

U.S. ECONOMY

Why Black Americans Stay Poor

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By [Mark Whitehouse](#)

Over the past few decades, black Americans have gained on whites in a lot of areas, including education, two-parent families and employment. Sadly, that doesn't appear to have helped them erase what may be the most important disparity: [wealth](#).

My Bloomberg colleague Peter Coy [reported](#) last week on a [study](#) exploring the idea that racial wealth inequality stems from life choices and personal achievement -- that is, that blacks would be as rich as whites if only they got good educations, formed stronger families, worked hard and saved money. Using data from the Federal Reserve's Survey of Consumer Finances, the researchers found that, as of 2013, none of that seemed to matter: Whether they were college-educated, married with kids, employed full-time or prudent savers, black families' net worth was invariably many times lower than that of white families with the same characteristics.

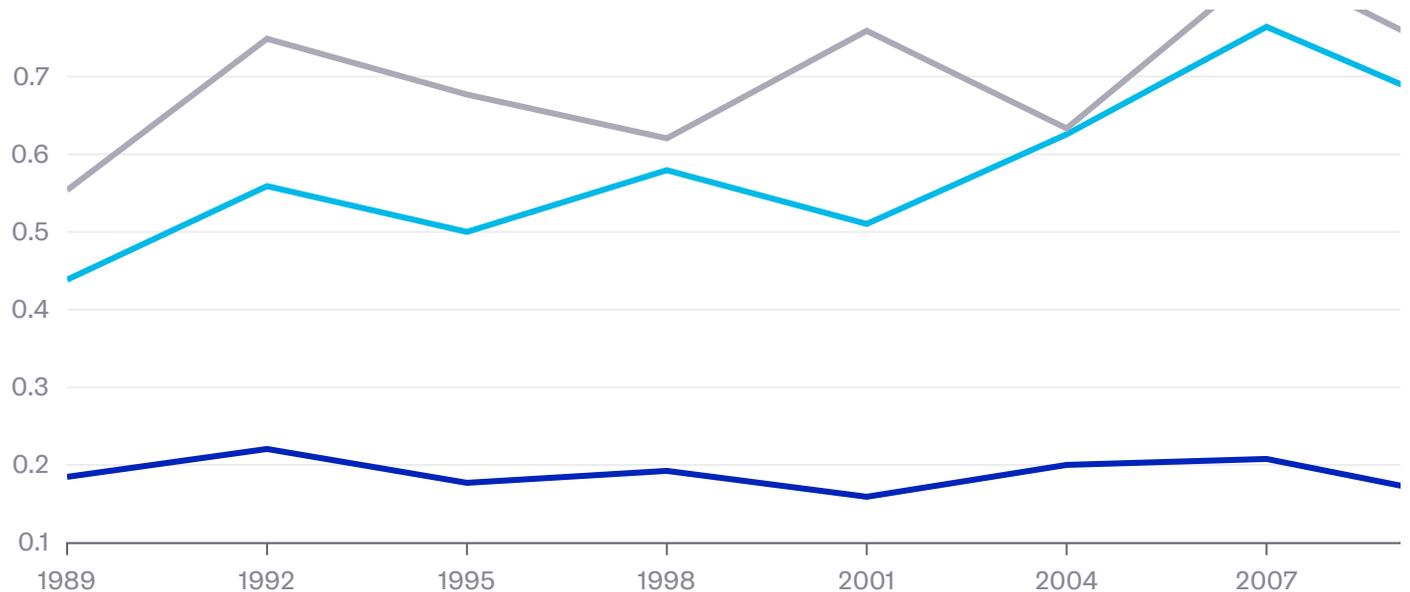
The result was so striking that I decided to take another look: If a 2013 snapshot suggested that all those factors had no effect, would the same be true over time? That is, how had the education, family structure, employment and savings patterns of black families changed, and had that helped them close the wealth gap at all?

The chronological picture is depressingly similar. In many areas -- college education, two-parent families, employment -- black families made progress toward closing the gap with whites from 1989 to 2013 (the earliest and latest data available). But the wealth gap ended up larger than ever. [1](#) Here's how that looks [2](#):

Closing the Gap?

Ratio of black families to white families





Source: 2013 Survey of Consumer Finances

Note: Straight ratio for net worth; for all others, share of black households divided by share of white households with the given characteristic. *Head of household. **Average, not median.

This fits with the explanations Coy offers in his piece. For one, whites start out with an advantage: They tend to get more and larger inheritances. Also, generations of discrimination -- including [redlining](#), [mass incarceration](#) and predatory finance -- have prevented blacks from building up wealth. Note, for example, how the wealth gap widened following the subprime-mortgage crisis of 2007, a debacle that [involved](#) a lot of bad lending focused on black neighborhoods.

What to do? Beyond enforcing anti-discrimination laws and reforming the criminal justice system, a lot [can be done](#) to boost the returns to education and work. People should be able to live where opportunities are -- which means [breaking down barriers](#) such as zoning laws that discourage the construction of affordable housing in desirable neighborhoods and prevent people of color from moving there. Also, employers should pay more attention to racial disparities in wages and benefits -- which [research](#) has [demonstrated](#) to be significant, even for people with the same qualifications doing the same work.

Such issues don't appear to be anywhere on President Donald Trump's list of priorities. Maintaining barriers to prosperity for a large portion of the population, though, is no way to make America great.

1. *I focus on average net worth, as opposed to median net worth, to better reflect overall wealth rather than the situation of the typical family. Extreme wealth among white families, for example, would affect averages more than medians. That said, the trend for median net worth is similar.*