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FRIDAY, FEBRUARY 10, 2017

The Wealth Gap: Worse Than You Think

How much is whiteness worth? The answer turns out to be "a whole heck of a lot."

A new report with the unsexy title "Asset Value of Whiteness" has been released jointly by Demos and the Institute for Assets and Social Policy (Brandeis University), two left-tilted thinky tanks. The researchers used the Survey of Consumer Finances, a tri-annual data crunch sponsored by the Federal Reserve and the US Treasury Department-- so not a bunch of amateur data creators. The report is brief and in plain English and I recommend you read it, but let me hit the highlights here.

The basic message is right there in the table of contents:

Attending college does not close the racial wealth gap.

Raising children in a two-parent family does not close the racial wealth gap

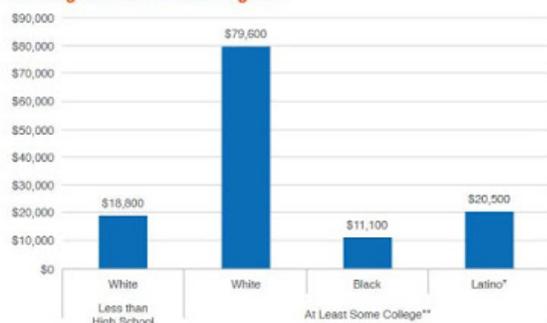
Working full time does not close the racial wealth gap

Spending less does not close the racial wealth gap

What's striking-- even shocking-- about the report is not just that these things don't help, but how huge the gap remains in the face of these.

Look at this graph:

Figure 1. Median Wealth by Educational Attainment for Working Households under Age 55



Source: Authors' calculations of the Survey of Consumer Finances, 2013

* Latino refers to anyone who identified as Hispanic or Latino on the Survey of Consumer Finances and may be of any race.

** This group includes households who attended college but attained no degree as well as those with associate's or bachelor's degrees. Households with graduate and professional degrees are not included.

The part that leaps out is how much greater the wealth is for college-educated white households-- the median white college-educated adult household wealth is over seven times greater than the median black college-

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educated wealth. But the shocking finding here is that the median wealth for white high school drop outs is still higher than the median wealth for blacks who have attended college, and barely a hair less than wealth of college-educated Latinos.

This is the pattern that continues through the report. The median single-parent white family has more than twice as much wealth as the median two-parent black household. The median white household with a part-time worker has only a hair less wealth than the median black household with a full-time worker. And the average white household spends 1.3 times more than the average black household of the same income level.

Add this data to the stack. The Brookings study that shows that a college education creates a smaller "earnings bump" for kids from poor family of origin. The Johns Hopkins 25-year study of children in Baltimore that found family background is the important predictor of future fate. Robert Putnam's entire book about the impact of social capital.

This new report considers many possible explanations for the gap, which is only fair since they've disposed of the four explanations beloved by policy makers and casual kibbitzers. Entrenched systemic racism seems like a good bet. They also suggest that white families have generations to build wealth that becomes a safety net and backstop for new generations, while black and Latino families have not had many generations at all to accomplish a similar feat.

It's also worth noting that all of these figures are medians, which means anybody who wants to cherry pick exceptional outliers can do so, thereby "proving" their own thoughts about this study. Let's just agree that it's messy, and your mileage may vary, and there will always be specific cases where these four factors are either useful or worse than useless.

That said, the overall picture is hard to explain away.

So if these four factors won't bring equity and wealth, what do we try? We've just spent years working on the theory that if we just got non-wealthy non-white to score well on a Big Standardized Test, the gates of success would fling open for them. That's baloney.

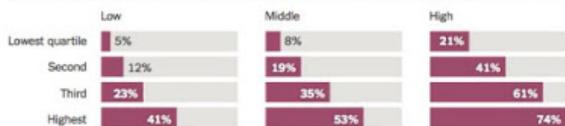
In fact, what all four of these theories of action have in common is that they place all responsibility squarely on the individual. If you're poor, it's because you didn't go to college, didn't get married, didn't get a full-time job and didn't properly save your money. You're poor because you failed. It's your personal problem. What do you want the government to do about it?

It's not an easy question. We don't really want a government policy that makes individual responsible choices irrelevant (although, we're living through proof that if you're rich enough, you can make every irresponsible choice imaginable to humans and still end up in the White House). But it's an important question because we know that wealth is its own open door-- to everything from high test scores to a good job, and certainly to college success.

The Advantage of Wealth in College

A low-income college student with top math scores has the same chance of graduating with a bachelor's degree (41 percent) as a rich student with mediocre scores.

B.A. completion rate in three socio-economic groups, ranked in four groups of math test scores.



Source: Department of Education: Education Longitudinal Study

So what do we do?

One of the first steps is for lots of us to recognize that we are not nearly as self made as we like to imagine, but that we are standing on the shoulders of our families and ancestors and a system that doesn't drop a lot of onerous extra weight on us.

We need to recognize this not so we can just feel guilty all the time, but so that we can A) stop repeating the fairy tale that we don't owe anybody anything and so Other People should just step up and grab their bootstraps and B) start figuring out a way to provide that kind of shoulder-standing platform for people who don't have one.

We can stop imagining that a good school fixes everything, and we can stop imagining that student success is a personal problem for the student and her family. The absolute very least we can do-- is make certain that schools are not making matters worse by providing less for non-white, non-wealthy communities, by treating these communities like marketing opportunities or communities that must be saved by Better People. We can stop approaching non-wealthy and non-white families as if the fact that they have less means they deserve less-- an attitude that leads to either trying to keep them from getting things they don't deserve (oh, Those People act so entitled) or to acting as if we're so awesome because we gave them something they didn't really deserve (how generous of us to give this gift to those who haven't earned it).

I'm pretty sure we're past the point where concerns about social justice are going to drive federal education policy; I expect we'll now err in the direction of bootstraps. We'll talk about

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"opportunities" and "access" and declare that we gave non-wealthy non-white kids the same chance to succeed as the rich kids. We opened the door and if they didn't walk through it, well, hey, that's on them. We may even hear complaints about how "entitled" and "uppity" them poor folks are acting.

So it's important that those of us who work in school, those of us who have to make choices about how to blunt the impact of policy-makers' bad policies-- it's important for us to remember that it's not just about individual choices. You can be the hardest, fastest runner of them all, but if you have to run barefoot and start a half mile behind the starting line, it's not going to be enough.

Posted by **Peter Greene** at **Friday, February 10, 2017**

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7 comments:



Rebecca deCoca February 10, 2017 at 2:49 PM

Truly eye-opening. It's too bad that many people won't believe facts that go against their in-grained beliefs. And if you haven't studied statistics, especially since there's so much sketchy "research" out there, it's easy to not be able to recognize what's valid and what's not.

Reply



Dede Wilkinson February 10, 2017 at 10:25 PM

Wow.

Reply



Alan Backman February 10, 2017 at 10:48 PM

I read the piece and there are serious methodological issues. At the most basic level, it looks at wealth rather than income. There are several studies that show that regardless of race, making positive choices results in income mobility the same for someone born poor as someone born rich. See link.

<http://csweb.brookings.edu/content/research/essays/2014/saving-horatio-alger.html#>

Even a Journal entirely devoted to blacks and education concedes that black college graduates earn the same as white college graduates.

http://www.jbhe.com/news_views/47_four-year_collegedegrees.html

There are several other issues - aggregation of those who start college with those who complete a degree - even though only 39% of blacks who start college complete a degree compared to 62% of whites (even though about the same percentage of college graduates from both races matriculate - about 65%).

<https://fivethirtyeight.com/features/race-gap-narrows-in-college-enrollment-but-not-in-graduation/>

But the worst element of their argument is the implied conclusion. Let's say they are right in all elements - that blacks can do nothing to entirely close the racial gap (and that wealth is all that matters). They imply what Greene states explicitly - "stop repeating the fairy tale that we don't owe anybody anything and so Other People should just step up and grab their bootstraps ..." However, several times, they concede that making positive choices (e.g education, two-parent family) DOES improve black fortunes relative to blacks that don't. If so, WHY do blacks make destructive choices - 72% of black kids are born to single parents, 29% of black kids drop out of school ? In sum, even if you accept the paper's argument, it STILL doesn't make sense since blacks should maximize their fortunes by making positive choices even if doing so (in the article's contention) would leave them short of comparable whites.

Reply

Replies



Peter Greene February 11, 2017 at 6:39 AM

That's probably why absolutely nobody-- not the original authors, and not me-- argues that Black and Latino persons should not make responsible choices. But it's much easier to dismiss the conclusions of reports like this if

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you misrepresent them with the straw man "Oh, they're arguing that non-white non-wealthy folks shouldn't bother to behave responsibly."



Rebecca deCoca February 11, 2017 at 7:21 PM

Mr. Backman:

From the article, the reason they looked at wealth rather than income:

"The racial wealth gap matters because of the central role wealth plays in enabling families to both handle current financial challenges and make investments in their future. Families that have accumulated some wealth are better equipped to manage unanticipated expenses like an emergency medical bill, or disruptions in household income such as a layoff, without falling into debt or poverty. Over the longer term, wealth can expand the prospects of the next generation, helping to pay for college, provide a down payment for a first home, or capitalize a new business."

And: "Because white families accumulated more wealth over a history in which black and Latino families were excluded from many wealth-building opportunities through discriminatory policies in housing, banking, education and other areas, white families today have, in general, greater resources to pass on to their offspring."

The point of the article is that a college education and a two-parent family are not enough to narrow the gap. As Peter says, no matter how fast you run, you can't catch up if you start too far behind. And, as he says, "...we're living through proof that if you're rich enough, you can make every irresponsible choice imaginable to humans and still end up in the White House". The more wealth you have, the easier it is to make "good choices", and the more you can mess up and get do-overs. CEOs who run their company into the ground can still get a golden parachute and a comparable job. Kids with "affluenza" are allowed to have no consequences. So making this a moral issue really isn't relevant.



teachingeconomist February 11, 2017 at 11:21 PM

It would be helpful if the Demos study had attempted to control for age in their analysis. If you looked at my household when i was younger, you would see a negative net worth because of our mortgage. As my household aged, our net worth increased and became positive. It seems to me that it is possible that African American households with some college are, on average, younger than white households with some college. If so, the report by Demos is demonstrates that young households have less wealth than older households. This would not be an especially surprising or alarming finding.

Reply



teachingeconomist February 11, 2017 at 11:10 PM

If your interested in the issues raised by this paper, you might be interested in the Equality of Opportunity Project (<http://www.equality-of-opportunity.org/>). Instead of using the small data sets of the Demos study, less than 3,500 households, they use large data sets of 30 million to understand how colleges and universities impact income mobility.

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