DREAMS DEFERRED

HOW ENRICHING THE 1% WIDENS THE RACIAL WEALTH DIVIDE

CHUCK COLLINS

DEDRICK ASANTE-MUHAMMED

JOSH HOXIE

SABRINA TERRY

Institute for Policy Studies

INEQUALITY.ORG

AN INSTITUTE FOR POLICY STUDIES PROJECT

ADVANCE COPY:

AUTHORS AVAILABLE FOR COMMENT:

Contact: Jessicah Pierre (617) 401-1470 Jessicah@ips-dc.org or Chuck Collins (617) 308-4433 chuck@ips-dc.org

EMBARGOED FOR RELEASE:
MONDAY JANUARY 14, 2019 AT 7 PM EST

Dreams Deferred:

How Enriching the 1 Percent Widens the Racial Wealth Divide

Institute for Policy Studies

Chuck Collins, Dedrick Asante-Muhammad, Josh Hoxie, Sabrina Terry

January 2019

Embargoed for Release until Monday January 14, 2019 at 7 pm EST

CO-AUTHORS:

Chuck Collins directs the Program on Inequality and the Common Good at the Institute for Policy Studies, where he also co-edits Inequality.org. His most recent book is *Is Inequality in America Irreversible?* from Polity Press and in 2016 he published *Born on Third Base: A One Percenter Makes the Case for Tackling Inequality, Bringing Wealth Home, and Committing to the Common Good.*

Dedrick Asante-Muhammad is the director of the Bridging the Divide project at the Institute for Policy Studies where he is an Associate Fellow. He is also principal at Race, Wealth And Opportunity, LLC. He was previously the Senior Fellow the Racial Wealth Divide Project at Prosperity Now and hosts the Race and Wealth Podcast.

Josh Hoxie directs the Project on Opportunity and Taxation at the Institute for Policy Studies and co-edits Inequality.org. He has co-authored a number of reports on topics ranging from economic inequality, to the racial wealth divide, to philanthropy.

Sabrina Terry is a collaborator with the Bridging the Divide project at the Institute for Policy Studies. She is a Senior Strategist with the Economic Policy Project at UnidosUS. Sabrina was previously Manager at the NAACP Economic Department and served as a Community Planner at UPROSE.

Acknowledgements: We received significant assistance in the production of this report. We would like to thank Sarah Gertler for cover and graphics. We'd also like to thank our colleagues at the Institute for Policy Studies, especially Sarah Anderson, Sam Pizzigati, and Negin Owliaei.

The **Institute for Policy Studies** (www.IPS-dc.org) is a multi-issue research center that has been conducting path-breaking research on inequality for more than 20 years.

The I**PS Program on Inequality and the Common Good** was founded in 2006 to draw attention to the growing dangers of concentrated wealth and power, and to advocate policies and practices to reverse extreme inequalities in income, wealth, and opportunity.

The **Inequality.org** website (http://inequality.org/) provides an online portal into all things related to the income and wealth gaps that divide us, in the United States and throughout the world**. Subscribe to our weekly newsletter at Inequality.org or follow us on Twitter and Facebook: @inequalityorg**

Institute for Policy Studies National Office
1301 Connecticut Ave NW, Suite 600, Washington, DC 20036 | Web: www.ips-dc.org Twitter: @IPS_DC | Facebook: http://www.facebook.com/InstituteforPolicyStudies
Institute for Policy Studies New England Office
30 Germania Street, Building L, Jamaica Plain, MA 02130

CONTENTS

Key Findings

This report looks at the trends in household wealth among Black, Latino and White households over the past three decades. It relies on data from the Federal Reserve Board's most recent triannual Survey of Consumer Finances.

The Racial Wealth Divide

Over the past three decades, a polarizing racial wealth divide has grown between White households and households of color. Since the early 1980s, median wealth among Black and Latino families has been stuck at less than $10,000. Meanwhile, White household median wealth grew from $105,300 to $140,500, adjusting for inflation.

- Between 1983 and 2016, the median Black family saw their wealth drop by more than half after adjusting for inflation, compared to a 33 percent increase for the median White household. Over that same period, the number of households with $10 million or more skyrocketed by 856 percent.

- The median Black family today owns $3,600— just 2 percent of the $147,000 of wealth the median White family owns. The median Latino family has assets worth $6,600 — just 4 percent as much as the median White family. In other words, the median White family has 41 times more wealth than the median Black family and 22 times more wealth than the median Latino family.

- If the trajectory of the past three decades continues, by 2050 the median White family will have $174,000 of wealth, while Latino median wealth will be $8,600 and Black median wealth will be $600. The median Black family is on track to reach zero wealth by 2082.

- If current trends continue, it would take the typical Black family over 52 million years to reach the wealth of the Walton family today and Latino families 24 million years.

- The proportion of all U.S. households with zero or "negative" wealth, meaning their debts exceed the value of their assets, has grown from 1 in 6 in 1983 to 1 in 5 households today. Families of color are much likelier to be in this precarious financial situation. Thirty-seven percent of Black families and 33 percent of Latino families have zero or negative wealth, compared to just

15.5 percent of White families. One piece of good news: the proportion of Latino families with zero or negative net worth dropped 19 percent between 1983 and 2016, from 40 percent to 33 percent.

- Black families are about 20 times more likely to have zero or negative wealth (37 percent) than they are to have $1 million or more in assets (1.9 percent). Latino families are 14 times more likely to have zero or negative wealth (32.8 percent) than they are to reach the millionaire threshold (2.3 percent). White families are equally likely to have zero or negative wealth (about 15 percent) as they are to be a millionaire (15 percent).

- Low levels of Black and Latino wealth, combined with their growing proportion of the population, is a key factor in the overall decline in American median household wealth from $84,111 in 1983 to $81,704 in 2016.

In a Deeply Unequal Economy

The widening of the racial wealth divide has coincided with the extreme concentration of U.S. wealth. The wealthiest 0.1 percent of households have grown richer while millions of families face poverty and deep-seated economic insecurity.

- The median American family saw their wealth drop 3 percent between 1983 and 2016, while the richest 0.1 percent have seen their wealth jump 133 percent.
- During this same period, the annual increase for White median family wealth was about $1,000. Latino median family wealth went up by $66 annually and Black median family wealth dropped $83 annually. Meanwhile, the average household in the top 1 percent saw their wealth jump by half a million dollars annually.
- The richest dynastic families in the United States have seen their wealth expand at a dizzying pace. The three wealthiest families — the Waltons, the Kochs, and the Mars — have seen their wealth increase nearly 6,000 percent since 1983.
- The Forbes 400 richest Americans own more wealth than all Black households plus a quarter of Latino households.
- Jeff Bezos, founder of Amazon, owns $160 billion in total wealth. That is 44 million times more wealth than the median Black family and 24 million times more wealth than the median Latino family.

Moving Forward

The racial wealth divide and growing economic inequality is often analyzed as two separate and concurrent trends, when in fact, they are mutually reinforcing outcomes of larger economic issues. Both the racial wealth divide and the unequal economy were created and perpetuated by public policies that favored Whites and continue to favor the very wealthy. Public policies aimed at reducing both trends will be critical to creating a more equitable economic system and a more just society overall. Such policies could include, but are not limited to:

- A baby bond program to help low-wealth households build wealth
- A tax on the wealthiest 0.1 percent to reduce distortions caused by concentrated wealth and generate revenue marked for expanding opportunity for low-wealth households
- An audit of federal government policies to evaluate their impact on the racial wealth divide
- Targeted reparations to address the legacy of racism in wealth building

A Dream Deferred

January 15, 2019, the release date of this report, would have been the 90th birthday of Dr. Martin Luther King, Jr. Dr. King envisioned a future in which deep racial inequalities were eradicated and he worked tirelessly towards that mission. His tragic assassination occurred while he was organizing the Poor Peoples Campaign, his last great effort to ensure economic justice as a cornerstone of civil rights.

The Institute for Policy Studies released a study in 2018, in conjunction with the reconvened Poor People's Campaign, auditing the progress the United States has made in achieving Dr. King's vision of ending the intertwined evils of racism, poverty, and militarism.[1] Among its findings, the report found that the poverty rate in 2018 is almost exactly the same as that in 1968. The poverty rate did decline by almost half during the 1960s. But the failure to advance the economic policies of the civil rights movement, encapsulated in the historic 1967 Freedom Budget and advocated for in the Poor People's Campaign, led to the erosion and prevention of much further progress in reducing racial economic inequality.

Just as racial economic inequality is the foundation of racial inequality, similarly the racial wealth divide is the foundation of racial economic inequality. For this reason, our report focuses on the racial dimensions of wealth inequality in America. Household wealth is the sum total of assets held by a family minus total household debt—essentially what a family owns minus what they owe. Wealth is a critical measure of financial security because it buffers families from the ups and downs of income changes and economic cycles and allows households to take advantage of socio-economic opportunities. Families with little or negative wealth live precariously on the edge of seeing a minor unexpected expense, such as a health care or car repair bill, turn into full-blown economic calamity. Furthermore, wealth is a key determinant for other important non-financial outcomes. Wealth creates a platform of stability that enables positive education, health, and social outcomes for families that can afford to take advantage of opportunities and/or services—which then leads to more family wealth.

In light of Dr. King's pursuit of economic justice, this report highlights how historic racial wealth disparities have been perpetuated and increased by the trend towards extreme inequality in the United States. It also puts the racial wealth divide in the context of overall wealth inequality trends. The difference in wealth ownership by race is one of the ways that past policies have manifested into today's disparities, where several centuries of racial advantage and discrimination in asset-building are reflected in concrete "net-worth" numbers. Like two strands of the same thread of DNA, the

historic racial wealth divide and the more recent "top heavy" concentration of wealth in fewer hands, are two trends that interact and influence one another.

This report specifically tracks the growing racial wealth divide in the United States looking at the trends in household wealth accumulation from 1983 to 2016 as well as looking forward to project what the future might bring if these trends continue. The 33-year history corresponds with the earliest data available from the Federal Reserve's triannual Survey of Consumer Finances (SCF) in 1983 and the most recent data available from 2016. Also included are figures from the 2018 Forbes 400 ranking, the most recent figures available for the extreme wealth holdings of the wealthiest 400 individuals in the United States. All dollar figures have been adjusted to inflation to 2018 dollars, except where specifically noted, and all figures in this analysis are median wealth data rather than average (or mean) wealth.

Dreams Deferred expands on and updates two previous reports from the Program on Inequality and the Common Good at the Institute for Policy Studies, in collaboration with Prosperity Now: **"The Ever-Growing Gap: Failing to Address the Status Quo Will Drive the Racial Wealth Divide for Centuries to Come,"** in 2016,[2] and "**The Road to Zero Wealth: How the Racial Wealth Divide is Hollowing Out America's Middle Class"** in 2017.[3] This report also builds on extensive research on the growing concentration of wealth in the United States catalogued in the "**Billionaire Bonanza"** report series released in 2015, 2017, and 2018.[4] The most recent edition focused on the growing power and influence of intergenerational wealth dynasties.

Dreams Deferred presents a snapshot of the racial wealth divide in the United States today, looking at the current state of household wealth, income, homeownership, debt, and other economic factors. It also reviews long-term trends that led to this current moment, as well as, the historical policies and contributors to this deepening divide. Finally, we shift our focus to solutions to address this growing divide with an eye towards bold, paradigm shifting ideas and policies.

The Racial Wealth Divide Today

Media headlines in 2018 focused heavily on the reduction in the Black unemployment rate, which reached historic lows.[5] President Trump was quick to claim credit for this improvement in January 2018, tweeting, "Somebody please inform Jay-Z that because of my policies, Black Unemployment has just been reported to be at the LOWEST RATE EVER RECORDED!"[6] These headlines (and boasts) were in the context of economic indicators that showed a booming economy with rising GDP and a temporary boom in stock prices.

Household wealth figures released by the Federal Reserve in late 2017 also showed a slight uptick in median household wealth across the board, including Black, Latino, and White families. Following the popular press, one could easily conclude that racial wealth divide is indeed closing and we as a nation are building a more fair and equitable economy. Unfortunately, this conclusion is far from reality.

Going beyond one economic indicator and looking more holistically at where the country is in terms of racial economic parity reveals a deep, pervasive and ongoing racial economic division. The basic trend outlined in our findings shows wealth concentrating into fewer and fewer hands over time. These hands are overwhelmingly White. Meanwhile, non-Whites, particularly Black and Latino households, continue to struggle near or in asset poverty (See Methodology for discussion of other racial groups). Asset poverty, different than just lacking income, means families lack the amount of wealth required to cover their basic needs for at least three months.

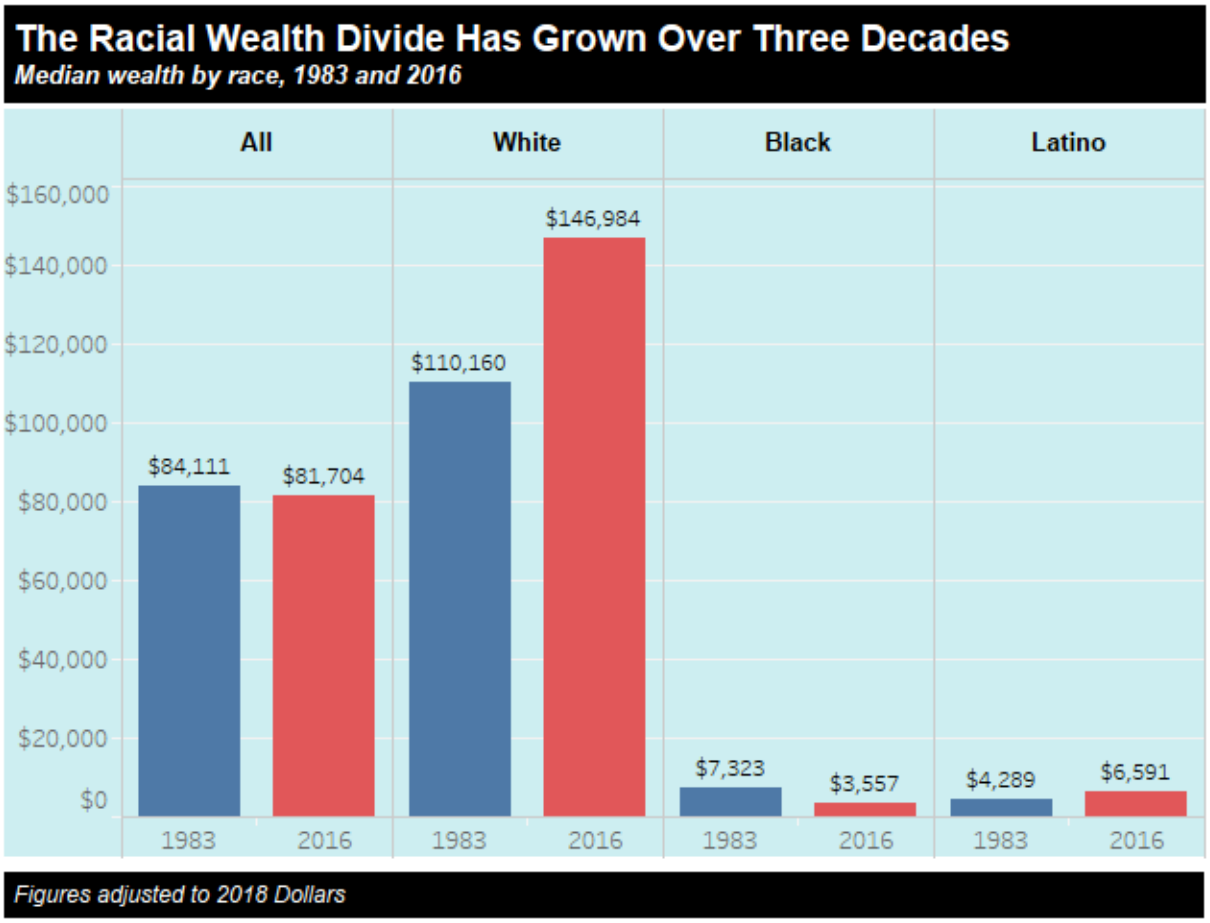
Wealth at the Middle

Today, the median family in the United States owns $81,704. That means half the families in the country own less than that figure and the other half own more. Median wealth is a better representation of a typical family than average wealth since it avoids the upward pull of extremely high net worth families. In 1983, the median family owned $84,110 in today's dollars—signifying a 3 percent reduction in median wealth in 33 years. In other words, despite three decades of economic growth, great leaps in productivity, and other advances, the typical U.S. family at the statistical middle of the wealth distribution not only saw zero benefit, but saw their wealth go down.

This reduction was not experienced evenly across racial groups. Median White family wealth today is $146,984, up from $110,160 in 1983. That represents an increase of $36,000 or about a 30 percent increase. So, the median White family wealth not only did not go down but went up by tens of thousands of dollars while Black and Latino wealth bounced around mostly at asset poverty levels. Median Latino families saw their wealth go up and down between a little more than $4,000 to almost $11,000. In 2016 median household wealth for Latinos was $6,300. Black median families fared the worst over the past 33 years, seeing their wealth move from a record high of $12,000 in 1995 to a record low of $1,700 in 2013. In 2016, the median Black household wealth was a low of $3,400. If the trends of the past three decades continue, the median Black family is on track to reach zero wealth by 2082

Averaging out the trend lines of the past 33 years, annual growth in household wealth by race showed great disparities. Median White families saw their wealth grow

by about $1,000 per year, while median Latino families saw a much smaller annual increase in wealth of $66 a year. Conversely, the median Black families saw their wealth decrease by $83 per year. By comparison, the average family in the top 1 percent saw their wealth increase $479,878 a year over the past 33 years.



Looking at median household wealth figures dramatizes just how stark the gap is between the typical White, Black, and Latino families. The median Black family with just over $3,500 owns just 2 percent of the wealth of the nearly $147,000 the median White family owns. The median Latino family with just over $6,500 owns just 4 percent of the wealth of the median White family. Put differently, the median White family has 41 times more wealth than the median Black family and 22 times more wealth than the median Latino family. So even if Black and Latino families make advances, they are starting from a position that is exponentially behind where the typical White family is today.

Wealth at the Top

Wealth is concentrating at an incredibly rapid rate in the United States in our increasingly top-heavy economy. Looking at the racial wealth divide in the context of this updraft of wealth is illuminating. Just three men—Jeff Bezos, Bill Gates, and Warren Buffett—own more wealth today than the entire bottom half of the country combined.[7] The extreme concentration of wealth in the United States is not limited to just the three wealthiest people. The top 1 percent owns 39.6 percent of the nation's total household wealth,[8] up from 33.8 percent in 1983. Meanwhile, the bottom 90 percent of the population owned 32 percent of the nation's wealth in 1983, a figure that has dropped to 21 percent in 2016.[9]

Economists Emmanuel Saez and Gabriel Zucman looked at the composition of wealth in the United States over a longer time period utilizing tax return records and highlighting the fluctuating patterns of wealth between the top 0.1 percent (the richest one-tenth of one percent) and everyone else.[10] They found that over the 20th century, the bottom 90 percent went from owning about 20 percent of the nation's wealth in the late 1920s, to a high of 35 percent in the mid-1980s, and back down to 23 percent in 2012.[11] The top 0.1 percent followed similar fluctuations but have exceeded their early 20th century rates. Saez and Zucman show the top 0.1 percent owned 22 percent of the nation's wealth in 2012, nearly equal to the combined wealth of the bottom 90 percent. In 1979, the wealth of the top 0.1 percent had declined to just 7 percent of the nation's wealth. By 2012, the top 1 percent owned 42 percent of the nation's total wealth.[12] Wealth shifted from the rich to the rest of us in the middle of the 20th century and then back to the rich over the next three decades.

Much of this concentration of wealth is within intergenerational wealth dynasties. Three dynastic wealth families—the Waltons, the Kochs, and the Mars—have seen their wealth increase nearly 6,000 percent since 1982 (compared to a 3 percent decrease for the median American household). The dynastic wealth of the Walton family grew from $690 million in 1982 (or $1.81 billion in 2018 dollars) to $169.7 billion in 2018, a mind-numbing increase of 9,257 percent. If current trends continue, it would take the typical Black family over 52 million years to reach the wealth of the Walton family today and Latino families 24 million years.

Figure 2: Total Wealth by Race

Category	Total	White	Black	Latino
Population*	322,792,580	200,693,970	39,748,680	56,456,680
Households*	127,586,000	84,681,000	16,158,000	17,318,000
Median Wealth	$81,704	$146,984	$3,557	$6,591
Mean Wealth	$698,410	$916,010	$132,129	$173,452
Total Wealth	$89.1 trillion	$77.6 trillion	$2.1 trillion	$3.0 trillion

All figures adjusted to 2018$
**Population and Household figures from US Census*[13]

The racial composition of the Forbes 400 list further underscores the racialized distribution of wealth inequality in the United States. Just two members of the 2018 Forbes 400 are Black—investor Robert Smith (#163, with $4.4 billion) and television mogul Oprah Winfrey (#298, with $2.8 billion). Michael Jordan, with a net worth of $1.65 billion, falls short of the $2.1 billion required to join the *Forbes* 400, but remains the only other African American on the Forbes Billionaires list.[14] There are four Latino members of the *Forbes* 400. Included in this group: Arturo Moreno, a billboard billionaire and owner of the Los Angeles Angels baseball team (#271, with $3 billion) Jorge Perez, the condo king of Miami (#316, with $2.6 billion), the brothers Alejandro and Andres Santo Domingo (tied for #190, with $3.9 billion). The Santo Domingo brothers' father is the Colombian billionaire Julio Mario Santo Domingo Pumarejo—another illustration of dynastic wealth.

Looking just at the past 33 years of data from the Survey of Consumer Finances, wealthier households have captured most wealth over the past three decades. The top 0.1 percent grabbed 16 percent of the total gain in household wealth over this period. Looking a little broader, the top 20 percent of wealth owners captured 97.4 percent of the total wealth gained. That leaves just 2.6 percent to be shared by the bottom 80 percent of the country, just over 100 million families. Policies are skewed to help households with wealth continue to gain and maintain their wealth.

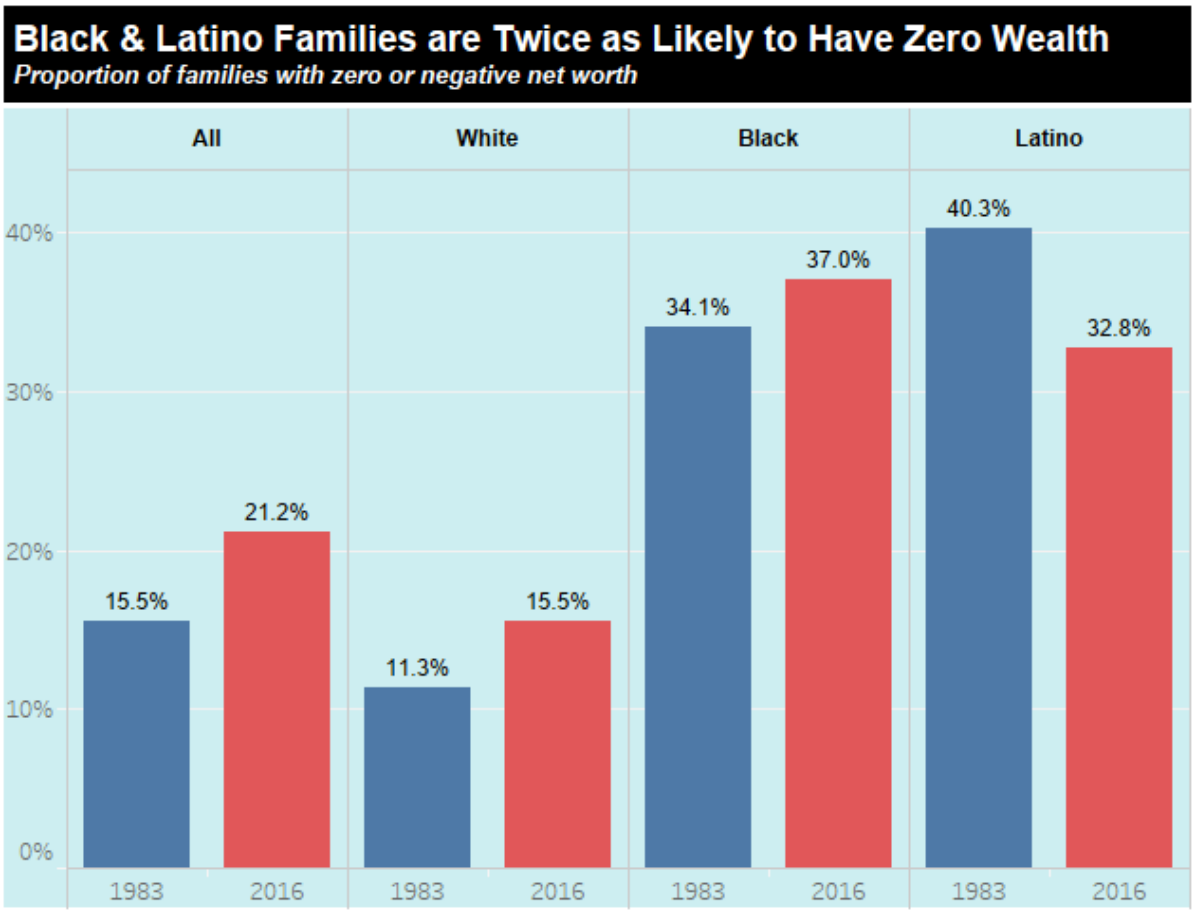
The proportion of millionaires residing in the U.S. has grown in the last three decades with the majority being White households. The number of households with $10 million or more has skyrocketed 856 percent since 1983 from 66,500 to 635,800.[15] The number of millionaire households jumped 279 percent from 2.4 million to 9.1 million.

White households remain more likely to transition into millionaire status than Latinos and Blacks. The percentage of White families that are worth a million dollars has increased from 7 percent in 1992 to 15 percent in 2016.[16] Only about 2.3 percent of Latino households and 1.9 percent of Black households had a net worth over a million dollars in 2016. By contrast, as we show in the next section, 37 percent of Black families

and 32.8 percent of Latino families have zero or negative wealth. That means Black families are about 20 times more likely to have zero or negative wealth (37 percent) than be a millionaire (1.9 percent). Latino Families are 14 times more likely to have zero or negative wealth (32.8 percent) than be a millionaire (2.3 percent). White families are as likely to have zero or negative wealth (about 15 percent) as they are to be a millionaire (15 percent).

Wealth at the Bottom

One in five U.S. families has zero or negative net wealth today, meaning they owe more money than they own. This is up from one in six in 1983. In the 2017 *Billionaire Bonanza* report, zero or negative wealth households were coined the "Underwater Nation."[17] These families live on the edge of precarity, one minor economic setback away from tragedy. Black and Latino families are twice as likely to have zero or negative wealth as White families. The proportion of Black families with zero or negative wealth rose by 8.5 percent from 34 percent to 37 percent between 1983 and 2016. White families also saw an increase from 11.3 percent in 1983 to 15.5 percent in 2016, a jump of 37 percent. One piece of good news: the proportion of Latino families with zero or negative net worth went down over the past 30 years from 40 percent in 1983 to 33 percent in 2016, a drop of 19 percent.

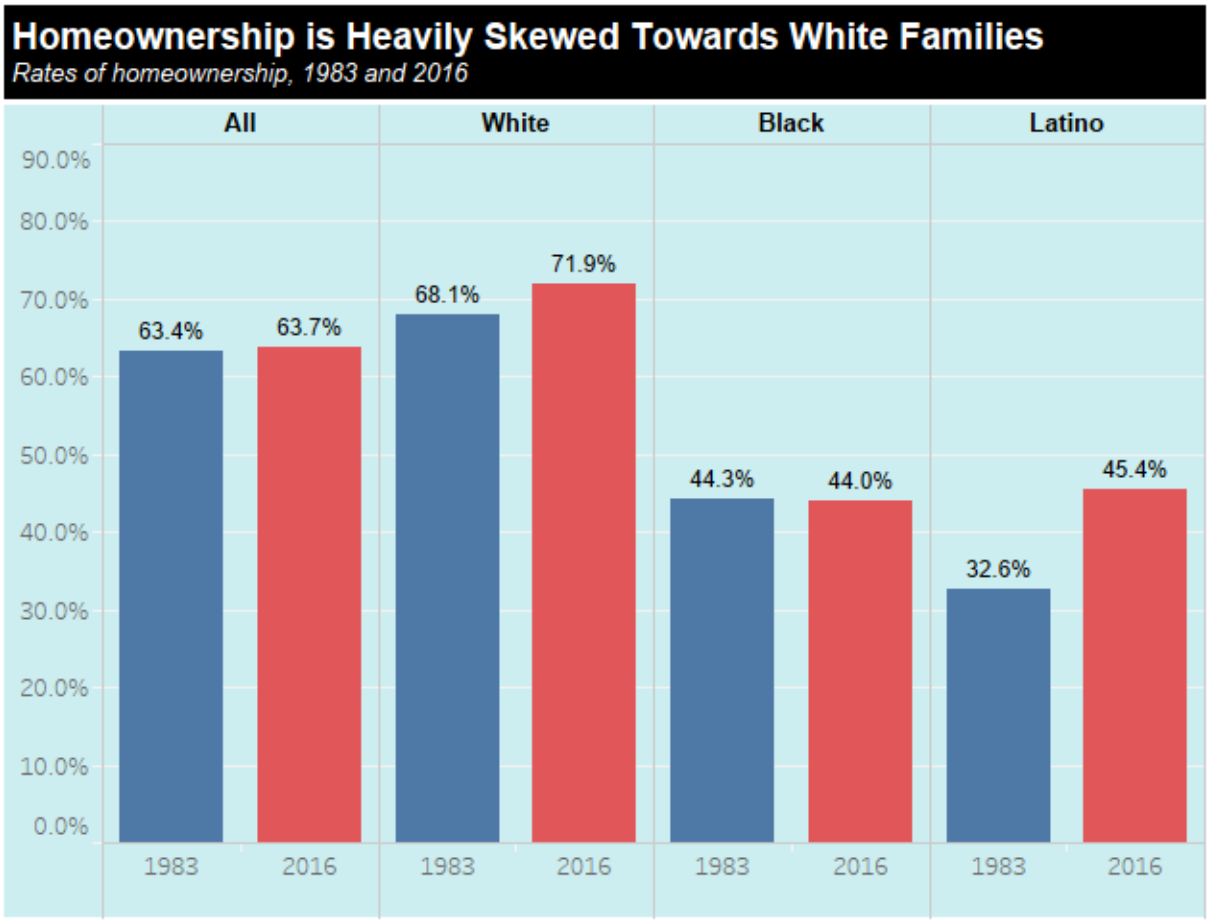


The proportion of families that are *liquid asset poor* has increased in the past decade. Four in ten families could not come up with $400 cash if they needed it in an emergency, according to a 2017 study from the Federal Reserve.[18] This is actually an improvement from 2013 when it was five in ten families.

Economic Indicators Other Than Wealth

While this report focuses primarily on wealth, household income, or the amount a family is paid in a year, contributes to a deeper understanding of the racial economic divide. Median household income in 2016 for all families was $61,723 in today's dollars. White median household income was only slightly higher at $62,769. Black and Latino household median income was significantly lower at $36,615 and $40,800 respectively. White median families were paid 1.7 times Black median families and 1.5 times Latino median families respectively. This ratio did not change considerably between 1983 and 2016. Black, White, and Latino median families all saw their income rise over that period with Black median income rising at the fastest at 19 percent. However, Black median income was lower than Whites and Latinos in 1983 and remains lower in 2016.

Another major indicator of economic well-being is the rate of homeownership. The national homeownership rate remained virtually unchanged between 1983 and 2016. It was 63.4 percent in 1983 and 63.7 percent in 2016. As with income, homeownership is also heavily skewed towards White families. In 2016, 72 percent of White families owned their home, compared to just 44 percent of Black families. Between 1983 and 2016, Latino homeownership increased by a dramatic nearly 40 percent, but it still remains far below the rate for Whites, at just 45 percent.



Black and Latino families that do manage to buy their own homes do not receive, on average, the same return on investment as White home owners. As sociologist Thomas Shapiro and his colleagues point out in a 2015 study, median White households accrue $1.34 for every $1 that median Black households accrue as a result of homeownership. Median White households accrue $1.54 for every $1 in wealth that accrues to median Latino households because of homeownership. [19]

A study from Edward Wolff published in October 2018 showed that another key factor in understanding the racial wealth divide is the much greater reliance of families of color on Social Security.[20] The definition of wealth used in this report excludes Social Security and pension wealth that families generate throughout their working years and can utilize in retirement. Including these two assets in household wealth, a figure Professor Wolff calls "augmented wealth," Blacks and Latinos move to having almost 30 percent of the average augmented wealth of Whites. Social Security made up 46 percent of the total augmented wealth of Black households in 2016 and about 44 percent among Latinos. Social Security wealth constituted just 20 percent of augmented wealth for Whites.

Solutions to Reduce the Racial Wealth Divide

The racial wealth divide is expanding considerably and shows no signs of shrinking. Historic and current public policies are largely to blame for this dynamic. Smart, targeted public policy has the capacity to bridge the divide. As our report shows, we cannot address the racial wealth divide outside the context of the overall surge of wealth inequality in the society at large. We need policy solutions that focus on reducing overall concentrations of wealth and power, as well as, policies *targeted* to address the racial dimensions of wealth disparity.

There are a number of bold and paradigm-shifting policy options and ideas that have the potential to reduce racial wealth divisions. Our proposed list is neither exhaustive nor conclusive. It is intended to offer a place to start when considering how to move forward given the severity of the problem we describe. Much of the following draws from our previous work on this topic.

Tax the Top and Invest in Shared Prosperity

Given the extreme concentration of wealth in the United States, it is impossible to address the racial wealth divide without also addressing our deeply unfair tax structure. As stated earlier, giving tax cuts to the wealthiest households and most profitable corporations, as the 2017 Trump tax cuts did, only exacerbates the racial wealth divide. We need to restore progressive tax rates on the wealthy that have been dismantled over the last several decades.

Raising taxes on the wealthy could take many forms, including:

- **Wealth tax**: A direct tax on wealth paid by the wealthiest one tenth of one percent could generate significant revenue to be reinvested in creating and restoring opportunities for low wealth households to prosper. A 1 percent annual tax on the wealthiest 0.1 percent of households, those with wealth over $20 million, would generate an estimated $1.899 trillion in revenue over the next decade, according to a forthcoming report by the Institute for Taxation and Economic Policy. Conversely, raising no tax thresholds in existing tax programs designed to benefit low-income populations to include more moderate-income households would increase wealth-building opportunities.
- **Inheritance tax**: The federal estate tax has been significantly weakened, most recently through the 2017 Trump-Republican tax cut. Taxing inherited wealth as income would help break up current and future wealth dynasties.

- **Taxing capital gains as ordinary income**: There remains no serious justification for taxing capital gains at significantly lower rates than we currently tax middle class workers.

Revenue from these tax proposals should be invested in improving the wealth-building capacity of low-wealth families, especially those who have been historically excluded. Such opportunity investments could include:

- **Establish Children's Savings Accounts or Baby Bonds**. A 2016 report from the Annie E. Casey Foundation found that if Congress had instituted a robust universal CSA program in 1979, the White-Latino wealth gap would be fully closed by now and the White-Black wealth gap would have shrunk by 82 percent for young adult households.[21] This concept has gained some traction in recent months as Senator Cory Booker (D-NJ) introduced legislation in 2018 to establish a Baby Bond program.[22]
- **Invest in Affordable Housing**. As stated earlier in this report, the dramatic racial divide in homeownership, rooted in the history of redlining and other policies, leaves millions of Black and Latino families out of the wealth-building potential of homeownership. Similarly, an increase in affordable housing stock is essential to assisting rent-burdened households, who are predominantly Black and Latino, to have more discretionary income that can be dedicated to wealth-building vehicles. Senator Elizabeth Warren (D-MA) and Representative Cedric Richmond (D-LA) introduced legislation in 2018 titled "The American Housing and Economic Mobility Act" that could go a long way to reducing this divide.[23]
- **Secure Social Security's solvency for the economic security of all**. Social Security has been an asset that keeps millions of Americans out of poverty and, as has been mentioned, is a particular important asset for communities of color. Maintaining this program is essential and doable. As former US Secretary of Labor Seth D. Harris has argued "A few tweaks of the revenue formula, like adding a small payroll tax surcharge for the wealthiest Americans and expanding the share of wages that are taxed could extend solvency for decades."

Raise the Floor and Expand Opportunity

Beyond addressing the racial wealth divide through the tax code and public expenditures, policies can and should be implemented that would have a major impact on the racial wealth divide. Such policies include:

- Raise the minimum wage to at least $15 an hour. Millions of families remain in poverty despite working full-time jobs. The federal minimum wage has not

moved since it was increased to $7.25 in 2009. This is below the cost of living in every major city in the country.

- Medicare-for-All health care reform. Medical bankruptcy remains among the top economic stressors in the country. Despite strides made by the Affordable Care Act, healthcare is still treated as a privilege rather than right in the United States leaving millions of families uninsured and exposed to extreme financial distress as well as personal calamity.
- A federal jobs guarantee. Darrick Hamilton and Sandy Darity, Jr., among others, have proposed a plan to return to full employment through a comprehensive federal jobs guarantee that would ensure everyone in the country who is able to work can get a job that pays a living wage.[24] Public infrastructure and energy efficient investments to shift the economy away from fossil fuel dependency could also be used to create good jobs for people of color, who are also disproportionately harmed by climate change.[25]

Deepen Our Understanding And Directly Address the Racial Wealth Divide

The Institute on Assets and Social Policy at Brandeis University has created a tool for conducting a racial wealth audit of public policy to shed light on what type of impact policy change would have on address racial wealth inequality.[26] Such a tool could and should be implemented by the federal government to determine the impact of existing and proposed policy on the racial wealth divide. Policies found to be intensifying the racial wealth divide should be critically re-evaluated, while policies that reduce the divide should be expanded. Creating a racial wealth audit is well within the authority of the Executive branch and should be implemented in concert with a legislative agenda that changes policies found by the audit to be unduly hurting communities of color.

Prior to his retirement, U.S. Representative John Conyers introduced HR 40 for almost 30 years to establish a Congressional study commission on the institution of slavery, particularly as to how it has harmed the African-American community and explore means to address this harm. Reparations for people of African ancestry and Indigenous peoples of the United States are necessary components to addressing the racial wealth divide.

Conclusion

"The majority of white Americans consider themselves sincerely committed to justice for the Negro. They believe that American Society is essentially hospitable to fair play and to steady growth toward a middle-class utopia, embodying racial harmony.

But unfortunately, this is a fantasy of self-deception and comfortable vanity. Overwhelmingly America is still struggling with irresolution and contradictions…"

- Where Do We Go From Here: Chaos or Community?
  Dr. Martin Luther King Jr.

Too often Dr. King's "Dream" of making justice a reality for people of color is conflated with the "fantasy of self-deception" that there is "steady growth toward a middle-class utopia." Examining the concentration of wealth and ongoing deep racial wealth inequality in light of Dr. King's 90th birthday reminds us of the reality King spoke of in his famous "I Have A Dream Speech": "the Negro lives on a lonely island of poverty in the midst of a vast ocean of material prosperity." Dr. King also stated in this speech that "America has given the Negro people a bad check, a check which has come back marked 'insufficient funds." Over 50 years since this famous dream was shared with the nation, we have seen wealth concentrate among the wealthiest Americans and a polarizing racial wealth divide grow between Whites and Blacks and Latinos. We have also seen how this racial wealth divide has lowered the wealth of the median American household from 1983 to 2016. As the mid 20th century Civil Rights movement recognized, a major economic shift in policy is needed to end the racial inequality of the past and create a new nation with opportunity for all. Our path forward has not changed significantly from the 1967 Freedom Budget which called for: equitable tax and money polices, adequate minimum wage, full employment, and modern health services for all.

Despite aspirant rhetoric and sensationalized media stories, the racial wealth divide has not improved over the past three decades. In fact, the divide has grown considerably as wealth continues to concentrate at the top leaving the rest of the country an increasingly smaller share. This dynamic is the result of public policy that has contributed to growing the racial wealth divide. A targeted set of policies is imperative to begin to bridge this deep divide for generations to come. Inaction or, worse, repeating the same mistakes that led to this situation will simply widen further the divide and create greater economic instability for the country at large.

Methodology

The majority of the figures cited in this report come from just a few sources. Chief among them is the Survey of Consumer Finances (SCF), a triannual study produced by the Federal Reserve designed to capture the current economic conditions of the country.

This report focuses on a measurement of household wealth developed by the New York University economist Edward Wolff that differs from the Fed's net worth calculation in that it excludes durable goods such as automobiles that can't be converted into cash without dramatically reducing their value. Other durable goods such as televisions, furniture, and appliances are excluded by the Fed. This measurement, in Wolff's words, "reflects wealth as a store of value and therefore a source of potential consumption."[27] Net worth excluding durable goods reflects, in our view, a more accurate depiction of household wealth. As a result of this methodology, some figures in this report may be lower than other studies relying on SCF data. For a more complete description of the rationale behind this measurement, see "Household Wealth Trends in the United States, 1962 to 2016: Has Middle Class Wealth Recovered?" by Professor Wolff. This measurement is in keeping with our two previous racial wealth divide reports as well as our *Billionaire Bonanza* report series.

Racial categories in the SCF are limited to non-Hispanic, presented in this study as White, Black or African American non-Hispanic, presented in this study as Black, and Hispanic or Latino presented in this study as Latino. The SCF also includes "other" which incorporates a diverse group that includes those identifying as Asian, American Indian, Alaska Native, Native Hawaiian, Pacific Islander, or other races. This makes it difficult to provide a meaningful analysis of wealth dynamics for these population groups. This report does not include such aggregated data. A future report is needed to focus on developing understandings and estimates of how racial wealth inequality effects these communities in the disaggregate.

The SCF is a critical instrument in studying racial wealth indicators, such as assets and debts, but its methodology includes an oversampling of high net worth individuals. Given the demographic composition of high net worth individuals, we understand this results in an undersampling of people of color, women, etc. We also acknowledge this will portray slightly more favorable depiction of communities of color.

All figures in this report are adjusted for inflation to 2018 dollars using the Bureau of Labor Statistics CPI-U unless otherwise noted. For further questions about our methodology, please contact the authors.

End Notes

[1] Institute for Policy Studies, "The Souls of Poor Folk: Auditing America 50 Years After the Poor People's Campaign Challenged Racism, Poverty, the War Economy/Militarism, and Our National Morality," April 2018. https://ips-dc.org/souls-of-poor-folks/

[2] Chuck Collins, Dedrick Asante-Muhammed, Emanuel Nieves, Josh Hoxie. "The Ever-Growing Gap: Failing to Address the Status Quo Will Drive the Racial Wealth Divide for Centuries to Come" *Institute for Policy Studies and Prosperity Now*. August 2016. https://ips-dc.org/report-ever-growing-gap/

[3] Chuck Collins, Dedrick Asante-Muhammed, Emanuel Nieves, Josh Hoxie. "The Road to Zero Wealth: How the Racial Wealth Divide is Hollowing Out America's Middle Class" *Institute for Policy Studies and Prosperity Now*. September 2017. https://ips-dc.org/report-the-road-to-zero-wealth/

[4] See the Billionaire Bonanza series:
Chuck Collins and Josh Hoxie. "Billionaire Bonanza: The Forbes 400 and the Rest of Us" *Institute for Policy Studies*. 2015. https://ips-dc.org/billionaire-bonanza/

Chuck Collins and Josh Hoxie. "Billionaire Bonanza 2017: The Forbes 400 and the Rest of Us" *Institute for Policy Studies*. 2017. https://inequality.org/research/billionaire-bonanza-2017/

Chuck Collins and Josh Hoxie. "Billionaire Bonanza 2018: Inherited Wealth Dynasties in the 21st-Century U.S." *Institute for Policy Studies*. 2018. https://inequality.org/great-divide/billionaire-bonanza-2018-inherited-wealth-dynasties-in-the-21st-century-u-s/

[5] Justin Fox, "Black Unemployment Is at an All-Time Low, But ..." *Bloomberg.* May 4, 2018. https://www.bloomberg.com/opinion/articles/2018-05-04/Black-unemployment-is-at-an-all-time-low-but-there-s-a-catch

[6] Justin Fox, "Black Unemployment Is at an All-Time Low, But ..." *Bloomberg.* May 4, 2018. https://www.bloomberg.com/opinion/articles/2018-05-04/Black-unemployment-is-at-an-all-time-low-but-there-s-a-catch

[7] Chuck Collins and Josh Hoxie. "Billionaire Bonanza 2018: Inherited Wealth Dynasties in the 21st-Century U.S." *Institute for Policy Studies*. 2018. https://inequality.org/great-divide/billionaire-bonanza-2018-inherited-wealth-dynasties-in-the-21st-century-u-s/

[8] Edward N. Wolff, "Household Wealth Trends In The United States, 1962 To 2016: Has Middle Class Wealth Recovered" *National Bureau Of Economic Research*. November 2017. https://www.nber.org/papers/w24085

[9] Edward N. Wolff, "Household Wealth Trends In The United States, 1962 To 2016: Has Middle Class Wealth Recovered" *National Bureau Of Economic Research*. November 2017. https://www.nber.org/papers/w24085

[10] Emmanuel Saez and Gabriel Zucman. "Wealth Inequality In The United States Since 1913: Evidence From Capitalized Income Tax Data" *The Quarterly Journal of Economics* Vol. 131 May 2016 Issue 2. https://www.nber.org/papers/w20625

[11] Emmanuel Saez and Gabriel Zucman. "Wealth Inequality In The United States Since 1913: Evidence From Capitalized Income Tax Data" *The Quarterly Journal of Economics* Vol. 131 May 2016 Issue 2. https://www.nber.org/papers/w20625

[12] Emmanuel Saez and Gabriel Zucman. "Wealth Inequality In The United States Since 1913: Evidence From Capitalized Income Tax Data" *The Quarterly Journal of Economics* Vol. 131 May 2016 Issue 2. https://www.nber.org/papers/w20625

[13] "Table AVG1. Average Number of People per Household, by Race and Hispanic Origin, Marital Status, Age, and Education of Householder: 2018" US Census. https://www.census.gov/data/tables/2018/demo/families/cps-2018.html

[14] Nsehe, Mfonobong "The Black Billionaires 2018" Forbes March 7, 2018 https://www.forbes.com/sites/mfonobongnsehe/2018/03/07/the-Black-billionaires-2018/#1f6ebf365234

[16] Tracy Jan. "1 in 7 white families are now millionaires. For black families, it's 1 in 50." Washington Post. October 3, 2017. https://www.washingtonpost.com/news/wonk/wp/2017/10/03/white-families-are-twice-as-likely-to-be-millionaires-as-a-generation-ago/?noredirect=on&utm_term=.bb4d416bd99c

[17]Chuck Collins and Josh Hoxie. "Billionaire Bonanza 2017: The Forbes 400 and the Rest of Us" *Institute for Policy Studies*. 2017. https://inequality.org/research/billionaire-bonanza-2017/

[18] Federal Reserve. "Report on the Economic Well-Being of U.S. Households in 2017" Federal Reserve. May 2018. https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf

[19] Sullivan, Laura, Tatjana Meschede, Lars Dietrich and Thomas Shapiro. "The Racial Wealth Gap: Why Policy Matters" *Demos*. 2015. https://www.demos.org/publication/racial-wealth-gap-why-policy-matters

[21] "Investing in Tomorrow: Helping Families Build Savings and Assets," *Annie E. Casey Foundation*, January 2016, www.aecf.org/resources/investing-in-tomorrow-helping-families-build-savings-and-assets/.

[22] Sarah Kliff. "An exclusive look at Cory Booker's plan to fight wealth inequality: give poor kids money" *Vox.* October 22, 2018. https://www.vox.com/policy-and-politics/2018/10/22/17999558/cory-booker-baby-bonds

[23] Madeleine Carlisle. "Elizabeth Warren's Ambitious Fix For America's Housing Crisis". *The Atlantic.* September 25, 2018. https://www.theatlantic.com/politics/archive/2018/09/elizabeth-warrens-fix-americas-housing-crisis/571210/

[24] Mark Paul, William Darity, Jr., And Darrick Hamilton. "The Federal Job Guarantee - A Policy to Achieve Permanent Full Employment." *Center on Budget and Policy Priorities*. March 9, 2018. https://www.cbpp.org/research/full-employment/the-federal-job-guarantee-a-policy-to-achieve-permanent-full-employment

[25] Basav Sen, "Energy Efficiency with Justice: How State Energy Efficiency Policy Can Mitigate Climate Change, Create Jobs, and Address Racial and Economic Inequality," Institute for Policy Studies, August 2018. https://ips-dc.org/report-energy-efficiency-with-justice/

[26] Thomas Shapiro, Tatjana Meschede and Laura Sullivan. "The Racial Wealth Audit: Measuring How Policies Shape the Racial Wealth
Gap" *Institute on Assets & Social Policy, Brandeis University*. 2015.
http://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/racial-wealth-gap/racial-wealth-audit.pdf

[27] Edward N. Wolff, "Household Wealth Trends In The United States, 1962 To 2016: Has Middle Class Wealth Recovered" *National Bureau Of Economic Research*. November 2017.
https://www.nber.org/papers/w24085