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Root causes of the age-old wealth gap for Blacks

Charlene Crowell Feb 21, 2017

As 2017's Black History observances unfold in communities across the country, new research on racial wealth gaps refutes the age-old advice for people of color to pull themselves up by their proverbial bootstraps.

According to researchers at Demos and the Institute for Assets and Social Policy at Brandeis University, historical and systemic privileges afforded whites and denied to Blacks are the true root causes.

"The Asset Value of Whiteness: Understanding the Racial Wealth Gap," analyzed data from the 2013 Survey of Consumer Finances. After examining individual differences by race in consumer spending habits, education, family structure and employment, the report concluded that these factors are not "sufficient enough to erase a century of accumulated wealth."

"For centuries, white households enjoyed wealth-building opportunities that were systematically denied to people of color," said Andy Traub, the report's co-author and the associate director of policy and research at Demos.

"When research shows that racial privilege now outweighs a fundamental key to economic mobility, like higher education, we must demand our policymakers acknowledge this problem and create policies that address structural inequity," he said.

The significance of these new findings must not be lost during the month set aside to observe Black History. As observances honor those whose sacrifices and dedication led to notable achievements, February should also be a time to rededicate ourselves to the battles not yet won.

Public policies of the past systemically advantaged whites and allowed their families to create intergenerational wealth that now serves as a financial springboard for future generations. New public policy reforms must be enacted to correct and replace the harms Blacks have faced as a result of our financial exclusion.

For example, a college education is often cited as an essential gateway to higher incomes and America's middle class. Yet Blacks frequently pay the cost of higher education with a greater student loan indebtedness than their white counterparts.

“With less student loan debt to pay off over their working years, the typical White college graduate has a head start on building wealth compared to their Black peers,” states the report.

Independent findings from the Center for Responsible Lending support the new report. Today more than half of Black families with a college student borrow to pay for college. Further, on average Black college graduates owe \$7,400 more on student loans than their white classmates.

When it comes to wages and employment, in 2012, the median full-time wage earned by Blacks was \$621 per week while the median wage for whites was \$792 each week — the equivalent financial loss of \$8,892 per year. When gender was added, Black women fared even worse and earned only 68 percent, or \$28,005, of the \$41,184 made by similar white males.

With smaller paychecks and fewer discretionary dollars in household budgets, it is little wonder that the report also found that the median white single parent has 2.2 times more wealth than the median Black two-parent household and 1.9 times more wealth than the median Latino two-parent household.

The only area where the new report found consistently higher Black consumer spending was for utility costs: electricity, heating fuel, water and sewer charges. The report cited risk-based pricing that often connects mandatory deposits or low credit scores for these services.

It is equally true, however, that older and less-insulated housing is also a relevant factor in driving up the price of utility services. In another professional post, as a local government official, I witnessed first-hand how winter utility bills force difficult challenges for many people of low to moderate incomes.

In cold-weather climates, winter heating bills can often be higher than the cost of housing itself. If utility providers are regulated by a moratorium on cutoffs for failure to pay winter utility bills, spring shut-off notices are as predictable as flowers in bloom. During cold weather months, delinquent utility

accounts can run several hundred if not thousands of dollars in arrears. In warm-weather climates, the surge in utility costs are usually associated with spring and summer temperatures, but with the same financial burden.

“We can only create a more equitable future by confronting the racial wealth gap and the public policies that continue to fuel and exacerbate it,” concludes the report.

In other words, targeted public policy reforms are the key to closing the nation’s wealth gap. These changes will require the same focus, vigilance and endurance of our historical efforts that forged laws addressing fair housing, voting rights, and equal employment opportunities.

“Equal achievements in key economic indicators, such as employment and education, do not lead to equal levels of wealth and financial security for households of color,” said Tom Shapiro, another co-author and director of Brandeis University’s Institute on Assets and Social Policy. “White households have a leg up, while households of color face systematic barriers to growing wealth, reproducing our long-standing racial wealth gap over generations.”

We should all join together to dismantle the lingering legacy of economic exclusion, and create a more financially inclusive future. When we do, in future years, new Black history chapters will note how we provided better opportunities for all of America’s children.

It’s past time for our “fair share” of America’s wealth.

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