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How Measurement of Inequalities in Wealth by Race/Ethnicity Impacts Narrative and Policy: Investigating the Full Distribution

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Abstract In recent decades, analysts and researchers have expanded understanding of economic security by adding wealth to traditional income measures of economic security, documenting substantial and growing inequalities in wealth in the USA that exceed notable income inequalities. Racial disparities in wealth have been well-documented and represent a major barrier to economic equality for communities of color. However, while the racial wealth gap is typically measured at the median due to the substantial skew of the wealth distribution, much remains unknown about racial disparities across the wealth distribution. This study aims to advance analytic discussions about measurement of racial wealth disparities examining recent trends in wealth by race/ethnicity using a more complete view of the wealth distribution. Using the Survey of Consumer Finances (SCF) from 2001 to 2013, results reveal that racial wealth disparities across the distribution are even more widespread than an examination of central tendencies alone can observe. Also, while all households experienced notable wealth declines in recent years during the Great Recession, African American and Latino households across the distribution of wealth were particularly affected. From 2007 to 2013, the 75th percentile of wealth for African Americans and Latinos fell by approximately 50%, while losses for whites at the third quartile were just 15%. Similar differences in impacts of the economic downturn are seen across the distribution. Examination of net worth trends over the period reveals that losses were disproportionally experienced by households of color across the wealth distribution.

Keywords Racial disparities · Wealth · Inequality · Economic security

Introduction

Researchers, analysts and policymakers who are concerned with economic inequality, family financial security, and poverty in the USA used to focus their analysis entirely on income and consumption. Today, the importance of wealth and asset holdings—not just income streams—in ensuring and maintaining economic well-being is widely recognized. With this shift in understanding, measures of economic security increasingly recognize the importance of wealth[1] and assets in gauging household financial well-being (Brandolini et al. 2010; Caner and Wolff 2004; Oliver and Shapiro 2006; Sherraden 1991).

Attention to and appreciation of the role that wealth plays in overall economic security highlights even greater inequalities, particularly by race/ethnicity, that exist in the USA in regard to wealth relative to those that exist by income. The typical (median) black household earns 59% of the typical (median) non-Hispanic white household, while the typical Latino household earns 71% (DeNavas-Walt and Proctor 2015). By contrast, typical black and Latino households hold just 8 and 10%, respectively, of the wealth of typical white households as measured at the median using the 2013 Survey of Consumer Finances (SCF). In dollar figures, the median net worth of white households is about $141,900,

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1 Net worth and wealth are used interchangeably in this paper.

compared to $11,000 for black households and $13,700 for Latino households (authors' calculations from 2013 SCF). Thus, a vital part of the growing conversation regarding the importance of wealth in family economic security is the recognition that wealth inequalities are particularly substantial by race/ethnicity with households of color, especially black and Latino households, holding much fewer financial assets than their white peers (Kochhar 2004; Oliver and Shapiro 2006; Shapiro 2004).

Building on the growing literature on household wealth and assets, this study expands prior research by examining wealth inequalities by race/ethnicity across the distribution and highlighting important relative and absolute wealth declines during the Great Recession among white, black, and Latino households to provide a new perspective on growing wealth disparities. While much previous research on wealth inequality by race/ethnicity and the racial wealth gap has focused on measures of central tendency—particularly the median due to the skew of the US wealth distribution—this analysis advances the literature by underscoring the importance of inequalities across the distribution. Some studies have begun to examine patterns of wealth at key points along the distribution, such as at all quartiles or among the highest wealth households, (Addo and Lichter 2013; Wolff et al. 2011), but much remains unexplored regarding wealth inequalities and vulnerabilities by race/ethnicity across the broader wealth distribution, particularly at higher and lower wealth percentiles. Further study of the full wealth distribution provides the opportunity to gain new insights into patterns of wealth inequality in the USA. For example, study of households at higher percentiles of wealth provides additional knowledge about households who hold the majority of wealth in the nation, while study of lower percentiles elucidates patterns along the most economically vulnerable. This paper contributes to the existing literature by broadening the discussion of racial disparities in wealth to capture a more diverse range of households across the wealth distribution.

Thus, a central goal of this study is to descriptively analyze wealth disparities by race/ethnicity across the wealth distribution to uncover patterns of racial wealth disparities that are frequently missed by the most common analyses of the racial wealth gap. Examination of recent trends at the quartiles and top and bottom deciles of the distribution among whites, blacks, and Latinos allows for a broader understanding of wealth patterns at key percentiles that cannot be determined with a single summary measure of central tendency. Trend lines and analysis of changes during the early years of the twenty-first century, from 2001 to 2013 provide a closer examination of recent wealth patterns than has previously been conducted and highlight the ways that racial disparities in wealth have grown in recent years. In addition to investigation of the full study period, analysis focuses on changes in wealth over the period 2007–2013 to capture the impacts of the Great Recession on household wealth and disparities in wealth by race/ethnicity. Thus, through the documentation of recent wealth trends across the distribution, this analysis is able to highlight patterns of wealth inequality that are not seen in traditional measures of the racial wealth gap and provide a foundation for new analytical efforts to expand current measures of racial disparities in wealth.

Background

A Shift in Understanding and Measuring Economic Security

The realization that wealth holdings are a crucial component of economic security is a relatively new development among researchers and practitioners. Since the 1960s when Mollie Orshansky developed the first federal poverty thresholds (Fisher 2008), our official understanding of economic security and deprivation in the USA was based on frameworks and measures that focused on income and consumption. While meeting daily needs is without a doubt vital to achieving a basic level of economic stability, in recent decades, particularly since the release of Michael Sherraden's seminal book, *Assets and the Poor*, scholars and practitioners began to understand the value of asset holdings as both a cushion during times of income disruption and a source of economic mobility (Sherraden 1991). Wealth affords resources beyond the daily sustenance that income provides; from security for a rainy day to educational opportunities, from safer neighborhoods to business and job opportunities, wealth provides resources that translate into a more secure future. As income helps families to maintain their daily standard of living, wealth offers protection from economic shocks and facilitates upward mobility. In *Black Wealth/White Wealth* originally published in 1995, Oliver and Shapiro helped to shift the dialogue about racial inequality in the USA by highlighting the importance of wealth for family security and underscoring the substantially greater racial disparities in wealth relative to income among white and black US households (Oliver and Shapiro 2006).

Until recent decades, a lack of dependable, national data on household wealth in the US limited analysts' abilities to incorporate wealth dynamics into their studies of economic security (Oliver and Shapiro 2006). However, as the conceptualization of economic security increasingly included wealth and assets, designers and implementers of major US surveys began to incorporate wealth holdings into their surveys, such that today, several major surveys, including the Panel Study of Income Dynamics (PSID), Survey of Income and Program Participation (SIPP), and the Survey of Consumer Finances (SCF) ask wealth information from their participants. With the increasing awareness of the importance of asset holdings for economic security, growing data availability, and well-documented evidence of large disparities in wealth by race/ethnicity, the attention of academics and advocates on the racial wealth gap—typically measured as the difference in wealth for median white households compared to the median households of color—has been growing (Center for Global Policy Solutions 2016; Conley 1999; Insight Center 2016; Keister 2000; Kijakazi 2016; Oliver and Shapiro 2006; Shapiro 2004; Sullivan et al. 2015). Because of the positive skew of the wealth distribution, median wealth is generally a preferred measure of wealth for understanding typical households compared to the mean, which is affected by very high values.

Thus, using the median as the key measure to compare racial disparities in wealth, the data on the racial wealth gap have consistently shown that median white households typically hold many multiple times the wealth of median black and Latino households.[2] Different measures of wealth and assets and different macroeconomic economic conditions in particular years can lead to some variation in exact estimates, however, the data have dependably shown over and over across datasets and years that median white households have several times the wealth of median black and Latino households. While differing somewhat year to year, typically, the data show about a 10-to-1 ratio for the black-white ratio (Conley 1999; Oliver and Shapiro 2006; Shapiro 2004; Sullivan et al. 2015). Applying the 2013 SCF, the results indicate that the ratio of black-to-white median wealth is 13-to-1, while the Latino-to-white ratio is 10-to-1. The same source finds the absolute wealth gap in 2013 is $130,900 and $128,200 for blacks and Latinos, respectively, a huge figure relative to the median wealth levels for blacks and Latinos cited above (authors' calculations).

Public Policy and the Racial Wealth Gap

While we now know that wealth is crucial to family financial security and that large wealth gaps by race/ethnicity are longstanding characteristics of the wealth distribution in the country, we also know that in the US our policies have generally done a poor job of facilitating asset-building for all households across all zip codes. Rather than supporting all families, policymakers and public administrators have frequently developed policies that fostered inequalities in wealth by neighborhood and race, generating the racial wealth gap that we see today (Sullivan et al. 2015). Current wealth inequalities by race are rooted in both historical policies, which directly barred people of color from the same wealth-building opportunities as whites, as well as current barriers embedded in financial institutions and modern public policies (Conley 2001). While laws are in place to protect families from discrimination in financial markets, our modern financial system continues to be characterized by asset-stripping (Cheng and Liu 2015) and discriminatory behaviors (U.S. Department of Justice 2012) that make lending more expensive and less accessible to households of color.

Numerous public policies can be linked to current racial wealth disparities, but a few descriptive examples highlight the important role that policy has in shaping the unequal outcomes we see today in family pocketbooks and bank accounts. One example, redlining—the practice of rejecting or restricting access to loans and financial services based on the racial make-up of a neighborhood–was solidified into policy by the federal government and adopted by private banks, shaping the segregated character of modern US neighborhoods by limiting investment in communities of color (Madrigal 2014). Often considered a relic of the past, the practice of redlining continues to be perpetrated by some financial institutions (Consumer Financial Protection Bureau 2015). Despite the passage of the Fair Housing Act decades ago barring discrimination in housing markets, segregation continues to be a defining characteristic of US urban communities and continues to have long-lasting consequences for the wealth holdings of households of color through impacts on home values in segregated communities of color (Rugh and Massey 2010).

Another illuminating example is our current employer-based retirement system, which rewards the wealthiest households with substantial tax breaks, while providing almost no benefit to low- and moderate-income households. Today, the top one percent of income earners reaps 60 percent of the benefits of our tax policies to support retirement savings, while low-income households, who are disproportionately households of color, receive virtually no benefit (Levin et al. 2014). While some asset-building policies, such as redlining, were explicitly discriminatory, many policies, such as our current retirement savings incentives, may have been developed with constructive intentions aimed at increasing the financial stability of the nation overall; however, instead of fostering security broadly, the policies result in exacerbating distributional inequalities established during periods of explicit discrimination, rather than mitigating them.

These past and ongoing policies have frequently facilitated wealth-building for whites and hindered it for

[2] While efforts to improve data collection for population subgroups are growing particularly at local levels, national surveys often have limited or no wealth data for Asian-American and Native American households. The National Asset Scorecard for Communities of Color (NASCC) has recently been used to understand the wealth of many subpopulations in the U.S. at local level to expand our knowledge about wealth holdings of diverse communities in the country; however, national data with the detail available in the NASCC are not currently available.

household of color; to improve outcomes of these policies and ensure they are fostering asset development opportunities for broader segments of the population, policymakers and analysts need better information on financial outcomes by race/ethnicity across the distribution. Given that the policies highlighted above and many others are often most relevant to households at different points along the wealth distribution, both within and across groups, better knowledge about the full wealth distribution, as in this analysis, will help decision makers better understand how to design policies which foster economic security more broadly.

Impacts of the Great Recession on Wealth Disparities by Race

Data suggest that households of color were hit particularly hard by the Great Recession further worsening existing disparities in wealth (McKernan et al. 2013). While the substantial disparities in median wealth have been an ongoing characteristic of the wealth distribution, increasing evidence suggests that racial wealth disparities have grown since the Great Recession exposing growing inequality. Tracking the wealth ratios of median white households across a number of decades, Kochhar et al. (2011) demonstrate that since 1984 the white-to-black median wealth ratio has ranged from a low of a 7-to-1 in 1995 to 19-to-1 in 2009 showing a dramatic increase during the Great Recession with the ratio in their estimates typically being ten to twelve times; similarly, the Latino-to-white wealth ratio has ranged from 7-to-1 in 1995 and 2004 to 15-to-1 in 2009, again exhibiting notable increases in recent years (Kochhar et al. 2011).

As the racial wealth gap has grown in recent years, researchers have documented that the housing crisis, which hit households of color particularly hard, was a significant factor in depleting wealth holdings for households of color (Reid and Laderman 2009). The home is the greatest asset for most families who own a home; however, not only are homeownership rates lower for black and Latino households than for whites, they also see a smaller return to homeownership than white households, due to the higher lending rates and the ongoing segregation of real estate, mentioned above (Sullivan et al. 2015). While all families lost wealth on average using the Great Recession, black and Latino households saw much larger relative losses in both wealth overall and home equity relative to whites (McKernan et al. 2013; Pfeffer et al. 2013). Research has also revealed that higher segregation in black and Latino communities was directly associated with higher rates of foreclosures during the housing crisis creating significant wealth losses for people of color in the period (Rugh and Massey 2010). Thus, even as more families of color have sought out wealth-building opportunities though homeownership, the recent recession and housing crisis intensified wealth disparities.

The Current Study

With the importance of assets and wealth for economic security firmly established, the racial wealth gap at the median well-documented, and evidence suggesting that the Great Recession was particularly damaging for households of color, the current analysis adds to the existing literature by expanding investigations of recent trends in wealth disparities by race/ethnicity to include broader segments of the population than are visible at the middle of the distribution. With this wider lens, the paper highlights changes in wealth inequalities and vulnerabilities due to the Great Recession that are not visible at the median. Thus, this study aims to:

1. Document trends in racial wealth disparities in the USA in the first decade of the twenty-first century at all quartiles, including the median, and the top and bottom deciles[3] to better understand recent wealth patterns and how disparities differ across key percentiles of the wealth distribution;
2. Investigate differences in wealth changes by race/ethnicity during the Great Recession across the US wealth distribution; and
3. Expand discourse on the racial wealth gap to include further discussion and incorporation of measures that include higher and lower wealth households by race/ethnicity.

Methodology

In order to accomplish these research aims, this paper documents wealth patterns and trends using national data from the Survey of Consumer Finances (SCF) from 2001 to 2013. Using the SCF to examine differences in wealth accumulation trends across US households since the turn of the millennium pre-, during and post-recession (2001–2013), this study focuses on detailing changes in the wealth and asset holdings of white, black and Latino households during the study period.

[3] All quartiles are selected for analysis in the study to provide a holistic perspective on the full wealth distribution by highlighting key quantiles evenly spaced across the distribution. Top and bottom deciles are included to provide perspective on low-wealth and higher wealth individuals. Given the highly skewed nature of the wealth distribution, further studies of the top percentile or even more focused analyses of the wealthiest households beyond the top percent is useful, as in Wolff et al.(2011). However, since this analysis aims to provide a broad understanding of the distribution, rather than focus on outliers, top and bottom deciles were selected to capture higher and lower wealth households.

Table 1 Changes in median household net worth by race/ethnicity from 2001 to 2013, SCF

	2001	2013	Absolute change 2001–2013	Absolute change 2007–2013	Percent change 2001–2013	Percent change 2007–2013
US households	$113,908	$81,400	– $32,508	– $54,458	– 28.5%	– 40.1%
Whites	$161,394	$141,900	– $19,494	– $50,682	– 12.1%	– 26.3%
African Americans	$25,109	$11,030	– $14,079	– $8170	– 56.1%	– 42.6%
Latinos	$15,233	$13,730	– $1503	– $9860	– 9.9%	– 41.8%

Note Data presenting median wealth by race/ethnicity for all years in study period available in Appendix

Data

The SCF is one of the best sources of data on wealth in the USA because it is designed specifically to measure the assets, liabilities, and financial behaviors. In addition, given the substantial portion of the wealth in the country owned by the wealthiest households—approximately one-third of total net worth held by the top percent, the survey combines data from a nationally representative sampling frame with an over-sampled selection of wealthy households in order to better understand total assets and wealth in the USA (Kennickell 2008). The SCF is sponsored by the Federal Reserve Board with cooperation from the Department of the Treasury and conducted by NORC at the University of Chicago. The study is designed to ensure representativeness of US families and substantial efforts are made to include families from across the economic distribution (Federal Reserve, 2017b). This descriptive study uses the publicly available summary extract version of the SCF for the years 2001–2013 (data are collected every third year) and weights are applied to account for the sample design. Using multiple imputation, missing data in the SCF is imputed five times creating five replicates (implicates) of each household (Federal Reserve, 2017a). Adjusting for the additional records for each household due to imputation, the final sample size in 2013 was 6015 households including 4268, 746, and 566 white, black, and Hispanic households, respectively.

Measurement

Our analysis utilizes key variables on race/ethnicity and wealth available in the SCF to conduct the investigation.

Race/Ethnicity

The analyses focus on the three largest race/ethnicity subgroups in the US population: whites, blacks, and Latinos. Data on race ethnicity is self-reported by respondents. Whites include those who identify as white, Caucasian and Middle Eastern or Arab. Blacks include those who identify as black or African American and Latinos are those who identify as Hispanic or Latino. Households of other races/ethnicities, including Asians, Native Americans, and Native Hawaiians/Pacific Islanders, are included as a single category in the publicly available dataset and thus, analysis is not possible for these groups independently in the employed dataset (Federal Reserve 2014).

Wealth

Household wealth, or net worth, is defined as the total of all assets minus all debts. Assets include all financial assets including liquid savings, certificates of deposit, stocks, bonds, managed assets and quasi-liquid retirement accounts as well as all nonfinancial assets including primary residence, other real estate and vehicles. All dollar figures are reported in 2013 dollars.

Results

Trends in Median Net Worth in the New Millennium

We begin our analyses by exploring trends at the median before turning to higher (90th and 75th) and lower (10th and 25th) percentiles of the wealth distribution. Since 2001, we have seen volatile patterns of wealth holdings in the USA. Net worth rose with the housing boom of the 2000s and fell precipitously during the housing crash and the Great Recession. However, while the macroeconomic impacts of the expansion and recession affected all households, the resulting changes in household net worth from these shifts in the economy were not experienced equally. At the median, the most common measure of a typical household's wealth, white households saw significant gains in wealth from 2001 to 2007 and then saw a substantial decline due to the Great Recession, which then have been followed by some recent gains. By contrast, African Americans have seen a consistent decline in wealth throughout the entire period starting with $25,100 in median wealth and falling to $11,000 dollars in median wealth, a 56 percent decline over 12 years that began before the Great Recession. Latino wealth rose and fell slightly over the period, leading to a decline in estimates of median wealth from $15,200 to $13,700 over the period. Table 1 presents the detailed data on changes in median wealth over the time period, while Fig. 1 provides a visual

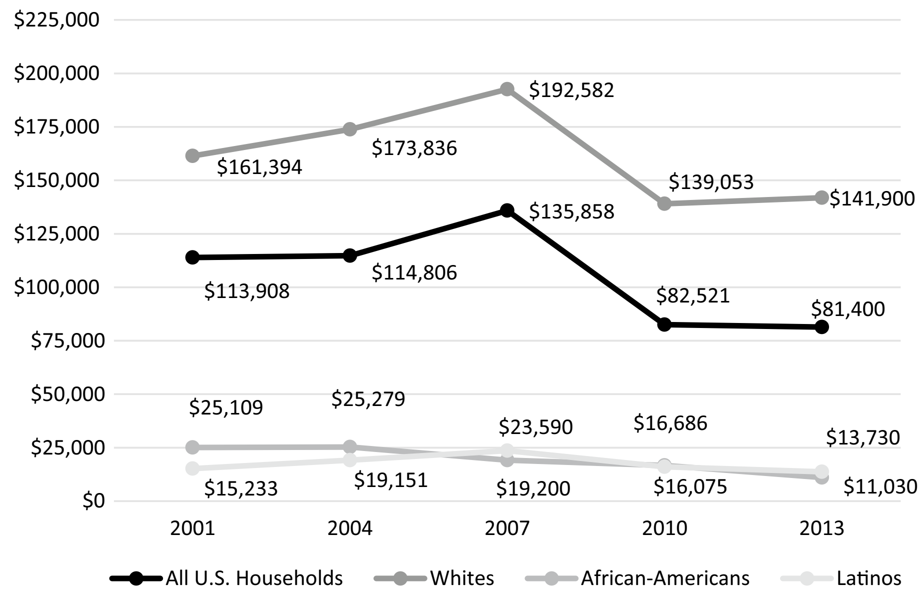


Fig. 1 Median household net worth by race/ethnicity from 2001 to 2013, SCF

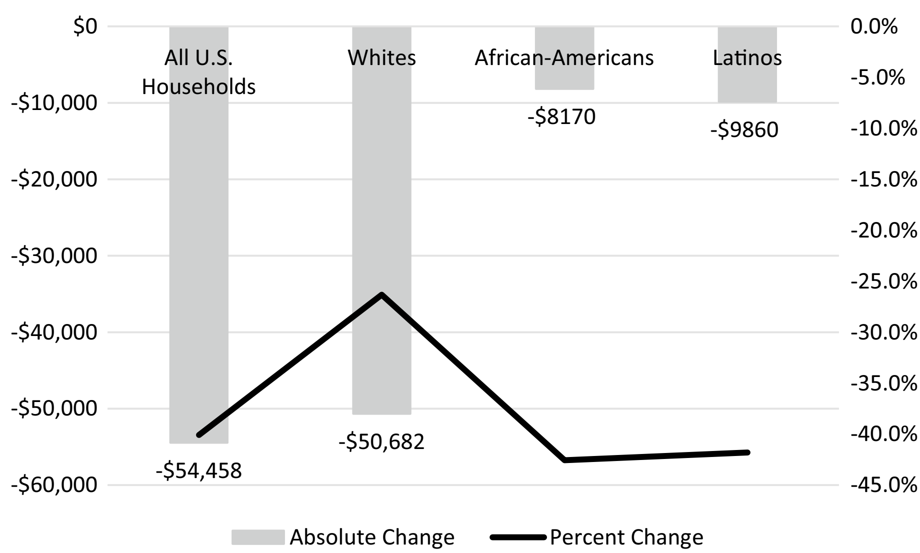


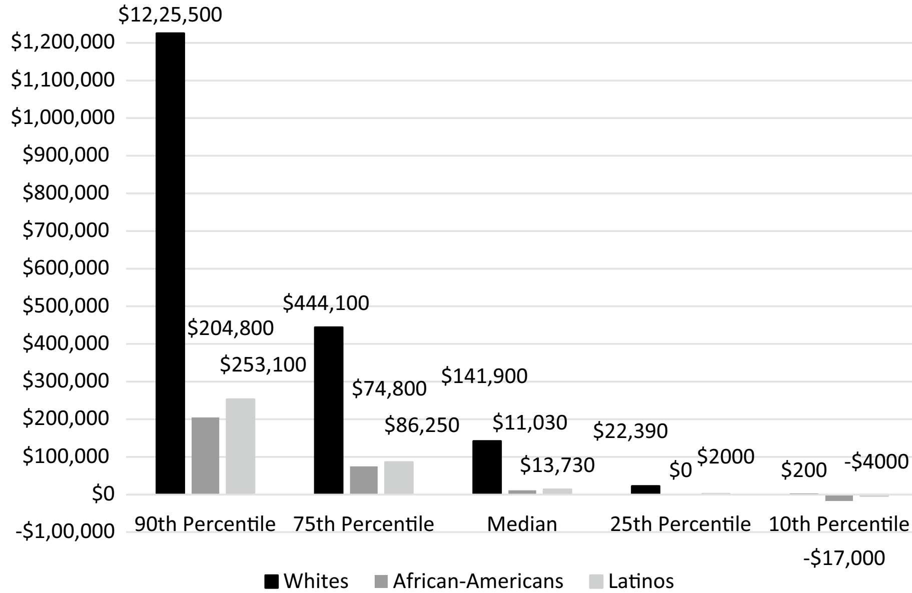
Fig. 2 Absolute and relative decline in median net worth by race/ethnicity, SCF 2007–13

representation of trends and net worth figures for each survey year throughout the period.

These trends have doubled the median black-white racial wealth ratio since 2001 such that for every dollar held by black families in 2013 whites hold $12.90, compared to $6.40 in 2001. The relative median Latino-white wealth gap has not changed notably over the period, with whites holding $10.60 for each dollar held at the median by Latino households in 2001 and that number shifting to $10.30 in 2013. However, in looking at the period 2007–2013 to understand the impacts of the Great Recession, the data reveal that at the median, households of color had substantially greater relative losses over the past decade, while whites experienced larger absolute declines in wealth. Figure 2 highlights the changes in median wealth by race/ethnicity during this period.

The substantially greater relative declines at the median for households of color are consistent across the distribution (as seen further below) and show the particularly damaging impacts of the Great Recession on the asset security of households of color. In addition, at other percentiles, as seen later in the paper, households of color lost more wealth in both relative and absolute terms. While these data expose changes in the median racial wealth gap and net worth among US households in recent years emphasizing particular vulnerabilities among households of color, a broader look at the distribution shows that the racial wealth gap actually expands substantially at higher levels of the distribution and that the wealth declines in the past decade for households of color across the distribution were frequently even greater than what we see at the median in this period.

Fig. 3 Key percentiles of net worth, SCF 2013 by race/ethnicity



Racial Wealth Disparities Across the Distribution

While past research has documented the dramatic racial wealth gap at the median that has been a steady characteristic of wealth inequality in the USA, examining the disparities by race/ethnicity across the wealth distribution reveals important inequalities that are not visible with an examination of just a single summary measure of central tendency. Figure 3 highlights net worth for white, black and Latino households in 2013 at five key points along the net worth distribution for each group (90th, 75th, 50th, 25th and 10th percentiles). (Appendix provides these data for all survey years 2001–2013.)

Immediately clear from the data is the fact that the wealthiest white households hold extremely high values of wealth relative to the rest of the population. Importantly, the data also show that the net worth of black and Latino households at the 75th percentile of the wealth distribution for each group, respectively, is lower than the median for whites, while similarly the 25th percentile for whites is substantially greater than the median of blacks and Latinos. A quarter of black households have zero or negative net worth, revealing no savings or debt which outweighs any assets. The visual representation of data looking at these key percentiles also makes apparent that the substantial racial wealth gap at the median is surpassed greatly by the gaps in wealth at the 75th and 90th percentiles. The wealth gaps at each percentile are further examined in Fig. 4. As the figure makes clear, the racial wealth gap actually grows across the distribution to very large sums in absolute terms, about a million dollars for households at the top decile. Thus, the wealthiest black and Latino households have substantially less wealth than the wealthiest white households and their wealth portfolios more closely mirror white households at the middle of the net worth distribution for whites than the portfolios of wealthy whites.

The Great Recession and the Racial Wealth Gap

While all groups saw widespread financial losses during the Great Recession, black and Latino households, in particular, saw larger percentage declines in wealth relative to whites at key percentiles of the wealth distribution from 2007 to 2013. Unlike at the median, at the 90th and 75th percentiles, black and Latino households often lost more wealth than white households in both absolute and relative terms, highlighting the devastating effects of the recession on communities of color, especially those who had built some wealth before the recession. At the 75th percentile, net worth among blacks fell by 52 percent compared to just 15 percent for whites, increasing the relative ratio of white to black wealth at this position in the distribution from 3.4 to 5.9 times. Figures 5 and 6 highlight the dramatic wealth declines, particularly for black and Latino households, at the 75th and 90th percentiles by race/ethnicity over the six-year period. Notably, while 44 percent of black and Latinos own homes in the SCF sample, 74 percent of whites do, indicating that at the median, wealth for blacks and Latinos has likely not shifted as much due to fluctuations in housing markets; by contrast, the losses seen among households of color at the top decile and top quartile were certainly a result of the loss of home equity for many. The greater absolute and relative declines seen among households of color, even with the substantially higher total wealth figures for whites at these percentiles, provide additional evidence that communities of color were hit particularly hard by the housing crash. As seen in Fig. 6,

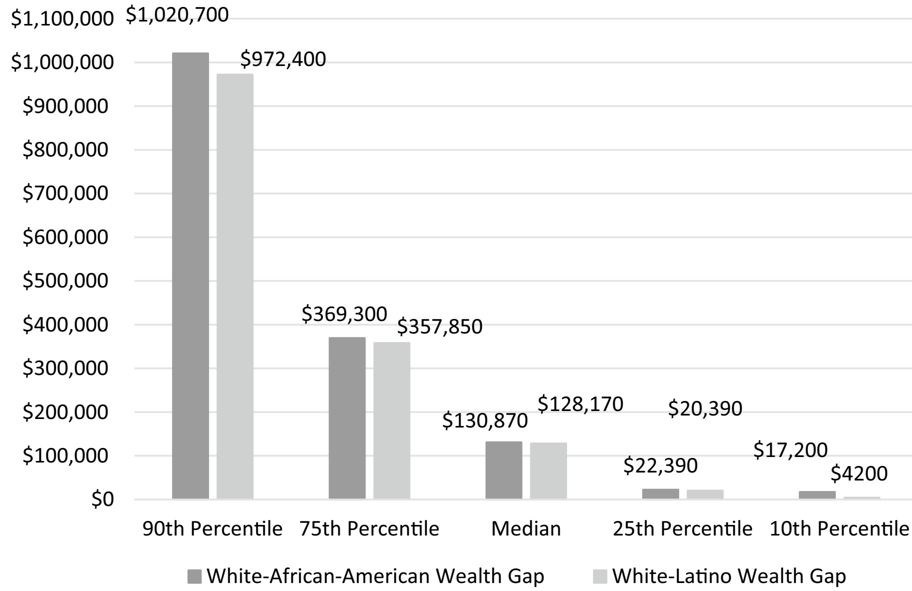


Fig. 4 Racial wealth gap at key percentiles, SCF 2013

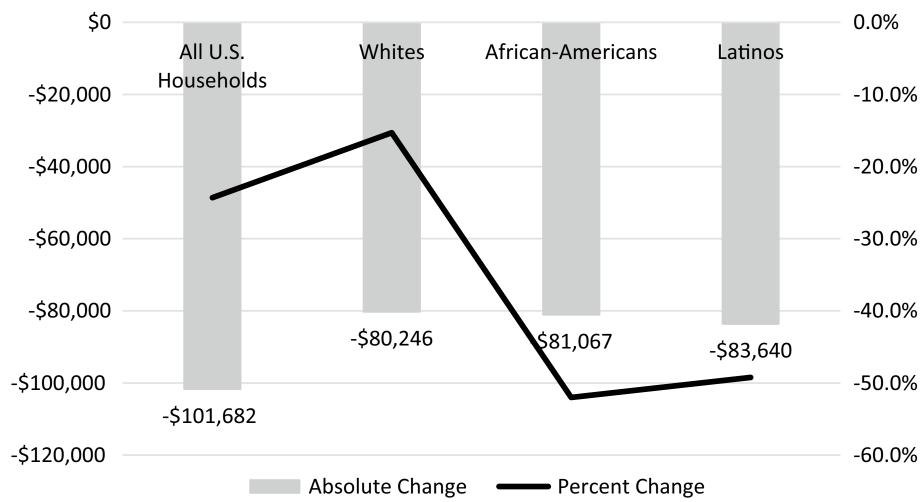


Fig. 5 Decline in wealth at the 75th percentile by race/ethnicity, 2007–2013

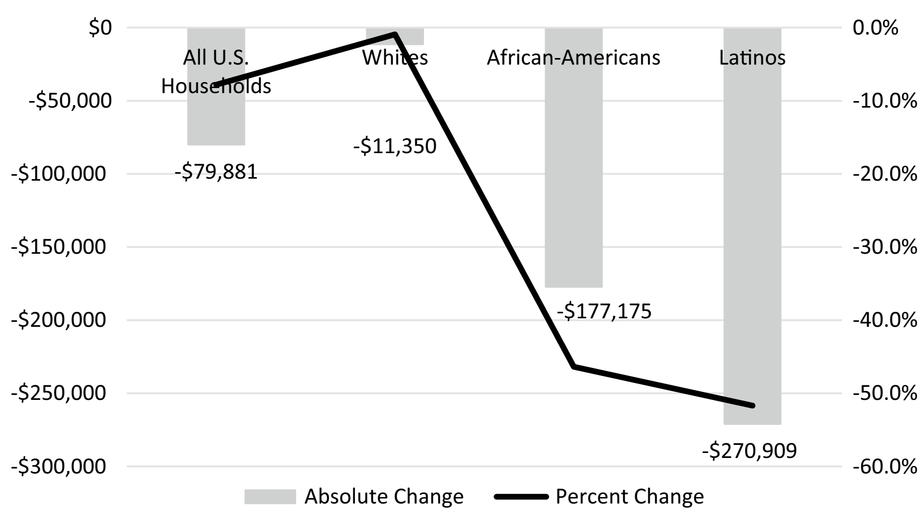
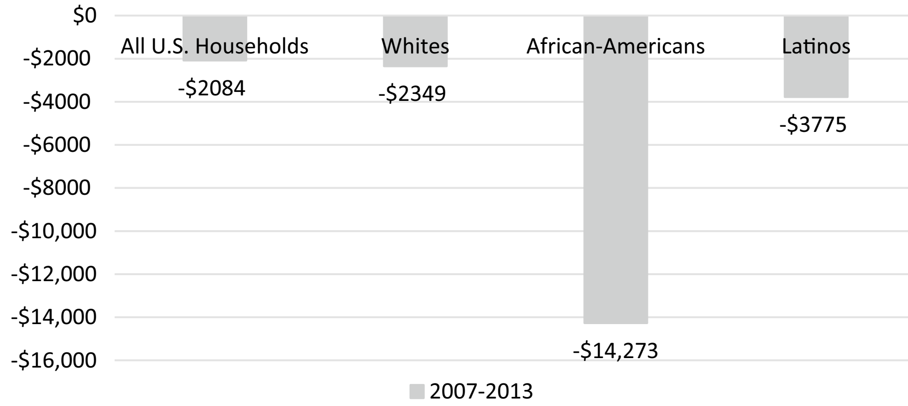


Fig. 6 Decline in wealth at the 90th percentile by race/ethnicity, 2007–2013

Fig. 7 Absolute changes in wealth at the 10th percentile by race/ethnicity, 2007–2013



at the 90th percentile, white households have almost recovered all of their losses from the Great Recession with very little relative change in wealth from 2007 to 2013, while black and Latino households remain at a level of wealth equal to about half of their previous net worth—data which underline an unequal recovery.

Among more economically vulnerable households, wealth at the 25th percentile fell to zero for black households in 2013 from $898 in 2007 (see Appendix). Wealth at the first quartile for whites was $22,390 in 2013; while down almost half, this figure remains more than double that of the median wealth among blacks ($11,030). Looking at the absolute changes in wealth at the 10th percentile, the dramatic declines in net worth, which are in fact increases in debt, show that black households in particular at the lowest parts the distribution saw significant decreases in security in recent years as they became increasingly leveraged (Fig. 7).

Implications

The growing recognition of the significance of assets in economic security makes understanding the racial wealth gap and developing solutions to the gap highly crucial for the promotion of economic security and opportunity in the USA today. With the growing knowledge about the importance of assets in family economic well-being and the recognition of the racial wealth gap as a substantial barrier to equal opportunity for all, momentum is on the rise for policy action to reverse the racial wealth gap through coordinated efforts of leaders in the field (Kijakazi 2016). Federal Reserve Chairwoman Janet Yellen recently called the widening disparities in wealth holdings by race/ethnicity “extremely disturbing” and suggested ways in which these inequalities may hamper growth for the broader economy (Torres 2016).

To shrink these disparities, policy reform in many areas is needed to ensure that our public policies and institutions serve to promote widespread prosperity and to reduce the racial wealth gap, rather than reinforce it, as we have seen with past policies highlighted above. Leaders in the field have recommended a number of policy initiatives that could do much to reduce the racial wealth gap including improving wages, increasing access to affordable financial services, and increasing enforcement of fair housing laws (Center for Global Policy Solutions 2016); these promising proposals would help create a more inclusive economy that works for all people in the USA. New policies to foster equity and reduce the racial wealth gap should support wealth-building across the life course from childhood to the purchase of a first home to retirement.[4]

Now more than ever given the trends toward greater inequality in recent years, policymakers, analysts, and advocates should seek out policy reforms which enhance opportunities for inclusive economies in which all participants in society have the opportunity to build financial security and well-being; a vital component of any efforts to create an inclusive economy will be policies to reduce the racial wealth gap. This analysis helps to inform the ways in which policy may be shaped to help address the asset-building needs of communities of color across the wealth distribution. Policies should be tailored to help households of color increase their assets and wealth across the wealth distribution molding policies to the needs of diverse households. For example, policies to expand homeownership and ensure fair lending would help new and current homeowners of color build and increase their wealth to bridge the gap with white homeowners; policies such as these would be most relevant for households of color above the median of the wealth distribution, while also helping to shift the wealth distributions for black and Latino households upwards. For the lowest-wealth households, policies which expand access financial buffers in hard times and help families to deleverage and avoid predatory lending could go a long way toward enhancing economic security.

[4] See also proposals by the Annie E. Casey Foundation at: http://www.aecf.org/m/resourcedoc/aecf-investingintomorrow-2016.pdf.

While the current trends in wealth patterns may appear ominous, policy decisions that we make today as a society can serve to expand opportunities, reduce barriers, and foster a flourishing, inclusive economy that drives down wealth disparities. Policies should be tailored support asset development for households of color with varying wealth levels ensuring that opportunities are structured to meet the needs of diverse households whether they are purchasing a home, building an emergency fund, or seeking to reduce debt levels. Greater knowledge about wealth patterns and disparities across the distribution, as presented in this paper, will help to inform and support the development of policies which meet the needs of broader segments of the population.

Conclusions

While measures of central tendency are important for providing a glimpse of a typical or average person within a population overall or within subpopulation, policy based on a single summary measure will miss much of the diversity of experiences within and across groups. This analysis highlights how disparities in wealth by race/ethnicity are present across the US wealth distribution more than a single measure of the racial wealth gap at the median can provide. The analysis provides new insights into the profundity of racial wealth disparities, particularly at the top of the distribution, and helps to better inform policies that expand wealth-building opportunities for families of color. The analysis also highlights the substantial declines in wealth among households of color across the wealth distribution during the Great Recession. More research would be helpful to understand better the most important types of asset losses and additional debt taken on by households of color in recent years.

Appendix

See Table 2.

Table 2 Net worth percentiles by race/ethnicity, 2001–2013 from survey of consumer finances

						Absolute change		Percent change	
	2001	2004	2007	2010	2013	2001–2013	2007–2013	2001–2013	2007–2013
Median net worth									
All US households	$113,908	$114,806	$135,858	$82,521	$81,400	– $32,508	– $54,458	– 28.5%	– 40.1%
Whites	$161,394	$173,836	$192,582	$139,053	$141,900	– $19,494	– $50,682	– 12.1%	– 26.3%
African Americans	$25,109	$25,279	$19,200	$16,686	$11,030	– $14,079	– $8170	– 56.1%	– 42.6%
Latinos	$15,233	$19,151	$23,590	$16,075	$13,730	– $1503	– $9860	– 9.9%	– 41.8%
90th percentile net worth									
All US households	$978,950	$1,029,427	$1,022,081	$1,020,469	$942,200	– $36,750	– $79,881	– 3.8%	– 7.8%
Whites	$1,166,924	$1,271,369	$1,236,850	$1,358,589	$1,225,500	$58,576	– $11,350	5.0%	– 0.9%
African Americans	$237,666	$306,682	$381,975	$251,098	$204,800	– $32,866	– $177,175	– 13.8%	– 46.4%
Latinos	$242,512	$318,767	$524,009	$218,755	$253,100	$10,588	– $270,909	4.4%	– 51.7%
75th percentile net worth									
All US households	$378,587	$405,938	$418,522	$321,830	$316,840	– $61,747	– $101,682	– 16.3%	– 24.3%
Whites	$485,338	$536,355	$524,346	$462,115	$444,100	– $41,238	– $80,246	– 8.5%	– 15.3%
African Americans	$95,865	$117,703	$155,867	$104,758	$74,800	– $21,065	– $81,067	– 22.0%	– 52.0%
Latinos	$90,270	$109,503	$169,890	$95,574	$86,250	– $4,020	– $83,640	– 4.5%	– 49.2%
25th percentile net worth									
All US households	$16,835	$16,339	$15,888	$8917	$8800	– $8035	– $7088	– 47.7%	– 44.6%
Whites	$38,215	$37,796	$41,263	$22,506	$22,390	– $15,825	– $18,873	– 41.4%	– 45.7%
African Americans	$657	$1979	$898	$161	$0	– $657	– $898	– 100.0%	– 100.0%
Latinos	$1445	$3391	$3368	$2058	$2000	$555	– $1368	38.5%	– 40.6%
10th percentile net worth									
All US households	$131	$247	$34	– $1072	– $2050	– $2181	– $2084	– 1661.1%	– 6186.0%
Whites	$3388	$2836	$2549	$0	$200	– $3188	– $2349	– 94.1%	– 92.2%
African Americans	– $263	– $1850	– $2727	– $5551	– $17,000	– $16,737	– $14,273	6372.7%	523.3%
Latinos	$0	$0	– $225	– $1608	– $4000	– $4000	– $3775	N/A	1681.3%

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