There’s little disagreement about the fact that economic inequality is problematic. But arguments persist over its origins, solutions, and which economic gaps are ultimately the most pernicious.
In a his new book, *Toxic Inequality: How America's Wealth Gap Destroys Mobility, Deepens the Racial Divide, and Threatens Our Future*, Tom Shapiro, a professor of law and sociology at Brandeis University, lays out how government policy and systemic racism has created vast gaps in wealth between white and black Americans. Shapiro and his colleagues followed 187 families from Boston, St. Louis, and Los Angeles. Half of the families were black and half white. They interviewed them in 1998 and then again in 2010, to see what had changed: how were their kids faring, how had they weathered the recession—were they any better off in 2010 than they had been in 1998?

I spoke with Shapiro about his new book, how policy impacts racial wealth, and what he makes of current conversations about race and economic pain.

The interview below has been lightly edited for clarity.

**Gillian White:** I think many people assume that the norm in America is economic mobility. A takeaway that I got from your book is that this is not the norm for everyone, but certainly not for black people. Is that correct?

**Tom Shapiro:** There's a lot more up and down. What works for me is the metaphor of the ladder: If you go up a rung, it represents economic mobility, how much better you do than your parents did. The rungs of the ladder in the last thirty years have gotten further apart. So it's harder to move from one rung to another. To fall back, the rungs have gotten closer together. It's easier to fall back.

The story for African Americans is a different than it is for whites. With a combination of a growing economy in the 1950s and 60s in particular, opening up of educational institutions, opening up of some fair housing and some fair lending, we really did see the development of an African American middle class—we're talking about hundreds of thousands of families. When whites do that, they are much more able to pass that earned middle-class status along to their children, because of the wealth they've built up in their homes and other things, and the schools and the educations that their kids get. African Americans don't. The fall-
back of the children of African Americans who have earned that middle-class or professional status, in terms of economic mobility, is pretty great.

**White:** A lot of people would assume that if your parents achieved middle-class status, the thing that they will be able to bequeath to you, even if it's not dollars, is a better education. That if they move to a better house it comes with a better public-school system, or if their income increases, they’re able to spend on private schools, or maybe help with college. But that seems to not always work out right?

**Shapiro:** The move is to a better educational system, but often times not to a significantly better educational system. Middle-class African Americans for the most part, given the high levels of continual residential segregation in the United States, don't live with their white counterparts. They may live in communities that are adjacent to the black community they move from, so there are more things that are shared with the community of professional African Americans they’ve left than with the white middle-class community.

**White:** It’s pretty easy to think about all the ways the government has been complicit in racial economic inequality in the past: Jim Crow, housing segregation, the structure of the GI Bill. Many people look at those things and assume they’ve been taken care of, but you say that’s not necessarily true.

**Shapiro:** I would point, for example, to Social Security. More people are beginning to understand that when Social Security was passed it intentionally excluded African Americans primarily, but also Latinos by excluding agricultural workers, domestic workers, railroad workers—those occupations where workers of color were concentrated. There's a historical interpretation that says that was very intentional in order to get Southern senators’ support. That's a massive act of exclusion that pertains not just to 1934, it carries itself forward then for a generation that didn't have the same chance at retirement security or disability coverage, at all of the things that Social Security helps cover.

And even when reform measures brought in agricultural workers and others, those workers still don't have the same amount of social-security credits or occupations
that were included at the beginning. History is really important here, especially when we talk about family financial wealth.

**White:** And what about current policy?

**Shapiro:** Current policy continues with somewhat of a blind eye to the way implicit racism is operating here. I would point to something like the mortgage-interest deduction, where we invest in the public good of housing approximately $200 billion a year. If you're a homeowner, whatever your [tax] bracket is, that percent of your interest payment you can take off your taxes. It's not so complex of a mechanism, but it operates in a way that privileges those with the highest mortgages. That is, wealthier families. It privileges those that tend to live in suburbs, and sort of actively mitigates against low- and moderate-income homeowners, and homeowners of color whose homes do not increase in value as much. Of that $200 billion that's invested, the top 10 percent of income earners gather 72 percent of that mortgage-interest deduction.

**White:** That's pretty significant. How can that be fixed?

**Shapiro:** That's an easy one. We could flip that in a second by making it flat, by capping it, there's some really easy ways to do that. I think the dynamite question is: what is the racial and ethnic distributional breakdown of who is getting the mortgage-interest deduction? The IRS doesn't collect data on taxes by race, for good reason. The crude way of doing it—my estimate is that African Americans, about 13 percent of the population, bring in about 3.5 percent of the mortgage-interest deduction—I think $30 to $40 billion is left on the table compared with if there were any kind of demographic equity in the distribution. That is another thing that actively impacts wealth-building on a deeply racialized basis.

**White:** One of the families you follow that was living in St. Louis, Missouri. At one point they say that Ferguson served as one of their dream locations—somewhere they could move for a better life, better schools, better homes. In the wake of the Mike Brown shooting, Americans understand that Ferguson also had plenty of problems. When black families choose to move for better opportunities, how
successful are they usually in moving to places where those dreams are actually realized?

**Shapiro:** The challenges are much more severe for families of color that are trying to make that move. This is symbolic of the desire of all people, not just African Americans, to find a better community for themselves and their kids, especially safety in schools. That's what resonated the most. It's difficult to make that move. In St. Louis in particular, the history is that African Americans from the North side of the city kept moving out further to the suburbs to the Northwest, and the conditions in inner-city St. Louis simply followed them. Those were small, independent municipalities that didn't have a very good tax base, just like Ferguson, and ended up having to finance city revenues through fines and traffic tickets. It's a story that brought Michael Brown and that police officer together in one space and time, in one moment. It's policy that did that.

**White:** At one point you reference an asset poverty line. I think by now we all understand the poverty line and know that lots of Americans of all shapes and stripes do not have adequate savings. But could you talk to me about what asset poverty is?

**Shapiro:** It's something that Melvin Oliver and I made up as we were writing *Black Wealth, White Wealth* over 20 years ago. Part of what we were doing was addressing the challenge of how society only measures inequality in terms of income, and we were trying to break that paradigm. The standard of measuring poverty in the United States is income poverty, which as we know is something from the mid-1960s. It's typical market basket times three, because we think the market basket is a third of a family's expenses, or at least they did in 1964. That's the standard. Literally, the Department of Agriculture goes shopping every month and gets that standard and measures it. So we asked ourselves the question: What if, to complement that income standard of what poverty is in the United States, we had something about asset or wealth poverty?

We defined asset or wealth poverty as a family that didn't have three months in
wealth, of the equivalent of three months of income at the poverty line. So it's a relatively low level: What the government defines as the income poverty line for a family of two, or three, or four, we take that and then multiply that month by three. If we were to do it today, we probably would have done six. For other organizations like CFED, it's become semi-standard, the three-month marker. And it's a pretty cautious or conservative one. You can justify it pretty easily. That's what asset poverty is.

**White:** A bit before the election, but certainly in the days since, more people seem to want to delve into white poverty and economic anxiety. Your book talks a lot about the need to talk about race in concert with poverty. How are you digesting this growing conversation?

**Shapiro:** To be really frank, we need to keep seasoning ideas about this. I think in the current era, as important things like healthcare are being taken away from large swaths of people, it’s indistinguishable by race and by class. The greater pain is going to be much more largely shared, and I think there's a potential, in the really critical moment we're in. I don't think it's going to be as easy for politicians to pander around racial anxiety when they're taking things away.

Among the white working class, that's where I think the toughest work needs to be done, because it's helping people understand where their pain comes from better and not allow the pandering explanation of, "Well, it's the immigrants. They're using all of our healthcare. They're in our schools. We don't have money for you, for your community anymore.” That's the challenge, to help people understand more analytically what's happening in their lives. I do think as those days continue to move forward, it's going to be harder for the right wing and others to sell racial anxiety as the explanation for these problems. They're going to have to go somewhere else for it.

**White:** Are you at all worried that the expanding the focus will allow for greater gaps in racial economic inequality to grow?
**Shapiro:** Part of the challenge is helping the white working class—if I can use that generic phrase—to understand how economic pain is felt elsewhere, by people who may or may not be similarly situated. And, yeah, your sense of status might be changing, but the pain is much more widespread, and surely deeper in communities of color. Which is not to say you don't count. But if you're not in this together, the divide and conquer strategy will be successful.

**ABOUT THE AUTHOR**

**GILLIAN B. WHITE** is a senior associate editor at *The Atlantic.*