Osher Lifelong Learning Institute, Fall 2025

Inequality and Economics

Northwestern University

Host: Geoffrey Woglom, Director
National Economic Education Delegation

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Course Schedule

Inequality and Public Policy

- Week 1 (10/14): The New Inequality, Geoffrey Woglom, Amherst College
- Week 2 (10/21): Economics of Immigration, Robert Gitter, Ohio Wesleyan University
- Week 3 (10/28): Trade and Inequality Geoffrey Woglom, Amherst College
- **Week 4 (11/04): The Black-White Wealth Gap, Jon Haveman, Exec. Director, NEED**
- Week 5 (11/11): Climate Change Economics Sarah Jacobson, Williams College
- Week 6 (11/18): AI and Inequality Geoffrey Woglom, Amherst College

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Submitting Questions

- Submit questions in the chat. I will try to address questions after 10-minute intervals. We will do a verbal Q&A once the material has been presented.
- Slides will be available from the NEED website tonight or tomorrow https://needecon.org/delivered_presentations.php.

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Available NEED Topics Include:

- US Economy
- Healthcare Economics
- Climate Change
- Economic Inequality
- Economic Mobility
- Trade and Globalization
- Minimum Wages
- Immigration Economics
- Housing Policy
- Federal Budgets
- Federal Debt
- Black-White Wealth Gap
- Autonomous Vehicles
- Social Security

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The Black-White Wealth Gap

OLLI – Northwestern University
November 4, 2025

Jon Haveman, Ph.D.
Executive Director, NEED

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Credits and Disclaimer

- **This slide deck was authored by:**
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  - Jon Haveman, Ph.D., NEED
- **This slide deck was reviewed by:**
  - Patrick Mason, Florida State University
  - Steven Craig, University of Houston
- **Disclaimer**
  - NEED presentations are designed to be nonpartisan.
  - It is, however, inevitable that the presenter will be asked for and will provide their own views.
  - Such views are those of the presenter and not necessarily those of the National Economic Education Delegation (NEED).

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Outline

- Evidence of disparities
- Why wealth is important
- Sources of disparities
- Implications of disparities
- Policy solutions

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What is Wealth?

- **Income vs Wealth**
  - Income is the flow of funds into a household each year.
  - ***Wealth is a household's NET asset holdings.***
    - The value of all assets minus the value of all debts.
- **Assets include:**
  - Owned homes, cars, stocks, businesses, savings and checking accounts, pensions, life insurance…
- **Debts include:**
  - Home mortgages, car loans, credit cards, and any other significant financial obligations (excl regular bills)…

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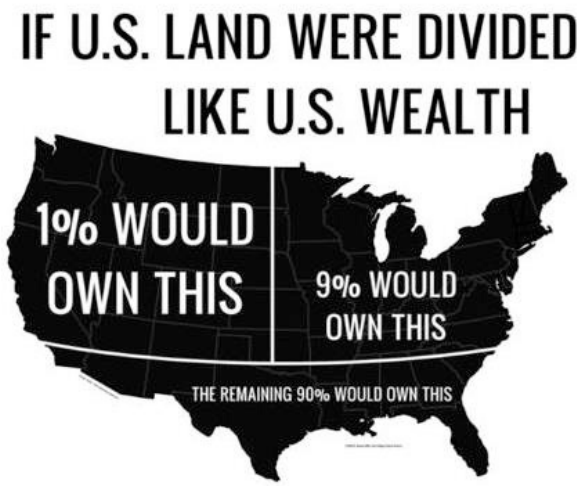
Wealth inequality in America



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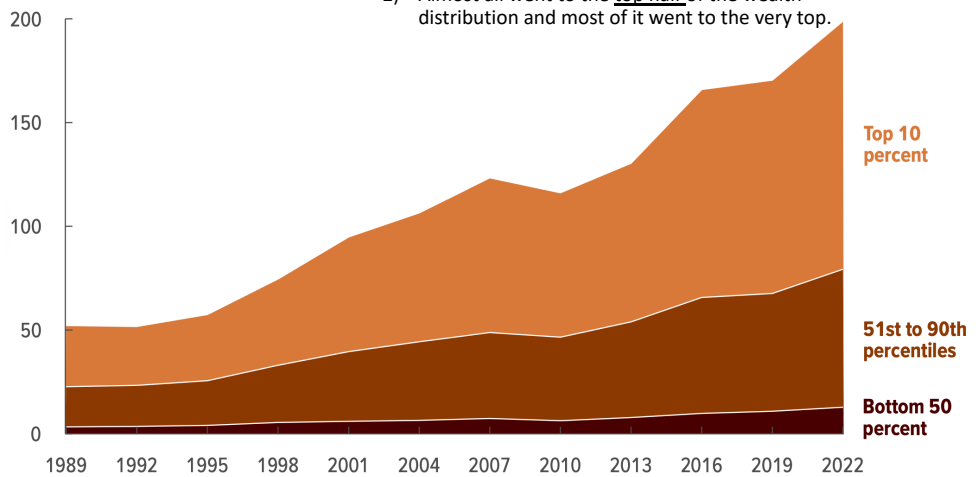
Total Family Wealth, by Wealth Group

Notes:
1) Tremendous growth in wealth between 1989 and 2022.
2) Almost all went to the top half of the wealth distribution and most of it went to the very top.



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Source: CBO - Trends in the Distribution of Family Wealth, 1989 to 2022

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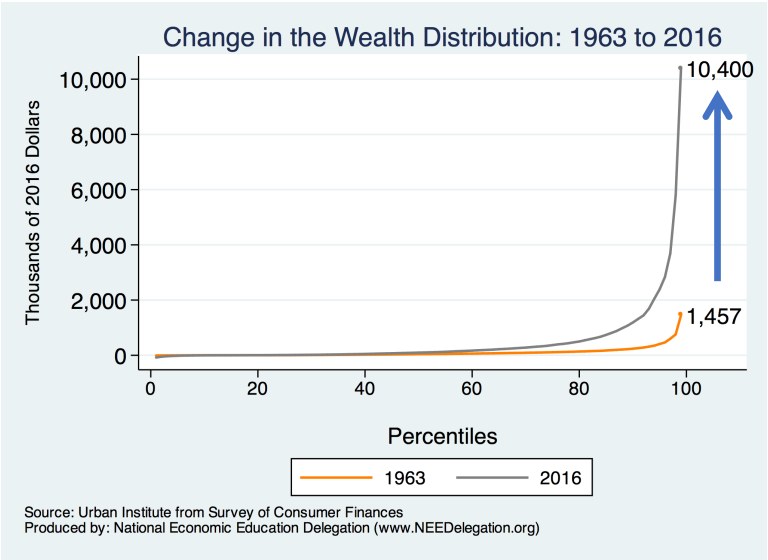
Wealth is More and More Concentrated



99th Percentile
2016 = 7x 1963

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Source: Urban Institute

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Black-White Wealth Gap

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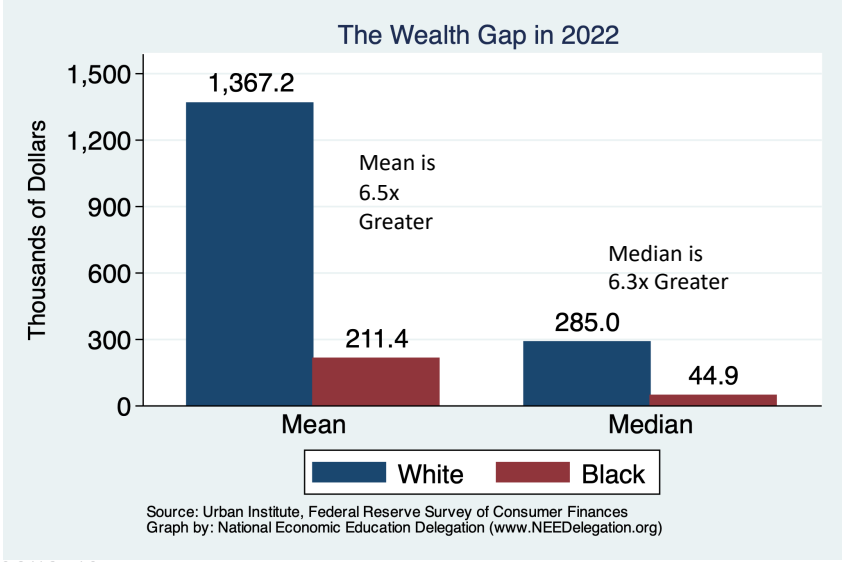
Evidence of the Gap



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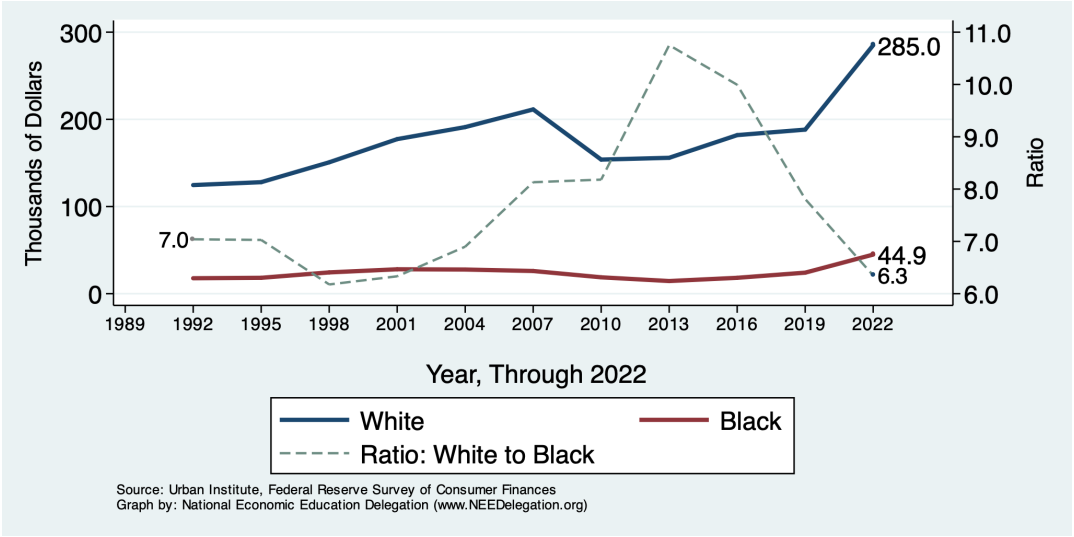
Wealth Gap Over Time: Median



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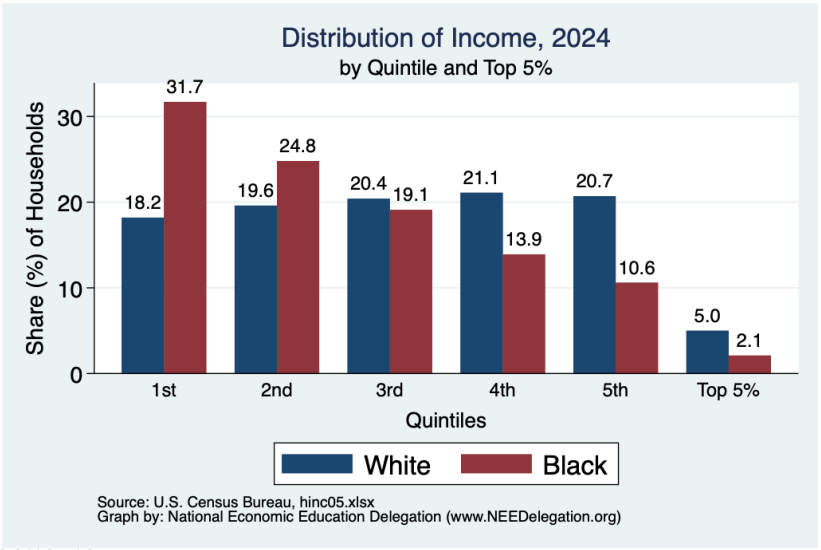
Black Household Incomes Relative to White



Source: U.S. Census Bureau, hinc05.xlsx
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

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Source: pewsocialtrends.org

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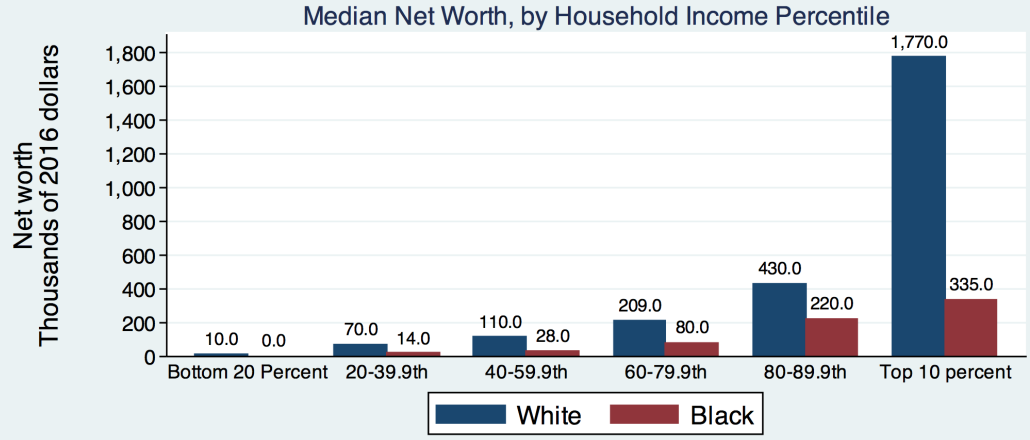
By Household Income



Source: Federal Reserve, Survey of Consumer Finances 2016, calculations by The Hamilton Project, Brookings
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

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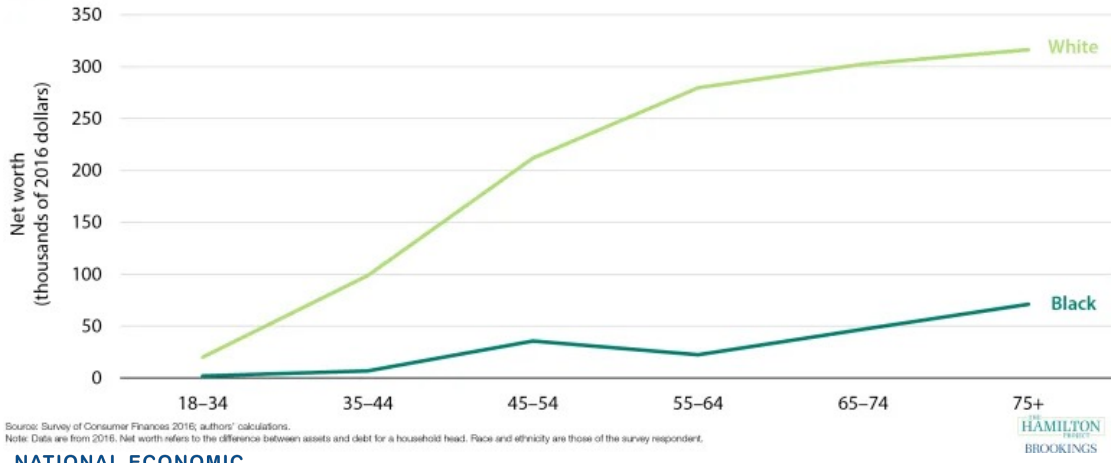
Net Worth by Age and Race

FIGURE 2.

Median Net Worth, by age of Household Head



Source: Survey of Consumer Finances 2016; authors' calculations.
Note: Data are from 2016. Net worth refers to the difference between assets and debt for a household head. Race and ethnicity are those of the survey respondent.

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Source: https://www.brookings.edu/blog/up-front/2020/02/27/examining-the-black-white-wealth-gap/

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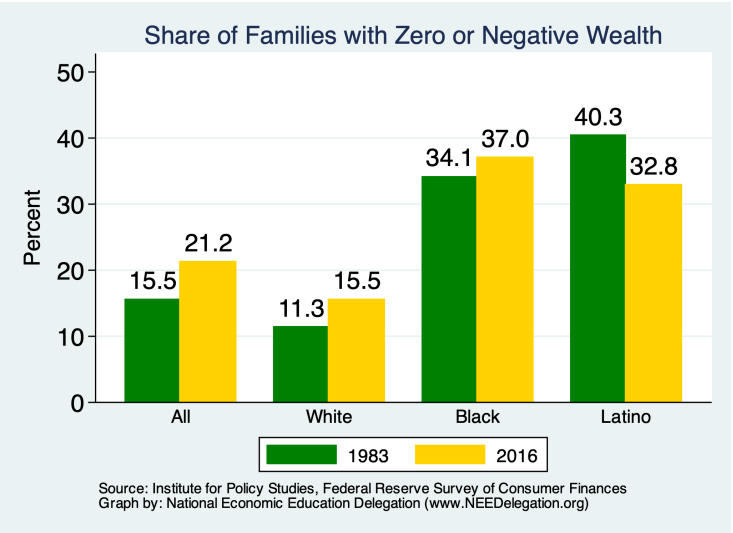
Evidence of Disparities: Zero Wealth



Source: Institute for Policy Studies, Federal Reserve Survey of Consumer Finances
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

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Why Wealth is Important

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Widespread Household Wealth Pays Dividends

- **To individuals in the household**
  - Choices/Agency
  - Wealth is iterative
- **And to broader society**
  - Human capital development
  - Entrepreneurship and innovation

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Household Level Benefits

- **Choices/Life Agency**
  - Finance higher education
  - Living in good neighborhoods
  - Saving for retirement
  - Capital to start a business
  - w/stand financial hardship
  - Better legal counsel
  - Exert political influence
  - Finance costly medical procedure
  - Bequests
- **Wealth is iterative**
  - Wealth begets more wealth.
    - Access to higher return investments.
  - Wealth transfers across generations.
    - Wealth is sticky.

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Parental Wealth is Important

- **Important pre-estate transfer effects on kids:**
  - Influences human capital accumulation.
  - Influences the returns to education.
  - Adult incomes of offspring.
- **There are clearly enormous differences in wealth held by parents of Black and White children.**
- **And it's clear that nurture plays a big role.**

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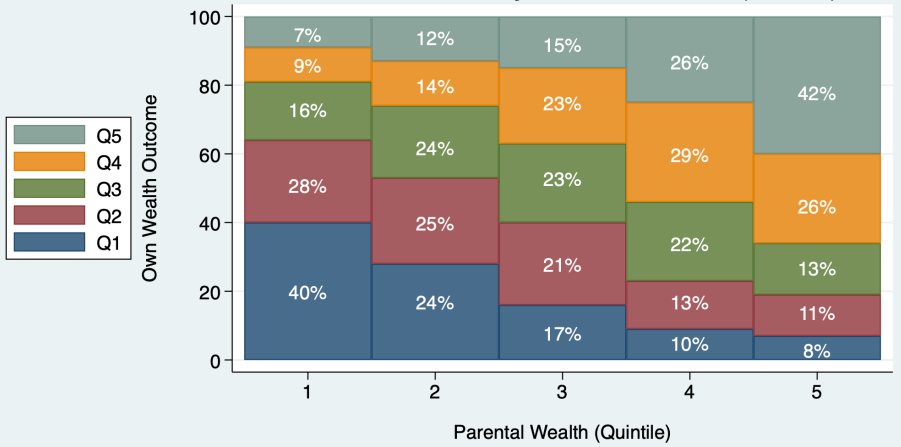
Wealth Mobility



Source: Oana Tocoian, Working Paper, Entrepreneurship and the American Dream: How far Does the Upward Mobility Ladder reach?
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

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Tangible Benefits for the Broader Economy

- More human capital development
- Increased entrepreneurship
- Healthier labor force
- Less social unrest
- Less reliance on social programs
- Smaller stock of student loans

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Sources of Disparities

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Events/Policies with Direct Wealth Implications

- **Slave trade**
  - The first deprivation.
- **Slavery**
- **40 acres (and a mule)**
  - The second deprivation.
  - Discriminatory distribution of land.
- **Freedman's Savings Bank**
  - Lax oversite and dissolution.
- **Jim Crow Laws & Economic Policy**
  - Convict leasing, debt peonage, chain-gang, sharecropping, and lynching.
- **Homestead Act**
  - Discriminatory distribution of land.
- **Land theft and destruction**
  - E.g., Black Wall Street – Tulsa, 1921.
- **GI Bill**
  - Discriminatory access – Levittown
- **Federal Housing Authority**
  - Redlining
- **And many more.**

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Results for Black Families

- **Much lower accumulation of wealth than among White families.**
- **Implications:**
  - Less financial contribution from parents to children.
    - More difficult access to higher education.
    - Less access to capital for business formation.
  - More likely to live in disadvantaged neighborhoods.
    - Fewer role models.
    - Less access to quality education.
  - ***Disparities in the capacity – availability of resources - to build wealth.***

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Potential Explanations: Differences in…

- **Educational attainment**
- **Home ownership**
- **Increased savings**
- **Financial literacy**
- **Entrepreneurship**
- **Soft skills and personal responsibility**
- **Wages**
- **Labor force participation**
- **Family structure**
- **Initial endowment**

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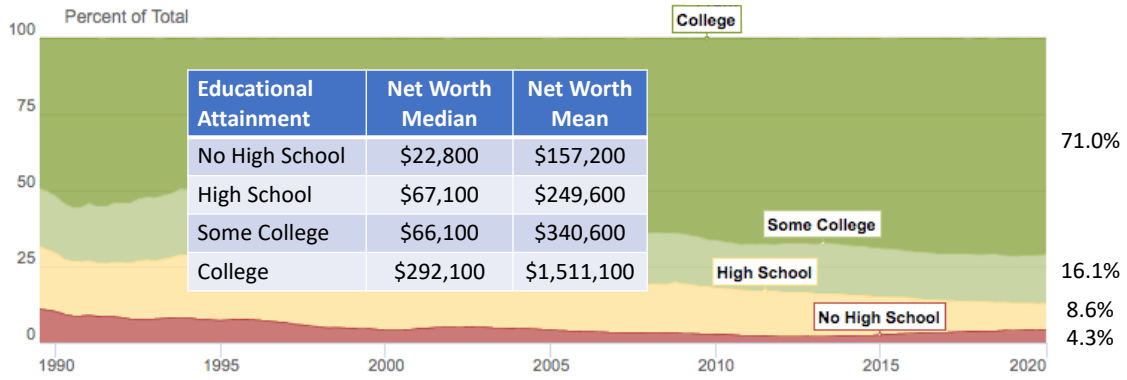
Wealth by Educational Attainment



Educational Attainment	Net Worth Median	Net Worth Mean
No High School	$22,800	$157,200
High School	$67,100	$249,600
Some College	$66,100	$340,600
College	$292,100	$1,511,100

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Source: Federal Reserve Board, Table data are 2016.

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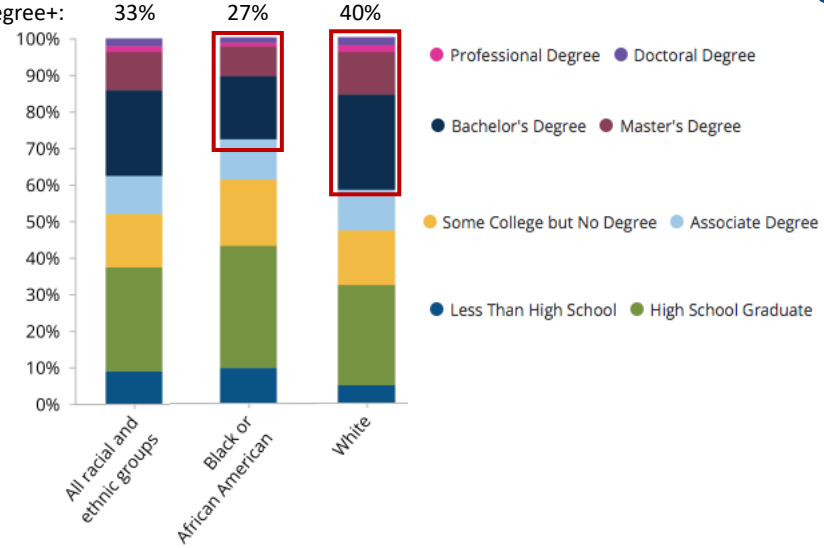
Differences in Educational Attainment, 2022

With Bachelor's Degree+: 33% 27% 40%



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Source: American Council on Education

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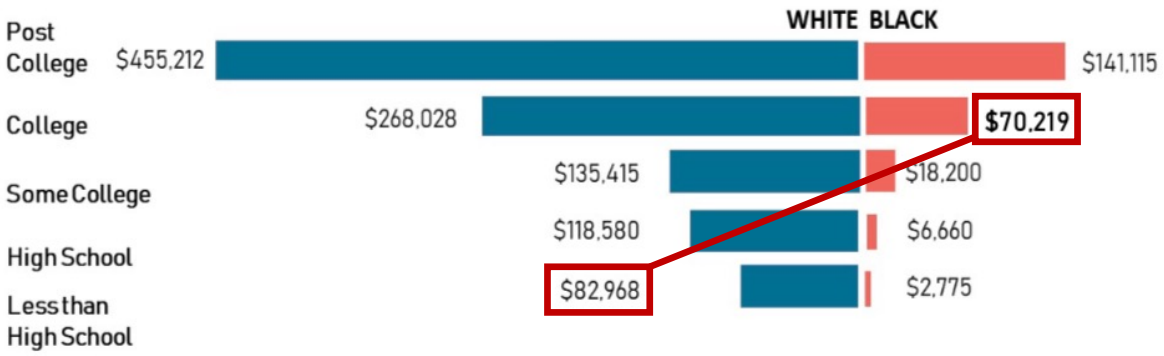
Educational Attainment

Median Household Net Worth by Race and Education



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Source: Darity, et al., "What We Get Wrong About Closing the Racial Wealth Gap"

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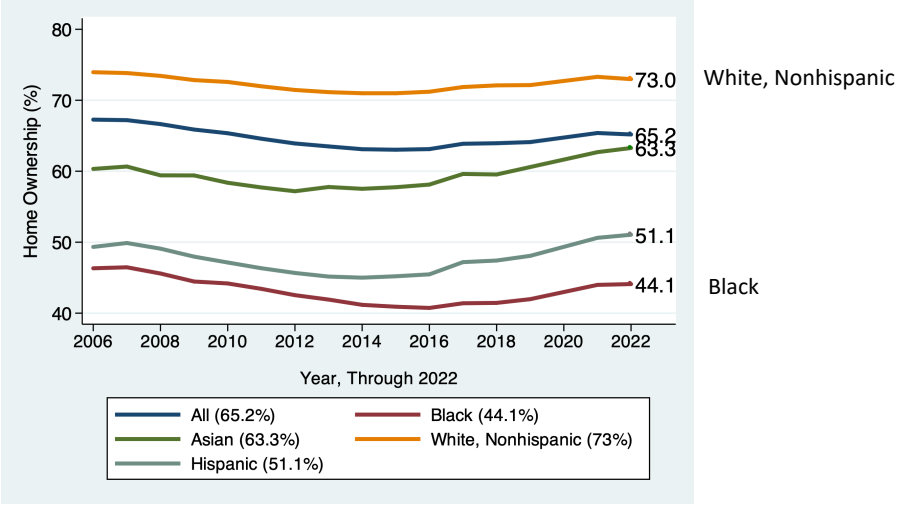
Home Ownership



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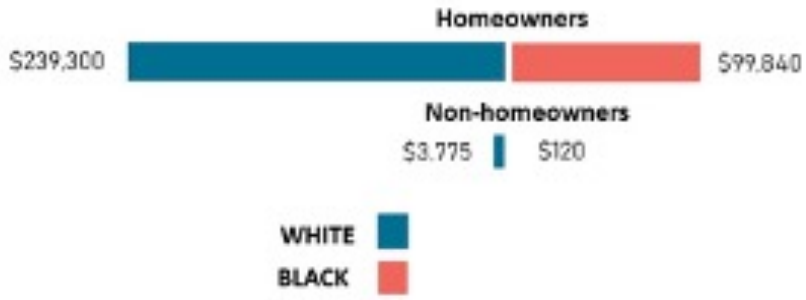
Home Ownership: 2016

Housing Status	Net Worth Median	Net Worth Mean
Renters	$5,200	$91,100
Owner	$231,400	$1,034,200



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Wealth Equality Through Home Ownership?

- **Well-documented evidence of historical and ongoing housing and lending discrimination.**
  - Appraisals, buyers, lenders, local laws, covenants…
- **What about home prices in minority neighborhoods? Even if they buy, they won't get the appreciation of White neighborhoods.**
  - Home values are 50% lower in majority Black neighborhoods.
    - 23% lower after adjusting for quality and amenities.

Source: Brookings, Home ownership while black

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What Determines Differences in Home Ownership?

- **Wealth of parents**
- **Ability to borrow – lending discrimination**
  - At all
  - On equivalent terms to white borrowers
- **Local ordinances – housing discrimination**
- **Lower appreciation rates of homes in majority Black communities.**
  - This makes it a less attractive investment.

Increased Savings

- **Historical evidence generated by economists ranging from Milton Friedman (1957) to Marjorie Galenson (1972) to Marcus Alexis (1971) to Gittelman and Wolff (2004)…..**
  - All find that after accounting for household income, Blacks have a slightly higher savings rate than Whites.
- **Risk and reward are higher for White investors (?).**
  - Controlling for income, this is not clear.
  - Access to and tolerance for higher-risk investments are clearly correlated with income.

Financial Literacy

- **Financial literary helps explain individual wealth differences within racial groups, but none of the wealth differences between racial groups.**
  - The insufficient financial literacy argument is often leveled specifically at Black households.
    - The argument holds equally with regard to all households of comparable incomes.
- **Controlling for household income, there is no difference in rates of asset appreciation between Black and White households.**

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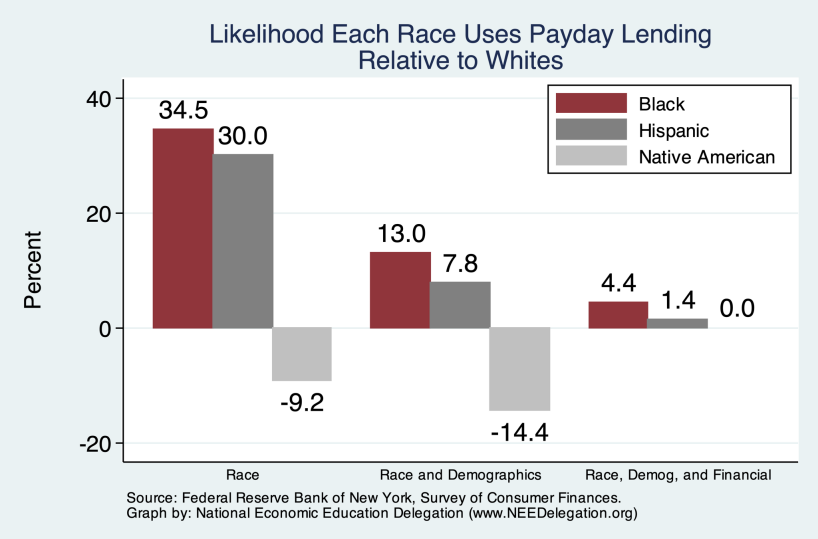
Use of Payday Lenders



Source: Federal Reserve Bank of New York; Survey of Consumer Finances

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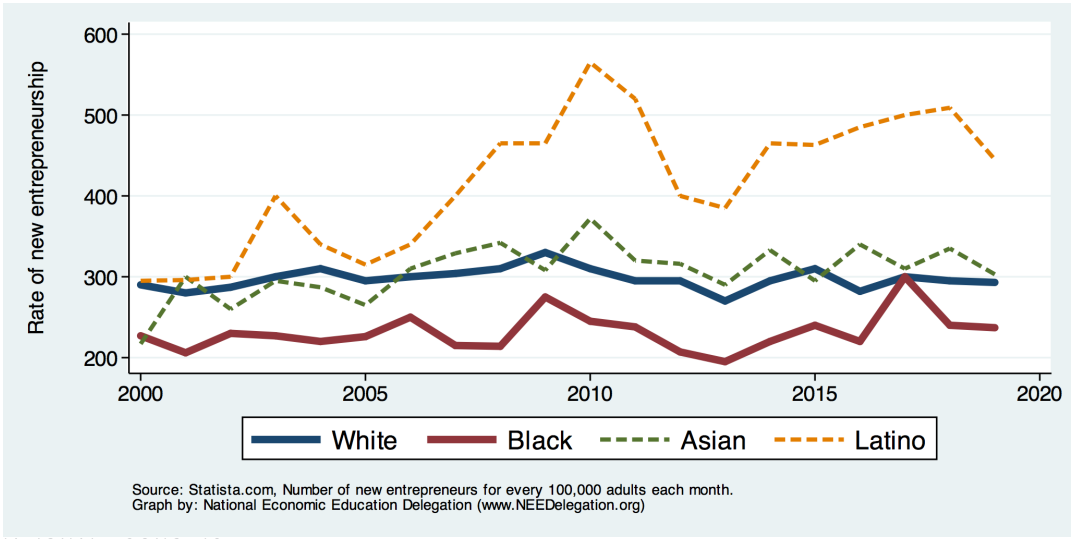
Entrepreneurship: Rate of New Entrepreneurs



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Source: Statistica

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Explaining Differences in Entrepreneurship

- **Disparities in access to capital:**
  - Wealth disparities
    - Specifically differences in home equity.
    - Differences in wealth levels of friends and family.
  - Less likely to rely on banks and more likely to rely on credit cards.
  - Loans have higher int rates and more likely to be declined.
  - Less access to venture funds.
- **Generally lower levels of education.**
- **Previous business ownership by family.**
- **Different stocks of relevant social capital.**

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Soft Skills and Personal Responsibility

- **Employability**
  - Show up on time
  - Eye contact with customers
  - Dress well
  - Collaborative skills

- **Reality**
  - Black workers are crowded into service sector jobs.
  - Well represented in service, sales and office, and production, transportation, and material moving
  - Relatively less well represented in construction, extraction, and maintenance.

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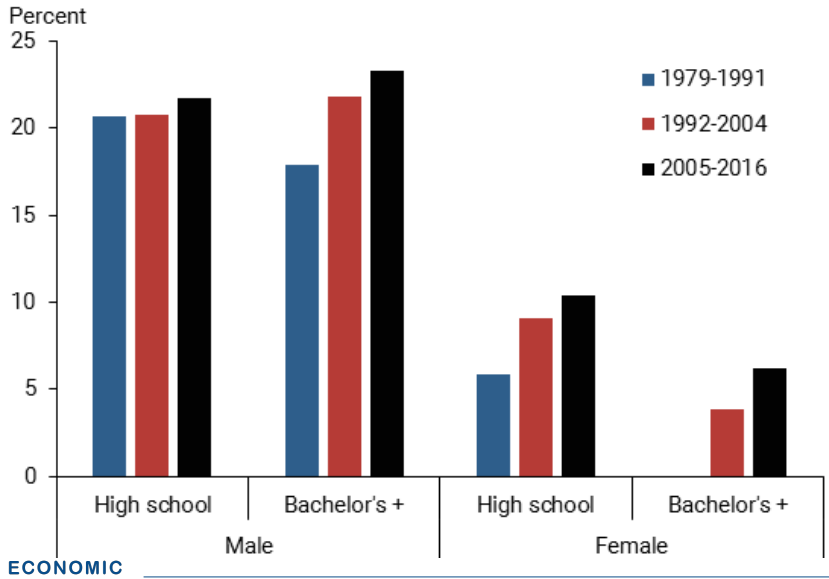
Black-White Earnings Gap by Education



Source: https://www.frbsf.org/economic-research/publications/economic-letter/2017/september/disappointing-facts-about-black-white-wage-gap/

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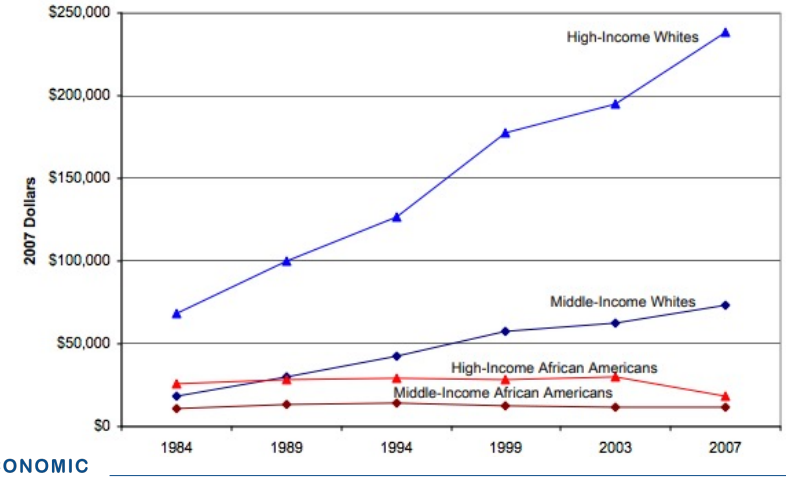
Equality of Income ≠ Equality of Wealth

Figure 2: 1984-2007 Median Wealth Holdings by Income in 1984
(Not including home equity)



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Source: http://hartfordinfo.org/issues/wsd/FamiliesandChildren/Racial-Wealth-Gap-Brief.pdf

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Incarceration Likely Plays A Role

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Family Structure

	No Bachelor's Degree				With Bachelor's Degree			
	MARRIED		SINGLE		MARRIED		SINGLE	
AGE	BLACK	WHITE	BLACK	WHITE	BLACK	WHITE	BLACK	WHITE
20-29	$4,000	$13,000	$0	$2,000	$7,700	$18,700	$-11,000	$3,400
30-39	$12,000	$33,450	$0	$0	$-20,500	$97,000	$0	$7,500
40-49	$22,501	$60,000	$1,000	$3,006	$12,000	$195,000	$6,000	$25,000
50-59	$38,000	$155,000	$2,000	$8,200	$198,000	$430,000	$9,500	$117,500
60+	$89,500	$344,700	$12,000	$60,000	$424,000	$778,000	$11,000	$384,400

Source: Zaw, Khaing, Jhumpa Bhattachayra, Anne Price, Darrick Hamilton and William Darity, Jr. *Women, Race and Wealth* Samuel DuBois Cook Center for Social Equity and the Insight Center for Community Economic Development 2017.

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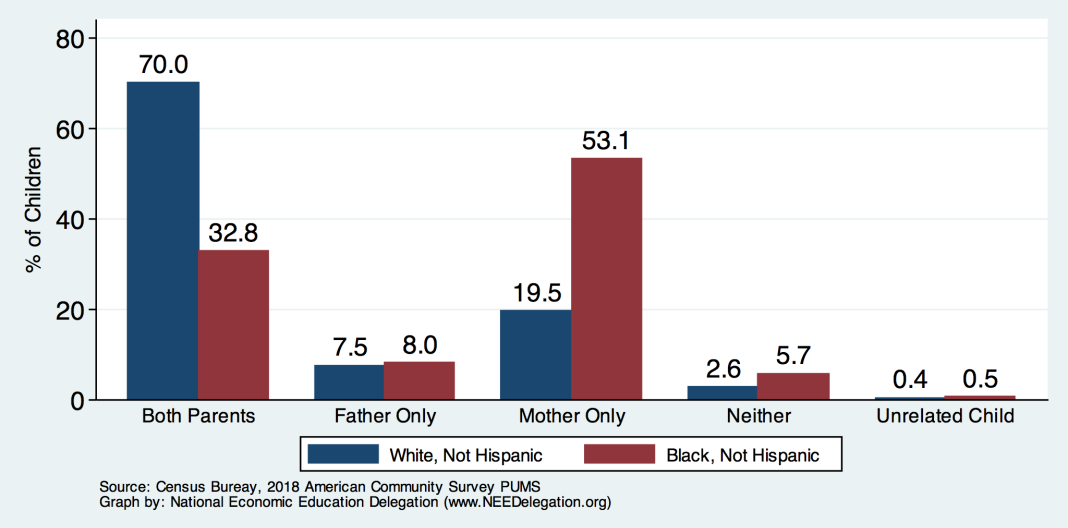
Kids – Household Types



Source: Census Bureay, 2018 American Community Survey PUMS
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

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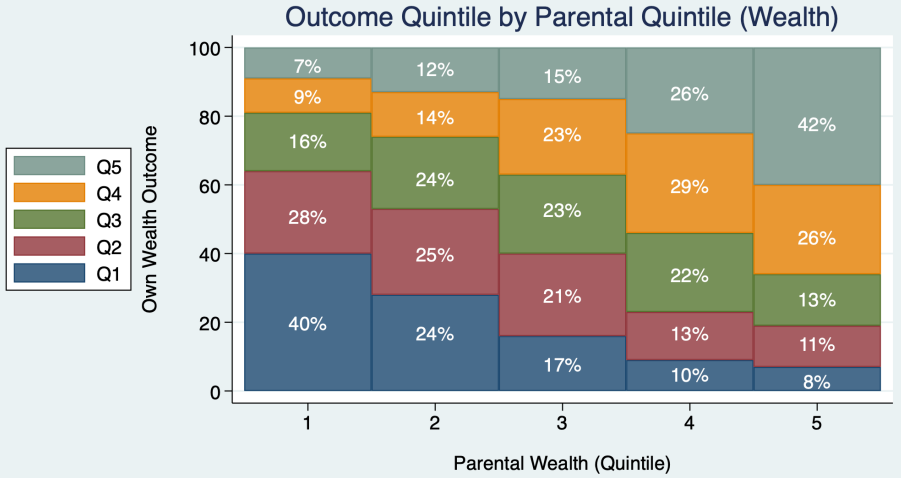
Wealth Mobility



Source: Oana Tocoian, Working Paper, Entrepreneurship and the American Dream: How far Does the Upward Mobility Ladder reach?
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

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What is Fundamentally Responsible?

- Individual behaviors?
- Structural characteristics of the economy?
- History – policy and otherwise?

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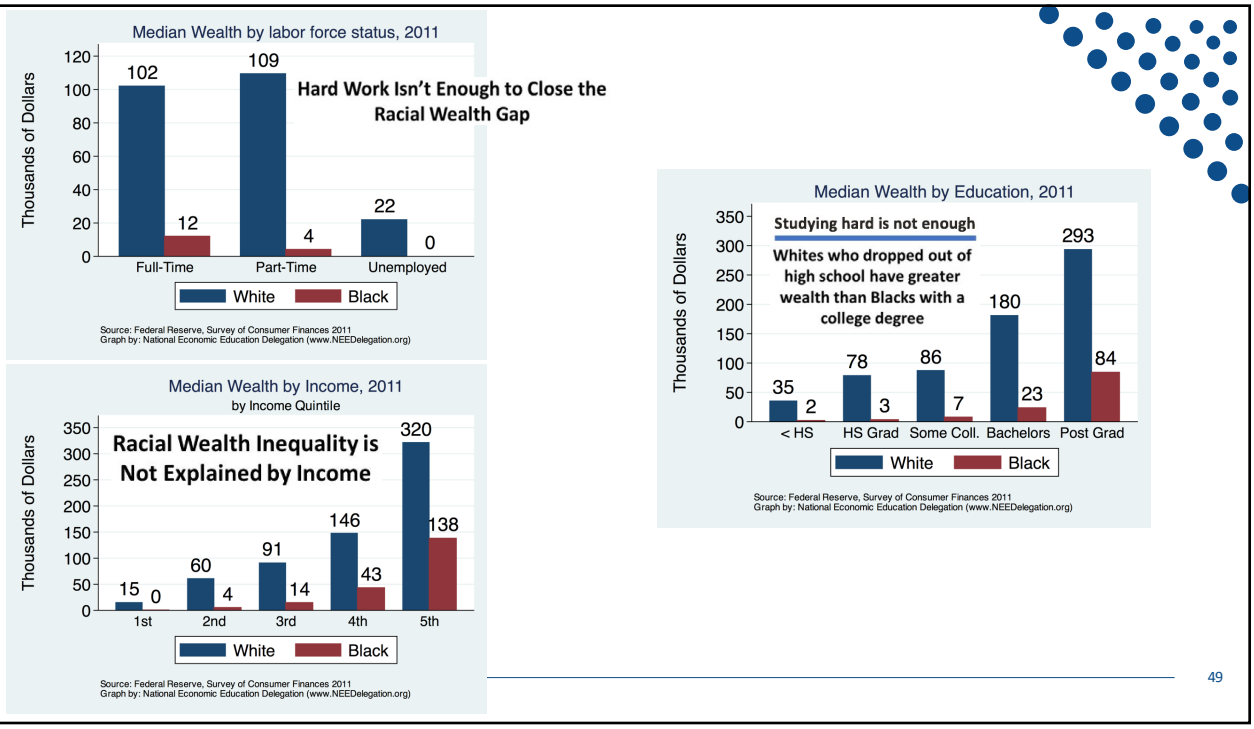
Median Wealth by labor force status, 2011
Thousands of Dollars
Hard Work Isn't Enough to Close the Racial Wealth Gap
102
12
109
4
22
0
Full-Time
Part-Time
Unemployed
White
Black
Source: Federal Reserve, Survey of Consumer Finances 2011
Graph by: National Economic Education Delegation (www.NEEDelegation.org)
Median Wealth by Income, 2011
by Income Quintile
Racial Wealth Inequality is Not Explained by Income
15
0
60
4
91
14
146
43
320
138
1st
2nd
3rd
4th
5th
White
Black
Source: Federal Reserve, Survey of Consumer Finances 2011
Graph by: National Economic Education Delegation (www.NEEDelegation.org)
Median Wealth by Education, 2011
Studying hard is not enough
Whites who dropped out of high school have greater wealth than Blacks with a college degree
35
2
78
3
86
7
180
23
293
84
< HS
HS Grad
Some Coll.
Bachelors
Post Grad
White
Black
Source: Federal Reserve, Survey of Consumer Finances 2011
Graph by: National Economic Education Delegation (www.NEEDelegation.org)
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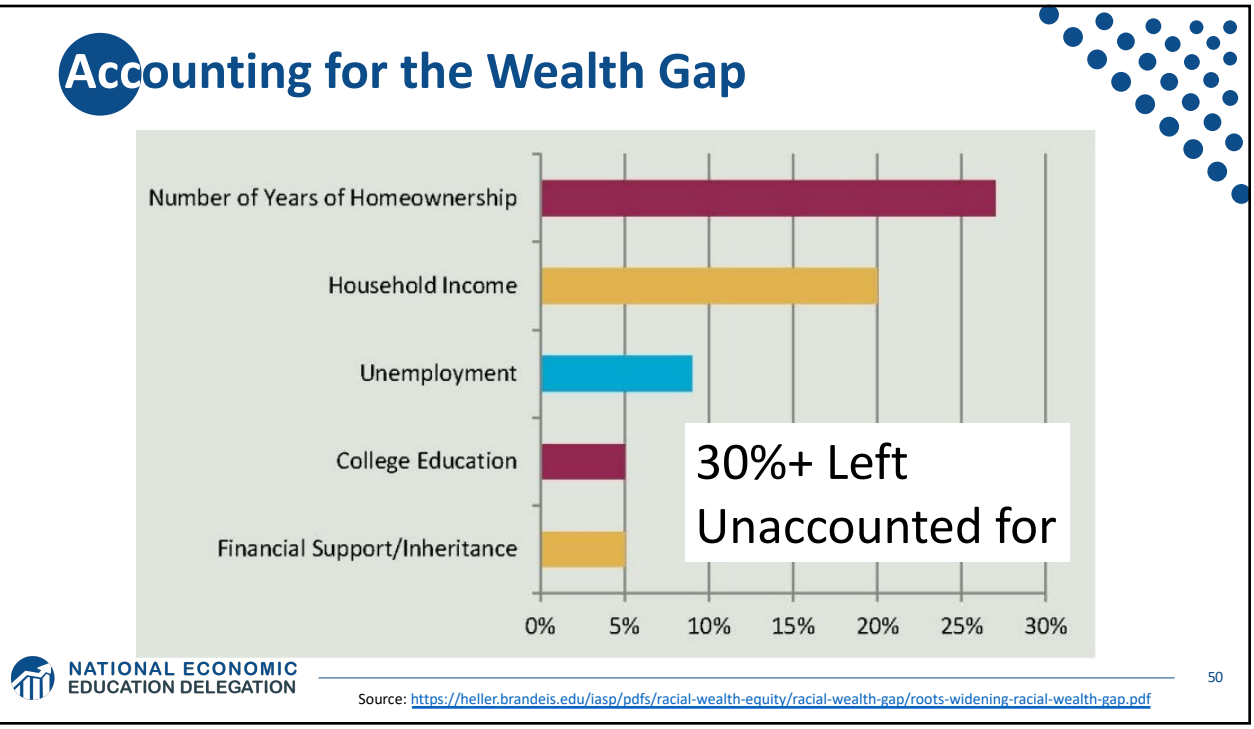
Accounting for the Wealth Gap
Number of Years of Homeownership
Household Income
Unemployment
College Education
Financial Support/Inheritance
30%+ Left Unaccounted for
0%
5%
10%
15%
20%
25%
30%
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Source: https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/racial-wealth-gap/roots-widening-racial-wealth-gap.pdf
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Policy Options

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Categories of Policy Areas

- **Housing**
  - FHA and redlining
- **Health Care**
- **Incarceration**
  - Black incarceration rates are very high.
- **Education**
- **Workforce**
- **Income support and stability**
- **Asset accumulation**

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Reform Criminal Justice System

- **Legal restrictions on the rights of people who have had contact with the criminal justice system, particularly contact resulting in conviction.**
- **Usually placed in civil and regulatory codes, collateral consequences may limit a person's:**
  - ability to vote
  - live in public housing
  - qualify for an occupational license
  - serve in the military
  - receive public benefits (Food Stamps, housing vouchers)
  - sit on a jury
  - borrow money for college
  - And many more

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Specific Policy Options

- **Global solutions that affect all source areas**
  - Child Trust Accounts - "Baby Bonds"
  - Guaranteed minimum income
- **Addressing racial disparities directly**
  - Reparations
    - Aggressive affirmative action.
    - A new Homestead Act.
    - Heavily investing in Black communities.
    - Differential tax treatment.
  - Labor and other laws that address discrimination
    - Enforce more aggressively and make adjustments where necessary to increase efficacy.
  - Fundamental reorientation of asset building agenda.

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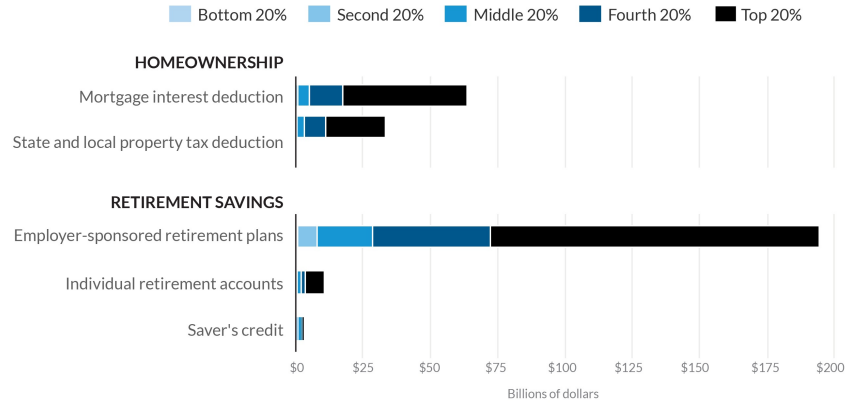
Gov't Asset Building Policies

Size and Distribution of Select Asset-Building Tax Subsidies, 2017



Source: Updated estimates from Steuerle et al. (2014).
Note: "Income" refers to the Tax Policy Center's "expanded cash income" measure, which is described in Rosenberg (2013).

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Other Concrete Policy Options

- Limit the mortgage interest tax deduction and use the revenues to provide a credit for first-time homebuyers.
- Establish automatic savings and retirement plans.
- Reduce reliance on student loans while supporting success in postsecondary education.
- Offer universal children's savings accounts.
- Reform safety net program asset tests, which can act as barriers to saving among low-income families.
- Provide subsidies to promote emergency savings, such as those linked to tax time.

Source: Urban Institute

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Summary

- **The Black White wealth gap is enormous (2022)**
  - Mean: White wealth is 6.5x Black wealth.
  - Median: White wealth is 6.3x Black wealth.
- **There are many explanations in the common narrative.**
  - Many do not stand up to scrutiny.
- **Government policies have contributed enormously this gap.**
  - Racial dehumanizing permitted these policies.
- **Wealth endowments (parental wealth) are enormously important for determining own wealth in adulthood.**
  - Policies that address this relationship are most likely to be effective.
- **Some form of policy intervention is likely necessary if the gap is to be closed.**

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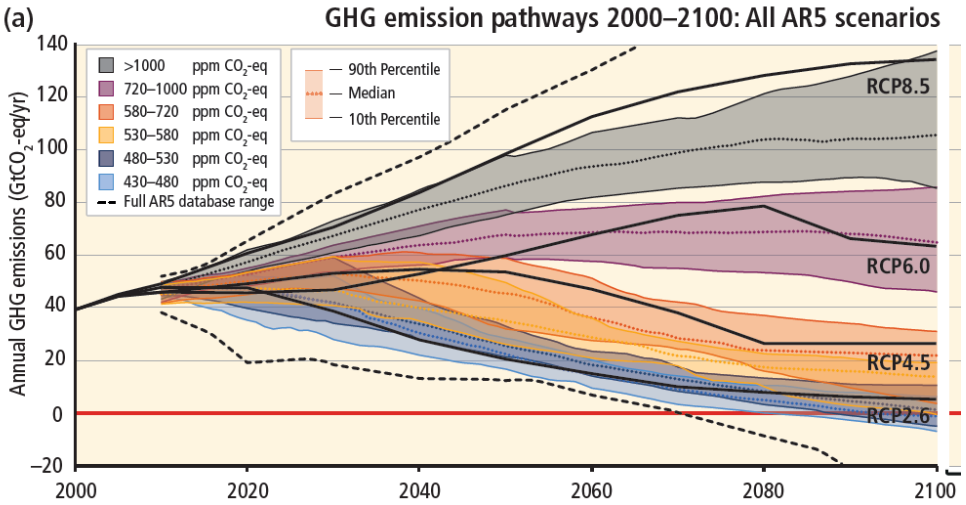
Next Week: Emissions Trajectories



Source: IPCC Assessment Report 5

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Thank you!

Any Questions?

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