

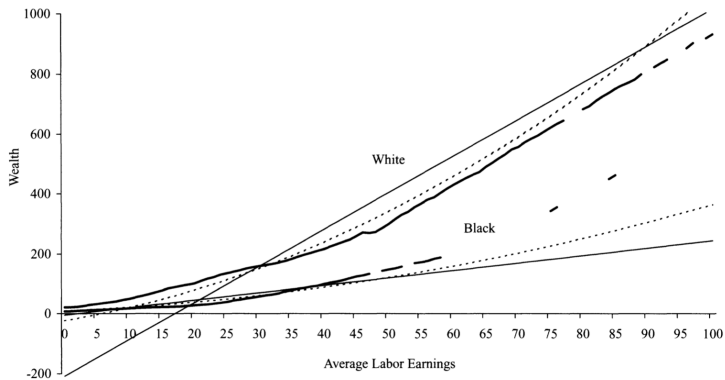
Racial Wealth Inequality

Kerwin Kofi Charles

March 31, 2023

- Differences in Key Input (Income) or in what Blacks and Whites Do With It?

The Differential (?) “Production” of Wealth from Income

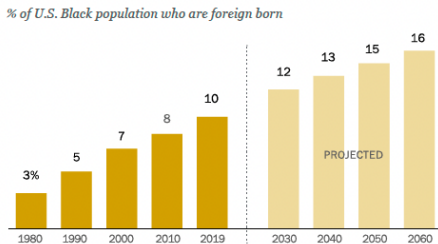


Who's Black? Does it Matter?

- Social Construction, Stigma, etc one set of issues...
- Other, more practical considerations
 - Rising Incidence of Mixed-Race
 - Likelihood of self-classification not even across economic position (Charles, Guryan)
 - Foreign-Born

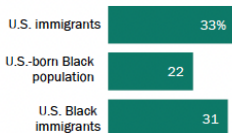
Will Grow Sharply Over Time

Figure from PEW

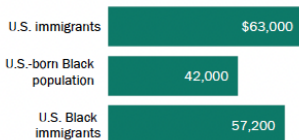


Big Differences Across Groups

% of adults ages 25 and older with a bachelor's degree or higher, 2019



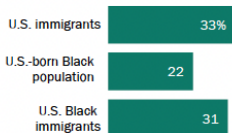
Median household income, 2019



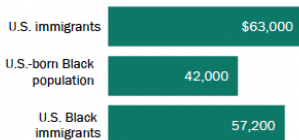
How should this affect policy: ADOS Affirmative Action, Reparations; Assessment of "Black" trends; etc?

Big Differences Across Groups

% of adults ages 25 and older with a bachelor's degree or higher, 2019



Median household income, 2019



How should this affect policy: ADOS Affirmative Action, Reparations; Assessment of "Black" trends; etc?

No Man (or Woman) an Island..

- People not isolated agents
- Embedded in sub-groups of mutual support and obligation
 - Family- nuclear and extended - the main example relevant for wealth

In various papers have assessed strength and reason for inter-generational linkages in income and wealth”?

- Relatively large parent/child correlations.
- Big direct effect of parental wealth on own wealth (housing, businesses loans, occupation)
- Who loves Whom?: Marital sorting only makes it worse

Parent-Child Wealth Transition Matrix

Table 2: Intergenerational Transition Matrix of Age-Adjusted Log Wealth Position

		<i>Parental Age-Adjusted Log Wealth Quintile (1984-1989)</i>				
<i>Child Age-Adjusted Log Wealth Quintile (1999)</i>		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
<i>1</i>		36	26	16	15	11
<i>2</i>		29	24	21	13	16
<i>3</i>		16	24	25	20	14
<i>4</i>		12	15	24	26	24
<i>5</i>		7	12	15	26	36
Total		100	100	100	100	100

Does marriage undo dynasties? Do rich girls marry poor boys?

No.

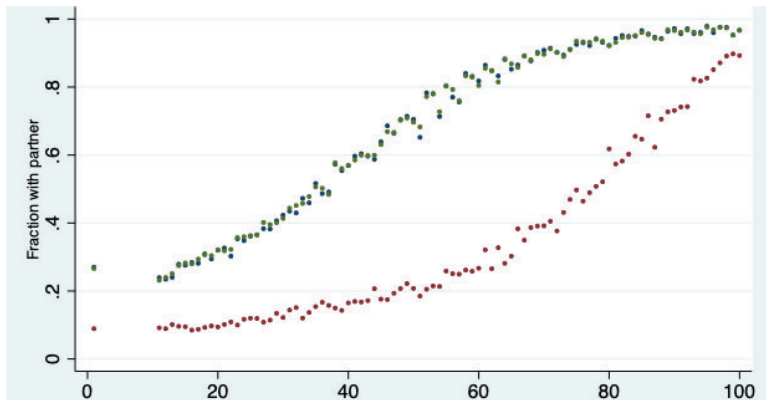
<u>Wife's Parents' Wealth Quintile</u>	<u>Husband's Parents' Wealth Quintiles</u>				
	First Quintile	Second Quintile	Third Quintile	Fourth Quintile	Fifth Quintile
First Quintile	0.38	0.22	0.20	0.11	0.10
Second Quintile	0.27	0.30	0.23	0.11	0.09
Third Quintile	0.17	0.17	0.19	0.29	0.18
Fourth Quintile	0.12	0.16	0.25	0.23	0.24
Fifth Quintile	0.07	0.15	0.14	0.25	0.40
Total	1.00	1.00	1.00	1.00	1.00

Household Structure Not the Same Across Race, on Average

Female "Householders", Aged 25-54

	Single	With Partner	<i>"Roommate"</i>
White	0.14	0.6	<i>0.18</i>
Black	0.31	0.34	<i>0.35</i>

Share of Women Living with Partner, by per Percentile of per capita Total Household Earnings



How Important is Household Structure?

Simulate Earnings For Black Female Householders:

- Given black woman household status of white counterpart
- Let her partner be drawn from the same position in the male earnings distribution as white counterpart

We find from this exercise that it has essentially no effect on the flow of earnings to women's households.

How Important is Household Structure?

Simulate Earnings For Black Female Householders:

- Given black woman household status of white counterpart
- Let her partner be drawn from the same position in the male earnings distribution as white counterpart

We find from this exercise that it has essentially no effect on the flow of earnings to women's households.

Thinking about Retirement Wealth Only One Thing Folks are Doing ..

- Want to be treated respectfully, with honor and decency
- Want to luxuriate in and transmit my culture

Thinking about Retirement Wealth Only One Thing Folks are Doing ..

- Want to be treated respectfully, with honor and decency
- Want to luxuriate in and transmit my culture

Willing to pay some price for these

- (Protective) Visible Spending
- Neighbors

- Eradication of formal obviously racist structure of exclusion and discrimination in economy and reduction in racial prejudice
 - Political feasibility of race-specific policies in question
- Growing heterogeneity of Black socio-economic outcomes means that increasingly no such thing as the THE Black economic experience
 - Which Black wealth problem are we fixing?
- Identify, understand operating mechanism, and uproot effects of remaining systemic discrimination

A Striking Historical Example: 1960s Louisiana Literacy Voting Test

The State of Louisiana

Literacy Test (This test is to be given to anyone who cannot prove a fifth grade education.)

Do what you are told to do in each statement, nothing more, nothing less. Be careful as one wrong answer denotes failure of the test. You have 10 minutes to complete the test.

1. Draw a line around the number or letter of this sentence.
2. Draw a line under the last word in this line.
3. Cross out the longest word in this line.
4. Draw a line around the shortest word in this line.
5. Circle the first, first letter of the alphabet in this line.
6. In the space below draw three circles, one inside (engulfed by) the other.

7. Above the letter X make a small cross.
8. Draw a line through the letter below that comes earliest in the alphabet.

Z V S B D M K I T P H C

9. Draw a line through the two letters below that come last in the alphabet.

Z V B D M K T P H S Y C

10. In the first circle below write the last letter of the first word beginning with "L".



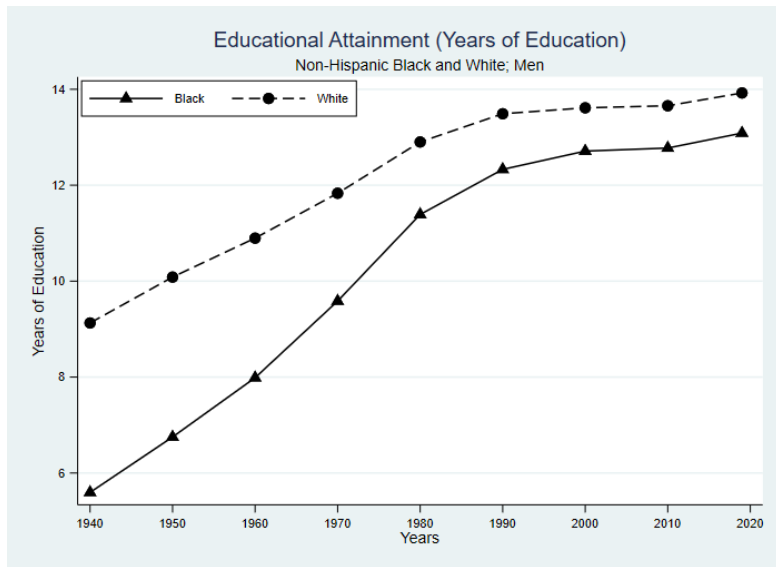
11. Cross out the number necessary, when making the number below one million.

1000000000

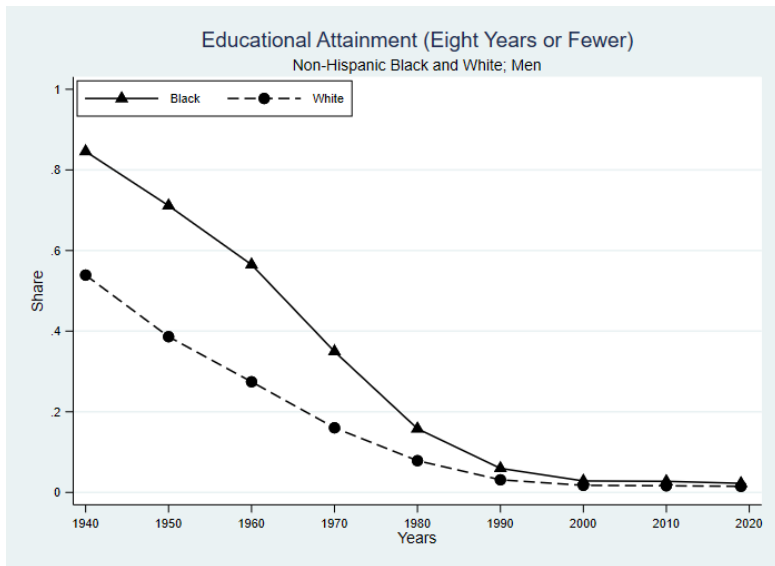
Open Questions re Systemic Racism

- Do systemic impediments like voting literacy tests persist? Are there new ones that type persist?
- Through precisely what mechanisms (and why) does systemic racism affect outcomes?
- How to reconcile its operation with contradictory evidence of progress in certain areas?

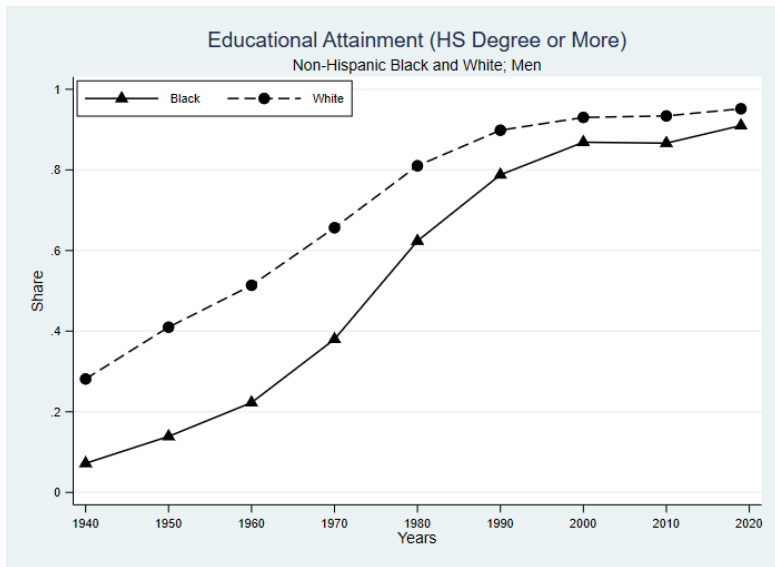
Amazing Gains in Total Years of School



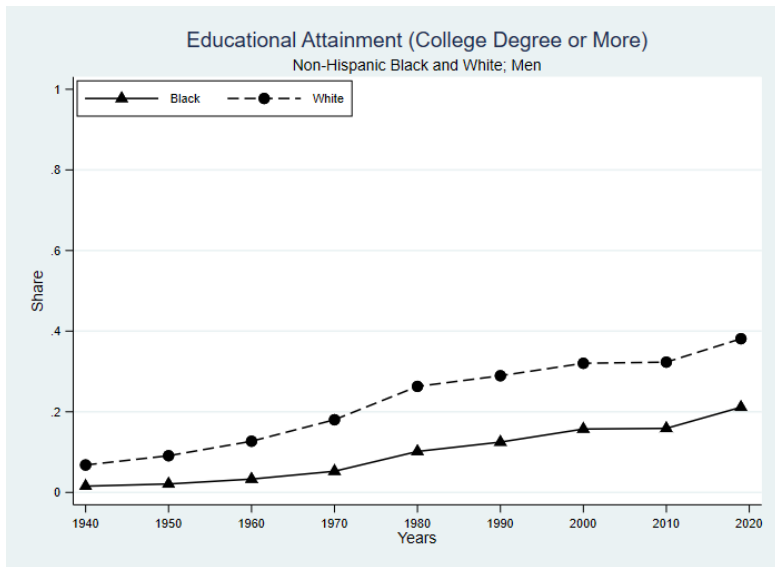
Definitely Gains at Bottom...



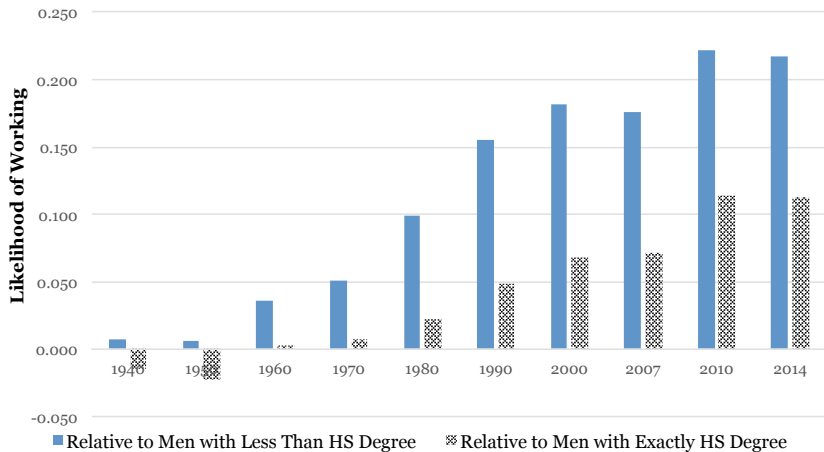
And in the Middle..



Alas, No Closing and Even Widening at Top



College Has Become More Important for Finding Work Compared to Other Kinds of Education



Total Change -0.11

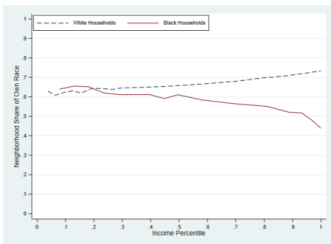
If...

a) No Policy that Raised Black Ed -0.18

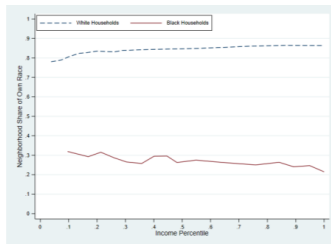
b) No Change in How College Valued -0.05

Yet A Third Dimension - Racial Residential Segregation: Fraction of Neighbors Own Race

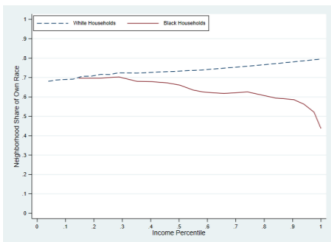
(a) Atlanta



(b) Boston



(c) Chicago



(d) Detroit

