Still Running Up the Down Escalator

How Narratives Shape our Understanding of Racial Wealth Inequality

By Natasha Hicks, Fenaba Addo, Anne Price and William Darity Jr.
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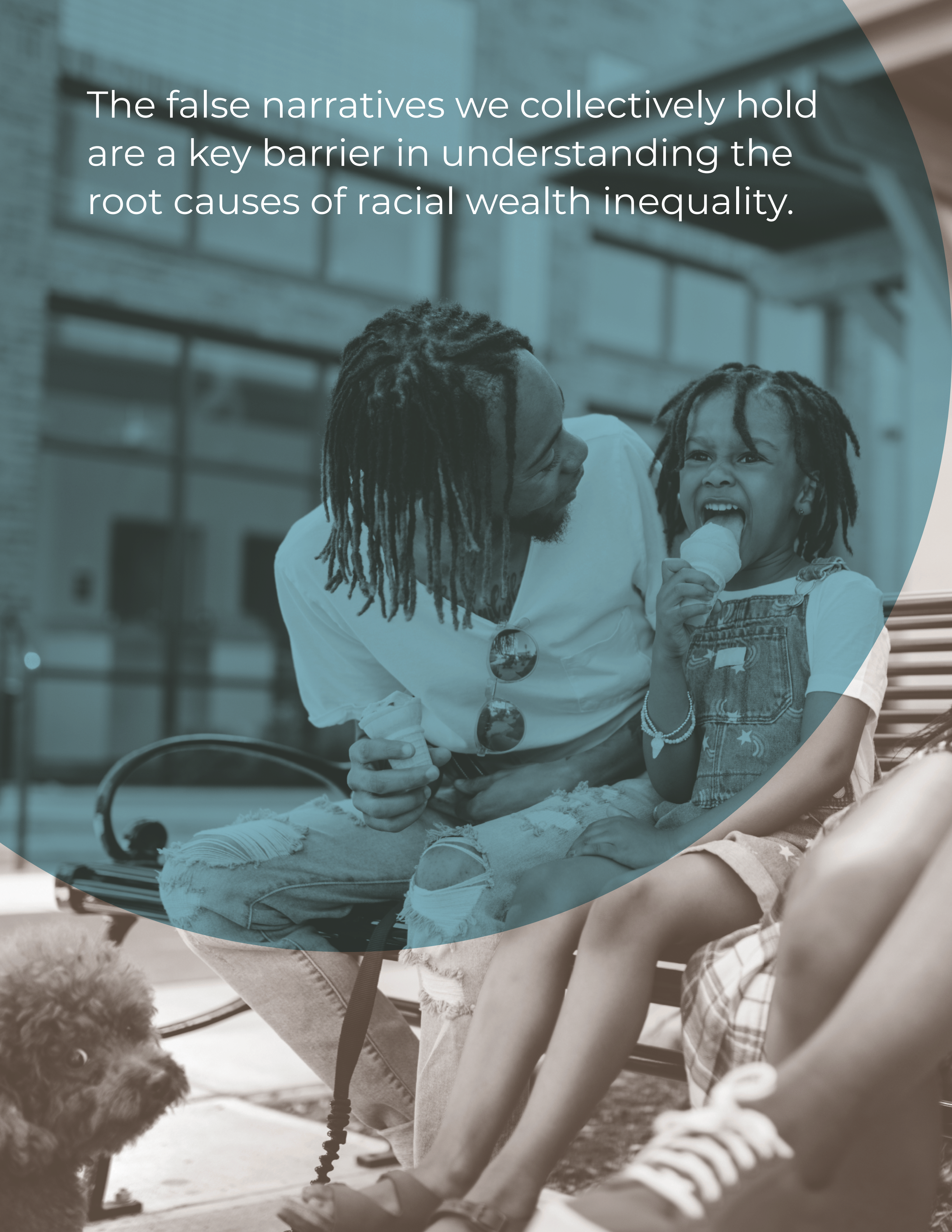

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About the Organizations

The Samuel DuBois Cook Center on Social Equity at Duke University is a scholarly collaborative that studies the causes and consequences of inequality and develops remedies for these disparities and their adverse effects.

The Insight Center for Community Economic Development is a national economic justice organization working to build inclusion and equity for people of color, women, immigrants, and low-income families. Through research and advocacy, narrative change, and thought leadership, Insight intentionally centers race, gender, and place in the pursuit of progressive economic change.

About the Authors

Natasha Hicks is a Senior Associate at the Insight Center for Community Economic Development. A trained urban planner and architect, she applies her housing, policy, and design expertise to Insight's racial and gender wealth inequality and economic security initiatives. Natasha spent several years in the public sector applying her interdisciplinary skillset to redesign systems, policies, and harmful mental models. Natasha authored the City of Charleston's first strategic plan for affordable housing called *Housing for a Fair Charleston* and authored a strategic plan for public art for the Municipality of Tirana, Albania called *tiranaART PUBLIK 030*.

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INTRODUCTION

Racial wealth inequality remains a persistent defining American issue, particularly in the wake of the COVID-19 pandemic's disproportionate toll on the physical and financial health of Black people. Despite a decade of philanthropic investment and renewed attention from progressive elected officials, policymakers and advocates, we have yet to make discernible progress in ensuring Black families have the power and freedom wealth bestows. A web of anti-black policies and practices have created drastically different economic realities for Black and White Americans when it comes to wealth accumulation: *White Americans have been provided with up escalators they can ride to reach their goals without hurdles. Meanwhile, Black Americans have been forced onto down escalators which they must run up to reach their destination*.

The false narratives we collectively hold are a key barrier in understanding the root causes of racial wealth inequality. Narratives — our cultural understandings, frames of reference, or mental models — play a significant role in how leaders create and implement policies, and how Americans receive them. Far too often, lawmakers and others in positions of power assert that poor personal choices and/or a lack of financial know-how cause racial wealth inequities. These harmful personal responsibility and bootstraps narratives, coupled with pervasive anti-blackness, have led us to believe education, financial literacy, and marriage, are the commonsense solutions to racialized and systemic economic inequality. These inaccurate narratives – and their corresponding inadequate solutions – do the work of masking the structural issues that lie at the root of these disparities. *We focus all our policy efforts on pushing Black people to run up the down escalator faster, rather than focusing on the fact that they are forced to climb a down escalator in the first place.*

The COVID-19 pandemic and the corresponding economic crisis have only exacerbated what was already a collective failing by policymakers and elected officials, who continue to invest in solutions focused on individual behavior instead of systems change. This approach reinforces inequitable economic structures and is an underlying cause of why our country has failed to move the needle on racial wealth inequality.

This paper begins by providing up-to-date estimates of the magnitude of racial wealth inequities, with a specific focus on Black and White populations. We then highlight how personal responsibility, bootstraps and anti-black narratives have distorted our understanding of both the *drivers* of racial wealth disparities and *solutions* to advancing racial equity. We then illustrate how these flawed and pernicious narratives prevent us from addressing root causes in five policy areas: education, homeownership, entrepreneurship, income, and family structure. Finally, we outline the necessary shifts that must take place to address the root causes of racial wealth inequality and center our COVID-19 recovery efforts on building a truly just and fair economy, where all Americans are able to thrive.

Black Americans are Running Up Down Escalators When It Comes to Wealth Building

Over the course of U.S. history, Black people have consistently been locked out of opportunities to amass assets through the major components that build intergenerational wealth, including, financial assets, homeownership, business ownership, retirement funds, and non-residential real estate. As a result, Black families never have had resources comparable to White families to pass down to future generations.

Intentional actions and policy decisions (see next page) rewarded White Americans while denying the same wealth building opportunities for Black Americans. Deep racial wealth inequality between Black and White Americans continues to persist and widen. Figure 1 reveals stark racial differences in median wealth for every quintile in 2019 (see appendix for quintile ranges). The typical Black household's wealth was $24,100; for White households it was $188,200. This translates into the typical Black household holding about 12 cents for every dollar of wealth held by the typical White family – *a disparity that has remained largely unchanged since 1989* (Kent and Ricketts, 2020).

Throughout the 19th and 20th centuries, politicians and government officials provided "wealth starter kits" that included land, government-backed mortgages and farm loans, a social safety net, and business end education subsidies to White families while intentionally excluding Black families. These wealth drivers of yesteryear continue to shape wealth ownership today.

While these median figures provide a conservative estimate of the extent of wealth inequality, mean figures better represent the magnitude of difference between Black and White Americans (Darity & Mullen, 2020). When looking at the wealth of Black and White households at the mean in 2019, the gap is a staggering $840,900 (SCF 2019).[1] Nevertheless, for ease of comparison, we utilize median values as the reference points throughout this paper, but the disparities generally are far wider with mean values.

1 Paradoxically, the mean gap is more instructive for designing policies to eliminate racial differences in wealth. While the high degree of concentration of wealth usually steers policymakers to focus on the median gap, it is precisely because of the high degree of concentration in wealth that the mean gap is most relevant when considering racial disparities. Ninety-seven percent of the wealth held by White Americans is in the possession of households with a net worth above the white median. This is partly attributable to the presence of a handful of white billionaires but far from exclusively due to them. One-quarter of all white households have a net worth in excess of $1 million; the same is true only for four percent of black households (Darity, Addo, and Smith 2021).

Racial Wealth Inequality Didn't Happen by Accident – It Was Designed by Centuries of Government Policies

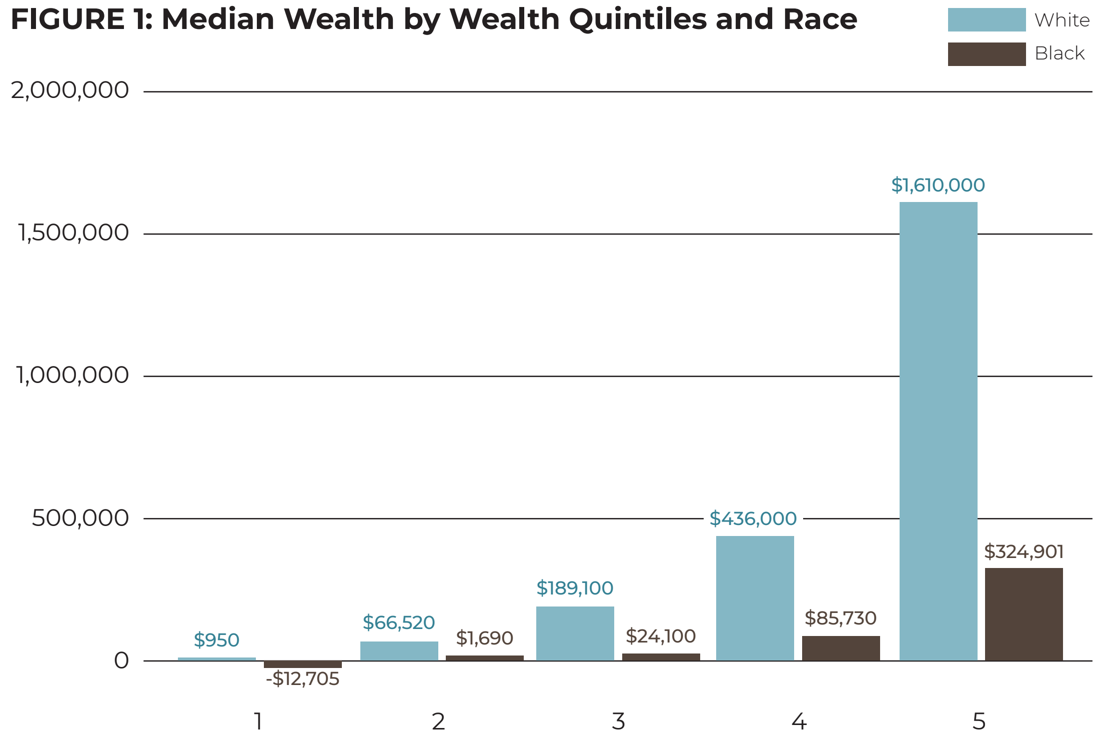
Throughout the 19th and 20th centuries, politicians and government officials provided "wealth starter kits" that included land, government-backed mortgages and farm loans, a social safety net, and business end education subsidies to White families while intentionally excluding Black families. These wealth drivers of yesteryear continue to shape wealth ownership today. For example, many White Americans can trace their legacy of wealth and property ownership to a single government program, the Homestead Act of 1862. It expropriated and redistributed land from 42 Native American tribes to White homesteaders. Between 1868 and 1934, the government granted 270 million acres of western land – an area the size of California and Texas combined –to 1.5 million White families (Shanks, 2000, Merritt, 2016). Wealth building for Black Americans started with close to zero capital. After the Emancipation Proclamation was signed in 1863, they owned 0.5 percent of the nation's total wealth and that figure has barely moved (Baradaran, 2017). Today, Black Americans own 1-2 percent of the nation's wealth (Merritt, 2016), while at least 45 million living white Americans continue to benefit from the Homestead Act land patents (Shanks 2000).

Politicians and government officials often colluded to impede Black people from building generational wealth. For example, under the New Deal in the 1930s, Black laborers were blocked from an estimated $143 billion in 2016 dollars in unemployment benefits (Stoesz, 2016). Anti-black racism in housing policies and practices created a structure in which Black families as neighbors were considered to be less favorable and the neighborhoods they live in were devalued. Between 1934 and 1963 the federal government backed $120 billion of home loans, and more than 98 percent of the funds went to White households (Adelman, 2003).

In addition to enacting policies that blocked Black wealth building, the federal government turned a blind eye to upward of 100 violent white riots and massacres that took place between the end of the Civil War and World War II. These horrific assaults not only resulted in the mass murders of Black people, but also led to the destruction and/or appropriation of their property, businesses, lands and communities by White terrorists (Bentley-Edwards et al., 2018).

These and many other policies and practices – enacted and reinforced in tandem by the public and private sector – work together in a powerful dance, creating a structure of systems that intentionally extract the little wealth Black families own, while also blocking the transfer of wealth to future generations.

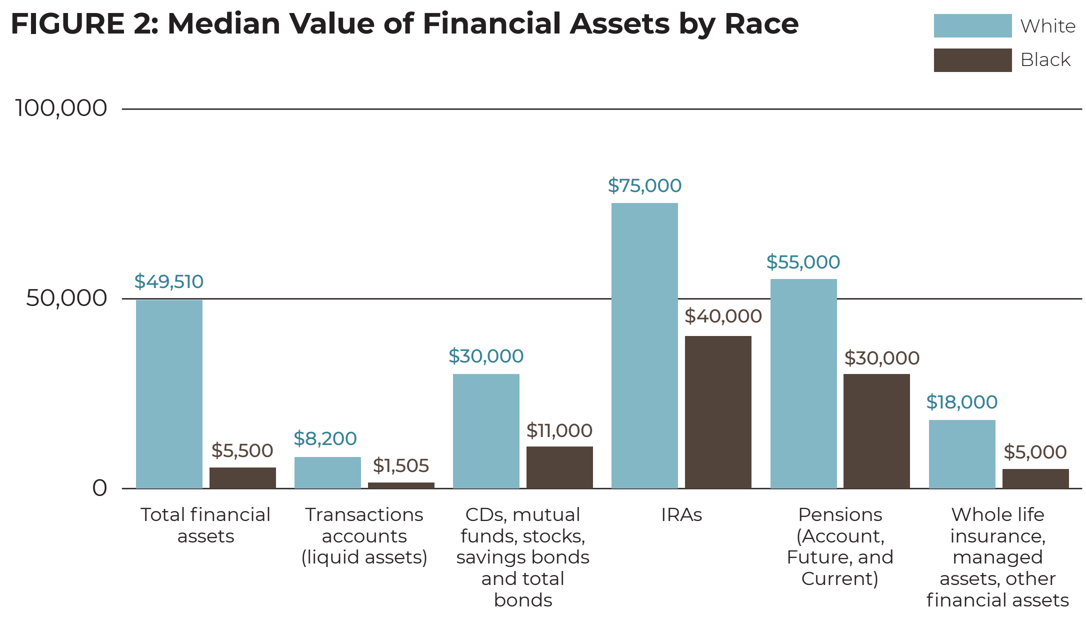
FIGURE 1: Median Wealth by Wealth Quintiles and Race



Source: Addo, Fenaba and Darity, William Jr. analysis of the Federal Reserve Board, 2019 Survey of Consumer Finances

A comprehensive understanding of wealth – the value of what you own minus what you owe – demonstrates how a public health and economic calamity like the COVID-19 pandemic can have vastly different consequences across racial lines. Wealth generates opportunity and White households are far more likely to hold assets, and the types of assets they hold have significantly higher median values than those of Black households. In 2019, the financial assets of White households were more than nine times higher, or $44,000, more than Black households (Figure 2).

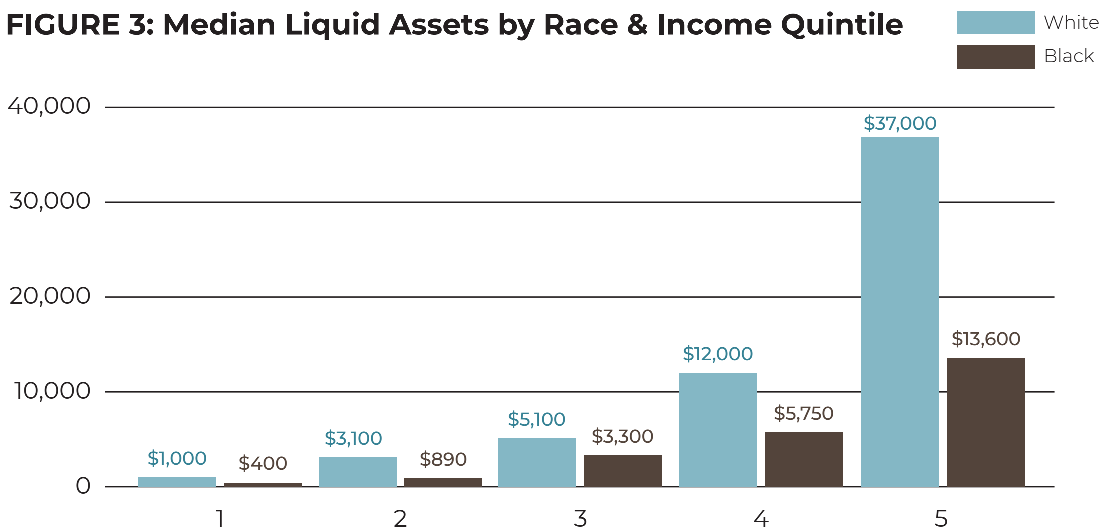
FIGURE 2: Median Value of Financial Assets by Race



Source: Addo, Fenaba and Darity, William Jr. analysis of the Federal Reserve Board, 2019 Survey of Consumer Finances

The wealth difference between Black and White households is striking when we consider liquid assets — those assets that can quickly be turned into cash. These funds act as the fence between emergency setbacks, like the negative income shock produced by the COVID-19 crisis, and economic catastrophe. They allow people to continue to pay their mortgage or rent, quit a dangerous job, cover an unexpected health care bill, and provide a financial cushion for their families during a pandemic. In 2019, the typical Black household had just $1,410 in liquid assets compared with $8,000 for their White counterparts. In four out of five income quintiles, Black households had less than half the median liquid wealth of White households (Figure 3).

FIGURE 3: Median Liquid Assets by Race & Income Quintile



Source: Addo, Fenaba and Darity, William Jr. analysis of the Federal Reserve Board, 2019 Survey of Consumer Finances

Further fueling precarity, Black Americans also have to contend with predatory and extractive mechanisms that continue to strip and block wealth building. Black people are often the target of financial predation through payday loans, predatory banking schemes, installment loans, contract leasing and other mechanisms. In addition, predatory student debt, and - due to the over surveillance and targeted policing of Black communities - criminal legal fines and fees act as significant debt anchors that cement Black Americans in place, hindering future generations' chances of reaching their full potential.

Wealth begets more wealth, and White families have always been put in a better position to accumulate and build wealth across generations. Persistent discriminatory practices in the labor and credit markets, and education and health care systems have fundamentally placed Black Americans in a position of greater financial precarity than White Americans. *Black Americans are still running up a down escalator. And the way things are set up now in our economy, not all of us can get where we want to go.*

Narratives are Key Drivers of Racial Wealth Inequality

Narratives, or our mental models, contribute to how leaders create and implement policies, and determine how Americans are categorized and treated. More than just stories of specific people, narratives are how we make sense of the world. They determine the extent to which we build empathy, and they dictate who we recognize as *deserving* of support and dignity. We examine two interlocking narratives that are deeply embedded in the American psyche and hold undue power over how we imagine and implement economic and social policies in the United States.

Anti-blackness: Notions of anti-blackness, a "cultural disregard and disgust for blackness" (Dumas, 2016) manifests as a "mode of power, violence, dispossession and accumulation" that exists beyond social class position (Hartman, 2016, p. 16). It permeates the rules and practices of all our institutions and systems. Anti-blackness calls into question the deservedness of Black Americans and undergirds policies that marginalize and disproportionately punish them. Anti-black racism fueled American chattel slavery, contributed to the backlash to Reconstruction, and provided the foundation for the Jim Crow era that followed. It has driven the neoliberal policy agenda of recent decades that exacerbated racial wealth inequality and resulted in a wide range of racial disparities and injustices.

Harmful narratives that characterize Black Americans as unintelligent, lazy, and criminal reinforce the notion that racial wealth disparities between Black and White households arise from differences in culture, values, skills, and behavior.

Anti-black racism is omnipresent. A 2016 survey of non-Hispanic White Americans found that 39 percent of White Republicans and 33 percent of White Democrats believe that Black people are less evolved than White people (Jardina et al., 2016). Such dehumanizing views of Black people explain why much of the public is quick to believe and circulate myths such as the "welfare queen" and a "culture of poverty."

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Anti-black racism not only supports punitive and patronizing policies that dehumanize and deprive Black people of dignity, safety, and opportunity, but they also contribute to the erosion of our social safety net in ways that are detrimental for most Americans (Haney López, 2015).

Personal responsibility and bootstraps: Personal responsibility and bootstraps narratives are two sides of the same narrative coin. They are deeply interconnected and overlapping, but somewhat distinct. The *bootstraps trope* is predicated on the myth of the "self-made person" and the romanticization of Horatio Alger rags to riches stories. Anyone can achieve economic prosperity through sheer determination, hard work and playing by the rules. This notion of a meritocracy is a widely held American belief and profoundly shapes our thinking about economic mobility and informs our strategies to build wealth. Under a meritocracy, wealth and advantage are rightful compensation for skill and talent. Research reveals, however, that accepting meritocracy as true makes people more selfish, less self-critical and more prone to act in discriminatory ways (Mark, 2020).

The *personal responsibility* trope – a belief that financial insecurity and poverty are the result of moral failings, bad choices, and behaviors – has driven decades of neoliberal policies that prioritize financial market imperatives over human well-being, and justify the destruction of our social safety net. A focus on personal responsibility also conceals structural factors – inherited disadvantage, historical discrimination, racial segregation of the labor market, etc. – and blames Americans for their struggles, rather than policies that have resulted in a lack of shared prosperity.

While the personal responsibility narrative blames Black people for their depressed financial position and the inequities they experience, the bootstraps trope provides a logic for the mechanism in which wealth is accumulated. Both narratives are steeped in anti-blackness. They offer a rationale for disinvesting in Black people and their communities while ignoring the deep structural change needed to address who has power in our economy and democracy.

To create structural policy change that will truly address the root causes of the racial wealth gap, we must replace these dominant narratives with ones that frame inequality as the result of deliberate policy choices and practices.

How Narratives Blind Us: A Closer Look at How Personal Responsibility and Anti-Blackness Play out in Five Common Strategies to Build Wealth

Anti-blackness and personal responsibility fuel harmful misconceptions about the drivers of racial wealth inequality. This section explores how these dominant narratives – individually and together – play out in five policy areas frequently looked to in addressing racial wealth inequality and ultimately impede transformative policy action.

Education

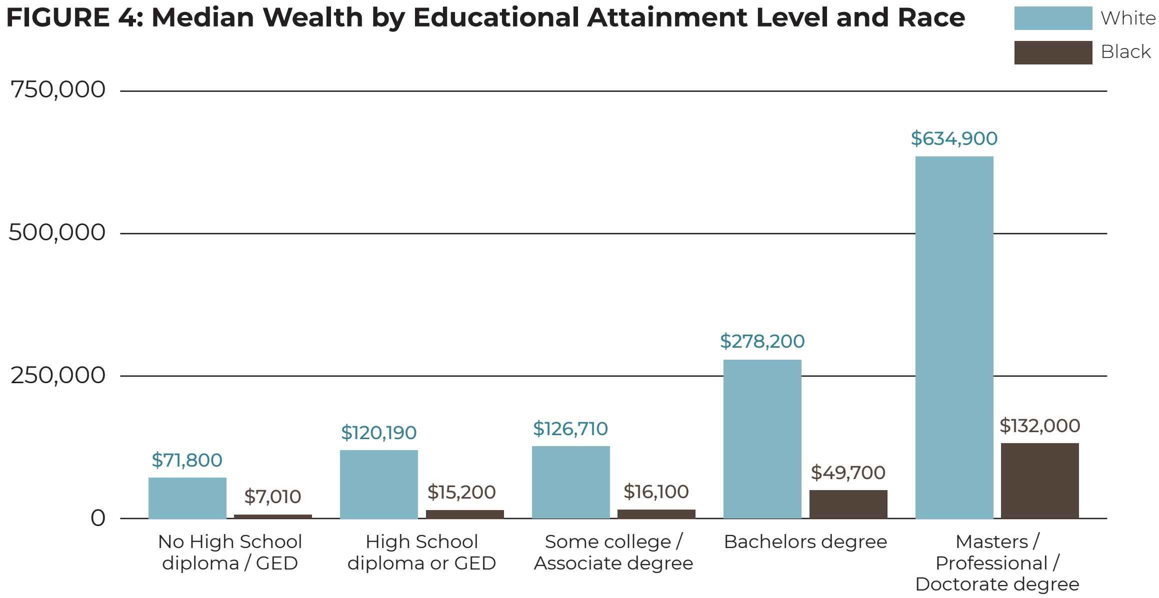
Anti-blackness and bootstraps narratives manifest in our views on education and its role in addressing racial wealth inequality. At the core of the bootstraps narrative is the idea that people can make different choices when faced with financial precarity. However, the data demonstrates that Black Americans cannot gain wealth in the same way as White Americans with higher education. The bootstraps narrative directs us to search for solutions that stay at the individual level, rather than focus on structural solutions such as addressing the discrimination within the labor market that continues to ensure Black people will not be treated equally.

Cultural narratives asserting that Black Americans do not value education is another harmful trope rooted in anti-blackness. This long-standing myth exists despite Black parents being twice as likely as White parents to believe that college is extremely important for their children's futures (Stapler, 2016).

Black household heads with a college degree hold $22,000 less wealth than White household heads who lack a high school diploma, and Black household heads with advanced degrees hold about half the wealth of White household heads with a Bachelor's degree.

Higher education credentials do not yield the same benefits and advantages for Black people as they do for White people, nor do they eliminate or substantially reduce racial wealth inequality (Kent & Ricketts, 2021). Although educational attainment is associated with higher levels of wealth, the relationship between degree status and median wealth varies sharply between Black people and White people. Figure 4 illustrates stark differences in wealth between White and Black households at every level of educational attainment. Black household heads with a college degree hold $22,000 *less* wealth than White household heads who lack a high school diploma, and Black household heads with advanced degrees hold about half the wealth of White household heads with a Bachelor's degree. The typical Black household head with a college degree has about 17 cents for every dollar of wealth for the typical White household head with a college degree, and the typical Black household head with a masters/professional/doctorate degree has about 20 cents for every dollar of wealth held by the typical White household head with the same degree status.

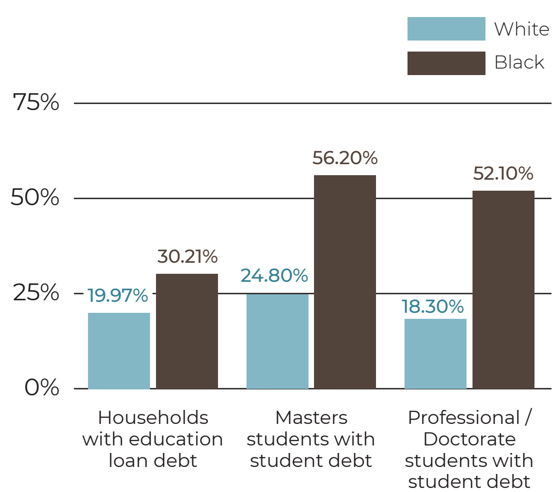
FIGURE 4: Median Wealth by Educational Attainment Level and Race



Source: Addo, Fenaba and Darity, William Jr. analysis of the Federal Reserve Board, 2019 Survey of Consumer Finances

While Black families are likely to contribute financially to their children's higher education at all income levels, they face distinct racial income gaps throughout their lifetime and have limited access to credit. As a result, parents of Black students take on more expensive and risky forms of debt to finance their children's education. In 2019, 30 percent of Black households held education loan debt compared with 20 percent of White households; Black households held $7,000 more loan debt than White households (Figure 5). When restricted to households with advanced graduate degrees, most Black households reported having student debt, more than twice the number of White households, at both the master's and professional/doctoral levels.

FIGURE 5: Percent of Households with Education Debt by Race

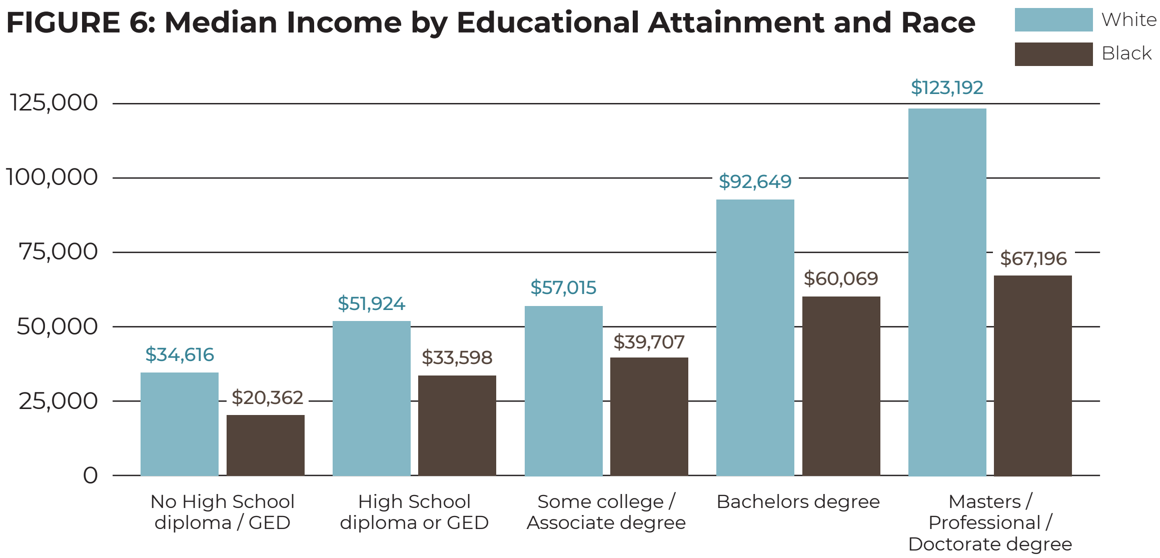


Source: Addo, Fenaba and Darity, William Jr. analysis of the Federal Reserve Board, 2019 Survey of Consumer Finances

Not only are Black people more likely to graduate from college or advanced degree programs saddled with costly student debt, but due to racial discrimination in the labor market, there are dramatic differences in the payoff for these degrees. Figure 6 illustrates the massive disparities in income between Black and White households with similar levels of education. Black household heads with a college degree had an income that was less than two-thirds of White household heads with a college degree, and Black household heads with a masters, professional or doctorate degree earned half of their

White counterparts. Over time, wage gaps have widened the most among college educated workers. In 1979 college educated Black workers were paid 86.4 percent of college educated White workers, and by 2019 that ratio had dropped to 77.5 percent (Wilson, 2020).

FIGURE 6: Median Income by Educational Attainment and Race



Source: Addo, Fenaba and Darity, William Jr. analysis of the Federal Reserve Board, 2019 Survey of Consumer Finances

Educational attainment also does not shelter Black workers from disparate employment outcomes. Black workers are more likely to be unemployed than White workers at every level of educational attainment (Williams & Wilson, 2019). Black workers are also more likely to be underemployed than White workers with the same level of education. For instance, 40 percent of Black college graduates are employed in a job that does not require a college degree compared with 30 percent of White college graduates (Williams & Wilson, 2019).

Black Americans can not educate their way out of the racial wealth gap by simply studying harder and gaining more credentials. Bootstraps narratives cause us to focus our investments in efforts at the individual level such as tutoring, mentorship programs, and student debt financial courses, rather than addressing structural impediments to wealth building such as the increasing privatization of financing for higher education and labor market segregation and discrimination.

> ***Black Americans can not educate their way out of the racial wealth gap by simply studying harder and gaining more credentials.***

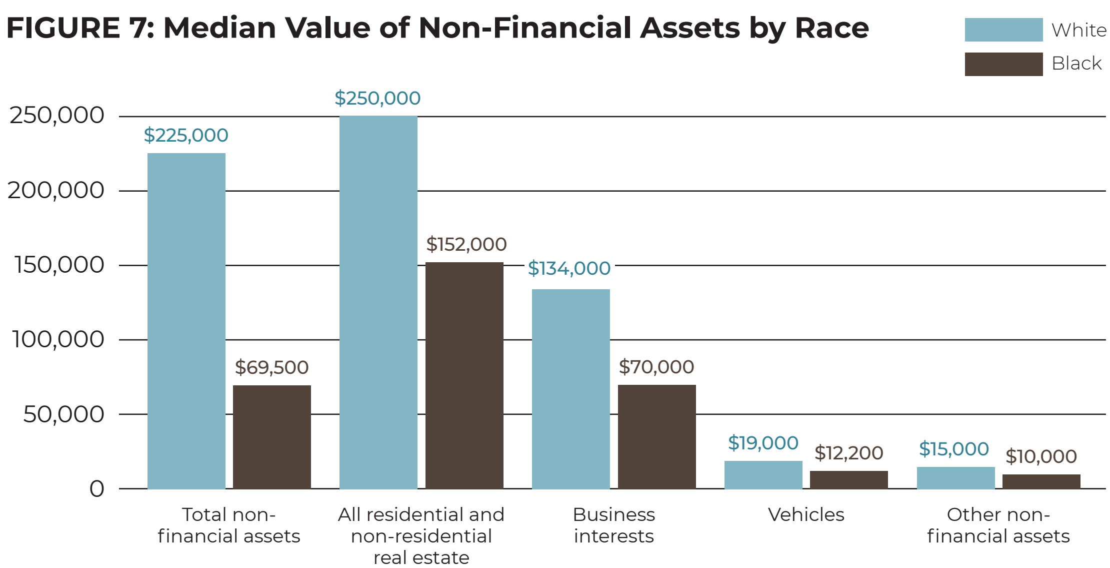
In our current system – where students must take on debt to finance education and labor market discrimination persists – educational attainment cannot possibly correct systemic and historic exclusion. Without changing the narratives that prevent us from addressing systemic barriers, Black students will not be able to experience the full promise of an education.

Homeownership

Anti-blackness, and particularly narratives of Black criminality, have shaped housing inequality for decades. The persistence of perceptions of Black people as a threat to safety remains a central part of our nation's cultural understanding and worldview (Archer, 2019). Ideas of Black criminality drive housing prices down in Black neighborhoods and serve as a justification for the exploitation of Black people in the credit market. It underpins notions of Black neighborhoods being "unsafe" and therefore undesirable. Research reveals that even when all characteristics of homes and neighborhoods are the same, White participants view majority Black neighborhoods as less safe and less desirable than majority White neighborhoods (Quick & Kahlenberg, 2019; Squires, 2007).

Wealth among White Americans realized through homeownership has been so disproportionately large because segregated White communities were able to hoard resources at the expense of other communities, and as a result, Black and White households do not experience the benefits of homeownership equally. In the U.S. in 2018, homes in neighborhoods with no Black residents were worth a median value of $341,000 while homes in neighborhoods with majority Black residents were worth $184,000 (Perry et al., 2018). The average equity held in White-owned homes is $216,000 while the equity held in Black-owned homes is $96,000 (Darity & Mullen, 2021). In 2019, the median value of Black real estate assets was about 60 percent of the value of White real estate assets (Figure 7). In addition, Black households were less likely to hold real estate assets than White households by 29 percentage points.

FIGURE 7: Median Value of Non-Financial Assets by Race



Source: Addo, Fenaba and Darity, William Jr. analysis of the Federal Reserve Board, 2019 Survey of Consumer Finances

Over the last 100 years the housing market has consistently perpetuated racial discrimination, and the 2008 foreclosure crisis was no exception. Leading up to the Great Recession, for example, many banks deliberately peddled Black people into bad mortgages. Despite Black women having higher credit scores, they were 256 percent more likely to receive a subprime mortgage than a White man with the same financial profile (Baker, 2014). The most recent federal data from the Home Mortgage Disclosure Act shows that lenders denied mortgages for Black applicants at a rate 80 percent higher than their White peers (Olick, 2020).

Since the Great Recession, homes in majority Black communities continue to be devalued. The rules of the housing market penalize racial integration. The higher the share of Black people in the neighborhood, the less the home is worth, even when controlling for age, social class, household structure, and geography.

For instance, a report by Brookings found that owner-occupied homes in Black neighborhoods are undervalued by $48,000 per home on average in comparison to neighborhoods with few or no Black residents. In addition, they found that differences in home and neighborhood quality do not fully explain the devaluation of homes in Black neighborhoods. Homes of similar quality in neighborhoods with similar amenities are worth 23 percent less in majority Black neighborhoods, reflecting the depth of racial bias in the home valuation process (Perry et al., 2018).

Solutions that look to homeownership to address racial wealth inequality often fail to provide real wealth building mechanisms for Black people because they do not look to address and shift the structural racism baked into the housing market or the lack of intergenerational wealth Black people face.

Solutions that look to homeownership to address racial wealth inequality often fail to provide real wealth building mechanisms for Black people because they do not look to address and shift the structural racism baked into the housing market or the lack of intergenerational wealth Black people face. Often, investments in increasing the pipeline to homeownership for Black households focus on individualized solutions such as housing counseling programs or homeownership classes that focus on shifting behavior (budgeting, savings, and improving credit scores) rather than addressing the predatory and unjust credit system or the underlying anti-blackness baked into the housing market. Without shifting harmful narratives around anti-blackness and focusing on structural barriers, homeownership alone will do very little to address racial wealth inequality.

Entrepreneurship

Stories that perpetuate the fallacy of the “self-made man” (or bootstraps narrative) as well as notions of anti-blackness shape our beliefs that bolstering entrepreneurship among Black Americans will build their wealth and narrow racial wealth inequality. These narratives not only result in the support of individual solutions to address structural problems, but more importantly obscures the fact that White people amassed wealth to seed and sustain businesses over generations through a myriad of federal government policies and programs,[2] while Black people have been denied these resources. In the face of economic exclusion and marginality, Black people have a legacy of responding by establishing their own businesses and economic ecosystems but have done so without significant government investment[3] as was provided for White Americans.

Similar to homeownership, Black business owners are faced with structural challenges to owning businesses at every step of the way — from deep-seated anti-blackness in financial markets to a lack of intergenerational wealth to support their business venture. For instance, Black-owned businesses start with approximately a third less capital than their White peers and have difficulties raising private investments from mainstream investment systems. And only 1 percent of Black business owners obtain loans in their founding year, compared to 7 percent of White business owners (Perry et al., 2020).

Once they own a business, Black business owners face many hurdles to sustain their business since a lack of intergenerational wealth makes sustaining their venture more challenging. In 2019, 58 percent of Black-owned firms fell into the category of "at risk" or "distressed" in comparison to 27 percent of White owned firms (Misera, 2020). Research shows Black entrepreneurs are more likely to experience downward economic mobility (eight out of 10 Black-owned businesses fail within the first 18 months) and the economic impact of business failure may be more severe for Black business owners (Kroeger & Wright, 2021). For Black people, being an entrepreneur (versus being an employee) is associated with a higher risk of downward mobility than similarly situated White people (Kroeger & Wright, 2021).

For decades policymakers and funders have looked to entrepreneurship as the key to solve racial wealth disparities, however this logic is backwards - it is only by first addressing racial wealth inequality that we will be able to close the racial entrepreneurship gap. While entrepreneurship can result in increased wealth levels for some Black households, Black business owners do not experience the same return on business assets as White business owners (Bradford, 2014). In 2019, the median value of Black business interests was about half of White business interests (see Figure 7 above). In addition, Black households were less likely to hold business interests than White households by 11 percentage points.

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2 For example, the largest federal public benefits program in the nation's history—The GI Bill—provided benefits to White veterans from World War II that helped cultivate white entrepreneurial talent. By 1951, nearly 2.4 million White veterans had received $190 billion in Federal loans for homes, farms, and businesses in today's dollars. However, the GI Bill shut out 1.2 million Black veterans who also sacrificed for their country (Humes, 2006).

3 In some cases, government officials were actively involved in violent massacres that destroyed Black owned businesses. The most well-known, perhaps, is the White massacre in Tulsa, Oklahoma in 1921 that leveled a business district known as Black Wall Street (Canales et al., 2021, Brown, D.L. 2021)

Policymakers and funders continue to focus efforts to increase Black entrepreneurship through small one-time business grants, education, training/technical assistance and mentorship rather than addressing the lack of intergenerational wealth Black families were allowed to obtain, or the anti-blackness baked into financial and credit markets. The current approach to entrepreneurship policies and programs far too often focuses on individual solutions rather than looking to rectify the inequalities in business ownership that stem from little to no government investment.[4]

While entrepreneurship is often cited as one of the many solutions to address racial wealth disparity, creating policies and programs designed for individual entrepreneurs, rather than addressing systemic inequities, will not narrow racial wealth inequality.

Family Structure

Anti-black narratives fuel who we believe are good mothers and fathers, paving the way for policymakers to invoke marriage and traditional family structures as the key to addressing Black-White wealth inequality. For the past 50 years, American social scientists and policymakers have focused on single, Black mother families and "missing Black fathers" as perpetuating a "culture of poverty." These racist stereotypes are deployed to distract from the structural causes that shape family structure and undermine social policy (Robinson & Rodgers, 2020). By suggesting that changing family structure would lead to more stable economic conditions, anti-black narratives intentionally disguise the structural barriers that block access to economic opportunities regardless of family type and structure.

For decades, foundations and policymakers have touted marriage and two-parent families as the solution to addressing racial economic insecurity (Horn, 2001). However, marriage for Black families does not translate into wealth returns like it does for White families. When comparing families with the same family structure, stark racial wealth gaps remain, and Black families of all types – married and unmarried – have far less wealth than White families (Addo & Lichter, 2013; Kent & Ricketts, 2021).

Figure 8 shows that in 2019, two-parent Black families held about 60 percent of the median wealth of White single-parent families. In addition, the typical Black single-parent household had 6 cents in wealth for every dollar of wealth held by the typical single-parent White household. Research demonstrates that when you hold constant factors such as age, education, and marital status, Black households still have lower levels of wealth than White households (Percheski & Gibson-Davis, 2020).

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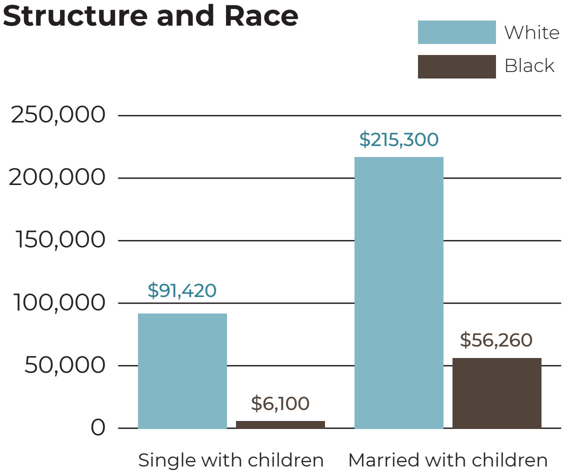
4 This approach is rooted in a legacy of President's Nixon's policies of the 1960s that promoted Black capitalism. These policies appropriated and corrupted the vision of Black self-determination imagined by Black activists who sought greater control of resources and start-up capital. Nixon purported to 'empower' Black Americans while simultaneously denying federal funding to make it happen (White, 2017).

FIGURE 8: Median Wealth by Family Structure and Race



Source: Addo, Fenaba and Darity, William Jr. analysis of the Federal Reserve Board, 2019 Survey of Consumer Finances

A study on Black and White families between 1984-2009 demonstrated that getting married increased White wealth by more than $75,000 but did nothing to increase wealth among Black households (Brown, 2021, pg. 58). In *The Whiteness of Wealth*, Dorothy A. Brown, law professor at Emory University, outlines the role tax policy plays in providing privilege to White married couples, helping them build more wealth while punishing Black people. Because Black spouses are likely to earn similar salaries they are subject to the highest marginal tax rate and are less likely to get a tax cut compared to their White peers, which are more likely to follow the traditional breadwinner (one high-income earner) model (Brown, 2021).

Zeroing in on younger generations, marriage does little to help equalize wealth among White and Black millennial mothers. Black millennial women are the only group (in comparison to Latinx and White millennial women) with little difference in wealth holdings between partnered and single women: the median wealth of Black millennial mothers who are single was $4,200 in contrast to $4,065 for Black millennial mothers who are partnered (Bhattacharya et al., 2019). This is indicative of other barriers faced by Black communities, including embedded racism in housing markets, as well as within our criminal legal system and labor market, all contributing to lower levels of intergenerational wealth transfers.

Policies and investments that privilege the concept of the nuclear family also are shaped by anti-black narratives. For decades, economic and social policy has been shaped by the "welfare queen" myth, popularized by the Reagan presidency, which created a caricature of Black single mothers as devious and immoral. This narrative was designed to undermine social policy by questioning Black women's value and deservedness.

Policymakers also are so tied to the narrative of the "missing Black father" that they have built punitive policies and initiatives such as President Obama's My Brother's Keeper, based on the flawed thinking that Black men are absent parents. These policies have been created despite studies that show Black fathers are actually more involved in their children's lives than White fathers (Jones & Mosher, 2013). Dorothy Roberts, law professor at the University of Pennsylvania, argues that "making Black men symbols of fatherlessness...offers a convenient explanation for Black people's problems" but denies that their poverty is caused by "racism or the unequal distribution of wealth," (Roberts, 1998).

These anti-black narratives drive investments into programs such as the Healthy Marriage Initiative, which looked to promote marriage in low-income communities as a poverty reduction strategy. Programs and policies that keep us focused on “fixing” family structure to address racial wealth inequality distract from the fact that wealth is the driving force of education, employment and income outcomes, not the reverse. Rather than family structure shaping wealth, wealth shapes family structure. Black people cannot marry their way to parity in wealth – and focusing on changing individual behaviors rather than the structural causes will only perpetuate racial wealth gaps.

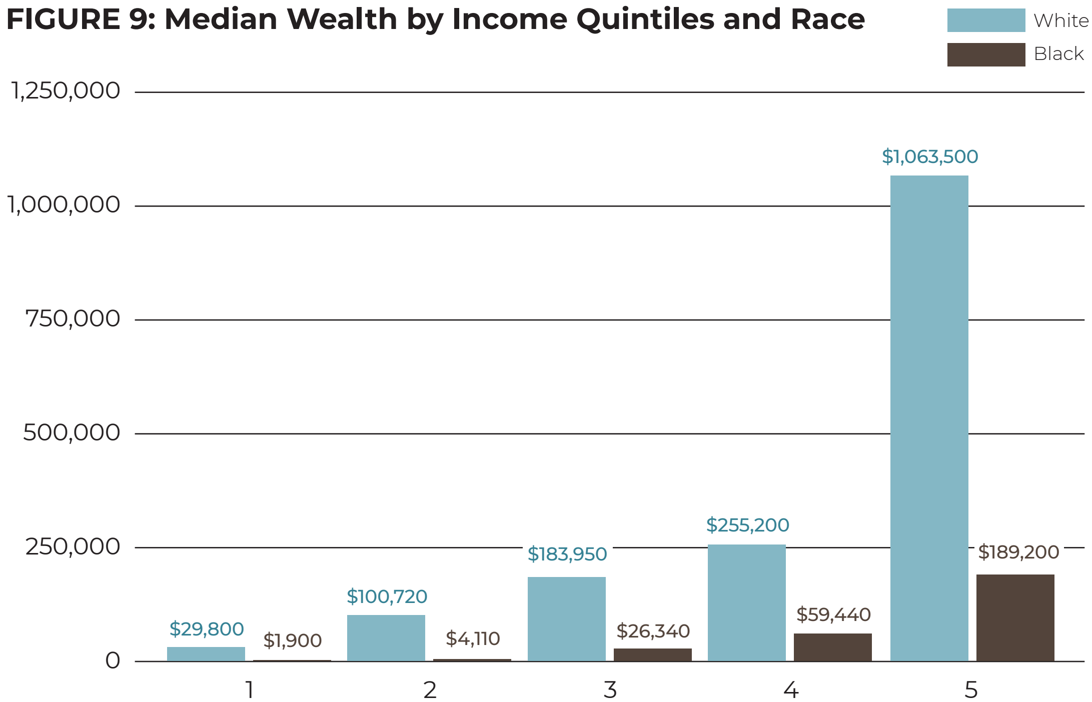
Black people cannot marry their way to parity in wealth – and focusing on changing individual behaviors rather than the structural causes will only perpetuate racial wealth gaps.

Income and Employment

The personal responsibility narrative permeates thinking around income and its role in addressing racial wealth inequality. This narrative often points to individual interventions such as job training, “soft-skills,” financial literacy or improving savings practices to solve racial wealth inequities. However, these approaches ignore both underlying labor market discrimination and the lack of intergenerational wealth Black people have been able to amass, which drive disparities in income and savings in the first place.

While income does play a modest role in the ability to generate wealth, income does not explain the massive Black-White wealth disparities. Figure 9 illustrates how Black and White households in similar income quintiles have starkly different median wealth levels. The typical Black household in the highest income quintile holds similar wealth holdings as a typical White household in the middle income quintile. The typical Black household in the middle income quintile holds *less* wealth than the typical White household in the lowest quintile. The typical Black household in the lowest income quintile has 1/15 of the wealth of the typical White household in the same quintile - which translates to about 7 cents for every dollar of wealth for White households.

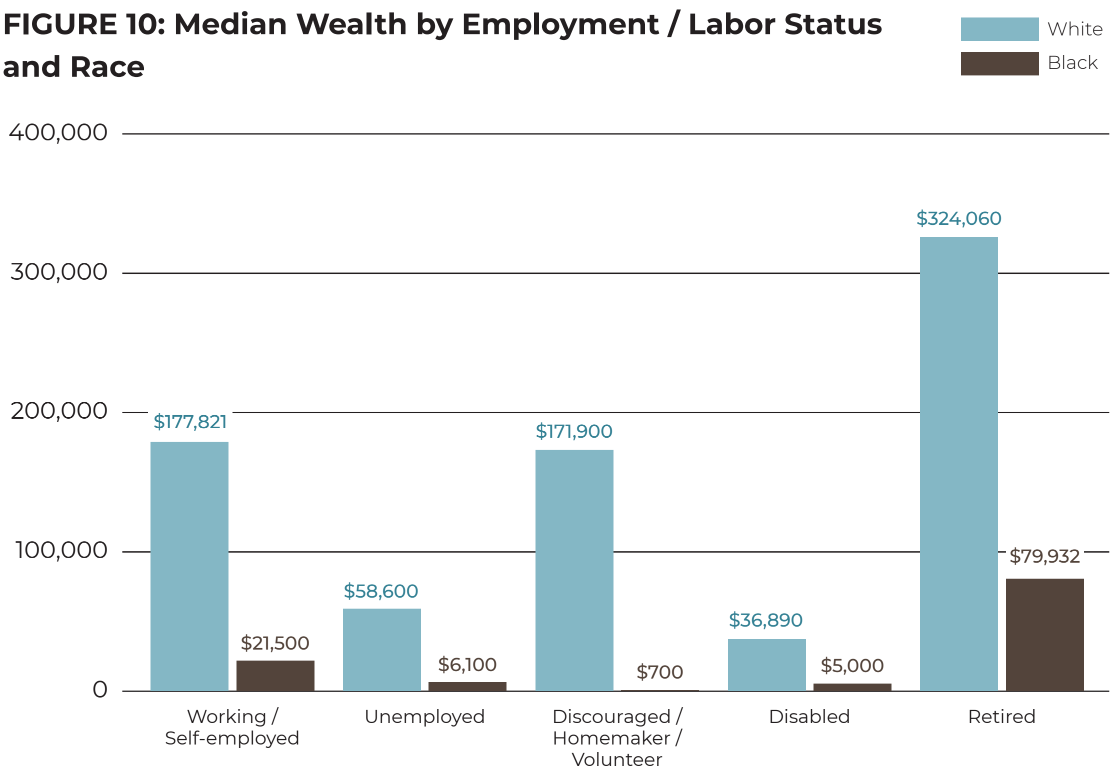
FIGURE 9: Median Wealth by Income Quintiles and Race



Source: Addo, Fenaba and Darity, William Jr. analysis of the Federal Reserve Board, 2019 Survey of Consumer Finances

Employment also does not explain the massive racial disparities in wealth at each income level. Figure 10 reveals that White families with a head of household that is unemployed have 2.7 times the median wealth of Black families with a head of household that is working full-time ($58,600 versus $21,500).

FIGURE 10: Median Wealth by Employment / Labor Status and Race



Source: Addo, Fenaba and Darity, William Jr. analysis of the Federal Reserve Board, 2019 Survey of Consumer Finances

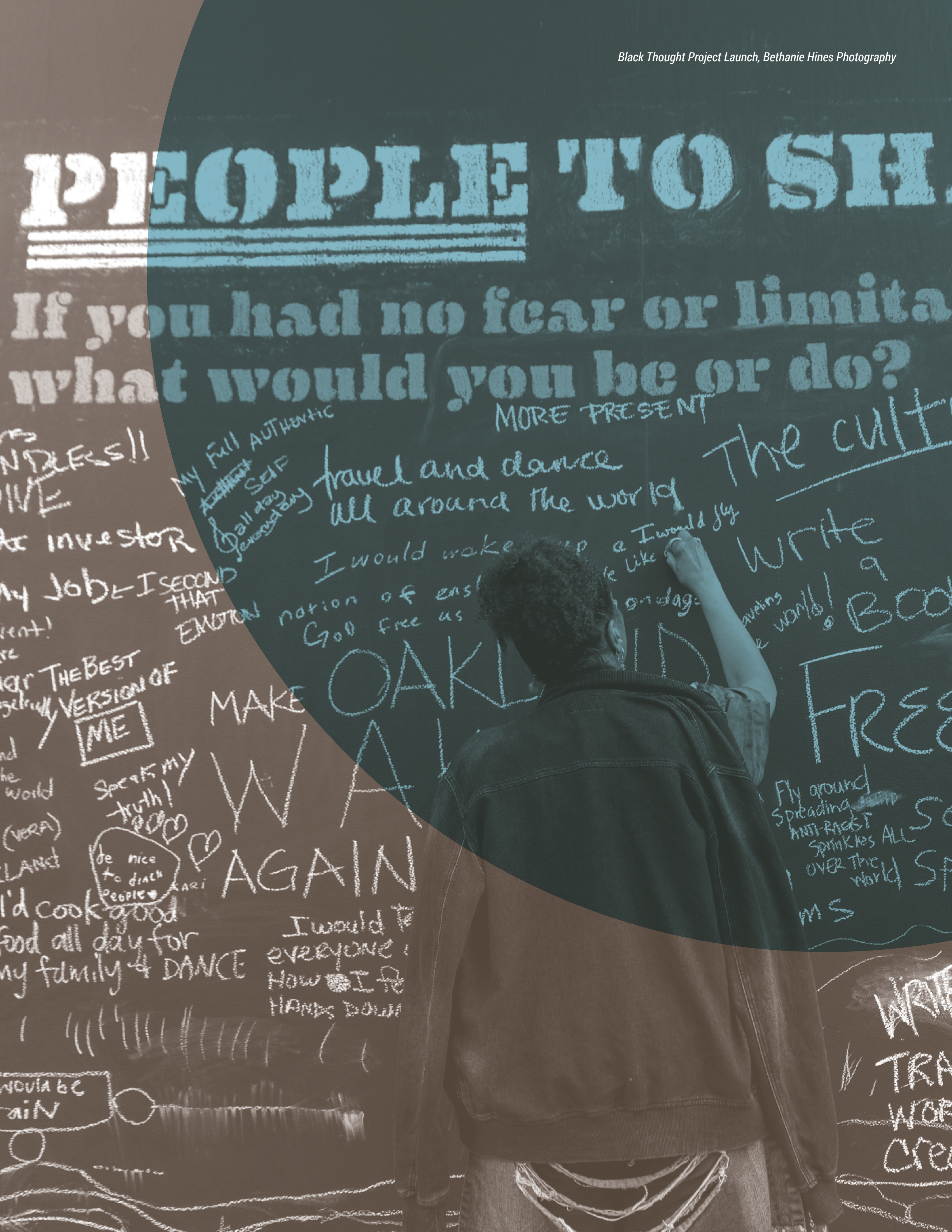
Higher income jobs with good benefits *can contribute* to increased wealth, yet these are precisely the jobs that Black Americans are more likely to be locked out of. After taking education into account, almost 90 percent of occupations are racially segregated in the U.S., and pervasive labor market discrimination means that the lowest paying jobs are relegated to Black Americans (Adams & Hollenhorst, 2020). When doors to job opportunities with better pay and benefits are closed for Black people, their wealth-building opportunities are stymied. Median wealth among Black people would increase 25 percent if they had employer-based health coverage equal to that of White people and 53 percent more wealth if pension rates were equalized (McGirt, 2019).

However, Black people are disproportionately channeled out of more stable jobs and into less reliable work that is more susceptible to precarious work hours and job instability. For instance, Black workers are disproportionately given temporary work, and earn 40 percent less for the same jobs as permanent workers in the same position. While Black people make up 12.1 percent of the labor market, they make up 25.9 percent of temporary workers (Wilson, 2020).

Persistent and pervasive racism and sexism embedded in the labor market have also created a system where the starkest disparities in the labor market fall on the backs of Black women. While women make up about half the workforce, they constitute 70 percent of employees whose jobs paid less than $10 per hour in 2015 (Bhattacharya et al., 2019). In 2017, the median annual earnings for full-time Black women workers was 21 percent lower than that of White women and 39 percent lower than that of White men, reflecting the overrepresentation of Black women in low-wage service and sub-minimum wage jobs (Banks, 2019). However, 80 percent of Black mothers are the breadwinners in their families, and Black families are more reliant on their income (Banks, 2019).

For decades, large scale investments in workforce training and upskilling have kept the focus on individual solutions rather than on the broader exclusionary policies and practices that shape labor market opportunities and outcomes.

For decades, large scale investments in workforce training and upskilling have kept the focus on individual solutions rather than on the broader exclusionary policies and practices that shape labor market opportunities and outcomes. While increasing income for Black people is absolutely necessary, without shifting the personal responsibility narratives that keep us focused on individual choices rather than labor market segregation and discrimination, it will do little to address racial wealth inequality.



Black Thought Project Launch, Bethanie Hines Photography

It’s Time to Get Serious about Narrative Change and the Root Causes of Racial Wealth Inequality

Anti-blackness and personal responsibility narratives blind us from the root causes of racial wealth inequality and prevent us from enacting structural policy solutions that are long overdue. Our nation’s current set of policy strategies has yielded virtually no progress in tackling racial wealth inequality for Black Americans, and the COVID-19 pandemic has only further fueled financial insecurity and ever-widening racial wealth inequality (Darity, Addo, & Smith, 2021).

During the pandemic, 60 percent of Black families reported serious financial problems in comparison to 36 percent of White families, and 40 percent of Black households have dipped into savings or retirement to pay the bills since the beginning of the pandemic (Chatterjee, 2020; Parker et al., 2020). Black workers faced devastating job loss during the pandemic and the road to recovery has been more sluggish for Black workers, especially Black women. In December of 2020, Black women’s unemployment rate was 8.4 percent - still 1.7 times higher than before the pandemic (Boesch & Phadke, 2021). The scale of current economic hardships underscores not only how racial wealth inequality will widen in the anticipated post-pandemic world, but also how difficult it will be for Black people to recover in the months and years ahead.

The past year of crises is exposing the fact that we created systems, rules, and policies that actively and intentionally harm Black people. In order to truly address racial wealth inequality and the impact of the COVID-19 crisis, policymakers and funders must move away from solutions focused on behavioral changes and individual choices. Rather, they must take bold actions (backed by large scale financial investments) to shift dominant narratives and reimagine economic structures that support, uplift and protect Black people.

We propose four foundational actions and provide corresponding examples of the types of policies that together can address the root causes of racial wealth inequality.

1. Shift Harmful Narratives: We cannot build power to change the rules that have resulted in low wealth levels among Black people without shifting narratives about Black people, neighborhoods and institutions that are steeped in deficits, falsehoods, and stereotypes. We must shift mental models that lead people

We cannot build power to change the rules that have resulted in low wealth levels among Black people without shifting narratives about Black people, neighborhoods and institutions that are steeped in deficits, falsehoods, and stereotypes.

to believe that wealth accumulation is predicated on hard work and making the right economic decisions. We propose major investments in narrative change efforts to build a movement led by Black people and supported by allies. This vision calls for immersing Black change agents and other cultural curators in a sustained series of culture shift experiments to create and deploy new counter-narratives.

There are a few examples of Black change agents currently working in different sectors to address dominant narratives about Black people. For instance, Alicia Walters through her work, the Black Thought Project (a collaboration with the Insight Center), creates interactive art installations where Black people are given a space to share their perspectives while others protect, witness and honor what is shared. Artist Alexandra Bell through her "Counternarratives" series uses the headlines in media articles to reframe racist narratives (Harmon, 2018). In his cultural practice, landscape architect Walter Hood uses art and symbolism to re-centre Black people in public spaces; and, associate professor of social work Courtney Cogburn has translated her research on racial inequities in health to a VR experience that looks to create shifts in social perceptions and attitudes (Pagliacolo, 2021; Cogburn, 2017). New narratives created by Black cultural curators and advocates will inspire action on a series of change levers — in education, popular culture, media, philanthropy and economic policies and practices —and when leveraged with movement building efforts, will help create deep lasting change that is a fundamental precursor to truly addressing the root causes of racial wealth inequality.

Policymakers have also started to recognize the importance of investing in narrative change. In the summer of 2020, Representative Barbara Lee (D-CA) introduced a resolution to create a US Commission on Truth, Racial Healing and Transformation, with an explicit goal of narrative change through platforms including school curricula, news media, movies, radio, digital media, gaming platforms, and memorials (Ramirez, 2021). A narrative effort that is confronting and acknowledging the true history of systemic racism and violence is a critical precursor for the proposed solutions that follow.

2. Eliminate the Racial Wealth Gap:

While increasing homeownership, entrepreneurship, job opportunities and educational levels among Black Americans may improve the wealth position for some, they will not result in a fundamental change in the conditions of structural racial economic inequality or close the racial wealth gap. The only way to address the cumulative intergenerational effects of anti-black racism and violence and close the racial wealth gap is through direct payments to Black American descendants of slaves. A federal reparations program that makes direct payments to eligible recipients

> ***The only way to address the cumulative intergenerational effects of anti-black racism and violence and close the racial wealth gap is through direct payments to Black American descendants of slaves.***

solves for the cumulative damages of slavery, Jim Crow, and the enormous racial wealth gap. A federal reparations program is the most transformative step forward to address racial wealth inequality.

Black people became the only race in the U.S. ever to start out, as an entire people, with close to zero capital. After the Emancipation Proclamation was signed in 1863, Black people owned .5 percent of the nation's total wealth and that figure has barely moved (Merritt, 2016). In 2020, Black American descendants of U.S. slavery were twelve percent of the nation's population but possess less than two percent of the nation's wealth (Darity & Mullen, 2021). Black-White wealth inequality is the most powerful economic indicator of the full effects of racial injustice in the United States, and to erase these differences, which as of 2019 stood at $840,900 per household, the nation must provide the large-scale investments to build Black assets to a level comparable to those given to White Americans. Raising the Black share of wealth up to the Black share of the nation's population would require an expenditure of at least $11 trillion (Darity & Mullen, 2021).[5] Current policies and programs that claim to close the racial wealth gap fail to adequately account for an economic system built to harm Black Americans and the cumulative impacts of racial injustice. A federal reparations program will correct for these fundamental harms.

3. Dismantle Extractive Policies: While a federal reparations program is the only way to close the racial wealth gap for Black descendants of the enslaved, without also addressing the ways that wealth is extracted from Black Americans writ large, we will not be successful in providing pathways for wealth building for all Black Americans. This will require us to tackle head on the predatory systems of debt that continue to strip wealth from Black Americans. For instance, one policy that would address an extractive practice is large scale student debt relief. Policymakers have created a higher education structure that relies on a debt-financed system that disproportionately harms Black people and has allowed for a predatory industry of for-profit colleges to proliferate and specifically target Black students. As explored earlier, Black households are more likely to take out student loans as well as rely on riskier private loans, which creates a debt anchor that puts Black student graduates at a severe wealth disadvantage. Student loan cancellation would have an immediate impact on improving the financial security of Black households (Addo & Harrington, 2021) and would provide much-needed relief to Black women who are disproportionately saddled with large sums of student debt (Miller, 2017). Canceling student debt would not only have a dramatic impact on the financial stability of Black households, freeing them up to opportunities to build wealth, but would also relieve the high stress levels many Black student debt holders report, improving the health and quality of life for Black households (Hoskin, 2021; Friedline & Morrow, 2021).

5 This estimate uses the mean gap in wealth as the policy target rather than the median gap in wealth. This is because the median gap in wealth looks to the middle of each group's wealth distribution as representative of the group as a whole. However, this does not reflect how wealth for White Americans is densely concentrated above the median. For instance, 25 percent of White households hold more than $1 million in wealth and 97 percent of White Americans' total wealth is held by households with a net worth above the median. By focusing on the mean, or average, we can create a reparations program that takes into account the high concentration of wealth by White Americans above the median value (Darity, 2021).

Another important example of an approach to address predatory practices is by tackling criminal legal debt through the elimination of fines and fees. The rise of mass incarceration is reshaping economic inequality and poverty and has become a permanent feature of the American experience, particularly for Black people. Black people make up more of the federal and state prison population than any other racial group (Gramlich, 2019). Additionally, Black women are incarcerated at a rate almost double that of white women. People leaving prison are saddled with an average of $13,607 in fines and fees, and estimates reveal that as much as 60 percent of a formerly incarcerated person's income goes toward criminal legal debt (Evans, 2014; Bozelko & Lo, 2018). Criminal legal fines and fees that come with incarceration, arrest or even a traffic infraction can have multigenerational effects on wealth and long-lasting economic consequences for Black communities because fees for things like probation supervision, presentence investigations, and drug and alcohol testing can compound and act as a debt anchor for Black families (Frankel, 2020). In order to tackle criminal legal debt we must build on current progress to completely eliminate state and local governments' criminal administrative fees along with the corresponding debt. At the federal level we must repeal and replace the 1994 Crime bill. Addressing criminal legal debt will help to eradicate one of the most pervasive wealth stripping practices that impact Black Americans.

While student debt and criminal legal debt elimination are two examples of ways to remove the barriers designed to impede wealth building for Black Americans, it is important to not conflate these policy proposals as ways to close the racial wealth gap (which can only be done through direct payments). Instead, these two examples serve as illustrative policies that will be critical in creating an economy where predatory and extractive practices no longer exist as barriers for Black Americans to build wealth.

4. Design Programs to Seed Intergenerational Wealth: In addition to dismantling extractive policies and practices, we must also design policies and programs that seed capital and generational wealth. One example of a policy that would increase intergenerational wealth building opportunities for Black people is the creation of a baby bonds program. A system of federal trust accounts for all children born in the U.S, "baby bonds," would extend the benefits of seed capital to purchase the economic security of an appreciating asset to every newborn regardless of race and the family economic position in which they are born. The federal government would make deposits annually into these accounts and kids could access the funds once they reach adulthood. For kids coming from lowest wealth families, it is estimated that these funds could average $46,000 by the time they reach age 18 (Matthews, 2019). This type of seed funding could be a great first step at helping young Black adults gain access to and dream of opportunities such as going to school debt free, starting a business, or buying a home. Baby bonds would be a step to build seed funding which Black children have often been denied, due to centuries of government policies and programs that have stymied Black intergenerational wealth building.

CONCLUSION

America offers a false promise of equal opportunity and individual agency. For Black Americans, making all the right choices does not equal all the right outcomes. Just as wealth building for White people in America was by design and government action, we need intentional and structural wealth building strategies for Black Americans with investments comparable to those given to White Americans. This requires a paradigm shift to truly tackle racial wealth inequality. *Rather than focusing our policy strategies on how to assist Black people in running up the down-escalator faster, we need to dismantle the down escalator in their path and create a new up escalator for Black Americans*. Through a combination of large scale investment in narrative change-efforts, a federal reparations program, the dissolution of extractive practices, and new fiscal policies to seed intergenerational wealth, we can get serious about breaking down the barriers that continue to bind us, and finally work toward the structural solutions that will allow us to achieve an economy where all Americans can prosper.

APPENDIX

Table 1. Income Quintile Ranges by Race

	White	Black
1	$0-$30,544	$509-$19,344
2	$30,645-$53,960	$20,362-$32,580
3	$54,032-$85,522	$33,589-$48,870
4	$85,929-$142,537	$49,888-$81,449
5	$143,147-$704,000,000	$82,468-$11,400,000

These are within race distributions.The Black and White columns list the income ranges by quintiles (0-20%/20-40%/40-60%/60-80%/80-100%) for all Black and White households.

Table 2: Wealth Quintile Ranges by Race

	White	Black
1	($629,500)-$18,480	($350,460)-$1
2	$18,500-$118,470	$2-$8,000
3	$118,550-$284,320	$8,010-$50,690
4	$284,500-$771,400	$50,700-$166,500
5	$771,430-$1,970,000,000	$167,500-$763,000,000

These are within race distributions. The Black and White columns list the wealth ranges by quintiles (0-20%/20-40%/40-60%/60-80%/80-100%) for all Black and White households.

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