. In the past decade, then, white wealth grew and then leveled off; black wealth grew and then declined. As a result, the overall racial wealth gap ratio persists at roughly a dime on the dollar, while the dollar amount of the racial wealth gap grew.

As we demonstrated in Black Wealth/White Wealth, wealth accumulation occurs in a context where race unfolds to produce varying levels of wealth for different families and social groupings. It has been this different "opportunity structure" for savings and investment that African Americans have faced when compared to whites that has helped to structure racial inequality in wealth holding.

The past opportunity structure that denied blacks full participation in wealth building activities now serves as a powerful deterrent to current black ambitions for wealth. Even when they have similar educations and incomes, blacks lag far behind their white counterparts in their quest to accumulate assets.

Black Wealth/White Wealth and The Hidden Cost of Being African American demonstrate the power of policy, government, institutions, and history to order and maintain racial inequality. The basis for excluding African Americans from opportunities and creating different rules in the competition for success is no longer just about who is a capable worker, but also who is a worthy credit risk.

As wealth accumulation among African American families had begun to expand, recession, declining stock prices, and processes of financial institutions converged to shrink, strip, and consume it. New homeownership and credit markets, in particular, arose in response to new wealth and wealth-creating opportunities in minority communities, and this poses new opportunities, challenges, and dangers. Even as African American achievements on the job and in schools were improving, an escalating racial wealth gap undermined these accomplishments.

Residential segregation is the lynchpin of race relations in America. Most important is the way that residential segregation structures the "segregation tax" producing far less housing wealth in African American communities. Also critical is the way in which substandard, inferior schools are located predominately in neighborhoods where minorities and low-income families are concentrated. The integral connection between residential segregation, housing wealth and education is a fundamental challenge to be faced.

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While asset-based social policy clearly has the potential to improve the lives of families, the fundamental question is whether it can simultaneously challenge the deeply embedded structures that convey advantage and disadvantage. In our experience, the proponents and advocates of asset based policy have done a remarkable job in advancing these ideas to center stage in the policy arena. To evolve further there must be ownership of these ideas among broader and larger constituencies. The narrow range of policy groups, foundations, and civil society organizations must be complimented with constituencies that reflect African American, minority, and low-income communities. In addition, policy advocacy must be coupled with movements that challenge the structures and institutions that disadvantage the wealth accumulating ability of minority and low-income groups. Building a coalition that can move forward on these issues and on complimentary fronts must also include organizations and constituencies organized around issues that worsen wealth inequality, like the weakening of the estate tax, regressive tax cuts, and Social Security privatization.

If racial wealth inequality is the hidden fault line of American democracy, then we need a new Civil Rights Movement for the Twenty-First Century that focuses on economic inclusion and closing the racial wealth gap.

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This article is adapted from a draft of a new Epilogue to Black Wealth/White Wealth, Tenth Anniversary Edition, forthcoming, 2006.