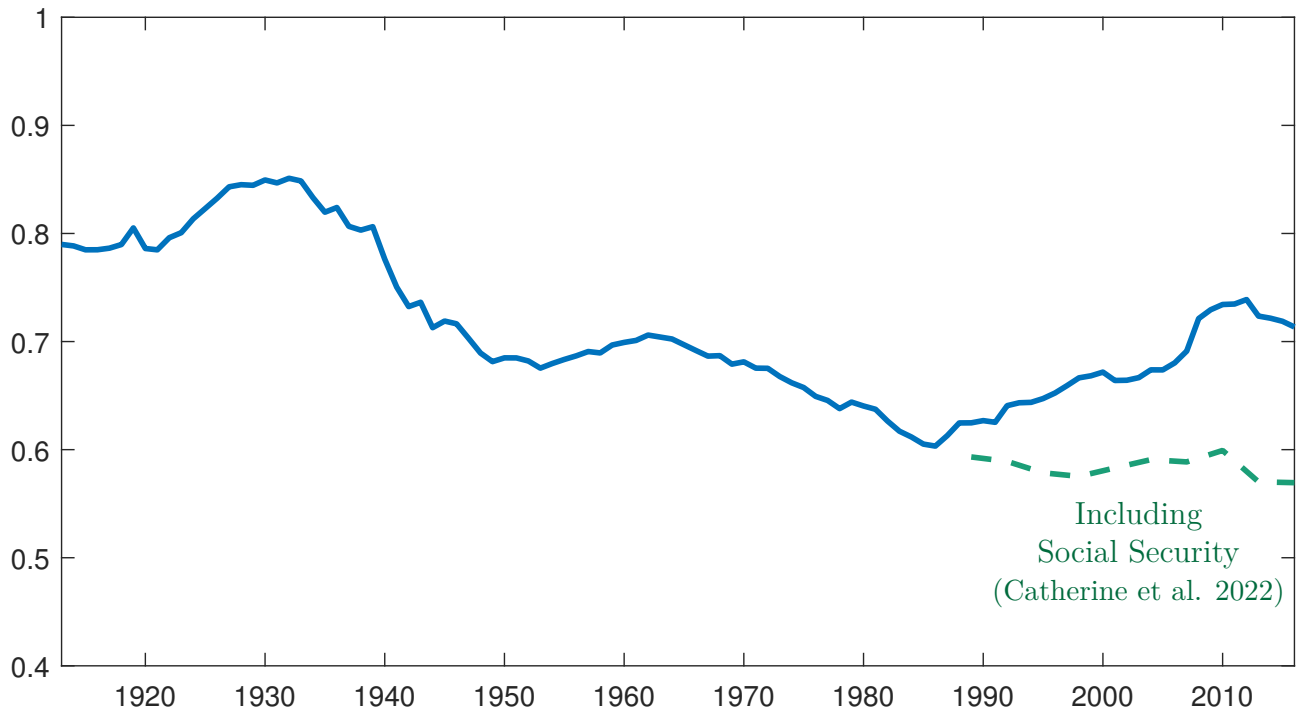


Social Security and the Racial Wealth Gap

Sylvain Catherine
Wharton

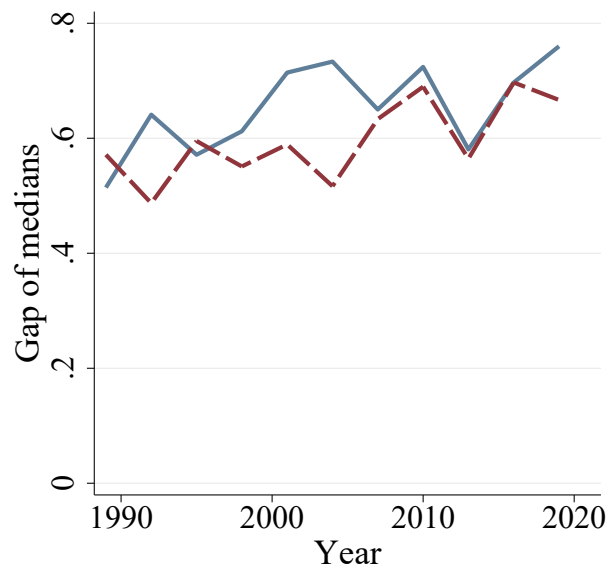
Natasha Sarin
Yale Law School

Motivation – Evolution of top 10% wealth share

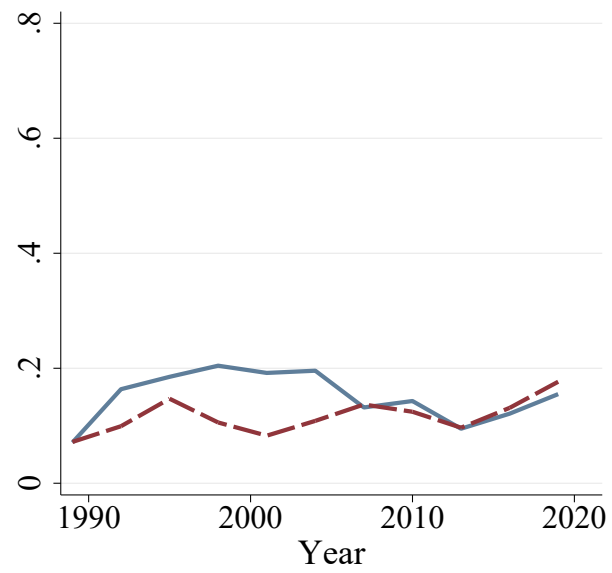


Motivation – Persistent wealth gap despite tightening of earnings gap

A. Earnings



B. Marketable Wealth

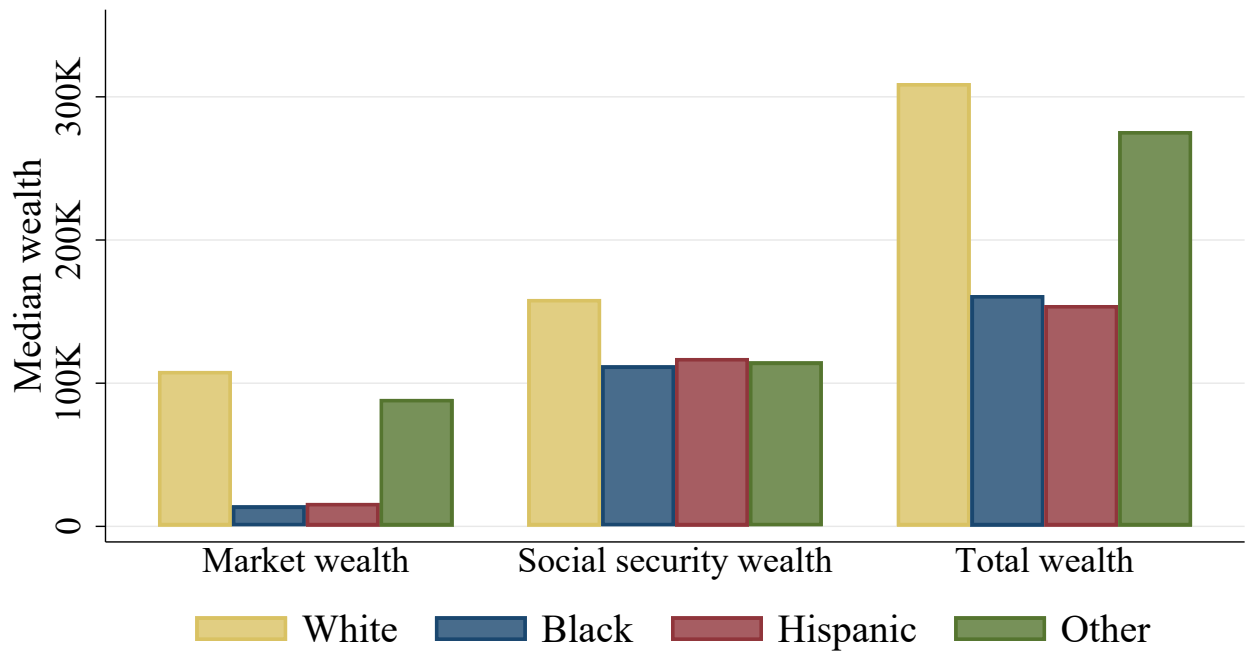


— Black American - - - Hispanic American

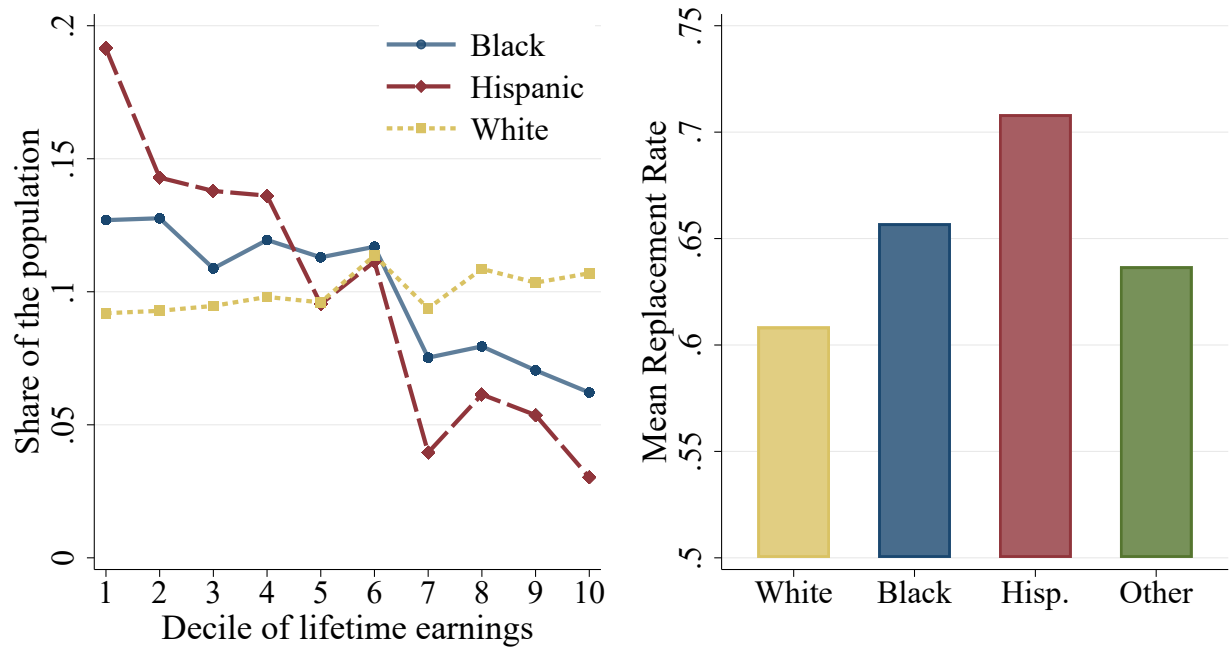
This paper – How does Social Security wealth impact the racial wealth gap?

- **Compute Social Security wealth**
 - Present value of future benefits, net of future taxes
 - year x age x race x gender specific mortality rates
 - Retirees: Base off Survey of Consumer Finances (SCF)
 - Workers: Estimate from simulated income paths based on data moments from Guvenen et al. (2021)
- **Distribute Social Security wealth across observations in the SCF**
- **Study the racial wealth gap**

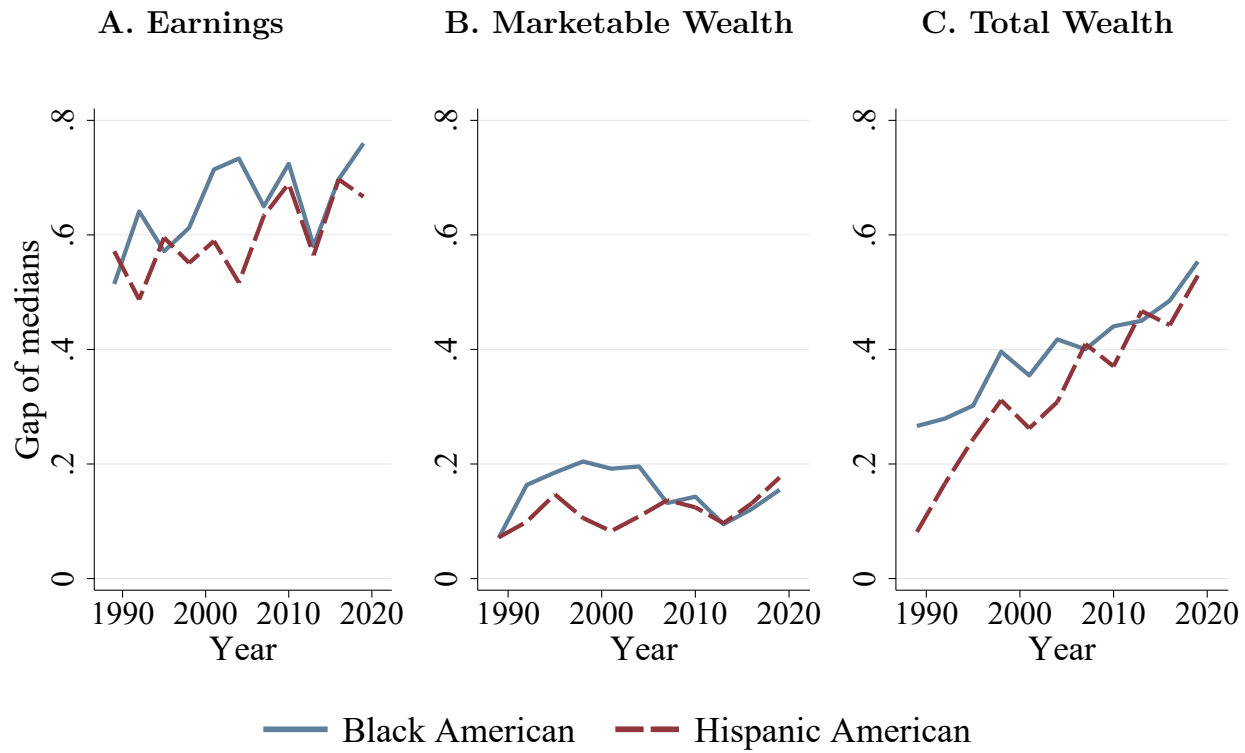
Social Security wealth is much more equitably distributed



Social Security's progressive design

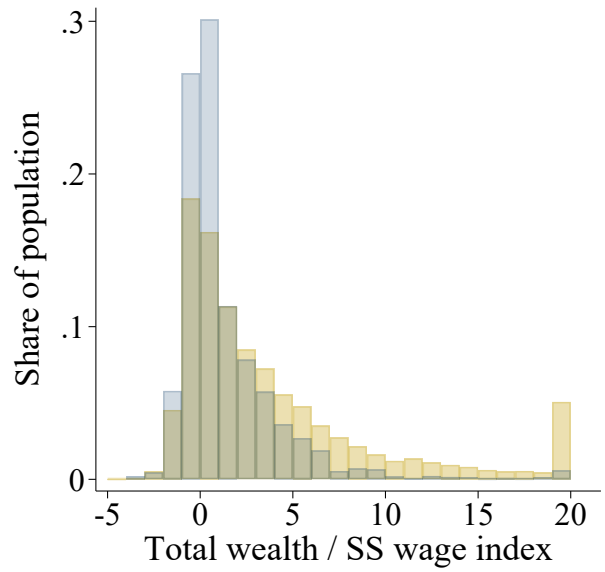


Social Security's equalizing effect



Middle class convergence

A. 1989 and 1992



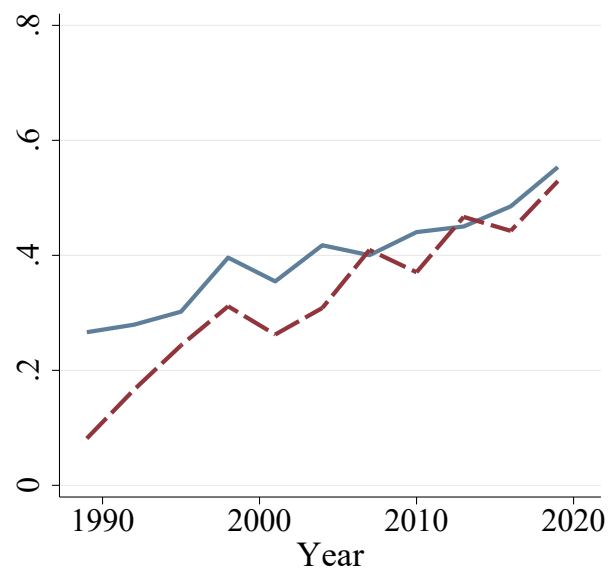
B. 2016 and 2019



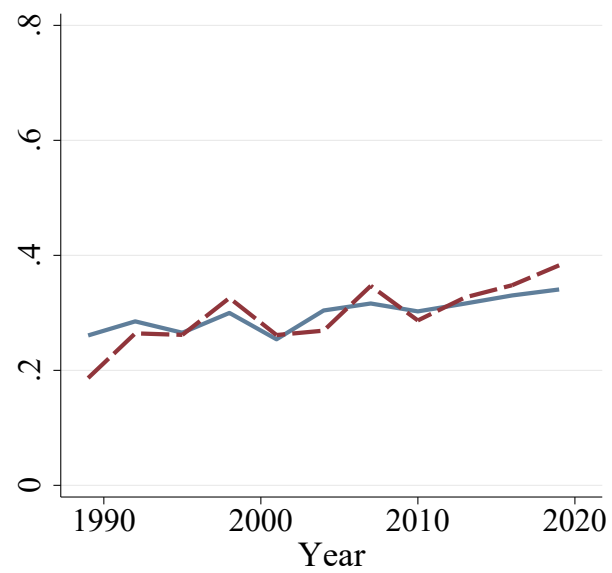
White American Black American

Gaps – Means vs. Medians

A. Median Total Wealth

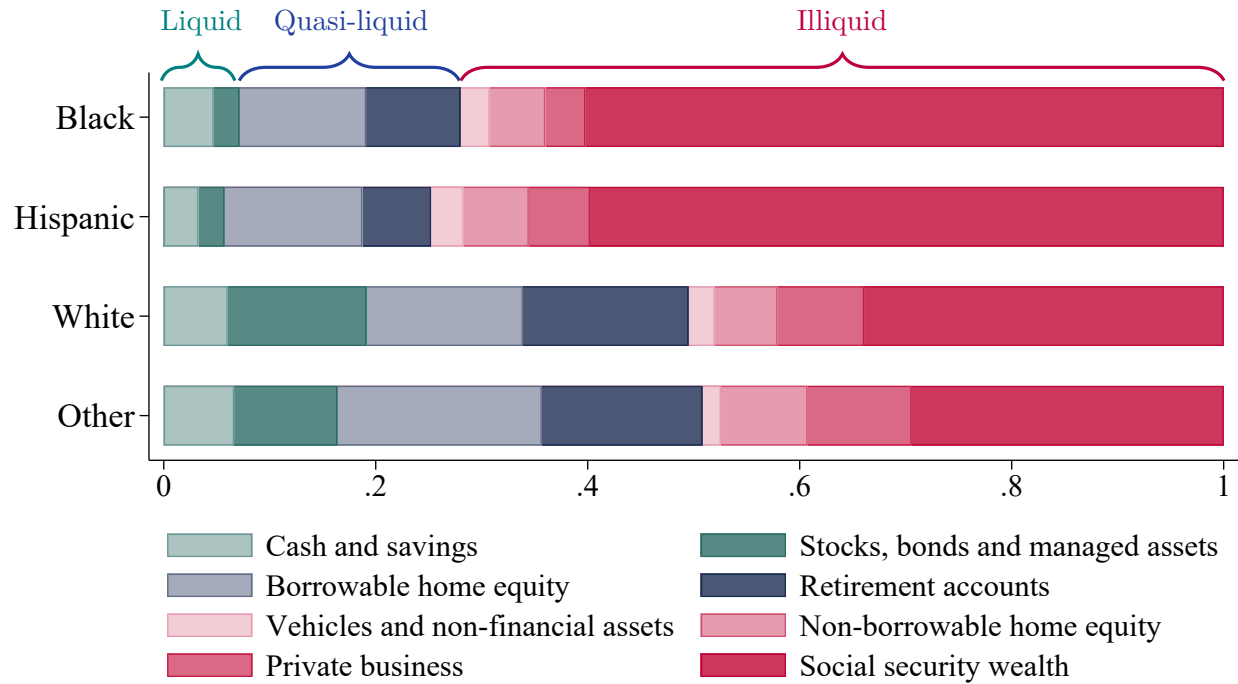


B. Mean Total Wealth

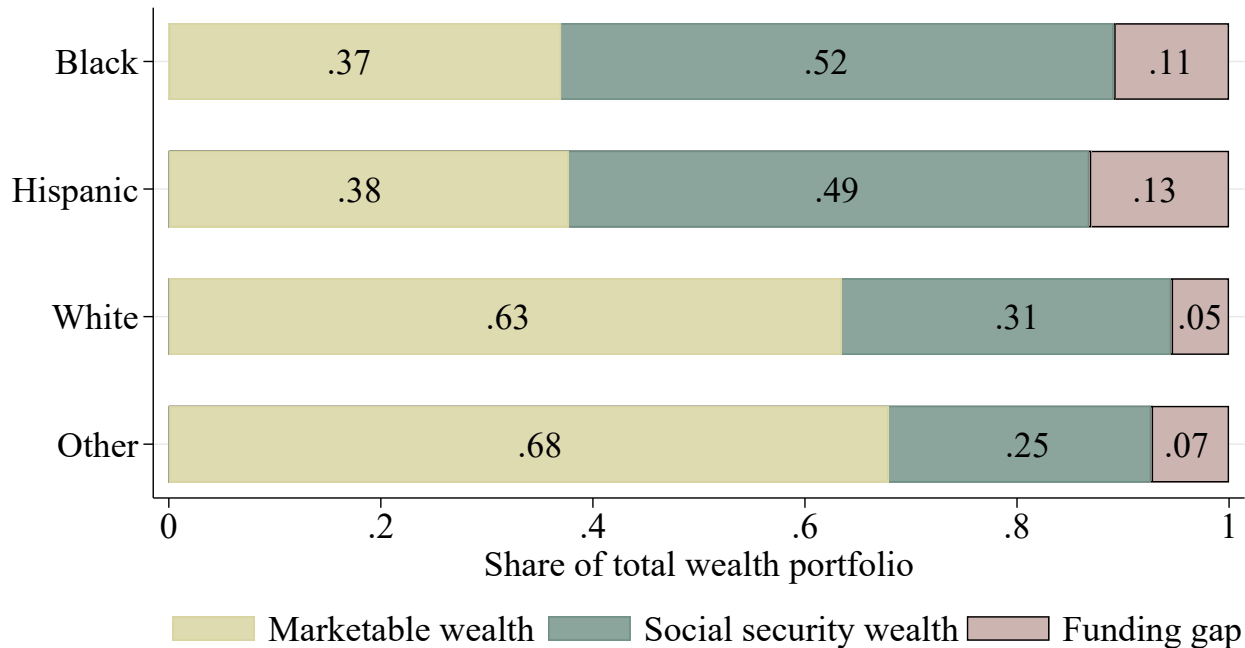


— Black American - - - Hispanic American

Minority portfolios are disproportionately illiquid



Funding gap will disproportionately affect minorities



Conclusion

- **Catherine et al. 2022 shows the large effect Social Security has on inequality trends**
 - Top wealth shares have not increased once Social Security wealth is accounted for
- **Consequentially, Social Security wealth helps shrink the racial wealth gap**
 - The paper is concerned with the trends, not levels
 - Market wealth inequality is still a persistent problem
- **Policy makers should take into account the effect of Social Security wealth when addressing relevant policy**