

# Duke professor's research examines the racial wealth gap

Data from the Samuel DuBois Cook Center on Social Equity explains why middle-class should not be defined by income



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It's been a while since the Great Recession, when millions of people lost jobs, homes, their savings, between late 2007 and mid 2009. Nobody has called the last decade the Great

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William Darity Jr.

**I** Recovery, but many people have managed to rebuild their wealth portfolios. Though not everyone.

William Darity Jr., Samuel DuBois Cook Professor of public policy, African and African American studies, and economics as well as the director of the Samuel DuBois Cook Center on Social Equity, puts it simply. If you're Black, he says, economically "things go worse." What's more, while almost all groups showed at least some recovery of wealth in the decade since the recession ended, Black and Latinx families in the professional segment of the labor force lost wealth and are still behind where they were. Black families started out with less wealth, and then during the Great Recession,

Black families lost more wealth than any other group, collectively losing 48 percent of their wealth, while white families lost 26 percent. Latinx families lost 44 percent.

The evidence is in economic data. One important point: [In their research](#), Darity and his coauthor, Fenaba Addo, faculty affiliate of the Cook Center and associate professor of public policy at the University of North Carolina-Chapel Hill, are talking wealth here, not income.

"There's a disconnect between employment and accumulation of wealth," Darity says. "The primary factor that determines how wealthy a household will be is their capacity to obtain resources from previous generations. It's not primarily a result of you having a job and generating income."

And that's not just inheritance, by the way. That wealth transfer includes things like borrowing from an older, more-established relative— and paying back slowly if at all— when crisis comes rather than, for example, taking on a high-interest payday loan that rapidly and deeply increases debt.

Darity and Addo have done work previously making the point that middle-class is better defined by wealth than by income. "The critical reason for using wealth instead of income is because wealth can actually function as a substitute for income if there are unexpected losses," Darity says. You lose a job, you can spend down savings, take a loan out on your house, sell a car—but only if you have savings, home, car. That wealth can be transformative in the security it provides.

Their paper represents findings unsurprising in a nation with a racial wealth gap the paper calls "massive, persistent, and well-documented." According to Addo: "We found the labor force of Black workers improved like everyone but still lagged behind white and Latinx households. It took [Black households] a decade out from the recession to recoup the wealth that they had lost during the recession. Whereas we really started to see gains in white households three and five years out post-recession."

"Black households fare the worst," Addo says simply, "because they have less resources to draw upon."

And that gap echoes through the economy. "We actually have some evidence to suggest," says Darity, "that Blacks who are in the professional/managerial class have lower levels of wealth than whites who are in the working class." Being a manager, attaining professional status, doesn't help much if you're Black; you're still likely to be wealth-poor, which Darity and Addo define as having "less [in wealth] than three months of the income poverty threshold (50 percent of median income)."

The conclusions are stark, though, as Addo says, "I don't think our findings are too shocking."

The paper puts it simply: "If you belong to a historically marginalized racial or ethnic group, your racial status is the stronger predictor of your economic position than your education, income, and in this case, employment state and position." And though "the unemployment rate differential between Blacks and whites is quite persistent,"

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employment doesn't solve problems created by centuries of lost wealth and lost opportunities.

That is, says Darity, "there are folks who think if you could close the unemployment gap, you could close the wealth differential." Darity doesn't think the data support that belief.

"Employment," he says, "is a source of income. It's not a direct or significant source of wealth."

And until Black households start being able to build wealth, the next recession—and the next, and the next—will hit them just as hard.



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