

WIDENING RACIAL WEALTH GAP

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RISING WEALTH INEQUALITY: CAUSES, CONSEQUENCES, AND POTENTIAL RESPONSES

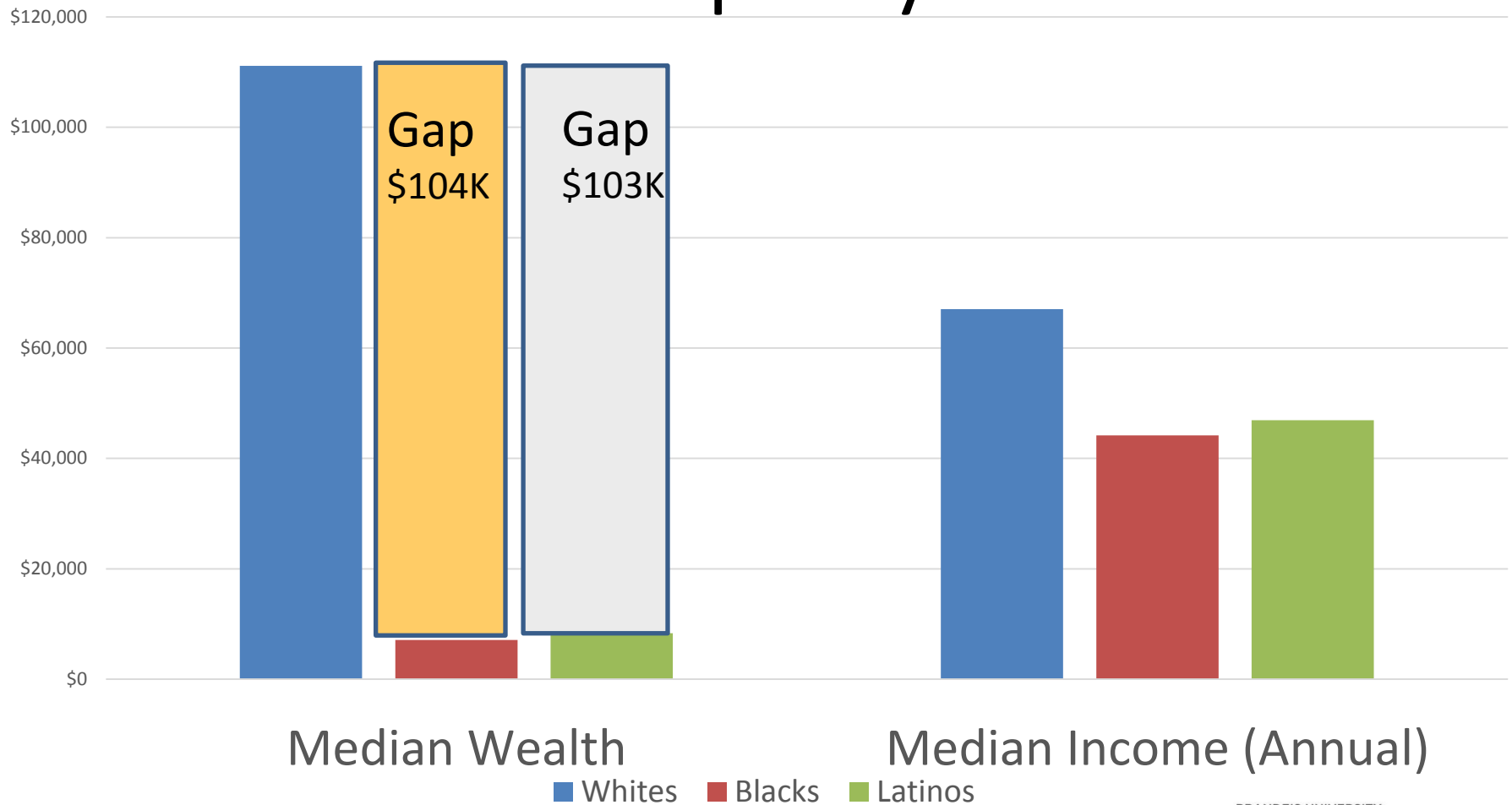
National Poverty Center
Ford School of Public Policy
School of Social Work
Panel Study of Income Dynamics
Department of Economics

April 24, 2015

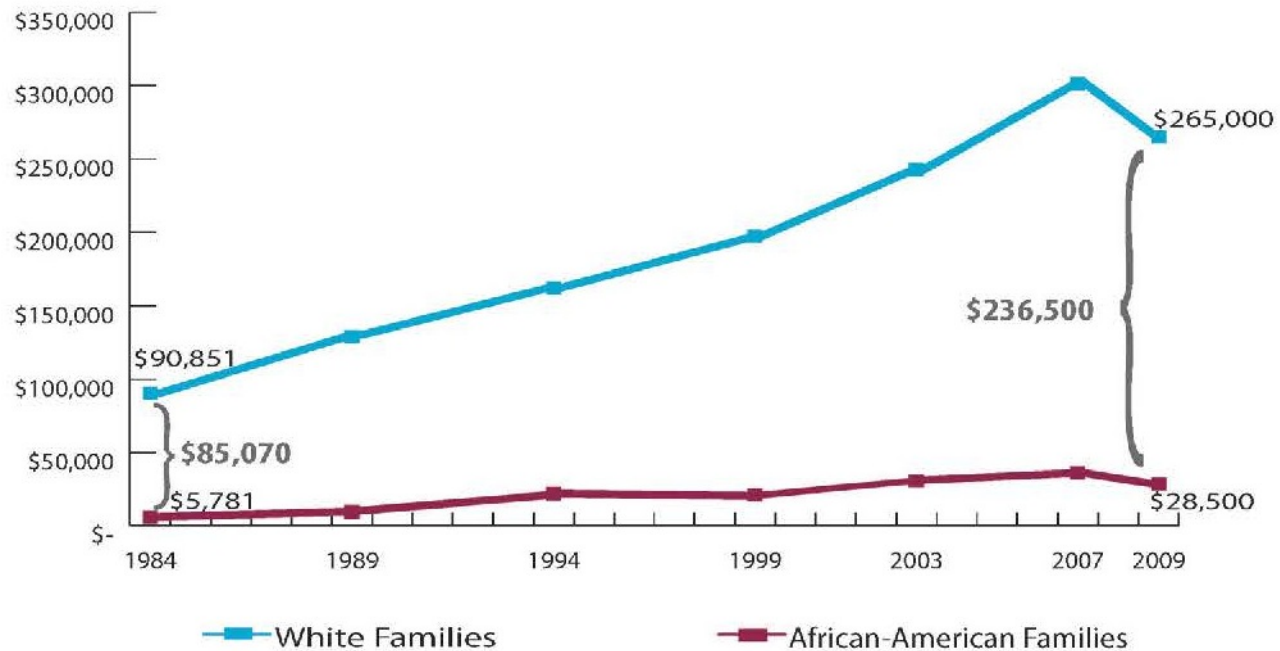
Racial Wealth Gap Matters

- Why it Matters
- State of the Art and Baseline
- Widening Gap
- Why it is Widening
- Racial Wealth Audit™

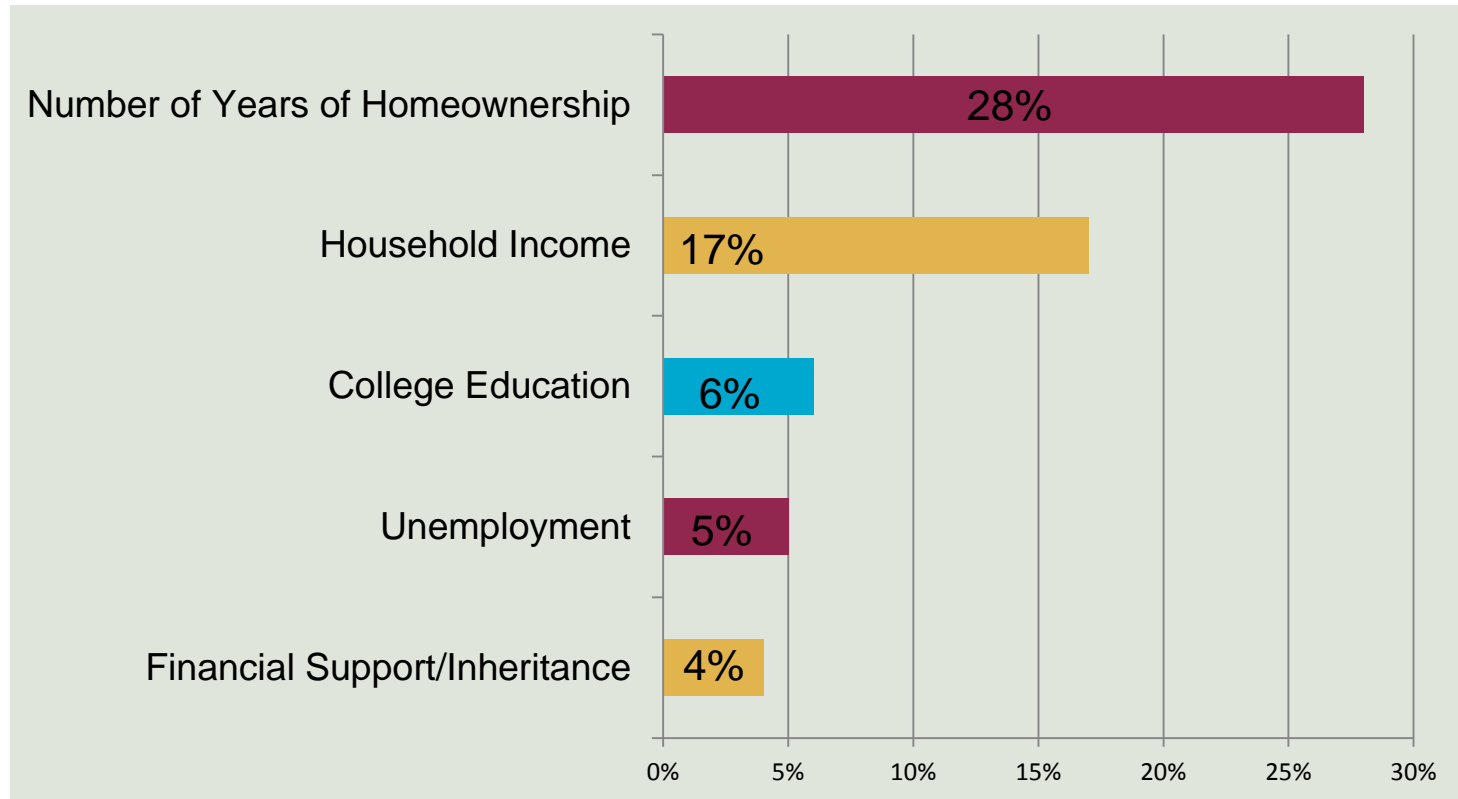
Racial Wealth Gap vs. Income Inequality



The Widening Racial Wealth Gap, 1984 - 2009



What's Driving the Increasing Racial Wealth Gap



Policies and the Racial Wealth Gap

- Public policies have been key in increasing RWG:
 - G.I. Bill
 - Housing/Redlining
 - Retirement Savings
- Past policies have inadvertently exacerbated wealth disparities
- Need to evaluate policies' impact on the RWG
- The Racial Wealth Audit aims to serve this need:
 - A new tool and framework for policy impact

Racial Wealth Audit TM

- Distributional Impact on Racial Wealth Gap

What if...



...Home equity investments created the same wealth gains for African Americans as they do for whites?

...The return to a college education was the same among Latinos as among whites?

The Racial Wealth Audit™

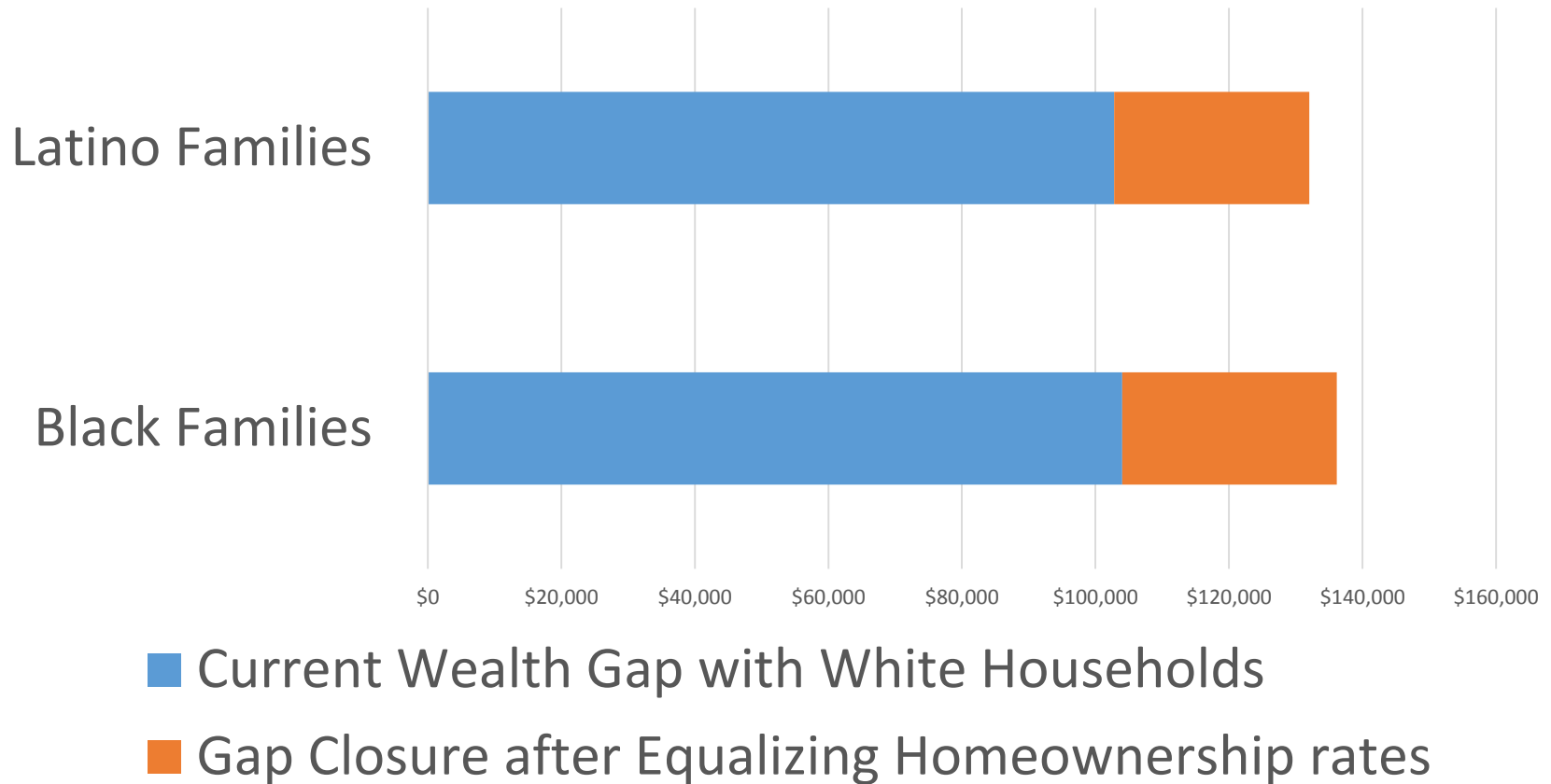
Purpose: Impact of Policy/Program on RWG?

Utilize Statistical Methods for Modeling Predictions

- National Datasets (PSID, SIPP, SCF)
- Create Modeling Predictions of Policy Impacts Based on Empirical Data
 - Analysis based on reimagined scenarios or specific policies
- Data Projections (e.g. Reweighting & Regression Model Predictions)

Policy Example: Equalizing Homeownership Rates

Wealth Gap Compared to White Households



Report: The Racial Wealth Gap: Why Policy Matters

- Policies are drivers of the racial wealth gap
- Disparities in rates and predicted financial gains of asset ownership both matter
- For example:
 - Homeownership rates are: 73% for whites, 47% for Latinos, 45% for Blacks
 - Equalizing homeownership rates would reduce Black-white wealth gap by 31 percent
 - Equalizing predicted gains in homeownership by race would reduce Black-white gap by 16 percent

The Racial Wealth Gap: Why Policy Matters

- Analysis in new report looks at three key areas shaping wealth gaps
 - Housing
 - Education
 - Labor Markets/Income
- Findings suggest that new policy proposals could reduce RWG, including:
 - First-time homebuyers programs
 - Affordable College Compact
 - Easing unionization efforts and supporting work-place benefits
- Report first in series utilizing the Racial Wealth Audit™

THANKS!

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