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RESEARCH

Racial Wealth Gains and Gaps: Ten Economic Facts About the Disparities

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Abstract
Over the three years between the release of the 2019 Survey of Consumer Finances (SCF) and the survey data released in 2022, household wealth increased for all racial and ethnic groups, but the Black-White wealth gap increased in dollar terms. The 2022 release of the SCF is the first to provide wealth data for Asian American households as a separate group—revealing that they have significantly more wealth than households of other racial and ethnic groups. It is important to understand how racial wealth and income gaps came to be, what factors contribute to their perpetuation, and what policies can be put in place to narrow them. As a part of that big project, we develop ten stylized facts about the racial wealth gap and factors that influence it. While none of the economic facts presented fully explains the racial wealth gap, each fact, along with a history of racism and discrimination, has contributed to extreme wealth inequality in America today.

Keywords Race · Household wealth · Inequality

JEL Classification D31 · D63 · E24 · I24

Introduction

On March 14, 2020, the USA declared a public health emergency due to the onset of the COVID-19 pandemic. The early months of the pandemic saw a brief but sharp recession, which included a large spike in the unemployment rate. Figure 1 shows the seasonally adjusted civilian unemployment rate for January 2018 through January 2024. The unemployment rate increased from 4.4 percent in March 2020 to 14.8 percent in April 2020 (20.5 million jobs), the largest one-month decrease since data collection began in 1939 (U.S. Bureau of Labor Statistics 2023). Congress acted quickly to pass legislation to provide stimulus and relief to temporarily enhance the social safety net. In July 2022, the unemployment rate returned to its pre-pandemic level, 3.5 percent. The federal COVID-19 public health emergency declaration was ended on March 11, 2023, and a new normal emerged (COVID-19 Emergency Declaration. FEMA. gov. 2020). The unemployment rate remained stable at 3.7 percent between November 2023 and January 2024, but had risen to 4.3 percent by July 2024 (BLS 2024).

Nearly four years after the onset of the pandemic, the U.S. economy has fully recovered and is now outpacing the pre-pandemic growth forecast from the Congressional Budget Office (Washington Post 2023). The labor market remains strong, and prominent labor strikes have delivered gains to workers in various industries, including entertainment, hospitality, healthcare, and education. Finally, most households that own assets have experienced growth in their overall wealth, including from home appreciation, business equity, and stock market performance. Nevertheless, for many households, inflation continues to erode purchasing power, and rising interest rates have made credit-based financing more expensive.

It is vital for policymakers to have a clear picture of consumers' financial health as we fully emerge from the pandemic. To that end, every three years, the Federal Reserve System conducts the Survey of Consumer Finances (SCF)—one of the most detailed examinations of household wealth in the U.S. Fortuitously, the two most recent surveys were

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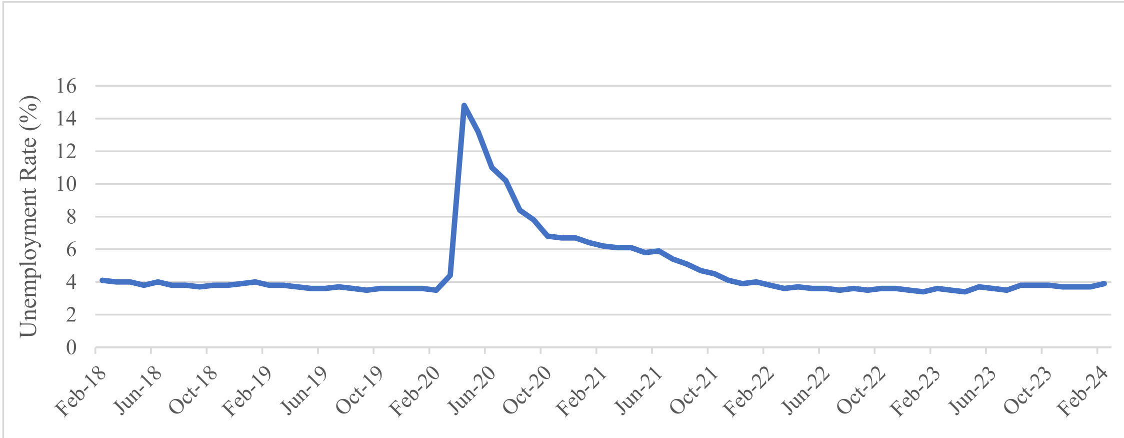


Fig. 1 Civilian unemployment rate, seasonally adjusted: 2018–2024 Source: U.S. Bureau of Labor Statistics (2024)

conducted in 2019 and 2022, thus providing a valuable resource to researchers who wish to explore wealth changes during the COVID-19 pandemic. This article draws from the SCF and other important sources to present data on the racial wealth gap and socioeconomic factors that impact the racial disparity in net worth between households by race and ethnicity. We demonstrate that the racial wealth gap continues to worsen, despite increased educational attainment, business formation, and homeownership.

Economic Facts About the Racial Wealth Gap

Despite a Greater Percentage of Wealth Gains Among Black and Latino Households, the Racial Wealth Gap Is Still Significant

Wealth, as measured by net worth, is the value of the assets a person or corporation owns, minus the liabilities they owe (Ganti 2024). As an economic resource, wealth has at least two advantages over wages: Wealth is taxed at lower rates than income from work and it can serve as a source of savings to cover periods of financial instability, such as those that may result from loss of employment (Moss et al. 2020). Additionally, wealth is iterative in that it can be used to provide the initial capital to purchase appreciating assets, which continue to generate wealth and can be transmitted intergenerationally (Hamilton and Darity 2017).

Despite a greater percentage of wealth gained by Black and Latino households between 2019 and 2022, the U.S. continues to exhibit a significant wealth gap. The confluence of racial, socio-economic, and political barriers faced by Black and Latino households historically and today is evidenced by persistent racial disparities in income, employment, homeownership, education, political representation, incarceration, and wealth. During a moderated conversation with Vice President Harris at the Freedman's Bank Forum on December 14, 2021, Treasury Secretary Janet Yellen discussed systemic inequities in the U.S. economy, saying "from Reconstruction to Jim Crow to the present day, our economy has never worked fairly for Black Americans or, really, for any American of color" (The White House 2021).

Conley (2001) assessed two theses that seek to explain racial differences in asset holdings. The first one is the Historical Legacy Thesis, which suggests that racial differences in net wealth in the current generation are largely the result of discrimination in past generations. The second is the Contemporary Dynamics thesis, according to which institutional racism in housing and credit markets are responsible for the racial wealth gap. In addition to having less wealth, Herring and Henderson (2016) found that Black Americans receive significantly lower wealth returns to education, age, income, stock ownership, and business ownership than their White counterparts.

Some economists point to conspicuous consumption as a contributing factor to the racial wealth gap and suggest that "Black [people] and Hispanic [people] devote larger shares of their expenditure bundles to visible goods (clothing, jewelry, and cars) than do comparable White [people]" (Charles, Hurst and Roussanov 2009). However, such studies contribute to victim blaming that is often used to explain away structural racism. That lack of fairness and equity Secretary Yellen referenced is evidenced by the persistent and staggering Black-White wealth gap, stemming from historical inequalities that have existed since the first Africans were forcibly brought to the United States in 1619. The socioeconomic position of Black people in America cannot be fully contextualized without considering the marginalization of their racialized social identities as minorities who have historically combated subjugation and oppression with respect to income, employment, homeownership, education, and political representation (Broady et al. 2018). Each historical era since the period of legal African enslavement has impacted the ability of people of African descent to earn an income and build wealth. Upon arrival in America more than 400 years ago, Black were counted as wealth as documented by the U.S. Census Bureau. Just three years prior to the signing of the Emancipation Proclamation millions of Black people in America were counted in the wealth calculation as question 13 on Schedule I of the 1860 U.S. Census asked respondents to enter the value of their personal estate as follows:

> Under heading 9, insert (in dollars) the value of personal property or estate. Here you are to include the value of all the property, possessions, or wealth of each individual which is not embraced in the column previous, consist of what it may; the value of bonds, mortgages, notes, slaves, livestock, plate, jewels, or furniture; in fine, the value of whatever constitutes the personal wealth of individuals. Exact accuracy may not be arrived at, but all persons should be encouraged to give a near and prompt estimate for your information. Should any respondent manifest hesitation or unwillingness to make a free reply on this or any other subject, you will direct attention to Nos. 6 and 13 of your general instructions and the 15th section of the law. (IPUMS, 2024)

"In 1870, the wealth gap between Black and White Americans was 23 to 1, or the equivalent of $4 of wealth for Black Americans for every $100 for White Americans" (McKay 2022). Today, 154 years later, we still see significant wealth differences between Americans based on race and ethnicity. Although, Black and Latino or Hispanic households experienced a greater percentage of wealth gains between 2019 and 2022 than White households, increasing by 57.8 percent and 48.6 percent, respectively, compared to a 29.7 percent increase for White households, the racial wealth gap persists. Figure 2 shows median net worth for households by race or ethnicity in 2019 and 2022. In 2022, the U.S. median household income was $192,700, but data from the 2022 Survey of Consumer Finances show a significant wealth disparity between households by race and ethnicity, with the average Asian American household having a median net worth of $536,000, 2.8 times greater than the U.S. median household income, 1.9 times greater than that of the typical White American household ($284,310), 8.6 times greater than that of the typical Hispanic or Latino American household ($62,120), and 12.2 times greater than that of the typical Black household ($44,100).

According to data from the 2019 SCF, the average White household had a median net worth of $189,100, 5.2 times greater than the median net worth of the average Hispanic household ($36,050) and 7.8 times greater than the median net worth of the average Black household ($24,100). For comparison, in 2022, the average White household's median net worth was 4.6 times greater than that of the typical Latino or Hispanic household, and 6.3 times greater than the median net worth of the average Black household. While the multiplier for the Black-White wealth gap decreased from 9.9 in 2016 to 7.8 in 2019 to 6.3 in 2022, the gap in dollar terms increased from $153,850 to $165,000 to a staggering $240,100, showing that the disparity is getting worse, a point recently underscored by a recently released Brookings Institution analysis led by Andre Perry (Perry et al. 2024).

There Exists a Long Historical Relationship Between the Wealth of Asian American and Black Households

The historical foundation of White supremacy in the U.S. brought Chinese and Black communities together (Kanthor

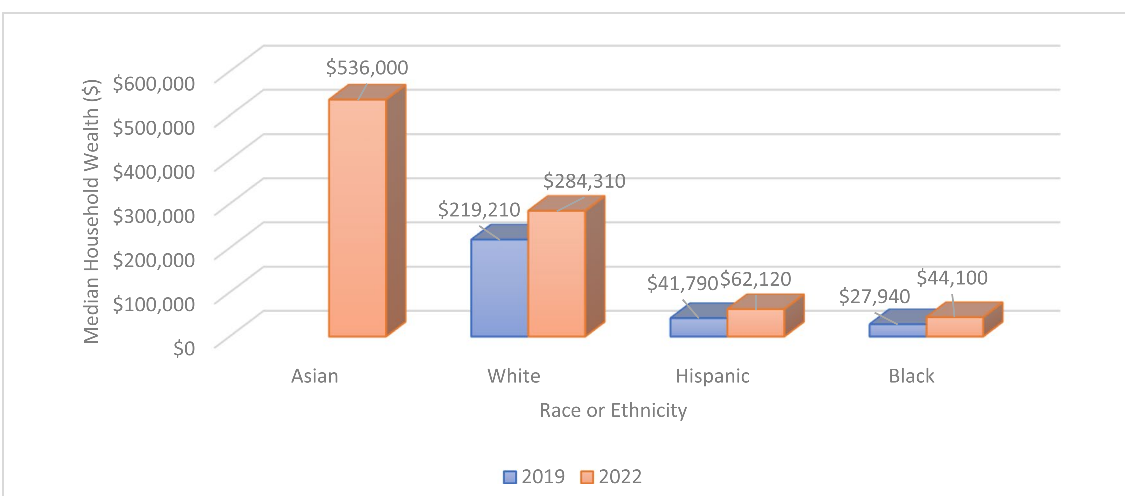


Fig. 2 Median household wealth by race or ethnicity: 2019 and 2022 Source: Survey of Consumer Finances, 1989–2022

2022). In 1860, a year before the commencement of the Civil War, the U.S. population was 31.4 million (U.S. Census Bureau 2023). With a Southern economy based on the production of commercial crops, over four million Black people were enslaved in the United States—more than at any other point in the nation's history (Equal Justice Initiative 2020; Hassler and Weber 2024). According to an 1861 U.S. Coast Survey, slavery was "concentrated along the Chesapeake Bay and in eastern Virginia; along the South Carolina and Georgia coasts; in a crescent of lands in Georgia, Alabama and Mississippi; and most of all, in the Mississippi River Valley" (Mullen 2014). In fact, enslaved Black people accounted for a majority (55 percent) of the population in Mississippi (Henry 2024).

The first encounter of the U.S. Civil War, which would ultimately result in the deaths of nearly 500,000 military personnel, commenced on April 12, 1861 (Hassler and Weber 2024; Crigger and Santhanam 2019). On July 17, 1862, Congress passed the Second Confiscation and Militia Act, which freed enslaved Black people who had masters in the Confederate Army (Freeman et al. 1992). By the end of the Civil War, nearly 200,000 Black men served as soldiers in the U.S. military (Freeman et al. 1992). At the end of the Civil War, and after the ratification of the Thirteenth Amendment in December 1865, on January 5, 1866, the first federal civil rights bill in U.S. history was introduced (Congress 1866). Simultaneously, Mississippi and other southern states where slavery had been concentrated created "Black Codes," also known as "Jim Crow laws," which were designed to limit the freedom of Black people, criminalize their behavior, and ensure their availability as cheap labor (Onion et al. 2023). South Carolina enacted a law that prohibited Black people from holding any occupation other than farmer or servant unless they paid an annual tax of $10 to $100 (Onion et al. 2024).

The end of legal African enslavement created a labor shortage in the American South. Chinese immigrants were imported to the Mississippi Delta to maintain the plantation system (Yu 2022). Others arrived in California in the late 1840s to work as miners when gold was discovered. As the Chinese population in America increased, so too did anti-Chinese sentiments. The Chinese Exclusion Act of 1882 banned Chinese laborers from immigrating to the United States for 10 years and required that Chinese people who left the United States obtain certifications to re-enter. Upon its expiration in 1892, the Act was extended for 10 years in the form of the Geary Act, which was made permanent in 1902, with the added restriction that Chinese residents were required to register and obtain a certificate of residence, or be deported (Chinese Exclusion Act 1882). These laws increased anti-Chinese sentiments and demonstrated the racial intermediate status of Chinese Americans (Perry 2022). An example of this intermediate status is found in Gong Lum v. Rice, 275 U.S. 78 (1927) a U.S. Supreme Court case that affirmed the decision of the Supreme Court of Mississippi that a Chinese child is not denied equal protection of the law by being classified as colored and assigned to attend public schools separate from those provided for White children when equal educational institutions are provided for both groups.

Over time, Chinese families migrated from California to states including Mississippi and Georgia and found an economic niche in establishing grocery stores in the Jim Crow South (Kanthor 2022; Yu 2022). The documentary *Far East Deep South*, written and directed by Larissa Lam, tells the story of a Chinese American family who find their roots in the Mississippi Delta. The film sheds light on the history of Chinese immigrants in the segregated American South during the 1800s to mid-1900s and provides insightful context for the relationship between Black and Chinese communities (Far East Deep South, 2020). Chinese-run grocery stores in Mississippi, Georgia, and other southern states served as racially mingled economic markets, allowing Black consumers, who were forbidden from shopping at White establishments, to purchase goods, while increasing the economic mobility of the Chinese store owners. There existed a power imbalance between Chinese storekeepers and Black consumers, characterized as friendly, but socially distant (Kanthor 2022).

Historically, Chinese and other foreign born Asian people have been shown to avoid or delay assimilation into American culture. Rumbaut (1990) observed that Asian Americans in their study delayed acculturation in order to ensure success. More specifically, Gans (1992) argued that delayed acculturation contributes to immigrant success. Consequently, many immigrants resist a one-way assimilation into the American culture. Around six-in-ten Asian Americans (57 percent), including 71 percent of Asian American adults, were born in another country. By comparison, 14 percent of all Americans—and 17 percent of adults—were born elsewhere (Pew Research Center 2021).

There Are Still Sharp Racial Disparities in Earned Income, but a Tight Labor Market and Union Activity Continue to Provide Worker Leverage Across a Variety of Industries and Wage Distributions

The racial income gap is the primary driver behind the racial wealth gap (Aliprantis and Carroll 2019). A study by Ashman and Neumuller (2020) suggests that "income differences, on their own can explain 43 percent of the racial wealth gap, while bequest motives and intergenerational transfers of wealth, in the presence of income differences, account for 28.6 percent and 25.8 percent of the gap, respectively".

Even after controlling for years of educational attainment and potential experience, a large gap remains between the wages of White and Black workers—suggesting the existence and growth of labor market discrimination and racial differences in skill attainment from family and school environments (Rodgers et al. 1996). However, research suggests that the income disparity is deeper than the difference between wages of Black and White workers but is also based on skin-shade. Goldsmith et al. (2007) analyzed data from the Multi City Study of Urban Inequality and conventional wage specifications and found that for Black workers, "as skin-shade lightens, wages rise," so the wage gap is greater for darker-skinned Black workers than for Black workers with lighter skin.

According to data from the U.S. Census Bureau, in 2022, real median household income was $74,580, down 2.3 percent from 2021, and average household income was $106,400, a decrease of 3.5 percent from 2021 (Guzman and Kollar 2023). Table 1 shows households by total money income, race, and Hispanic or Latino origin of the householder with income percent distributions for 2022. Figure 3 shows median household income by race or ethnicity compared to the national average, with the horizontal dashed line representing the average national median household income. Asian American households had the highest median income, $108,700, two times greater than Black households with a median income of $52,860. Black, Hispanic or Latino, and American Indian and Alaska Native households were more likely than White and Asian households to have a median income below $50,000.

Between 2019 and 2022, Black and Hispanic households experienced a larger increase in their share of income from non-retirement government transfer programs such as food stamps. The Federal Reserve notes that "compared to wage income, these [governmental transfer] sources are likely to be less available in the future given the unprecedented pandemic-era fiscal support that has already ended or will end." In contrast, investment income (including interest, dividends, and capital gains) contributed substantially to income growth for White households but not for non-White households, and the Federal Reserve notes that unlike the pandemic-era governmental transfers, this source of income is far more durable as a source of wealth.

Concerningly, the child poverty rate doubled from the record low of 5.2 percent in 2021 to 12.4 percent in 2022—the largest one-year jump in child poverty on record. Consistent with the concern noted above about the transient nature of pandemic-era governmental transfers, recent analysis from Columbia's Poverty Center suggests that much of this rise in child poverty is due to the expiration of the enhanced child tax credit. Indeed, the Center estimates that had the enhanced credit continued in 2023, child

Table 1 Households by total income, race, and Hispanic or Latino origin of householder: 2022

Race or Ethnicity	Number (thousands)	Percent Distribution							Median income (dollars)	Mean income (dollars)
		Under $15,000	$15,000 to $34,999	$35,000 to $74,999	$75,000 to $99,999	$100,000 to $149,999	$150,000 to $199,999	$200,000 and over		
All 11.	131,400	8.3	15	26.8	12.3	16.4	9.2	11.9	$74,580	$106,400
Asian	7,609	7.5	9.2	18.9	10.4	18.6	12.4	23.1	$108,700	$147,700
White	84,490	6.9	14.1	25.6	12.4	17.6	10.1	13.4	$81,060	$114,000
Two or more races	2,482	9.5	14.3	30.4	14.3	14.5	7.6	9.5	$69,470	$97,870
Hispanic or Latino	19,320	9.8	17	31.2	13.5	14.7	6.9	6.8	$62,800	$85,210
Black	18,080	13.7	20.2	30.6	11.4	11.9	6	6	$52,860	$76,520
American Indian and Alaska Native a	1,371	12.5	20.2	32	13.2	11	5.4	5.6	$52,810	$75,220

Source: U.S. Census Bureau, Income in the United States: 2022 (Guzman and Kollar 2023)

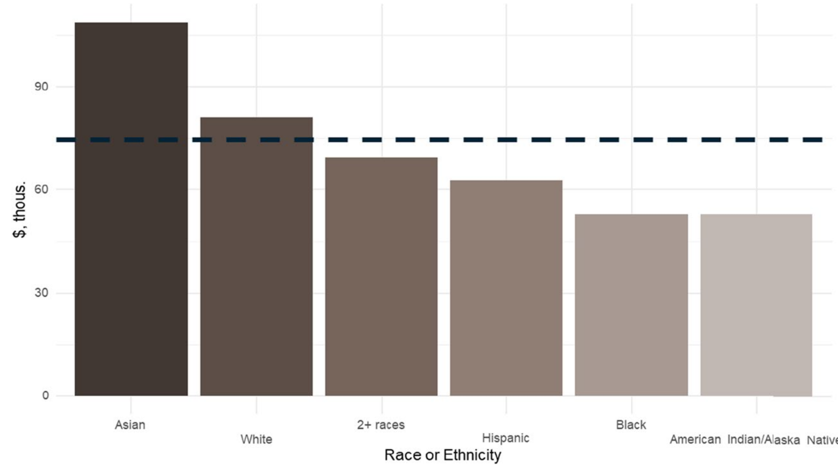


Fig. 3 Median household income by race or ethnicity compared to the national average: 2022 Source: U.S. Census Bureau, Income in the United States: 2022 (Guzman and Kollar 2023) via Haver Analytics

poverty would have risen only 3 percent rather than 7 percent (Koutavas et al. 2023).

The labor market remained tight throughout the pandemic and post-pandemic recovery and has continued to pull workers into the labor force and provide them with leverage as they seek higher compensation or better benefits (Bognar, et al. 2023.) In addition, 2022 and 2023 saw continued union activity, with major strikes among auto workers, healthcare workers, Hollywood writers and actors, and teachers. The National Labor Relations Board reported that in 2022, election petitions were up 53 percent and in 2023, it received the highest number of cases filled since 2016, further signs that workers continued to seek representation and challenge unfair labor practices (National Labor Relations Board 2023). In 2023, 14.4 million workers belonged to a union, representing roughly 10 percent of all workers (U.S. Bureau of Labor Statistics 2024). According to data from the BLS, roughly 6 percent of the private sector and 32.5 percent of public-sector workers were unionized. While the number of union members has grown over the past few years, the percentage has remained fairly static. But consistent with the past, Black workers remain most likely out of all racial groups to belong to a union.

Historically, public and private sector unions have provided higher wages for workers. Mellow (1981) found convincing evidence of the existence of a union wage effect, with workers who become union members experiencing wage improvements of about 7.5 percent (Mellow 1981). The study also found that union membership had a larger wage impact during cyclical downturns than during expansions and a much stronger effect on the wages of younger workers. Reilly (1996) found that when the establishment union density is greater than 26 percent, the union's impact on wages affects all workers in the establishment, not just those who are union members, and that the wage gain is 20 percent for establishments with a union density between 26 and 75 percent. Individuals working for an establishment with an establishment union density greater than 75 percent achieved wage gains of 64 percent (Reilly 1996).

In addition to higher wages, union jobs are more likely to ensure access to healthcare and retirement benefits (including pension-based plans) than are non-union jobs (Bureau of Labor Statistics 2023). Healthcare helps safeguard wealth in the event of unexpected illness or injury, while retirement benefits help build future wealth, including intergenerational wealth.

Black and Latino or Hispanic Americans Are Increasing Their College Enrollment, but Higher Education Is Not a Silver Bullet

Education is one of the most important determinants of income. It is often referred to as an investment in human capital—and for good reason, in general, people with more education earn higher incomes (Wolla and Sullivan 2017). However, investments in education differ by race and ethnicity. School districts where the majority of the students enrolled are White receive $23 billion more in education funding than districts where the majority of students are Black or Latino (Camera 2019).

Parental spending on K-12 education and parental college savings also vary based on race and ethnicity and impact higher educational achievement. Tian (2023) examined the Asian American-White spending gap for K-12 education using 2009–2022 Consumer Expenditure Survey data and found that (1) Asian American households outspent White households overall, (2) Asian American households spent more on recreational lessons and tutoring, while White households spent more on sports and cultural activities, and (3) Asian American households spent more on housing for the sake of K-12 children. Quadlin and Conwell (2020) analyzed the relationship between race, gender, and parental college savings and found that "both Black boys and Black girls experience savings disadvantages relative to their White peers." The study also found that the disparity was more significant for Black girls because high-achieving Black girls were more likely to come from less financially well-off households than high-achieving children in other racial groups. Hence, parents of Black girls were more likely to rely on external funding sources, including private loans, the repayment of which decrease the intergenerational transmission of wealth and increase racial wealth inequality.

White and Asian Americans were more likely to have earned a baccalaureate or master's degree than members of other racial or ethnic groups in 2022. Table 2 shows the percentage of 25-to-29-year-olds by educational attainment by race or ethnicity (National Center for Education Statistics 2023). However, Asian Americans are more likely to have received a superior education in STEM (Fig. 4). According to a study by Macias (1993), many Asian American immigrants received a rigorous education focusing on science, technology, and related fields in their home countries. Muhammad and Kurani (2023) suggest that Asian Americans have the highest median household income because of their high level of graduate degree attainment.

Table 2 Percent of 25-to-29-year-olds by educational attainment, by race or ethnicity: 2022

Race or Ethnicity	At Least High School Completion	Associate's or higher degree	Bachelor's or higher degree	Master's or higher degree
Total	95	49	40	10
White	97	56	45	11
Black	95	36	28	6
Hispanic	88	34	25	4
Asian	99	78	72	31
American Indian/ Alaska Native	92	19	12	ǂ
Pacific Islander	90	36	28	ǂ

Source: National Center for Education Statistics (2023). Educational Attainment of Young Adults. Condition of Education. U.S. Department of Education, Institute of Education Sciences

ǂReporting standards not met—either there are too few cases for a reliable estimate, or the coefficient of variation is 50 percent or greater

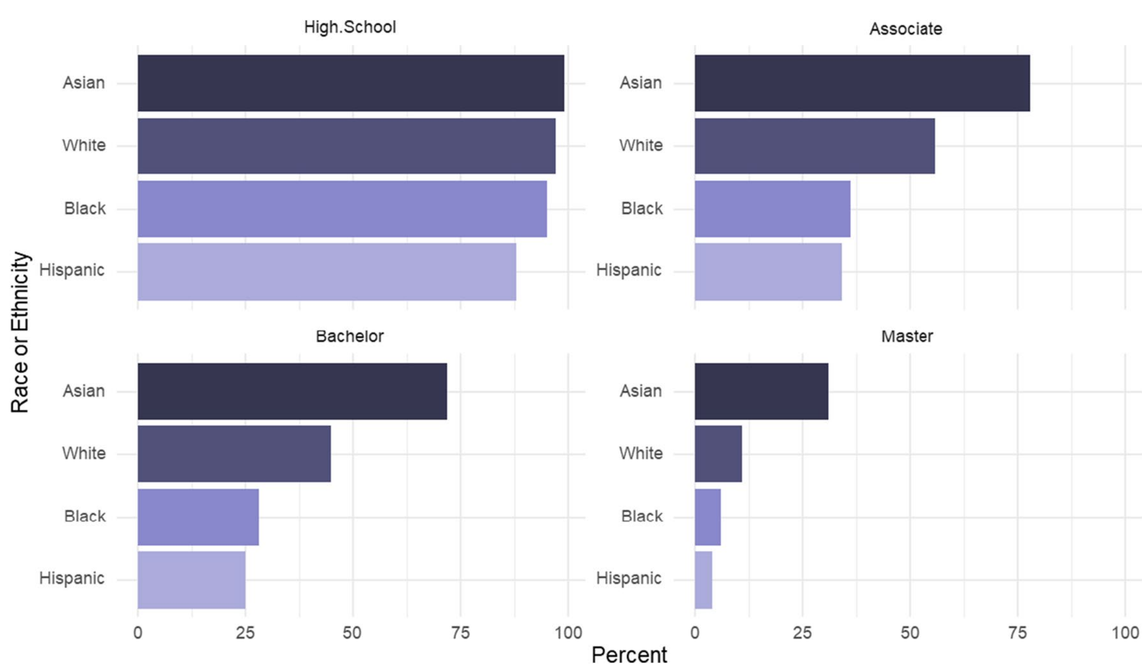


Fig. 4 Percent of 25-to-29-year-olds by educational attainment, by race or ethnicity: 2022 Source: National Center for Education Statistics (2023). Educational Attainment of Young Adults. Condition of Education. U.S. Department of Education, Institute of Education Sciences. Note: This figure includes educational attainment for racial or ethnic groups for which all data was available

Additionally, Asian people are more likely to reside in areas with a higher cost of living and thus may command higher salaries. A 2021 Pew Research Center study found that "nearly half of U.S. Asians (45 percent) live in the West, with nearly a third (30 percent) in California alone." In 2019, a majority (55 percent) of Asian Americans resided in five states. California had the highest population of Asian Americans, 6.7 million, followed by New York (1.9 million), Texas (1.6 million), New Jersey (958,000), and Washington (852,000) (Budiman and Ruiz 2021). Succeeding generations of Asian Americans are more likely to replicate their parents' upward mobility and economic patterns than other racial and ethnic groups, including White people (Macias 1993).

Undergraduate enrollment increased 2.1 percent in the fall of 2023—the first increase since the pandemic began. Black, Hispanic, and Asian American students accounted for the majority of the growth in undergraduate and graduate enrollment, while White student enrollment declined by 1.9 percent at the graduate level and 0.9 percent at the undergraduate level, but most acutely among freshmen, declining by 9.4 percent (National Student Clearinghouse Research Center 2023). Undergraduate enrollment at Historically Black Colleges and Universities (HBCUs) also increased by 6.2 percent in fall 2023 and is up 8.8 percent from fall 2021.

While the pandemic depressed enrollment in 2020 and 2021, outside of this anomaly, enrollment rates for Black and Hispanic young adults have remained constant over the past decade and have been within a few percentage points of White enrollment rates (National Student Clearinghouse Research Center 2023). Furthermore, the number of Black and Hispanic adults with a college degree has more than doubled since 2000 (Pew Research 2021 and 2022).

While higher education can drive mobility, it is not a silver bullet for solving the racial wage or wealth gap for at least three reasons. First, according to Pew Research, Black and Hispanic students are less likely to study science, technology, engineering, or mathematics (STEM), fields which typically lead to higher paying jobs relative to other fields (Fry et al. 2021.) Second, in many local labor markets, Black and Hispanic workers with a college degree still face racial disparities in wages and are underrepresented in managerial roles (Perry et al. 2021). Third, low-wealth households must often use debt to finance this education, which can then slow the process of further capital accumulation such as by delaying the ability to afford a mortgage.

A 2020 study reports that 43 percent of White students were able to go to college without taking on student loan debt. In contrast, only 25 percent of Black students were able to attend college with no loans (Shapiro et al. 2020). In a 2018 report for the Federal Reserve Bank of St. Louis, Fenaba Addo found that the wealth of the parent can partly explain student loan dept. In the study, 58 percent of Black students reported that their parents helped pay for college, with an average of $4200 in total. Meanwhile, 72 percent of White students reported receiving help from their parents in paying for college and received an average of $12,000 in assistance (Addo 2018).

Table 3 and Fig. 5 show among federal student loan borrowers, the average amount borrowed as of four years after completing a baccalaureate degree during the 2015–2016 academic year by race or ethnicity. Black graduates had the highest average amount borrowed, $58,400, and the highest amount owed as a percentage of the amount borrowed, 105 percent.

In the third quarter of 2023, there was more than 1.6 trillion dollars in outstanding student loan debt. After a 3-year pandemic-era pause on student loan payments and interest accumulation, interest and payments resumed in October 2023. Recent data from the U.S. Department of Education shows that almost half (40 percent) of borrowers hadn't submitted their October payment by mid-November. This missed payment from some 9 million borrowers fits with an earlier analysis from the Consumer Finance Protection Bureau which found that 1-in-5 borrowers have risk factors suggesting they might struggle to make their payments.

Table 4 shows median earnings for 25- to 34-year-old full-time, year-round workers with a bachelor's degree by race or ethnicity in 2021. While Black bachelor's and master's degree graduates had the highest average amount of student loans, they had the lowest income, making repayment even more of a challenge.

Unemployment Rates Are Stable at Near Pre-pandemic Levels but Are Higher for Black and Hispanic or Latino Workers

Historically and today, there exists a substantial racial disparity in the American economy and discriminatory treatment in the labor market is a driver of this inequality (Darity

Table 3 Average amount borrowed as of 4 years after 2015–2016 bachelor's degree completion for federal loan borrowers, by race or ethnicity

Race or Ethnicity	Average ($)	Amount owed as a percentage of amount borrowed
Total	$45,300	78
White	$43,300	73
Black	$58,400	105
Hispanic	$41,700	84
Asian	$49,100	63
American Indian/ Alaska Native	$36,900	87
Pacific Islander	$46,300	82

Source: National Center for Education Statistics. Loans for Undergraduate Students and Debt for bachelor's degree Recipients (May 2023)

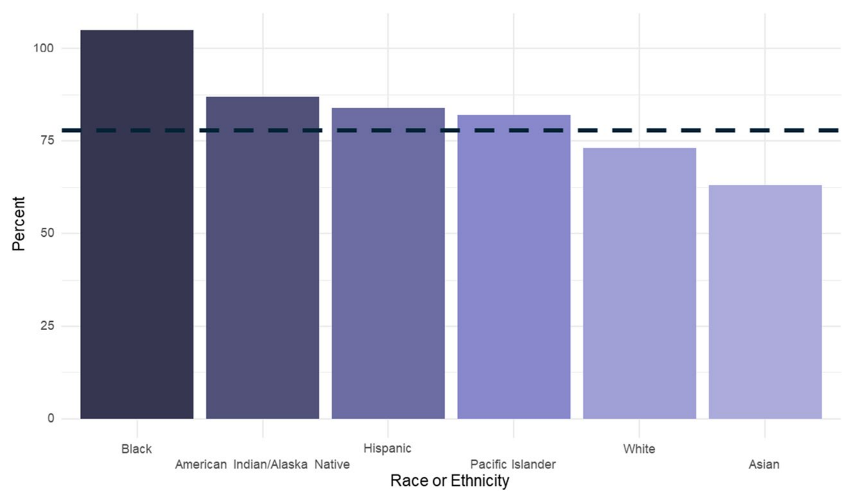
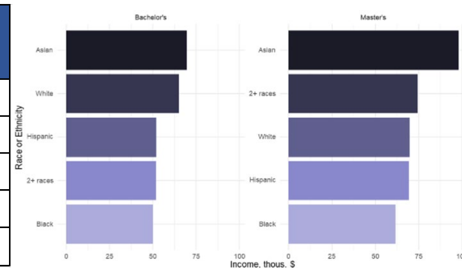


Fig. 5 Average amount borrowed as of 4 years after 2015–2016 bachelor's degree completion for federal loan borrowers, by race or ethnicity compared to the national average. Source: National Center for Education Statistics. Loans for Undergraduate Students and Debt for bachelor's degree Recipients (May 2023)

Table 4 Median earnings among 25-to-34-year-old full-time, year-round workers with a bachelor's degree or master's degree by race or ethnicity: 2021

Race or Ethnicity	Bachelor's or higher degree	Master's or higher degree
White	$65,000	$69,800
Black	$50,000	$61,500
Hispanic	$52,000	$69,200
Asian	$69,700	$98,100
Two or more races	$51,700	$74,300



Source: National Center for Education Statistics. Annual Earnings by Educational Attainment (2023)

and Mason 1998). Higher unemployment rates and lower household incomes for Black Americans reflect a history of structural barriers to economic mobility. Darity and Mason (1998) found evidence of these barriers in the results of their informal survey of the employment sections of the Chicago Tribune, the Los Angeles Times, the New York Times, and the Washington Post. At five-year intervals from 1945 to 1965, they created verbatim reproductions of racially discriminatory employment advertisements, with some ads explicitly indicating a preference for White applicants, while other ads specifically sought male or female applicants.

Title VII of the Civil Rights Act of 1964 prohibits employment discrimination on the basis of race, color, religion, sex, or national origin. Prior to the passage of Title VII, a person who made a claim of employment discrimination could initiate an enforcement process by filing a complaint. However, once the process began, the complainant usually had no way to participate meaningfully, and in some jurisdictions, the complainant could not seek administrative or judicial review if the enforcement agency dismissed the claim (Belton 1978). Though the Civil Rights Act of 1964 prohibited racial employment discrimination, workplace discrimination with respect to recruiting, hiring, and promotions continues to limit employment opportunities and career mobility for many minorities, particularly Black people. In 1990, 26 years after the passage of Title VII, in a field experiment in the low-wage labor market of New York, Pager et al. (1990) found that Black job applicants were 50 percent as likely as equally qualified White job applicants to receive a callback or job offer and that Black and Latino applicants with clean backgrounds were no more likely than White applicants just released from prison to receive a callback or job offer. Forty years after passage of the Civil Rights Act of 1964, Bertrand and Mullainathan (2004) found that resumes with White-sounding names received 50 percent more callbacks for interviews than resumes with African American sounding names.

Racial disparities in employment can also be seen in more recent data. Unemployment rates for all major groups spiked during the early months of the pandemic as the broader economy contracted, and rates remained above pre-pandemic levels until 2022 (Bureau of Labor Statistics 2023). Figure 6 shows the unemployment rate by race or ethnicity from January 2018 through January 2024. Figure 7 shows the labor force participation rate by race or ethnicity for the same time period. Black and Hispanic workers experienced a higher unemployment rate than White workers throughout the pandemic, and that elevated rate also took longer to

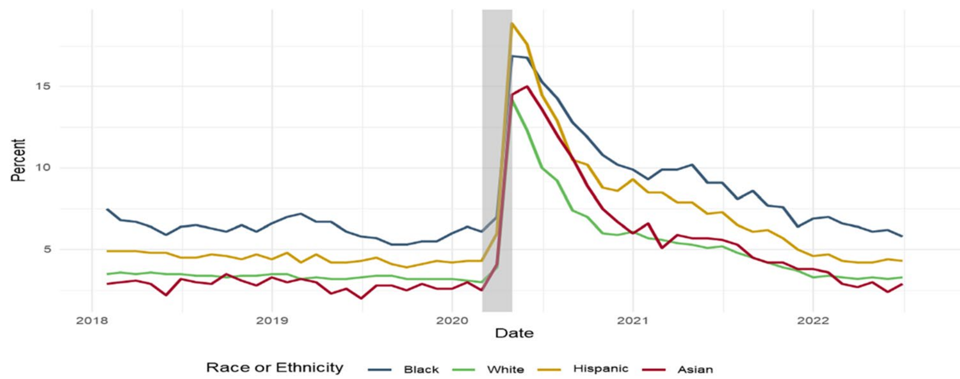


Fig. 6 Unemployment rate, seasonally adjusted, by race or ethnicity: 2018–2024

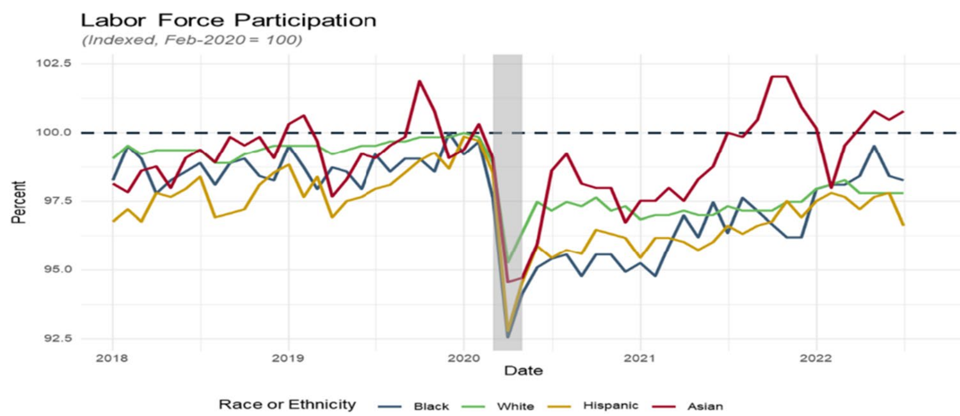


Fig. 7 Labor force participation rate, by race or ethnicity: 2018–2024

peak and longer to subside (Congressional Research Service 2021).

As shown in Table 5, unemployment rates continue to be higher for Black and Hispanic or Latino workers during the recent period of economic expansion following the pandemic. Table 6 shows the difference from the national unemployment rate by race or ethnicity. In each time period, the unemployment rate for Black and Hispanic or Latino workers was higher than the national average, while the unemployment rate for White and Asian American workers was lower than the national average.

Recent research that examines data over a 30-year period, prior to the pandemic, finds that the typical Black worker is more likely to be displaced in any given year and suffers worse ongoing financial harm from experiencing unemployment than the typical White worker (Shiro and Butcher 2022). And similar research finds that Black and Hispanic households are twice as sensitive to income shocks as White households, largely due to wealth inequality (Ganong et al. 2020)

Table 5 Unemployment rate by race and ethnicity: January 2019–January 2024

Year	Total	White	Black	Asian	Hispanic or Latino
2019	4	3.5	7	3	4.8
2020	3.6	3.1	6.4	3	4.3
2021	6.4	5.7	9.3	6.6	8.5
2022	4	3.4	7	3.6	4.7
2023	3.4	3.1	5.4	2.9	4.7
2024	3.7	3.4	5.3	2.9	5

Source: U.S. Bureau of Labor Statistics (2024)

Table 6 Difference from national unemployment rate by race or ethnicity: January 2019–January 2024

Year	Total	White	Black	Asian	Hispanic or Latino
2019	4	−0.5	3	−1	0.8
2020	3.6	−0.5	2.8	−0.6	0.7
2021	6.4	−0.7	2.9	0.2	2.1
2022	4	−0.6	3	−0.4	0.7
2023	3.4	−0.3	2	0.5	1.3
2024	3.7	−0.3	1.6	0.8	1.3

Source: U.S. Bureau of Labor Statistics (2024)

Black People Are Less Likely to Own Homes and Are More Likely to Have Their Homes Be Undervalued

Over the last decade, homes in majority Black neighborhoods have been valued at tens of thousands of dollars less

Table 7 Third Quarter Homeownership Rates by Race and Ethnicity of Householder: 2019 to 2023

Homeownership Rates (percent)					
Year	U.S.	White	Black	Asian	Latino or Hispanic
2019	64.8	73.4	42.7	58.5	47.8
2020	67.4	75.8	46.4	61	50.9
2021	65.4	74	44	60.2	48.3
2022	66	74.6	45.2	61.6	48.7
2023	66	74.5	45.5	62.7	49.4

Source: Quarterly Residential Vacancies and Homeownership, Third Quarter 2023, U.S. Census Bureau

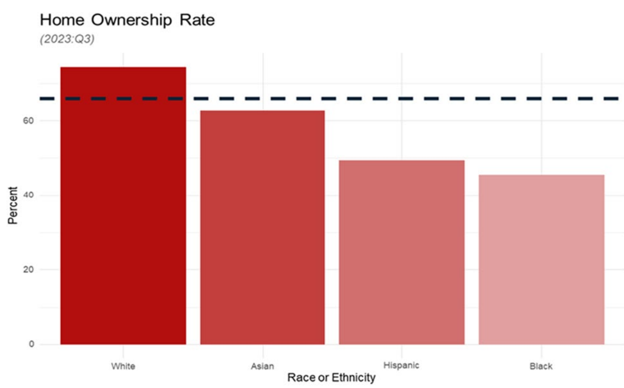


Fig. 8 Third quarter homeownership rate compared to national average by race or ethnicity of householder: 2023. Source: Quarterly Residential Vacancies and Homeownership, Third Quarter 2023, U.S. Census Bureau

than homes in majority White neighborhoods—a result of historical racist housing policies like redlining and blockbusting, and continued racial bias in mortgage lending and appraisals (Anderson 2021; Aaronson et al 2023; and Hartley and Rose 2023).

Table 7 shows the third-quarter homeownership rate by race or ethnicity from 2019 to 2023, and Fig. 8 shows the 2023 third-quarter homeownership rate by race or ethnicity compared to the national average homeownership rate. In the third quarter of 2023, the homeownership rate was 66 percent (U.S. Census Bureau 2023). Black and Hispanic or Latino Americans had lower homeownership rates than their White and Asian American counterparts. Approximately 89.6 percent of U.S. housing units were occupied, and 10.4 percent were vacant. Owner-occupied housing units made up 59.1 percent of total housing units, while renter-occupied units made up 30.5 percent of the inventory (U.S. Census Bureau 2023).

Depending on the interest rate environment, refinancing a mortgage can result in lower monthly payments. As recently explained in a research brief from the JPMorgan Chase Institute, refinancing when interest rates are lower can be particularly beneficial for cash-strapped households whose lowered payments provide more leftover income for consumption or savings (Wheat et al. 2023). The early part of the pandemic featured low interest rates, particularly relative to later in the pandemic when monetary policy tightened to curb inflation. But this same research brief finds that Black and Hispanic households were less likely to refinance across all income quartiles and faced disproportionately greater costs when they did refinance compared to White and Asian American households (Wheat et al. 2023).

Finally, research from The Brookings Institution demonstrates persistent undervaluation of between 21 percent and – 23 percent of homes in Black-majority communities. Rothwell and Perry (2022) estimate that "the cost of devaluation across the 113 metro areas in the U.S. with at least one majority-Black neighborhood is approximately $162 billion." This loss from devaluation inhibits wealth-building for individual homeowners at the point of sale and can also deflate the tax base for the surrounding community, which can further inhibit home value appreciation in a vicious cycle.

Black and Latino or Hispanic Workers Are Less Likely to Have Retirement Savings Accounts, Receive Inheritances, or Own Stocks

Changing prospects for retirement income security related to the long-term imbalance faced by Social Security, longer life spans, retirement of the baby boom generation, and desire by more workers to retire early have led to concerns that a significant percentage of workers will not be able to maintain their current living standards during retirement (Engen et al. 1999). Gomes et al. (2020) explored the retirement saving adequacy of a large and representative sample of U.S. workers saving in their company 401(k) and found that approximately 75 percent of the workers were not saving enough for retirement. In addition to preparing for retirement, 401(k) and other retirement saving programs are important for building wealth, as they often come with an employer match. Employer plans such as 401(k) plans and stock options for managers are the types of plans than can assist with wealth building. Having a retirement plan can be critical in assisting in the payment of living expenses as individuals leave work and no longer have an earned income from their jobs. This can assist families in keeping wealth by not forcing sales of assets to pay for living expenses or helping to prevent family members from having to carry the financial responsibilities of older members.

Whether an employee has access to a defined benefit plan or a defined contribution plan depends on whether their employer offers a pension plan or a 401(k) plan, or some combination of the two (Marquit 2024). Defined benefit (DB) pension plans offer benefits that are determined by a formula that accounts for an employee's years of service and, in many cases, the employee's salary and Social Security benefit (Bodie Marcus and Merton 1988). The prevalence of DB pensions fell between 2001 and 2019, with only 27 percent of families with a White head of household in their 50 s and only 15 percent of families with a Black head of household in their 50 s reporting that they had a DB pension plan in 2019 (Dynan and Elmendorf 2023). Hence, it is not surprising that the racial wealth gap is reflected in a staggering retirement saving gap by race or ethnicity. Table 8 shows retirement account ownership and average dollar amount held by race or ethnicity in 2022 (2022 Survey of Consumer Finances 2023). White workers were more likely than Black or Hispanic workers to have a retirement savings account and the average White account holder had more than three times the retirement savings of the average Black or Hispanic account holder.

Several studies have shown that investment in high-risk, high-return assets, like stocks, is an important driver of the future financial well-being of households, in terms of potential retirement saving adequacy (Wang and Hanna 2007; Lusardi 2003; Keister 2000). Table 9 shows stock holdings by race or ethnicity in 2022. In 2022, only 28 percent of Hispanic Americans and 39 percent of Black Americans compared to 65 percent of White Americans owned stocks according to the 2022 SCF. Further, the average value of stocks owned by White Americans was 7 times the average amount held by their Black peers. The Dow Jones Industrial (DJI) average peaked with a high of 29,535 on February 13, 2020, exactly one month prior to the Trump Administration declaring a nationwide emergency in response to the COVID-19 pandemic (COVID-19 Emergency Declaration. FEMA.gov. 2020). The pandemic led to significant losses, with the DJI closing at 21,792 on December 24, 2019, prior to falling to 18,591 on March 23, 2020. Four years later, on March 20, 2024, the market opened at a high of 39,774. Black and Latino or Hispanic Americans had less disposable income to invest in stocks prior to the pandemic, and considering the significant disparity in stock ownership by race and ethnicity, they were less likely than their White counterparts to reap the financial benefits of the post-pandemic stock market rally.

Table 8 Retirement account ownership and average amount held by race and ethnicity: 2022

Race or Ethnicity	Percent Holding	Average ($)
White, non-Hispanic	61.8	$380,330
Black, non-Hispanic	34.8	$117,530
Hispanic	27.5	$120,320
Other	52.9	$257,360

Source: Survey of Consumer Finances, 1989–2022

Table 9 Stock holdings by race and ethnicity: 2022

Race or Ethnicity	Percent Holding	Average ($)
White, non-Hispanic	65.6	$568,140
Black, non-Hispanic	39.2	$80,400
Hispanic	28.3	$97,380
Other	56.8	$409,120

Source: Survey of Consumer Finances, 1989–2022

A Higher Share of Black and Latino Adults Are Unbanked

In the United States, access to credit and banking services is uneven based on race and ethnicity. In 2022, 6 percent of adults were unbanked, the same percentage as in 2019 and 2021 (Federal Reserve 2023). But a significantly higher share of Black and Latino or Hispanic adults were unbanked (13 percent and 10 percent) than White adults (3 percent), a pattern that has persisted across time. Table 10 shows the unbanked rate and use of nonbank check cashing and money orders by race or ethnicity in 2022. The cost of being unbanked or underbanked is substantial. For example, a recent analysis from the Financial Health Network estimates that financially underserved consumers in 2018 spent $189 billion on fees and interest for financial products (2019).

A 2021 study from The Brookings Institution documented stark contrasts in access to credit for Black Americans at a local level and found that majority Black and Latino neighborhoods had fewer options for financial services than majority White neighborhoods (Broady et al. 2021). Sakong et al. (2023) found that many banks are less likely to locate branches in majority Black communities than in low-income communities. Relatedly, Black and Hispanic Americans are more likely to use nonbank check-cashing establishments. In addition to being more likely to be unbanked, Black and Hispanic households are also more likely to be denied credit

Table 10 Unbanked rate and use of nonbank check cashing and money orders by race or ethnicity: 2022

Race or Ethnicity	Unbanked	Use of nonbank check cashing and money orders
White	3	8
Black	13	28
Hispanic	10	19
Asian	5	7

Source: Board of Governors of the Federal Reserve System (2023) or denied the full amount requested. Credit denial rates for Black and Hispanic households are higher than for White households for every income level (Federal Reserve 2023). This pattern even held true for Black and Hispanic business owners applying for Paycheck Protection Program loans during the pandemic, even though these loans were fully guaranteed by the government.

U.S. Households Are Increasingly Relying on Credit Card Debt, and Among Credit Card Holders, Black Households Are Most Likely to Carry a Monthly Balance

Access to credit is important for smoothing consumption, facilitating large purchases like houses or cars, and financing education, but it comes with the responsibility of paying the creditor (Goodstein et al. 2021and Waugh 2022). For the third quarter of 2023, the Federal Reserve Bank of New York estimated that the U.S. had more than $17 trillion dollars in household debt, roughly a quarter of which (27 percent) was non-housing debt (Quarterly Report on Household Debt and Credit). Overall, debt has increased by $3.1 trillion since the end of 2019, directly prior to the pandemic.

The U.S. currently holds over $1 trillion in credit card debt, a record high and 82 percent of adults have at least one credit card (U.S. Government Accountability Office 2023). Credit card debt continues to trend upward, with Q3 of 2023 marking the eighth consecutive quarter of rising credit card debt. The year over year increase in credit card debt of $154 billion is the largest one-year increase on record. Concurrent with the growth in debt is the rise in delinquencies, with delinquency rates above pre-pandemic levels for each income quintile, and especially for low-income households (Federal Reserve Bank of New York 2023).

Black and Latino or Hispanic households are more likely to carry a monthly balance on their credit cards (Survey of Consumer Finances, 1989–2022), thus increasing the cost of using credit and introducing the danger of falling into a debt trap. Table 11 shows the percentage of households carrying a monthly credit card balance and the average dollar amount.

Table 11 Percentage of households carrying monthly balance by race or ethnicity: 2022

Race or Ethnicity	Unbanked	Use of nonbank check cashing and money orders
White, non-Hispanic	42.2	$6,930
Black, non-Hispanic	56.3	$4,360
Hispanic	55.8	$4,150
Other	43.3	$5,910

Source: Survey of Consumer Finances, 1989–2022

In addition to credit card debt, many minority and low-income households rely on Buy Now, Pay Later (BNPL) programs offered by fintechs to finance their consumption. Notably, Black and Hispanic adults are twice as likely to use BNPL, according to recent Federal Reserve data, and "very little of this difference can be explained by other factors, such as income, age, and self-perceived credit rating" (Federal Reserve 2023).

A recent New York Times article notes that BNPL is a relatively new service but it has already generated controversy: while some advocates for BNPL argue that this service provides an alternative to predatory loans, critics warn that BNPL induces excess spending and results in increased indebtedness. Recent analysis from the Consumer Finance Protection Bureau finds that BNPL borrowers are "much more likely to be highly indebted, revolve on their credit cards, have delinquencies in traditional credit products, and use high-interest financial services such as payday, pawn, and overdraft compared to non-BNPL borrowers." Additional academic research from deHaan and Kim (2022) finds evidence of BNPL having a negative effect on financial health.

During the Pandemic, New Business Applications Surged, Particularly in Black and Hispanic-Majority Counties

The last three years have seen record-high new business applications across a broad range of industries and dispersed across the nation, though particularly elevated in the South (Newman 2023). Analysis of Census Bureau data by Third Way reveals that Black and Hispanic majority counties led the surge in new business formation (McSwigan 2022). That same analysis further finds that "Black counties' share of new business applications in 2021 was over 60 percent higher than it was in 2005 and Hispanic counties' share was nearly 13 percent larger." Recent research also establishes a meaningful relationship between the timing of federal relief, including stimulus checks, and the filing of new business applications in Black-majority neighborhoods (Fazio, et al. 2021).

Business ownership is a key driver of wealth. Importantly, the 2022 Survey of Consumer Finance data reveals that business equity contributed a greater share of wealth gains as a percentage for Black and Hispanic households than White households. Despite the surge in minority entrepreneurship, there are still fewer Black and Hispanic businesses than would be proportional to their share of the U.S. population. Indeed, recent Brookings research reveals that not a single metro in the U.S. has a proportional number of Black firms (Perry, et al. 2022). In addition, the

Table 12 Business profitability by race or ethnicity: 2022

Race or Ethnicity	Business had profits, losses, or broke even		
	Percent of employer firms		
	Profits	Losses	Break even
Total	65.6	19.6	14.8
White	66.9	18.9	14.2
Black or African American	49.5	30.2	20.3
American Indian and Alaska Native	59.1	22.1	18.9
Asian	60.7	21.3	18.0
Native Hawaiian and Other Pacific Islander	55.0	20.7	24.3
Hispanic	59.9	21.8	18.4

Source: U.S. Census Bureau and National Center for Science and Engineering Statistics, 2023 Annual Business Survey

typical Black-, Hispanic-, and Asian-American-owned firm experienced greater financial hardship during the pandemic, including a greater share of diminished revenue, greater likelihood of being denied some or all of credit applied for, and a greater likelihood of tapping into personal funds to sustain operations, according to that same Brookings analysis of Federal Reserve data (Perry, et al. 2022). If these newly formed firms are unable to sustain operations, any wealth gains derived from the firms are likely to be transitory.

While Black entrepreneurs may start businesses in an effort to increase wealth and income mobility, without proper support and tools, their efforts may prove inadequate to increase wealth or even become detrimental.

Table 12 shows business profitability by race or ethnicity in 2022 using data provided by the U.S. Census Bureau's 2023 Annual Business Survey. Black owned employer firms were least likely to have earned a profit and most likely to have taken on losses in 2022. Table 13 shows the impact of the COVID-19 pandemic on business sales by race or ethnicity.

Research indicates that Black-owned businesses are less likely to be in business after four years when compared with White-owned businesses. Consequently, business ownership is more likely to result in a reduction of economic mobility and less likely to result in increased economic mobility for Black entrepreneurs than for White entrepreneurs, according to Kroeger and Wright (2021). Their results suggest that improving the success rate of Black entrepreneurs, rather than simply increasing the startup rate of Black entrepreneurs, should be the goal of efforts to reduce the racial wealth gap.

Conclusion

While we have presented facts and data on the racial wealth gap and economic factors that influence it, the data show that no single factor fully explains the disparity in net worth between households of various races and ethnicities. However, it is important for policymakers to understand the economic factors that impact the racial disparity in net worth between households and the historical structural factors that have blocked opportunities for economic mobility for Black and Hispanic or Latino Americans as they work to make recommendations aimed at reducing the racial wealth gaps.

Table 13 Impact of Covid-19 pandemic on business sales by race or ethnicity: 2022

Race or Ethnicity	Impact of coronavirus pandemic on business sales in 2022				
	Percent of employer firms				
	Increased significantly	Increased somewhat	Little to no change	Decreased somewhat	Decreased significantly
Total	6.2	13.7	39.4	25.0	15.7
White	6.1	13.6	14.2	24.6	14.8
Black or African American	9.2	13.3	28.3	26.2	23.0
American Indian and Alaska Native	7.2	14.2	31.2	25.7	21.6
Asian	6.7	14.7	30.1	27.9	20.5
Native Hawaiian and Other Pacific Islander	5.7	12.4	30.4	28.0	23.5
Hispanic	7.9	14.1	31.2	25.6	21.2

Source: U.S. Census Bureau and National Center for Science and Engineering Statistics, 2023 Annual Business Survey

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Data Availability No datasets were generated or analysed during the current study.

Declarations

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