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THE WIDENING RACIAL WEALTH DIVIDE

It would take black Americans two hundred and twenty-eight years to have as much wealth as white Americans have today.

By James Surowiecki

“**R**ace still determines too much,” Hillary Clinton said, in last week’s debate with Donald Trump. It “often determines where people live, determines what kind of education in their public schools they can get, and, yes, it determines how they’re treated in the criminal-justice system.” She could have added that it has a profound effect on how much money Americans have. Our racial wealth divide, as it’s often called, is enormous, and, fifty years after the civil-rights movement, the gap is growing.

Everyone knows that wealth is unequally distributed. The work of Thomas Piketty has made this a mainstream concern. But the magnitude of the gap between white and black Americans is on a different scale. According to a recent report from two progressive think tanks, CFED and the Institute for Policy Studies, white households own, on average, seven times as much wealth as African-American households (and six times as much as Latino ones). The Forbes 100 billionaires are collectively as rich as all black Americans combined. At current growth rates, it would take black Americans two hundred and twenty-eight years to have as much wealth as white Americans have today.

Some of the reasons are clear: the unemployment rate among black Americans is roughly twice that of whites, and black people earn, on average, between twelve and

twenty-two per cent less than white people with similar education and experience. But the wealth gap between black and white Americans is much bigger than the income gap, thanks to a toxic combination of institutionalized discrimination, persistent racism, and policies that amplify inequality. As Thomas Shapiro, a sociologist at Brandeis and the co-author of the seminal book “Black Wealth/White Wealth,” told me, “History and legacy created the racial gap. Policies have maintained it.” Together, they contribute to what he’s called “the hidden cost of being African-American.”

Start with history. Beginning in the New Deal and on into the postwar years, the federal government invested heavily to help ordinary Americans buy homes and go to school, via programs like the Federal Housing Administration and the G.I. Bill. That fuelled an economic boom and fostered the growth of a prosperous middle class. But black Americans received little of this assistance. Redlining by banks and by government agencies prevented black families from buying homes in white neighborhoods; in a thirty-year period, just two per cent of F.H.A. loans went to families of color. G.I. Bill benefits went disproportionately to white veterans. Black agricultural and domestic workers were excluded from Social Security until the fifties. As Dedrick Asante-Muhammad, the co-author of the CFED/I.P.S. report, told me, “Massive government investment helped create an American middle class. But it was a white American middle class.”

The effects of this history are still with us, because wealth, unlike income, accumulates and can be passed down from generation to generation. If you have less wealth to start with, you’ll likely spend any added income on bills or paying down debt rather than saving or investing it. A 2013 study co-authored by Shapiro found that for white families every dollar increase in income yields an increase of \$5.19 in wealth; for black households the figure is just sixty-nine cents.

More important, discrimination, though no longer legal, is still pervasive. It holds down black incomes and has a huge impact on homeownership—which Shapiro identifies as “the largest driver of the racial wealth gap.” Only forty-one per cent of black Americans own their homes, compared with seventy-one per cent of whites, and black homeowners earn a much smaller return on their property. Because they are less likely to inherit money or get family help buying a home, they make smaller down

payments and, on average, buy houses eight years later in life, leaving less time for the investment to appreciate. House prices in majority-black neighborhoods have also risen less than those in comparable majority-white ones. As Asante-Muhammad told me, “White people still do not generally want to live in a neighborhood that’s more than twenty to twenty-five per cent black.” That means fewer buyers, which holds house prices down. Shapiro has found that housing segregation costs black families tens of thousands of dollars in home equity.

Government policies also widen the gap. The most important of these are the mortgage-interest and other real-estate tax deductions, which save you more the bigger your mortgage and the higher your income-tax rate. They cost the government north of a hundred and thirty billion dollars a year, more than seventy per cent of which goes to the richest twenty per cent of Americans. Money that could fund affordable housing, income subsidies, and allowances for first-time homeowners instead just helps rich people pay for their houses.

Closing the racial wealth gap would require radical measures, like reparations, which few politicians will discuss. But what’s really dismal is that even reforms that could keep the gap from getting wider—ending the mortgage-interest deduction, challenging residential segregation—are politically toxic. The attention now being paid to the racial wealth divide is a sign that some things have changed. The absence of the topic from the political conversation shows that most things haven’t. ♦

James Surowiecki is the author of “The Wisdom of Crowds” and writes about economics, business, and finance for the magazine.

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