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# Economic Challenges Facing Black Men and Boys

Hooks Institute Open House and Policy Papers Presentation  
October 28, 2019

**Lowell Ricketts, Lead Analyst**

*\*These are my own views, and not necessarily the views of the Federal Reserve Bank of St. Louis, Federal Reserve System, or the Board of Governors*

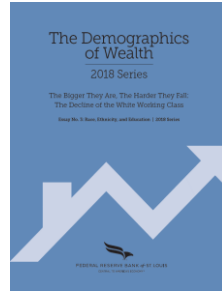
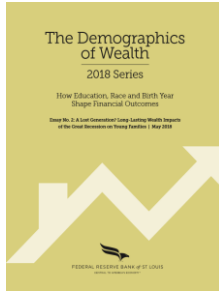
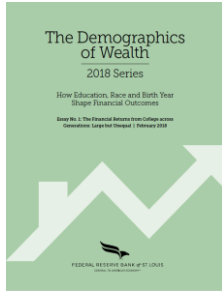


# Overview

- *Demographics of Wealth* Essay Series
  - Income and Wealth Gaps by Race and Ethnicity
- Intergenerational Economic Challenges Facing Black Men and Boys
  - Raj Chetty’s team show that black boys’ opportunities depend on the presence of black fathers and a low level of racial bias.
  - Majority of black boys grow up in low-opportunity neighborhoods.

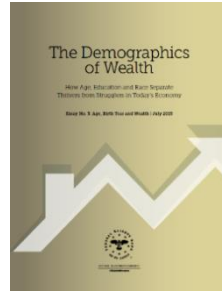
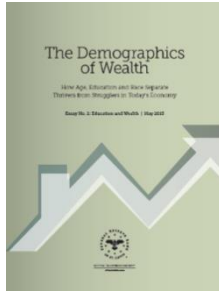
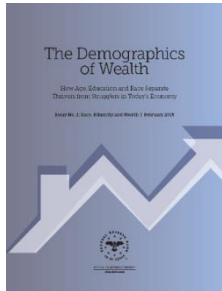
# The Demographics of Wealth Series

## 2018 Series



- HFS essay series links income, wealth and other socio-economic outcomes to a family's:
  - Race/ethnicity
  - Education (own and parents')
  - Age and birth year.

## 2015 Series

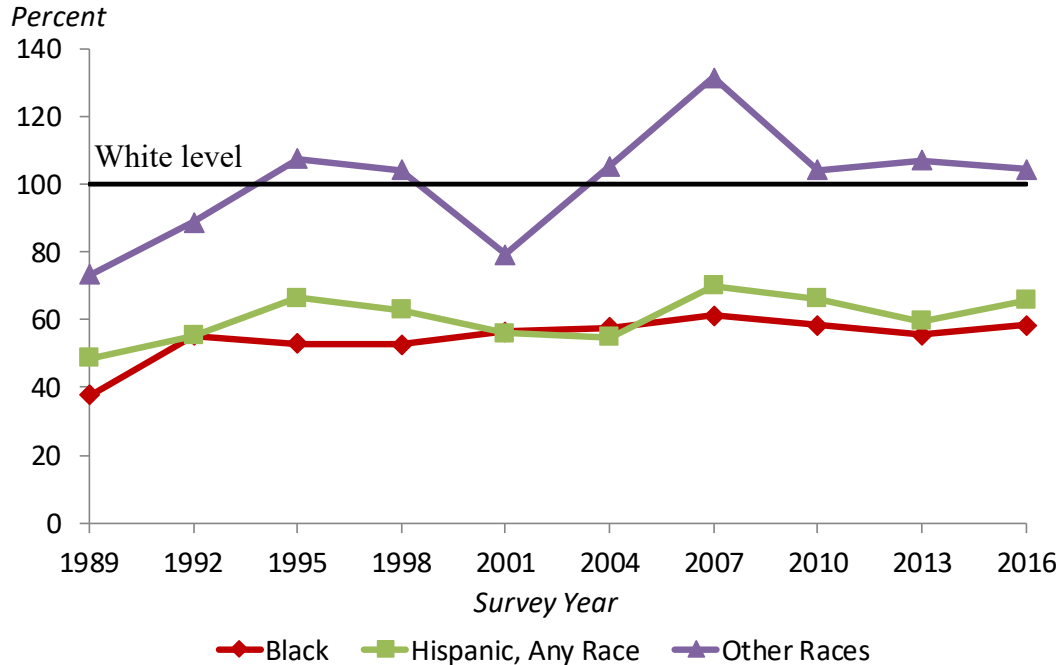


- Your race/ethnicity, education and birth year are strongly related to your adult outcomes.

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# Black & Hispanic Income Gaps Closing Slowly

Median Real Income, Relative to Non-Hispanic White Families



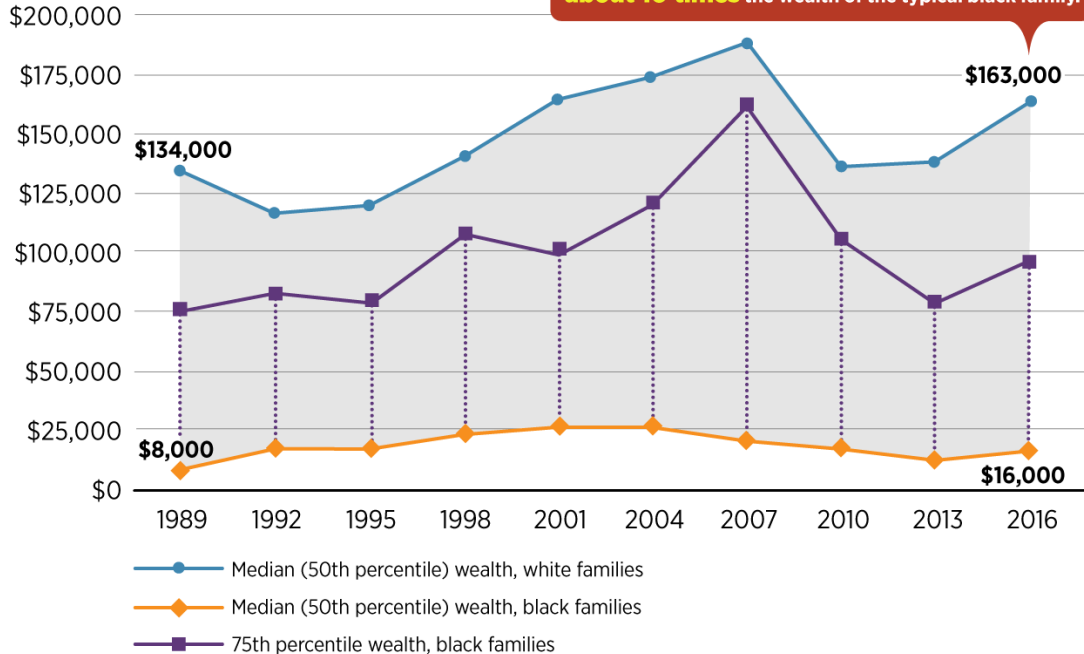
Source: Federal Reserve Board's Survey of Consumer Finances.

- Typical (median) income of black and Hispanic families has moved closer to that of white families but remains 40% lower.
- The typical “other-race” family has surpassed the typical white family’s income.

# Racial/Ethnic Wealth Gaps are Wide and Persistent

## White/Black Wealth Gap

In 2016, the typical white family had **about 10 times** the wealth of the typical black family.

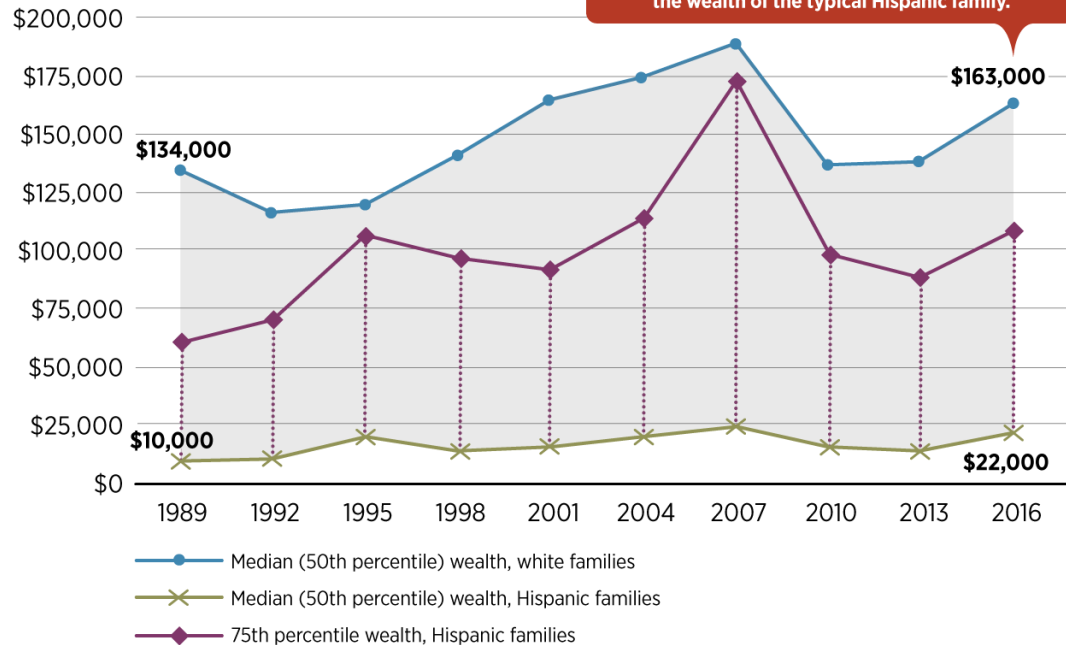


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- Despite some fluctuation, the large racial and ethnic wealth gaps remain essentially unchanged.
- Typical white families had about 10 times wealth of typical black families.
- Even wealthier black families (75<sup>th</sup> percentile) fall short of white medians (50<sup>th</sup> percentile).

# Racial/Ethnic Wealth Gaps are Wide and Persistent

## White/Hispanic Wealth Gap



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- Over a nearly three-decade period, the U.S. has seen very little progress in narrowing racial and ethnic wealth gaps.
- In terms of the total wealth pie, white families in 2016 owned 89% of it, while black and Hispanic families owned 3% each.

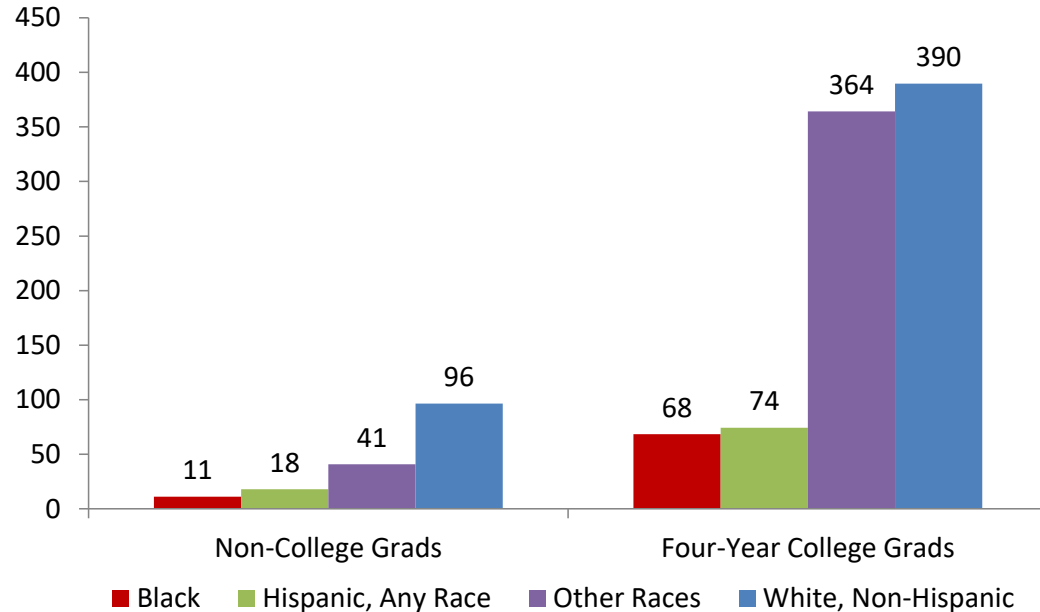
# Can Higher Education Close These Gaps?

- A college education is widely held as a powerful source of upward mobility.
- Can higher education close the racial wealth gap?
- We find that a college degree is associated with higher expected earnings and wealth accumulation for **all** families, regardless of race or ethnicity.
- However, the returns are unequal across groups at even the highest levels of education.

# Racial Wealth Gaps Remain Despite College

Median Household Net Worth, by Race/Ethnicity and Education, 2016

Thousands of 2016 \$



Note: College grads include any family headed by someone with a four-year degree or higher.

Source: Federal Reserve Board's Survey of Consumer Finances.

- Importantly, a college degree is associated with greater median wealth for *all groups*.
- However, the racial wealth divide remains even among college-educated families.
- Among college-educated peers, the black-white gap is 17 cents per dollar.



# Why Are Wealth Outcomes So Unequal?

- We conclude that *structural, systemic or other unobservable factors* related to race and ethnicity may be important drivers of wealth inequality (Emmons and Ricketts 2017).
- Historical discrimination and disadvantage created large wealth gaps in the past, which profoundly affect today's children and adults.
- Ongoing structural and systemic barriers make it difficult to narrow wealth gaps.

# Intergenerational (IG) Income Mobility

- Measure parents' income while a child is a teenager.
- Measure the child's income in his/her 30s (20 years later).
- Two extreme cases:
  - Perfect IG income rigidity: You end up exactly like your parents.
  - Perfect IG income mobility: Your parents' income doesn't predict your adult income; everyone equally likely to end up rich or poor.
- U.S. data: Somewhere in-between; differences by race and location.

# Raj Chetty et al. Have the Best Dataset Ever Assembled for Studying IG Mobility

- Results reported in the *New York Times*, Mar. 19, 2018:
  - “Extensive Data Shows Punishing Reach of Racism for Black Boys,” [Link](#).
- Underlying research paper and website:
  - Raj Chetty, Nathaniel Hendren, Maggie R. Jones and Sonya R. Porter, “Race and Economic Opportunity in the United States: An Intergenerational Perspective,” NBER working paper, Mar. 2018, [Link](#).
  - Opportunity Insights, [opportunityinsights.org](https://www.opportunityinsights.org).

# Parents' Incomes Differed Greatly by Race and Ethnicity in the 1990s

<i>Percentiles run from 0 (lowest) to 100 (highest)</i>	Mean income percentile rank (median Income) of <u>parents</u> in 1990s when kids were in their teens		
White	58% (\$70,600)		
Asian	49% (\$53,000)		
Hispanic	36% (\$33,100)		
Native American	37% (\$34,900)		
Black	33% (\$29,200)		

Source: Chetty, Hendren, Jones, Porter (2018), Appendix Tables V and VIII



# Little IG Mobility for White, Black Children

<i>Percentiles run from 0 (lowest) to 100 (highest)</i>	Mean income percentile rank (median Income) of <u>parents</u> in 1990s when kids were in their teens	Mean income percentile rank of <u>children</u> in 2014-15 when they were in their 30s	
White	58% (\$70,600)	56 (-2)	
Asian	49% (\$53,000)	61 (+12)	
Hispanic	36% (\$33,100)	46 (+10)	
Native American	37% (\$34,900)	37 (--)	
Black	33% (\$29,200)	35( +2)	

Source: Chetty, Hendren, Jones, Porter (2018), Appendix Tables V and VIII

# On Current Trends, Little Further Racial-Group Income Mobility Is Likely

<i>Percentiles run from 0 (lowest) to 100 (highest)</i>	Mean income percentile rank (median Income) of <u>parents</u> in 1990s when kids were in their teens	Mean income percentile rank of <u>children</u> in 2014-15 when they were in their 30s	Chetty et al's predicted <u>long-run</u> mean income percentile rank by racial/ethnic group
White	58% (\$70,600)	56 (-2)	54 (-2)
Asian	49% (\$53,000)	61 (+12)	63 (+2)
Hispanic	36% (\$33,100)	46 (+10)	49 (+3)
Native American	37% (\$34,900)	37 (--)	36 (-1)
Black	33% (\$29,200)	35( +2)	35 (--)

Source: Chetty, Hendren, Jones, Porter (2018), Appendix Tables V and VIII



# Why Has Black Upward Mobility Stalled?

- Low rate of upward IG mobility (doing better than parents) among low-income black children.
- High risk of downward IG mobility (doing worse than parents) among high-income black children.
- Chetty et al: “Black children continue to fall behind their white peers even if their parents catch up.” (pg. 18)

# The Main Fault Line: Black Boys vs. Girls

- Black girls are just as upwardly mobile as white girls with the same parental income.
- Black boys are not—they're much more likely to earn incomes far below white boys even with the same parental income.
- Interesting fact: Black girls' high-school completion and college-attendance rates are higher than those of white boys.



# Large Regional and Neighborhood Variation in IG Mobility

- More IG income mobility for black children—especially boys—in some parts of the South, Northeast and West.
- Very poor outcomes for black boys in the industrialized cities of the Midwest.
- Black boys are especially vulnerable to bad (low-opportunity) neighborhoods, regardless of income.
- In general, Memphis is in-between—better than Chicago but not as good as New Orleans or parts of New York.



# What Makes Chicago Neighborhoods So Much Worse than New Orleans for Black Boys?

- It's *not* primarily due to individuals “race-related shortcomings,” because black girls do much better than black boys (and white girls and boys, in some respects).
- It's *not* primarily due to family structure or marriage rates because it's share of neighborhood dads present that matters most, not presence of the child's own dad.
- It's *not* primarily due to environmental factors like school quality because black boys do worse even in good schools.

# What Makes Chicago Neighborhoods So Much Worse than New Orleans for Black Boys?

- According to Chetty and coauthors, it *is* due to:
  - High fraction of fathers present in the neighborhood: Dad in the house is good, many black dads in the neighborhood are even better.
  - Low levels of racial bias: Racial hostility expressed by local whites hurts black boys and black girls more than Hispanic or Asian boys or girls... White hostility hurts low-income whites, too.
- Unfortunately, Chicago is more typical than New Orleans: Neighborhoods with low poverty, many black fathers present and low racial hostility from whites are rare.

# In Sum: Black Men and Boys Face Immense Economic Challenges

- Black-white income and wealth gaps are large and intractable because black IG income and wealth mobility are low.
- Raj Chetty's team believes the key is increasing the opportunities facing black boys.
- Policy challenge: How do we shield black boys from poverty, increase the presence of black dads and decrease whites' racial hostility?

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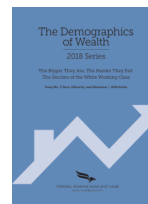
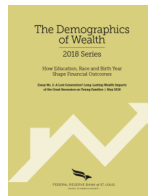
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## IN THE Balance

*Perspectives on Household Balance Sheets*



FEDERAL RESERVE BANK OF ST. LOUIS  
What is the state of

### U.S. HOUSEHOLD WEALTH?

2017

**30%** increase in median household net worth from 2010 to 2016

**74%** of households have a net worth of at least \$10,000

**161%** growth in median net worth for households with children under 18 from 2010 to 2016

Median Total Family Net Worth, 2016

KEY FINDING  
Demographic factors out of one's control strongly predict financial outcomes. For instance, white households (90%) with college-educated parents generally have much higher levels of income and wealth than those with different demographic characteristics.

Healthy balance sheets get an early start in life. They're also well-diversified, with more private-equity assets and plenty of cash reserves.

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