



## NEWSLETTERS

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# WHY DOES THE RACIAL WEALTH GAP MATTER?

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**Susan Smith Richardson**  
CEO

Welcome back to **The Moment**, a newsletter of conversations and context from people you need to hear. I'm Susan Smith Richardson, CEO of the Center for Public Integrity. In this second edition of the newsletter, I talk to **William “Sandy” Darity** (<https://sanford.duke.edu/people/faculty/darity-jr-william>), an economics professor at Duke University and leading scholar on inequality.

We've read a lot about the Black unemployment rate and Black workers risking their health in essential jobs during the coronavirus pandemic. Darity pushes us to look at wealth, not just income or earnings, and what this moment means for long-term Black economic progress. Black Americans are about 13 percent of the nation's population but possess about 2.6 percent of the nation's wealth. (Think the

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Mullen, “**From Here to Equality: Reparations for Black Americans in the Twenty-First Century,**” (<https://uncpress.org/book/9781469654973/from-here-to-equality/>) Darity argues for reparations as a way to increase Black wealth.

## Get The Moment.

Susan Smith Richardson guides you through this critical Moment with conversations and context from people you need to hear.

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*And now a moment with William “Sandy” Darity on...*

# WHY DOES THE RACIAL WEALTH GAP MATTER?

*\*The following interview was edited and condensed for clarity.*

I have to start by defining wealth in contrast to income. ... Income is a flow of resources that is closely tied for most people to their earnings. Wealth is a compendium of resources that you can carry with you over time. It's the difference between what you own and what you owe or the difference between your assets and liabilities.

Wealth is a much stronger indicator of economic security than income. But income does not substitute as well for wealth. Suppose an individual has a sharp drop in income. They might have lost their job; their household may be confronted with a medical emergency or a catastrophic emergency. If the household is wealthier, it can weather that storm more easily.

Wealthier people are able to purchase a home in high amenity neighborhoods. They're better able to ensure that their children receive high-quality education. They're better able to participate in the political process in a country where money really does matter in the political process. They can leave bequest to future generations to ensure their economic security and economic well-being. It is generated primarily by intergenerational transfers of resources from parents and grandparents to the youngest generation.

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There is a Latino-white wealth gap that is quite substantial, but it's not quite as large as the Black-white wealth gap. Let me put it this way: Black Americans are about 13 percent of the nation's population but possess about 2.6 percent of the nation's wealth... So, the Black share in wealth is considerably lower

than the percentage of Blacks in the nation's population. And that translates into a condition where the average Black household has a net worth \$800,000 lower than the average white household. We're talking about a vast difference in capabilities and opportunities.

### How would reparations work?

Two things immediately come to people's mind — how much would it be, and who would get it. How much would be what is required to at least bring the Black proportion of wealth into conformity with the Black share of the population.

In the work that Kirsten and I did for our book, we estimate it would take about \$10 to \$12 trillion to eliminate the difference in the share of Black wealth relative to share of the nation's Black population. There would be two criteria for eligibility: An individual would have to demonstrate that they have at least one ancestor who was enslaved in the United States. And the second criterion is for at least 12 years before the enactment of a reparation program for Black Americans, or the enactment of a study commission for reparations. The individual would have had to self-identify as Black, Negro or African American. So, the first criterion is the lineage standard, and the second criterion is the identity standard.

### Sandy's must-read books of *The Moment* and why he chose them:

**“Shelter in a Time of Storm,” Jelani M. Favors** (<https://uncpress.org/book/9781469648330/shelter-in-a-time-of-storm/>)

“It's the most comprehensive and interesting book about the relationship between HBCUs (historically Black colleges and universities), Black student protest movements and class divisions in the Black community.”

**“The Color of Money,” Mehrsa Baradaran** (<https://lareviewofbooks.org/article/banking-against-black-capitalism-on-the-color-of-money/>)

“The author takes aim at the idea that buying Black and banking Black will enable Black Americans to eliminate the racial wealth gap, and it punctures the fantasy of a Black capitalist empire. Blacks cannot autonomously eliminate the racial wealth gulf by our own actions and behavior, given our existing level of resources.”

**“White Rage,” Carol Anderson** (<https://www.nytimes.com/2016/06/26/books/review/white-rage-by-carol-anderson.html>)

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Thanks for your feedback and support for the newsletter. Keep those suggestions coming. Got a question? **Email me.** Look forward to upcoming editions of *The Moment*, when we'll be asking “Can reparations work? Let's look at some examples.”