



Assets and Inequalities – New Understandings, New Tools

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Challenging the Two Americas – New Policies to Fight Poverty

UNC Center on Poverty, Work, and Opportunity

March 23-24, 2006



**The Institute for Assets and Social Policy,
The Heller School for Social Policy and Management,
Brandeis University**



Themes

- Closing the Racial Wealth Gap Needs to be at the Forefront of the Civil Rights Agenda in the 21st Century

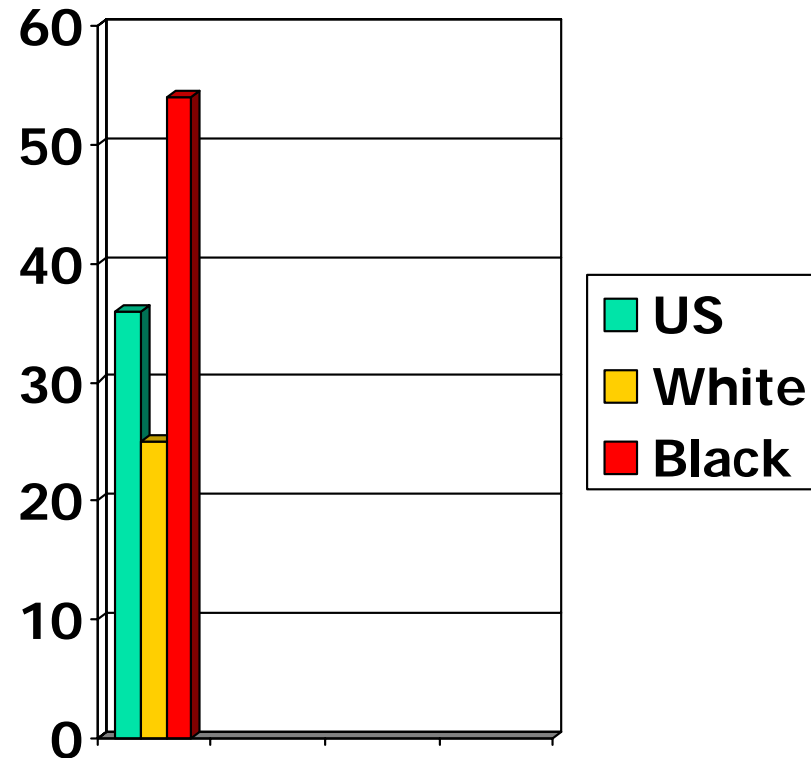


Wealth Matters

- Distinct From Income
- Safety Net and “Moving Ahead Money”
- Key Resource to Enhance Family Capacities (human, social, cultural capital)
- Not Who Dies with the Most Toys—
Assets for Change: Opportunity Builder
and Advantage Transmitter

Asset Poverty Index

- Financial Assets to Live at Poverty Line, 3 Months
- (\$4,200)
- Highlights the Fragility of American Families



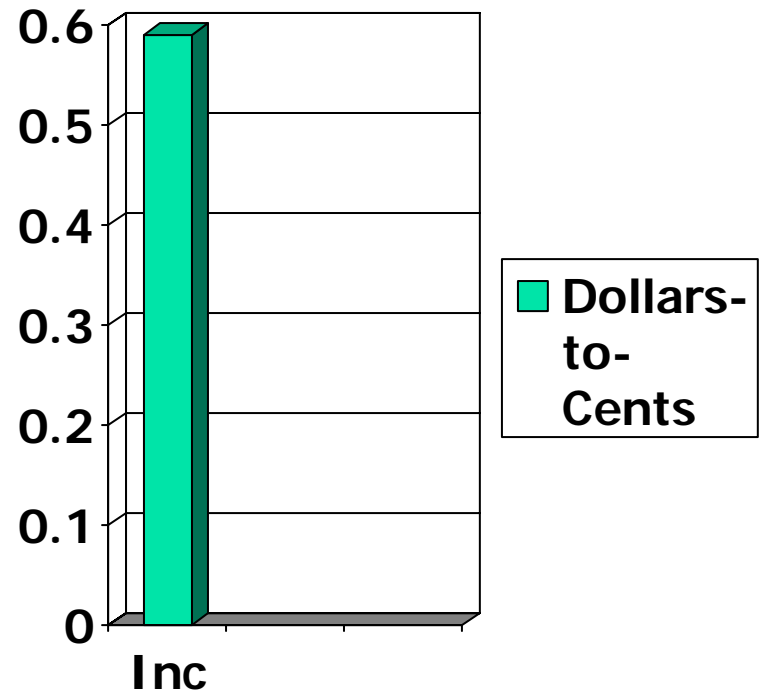


How Do Families Accumulate Wealth?

- Theory from Classical Economics
 - Savings, Wise Investment, Hard Work
 - Life Cycle
- Institutional Accumulation
 - 2/3rds Middle Class Wealth is Home Equity
 - Inheritance—Death and In Vivo
 - Opportunity Programs like Homestead Acts, Land Grant Colleges, FHA, GI Bill
 - Enhancing Practices: Home Mortgage Interest Deduction, Pension and Savings Tax Expenditures

Family Income Ratios

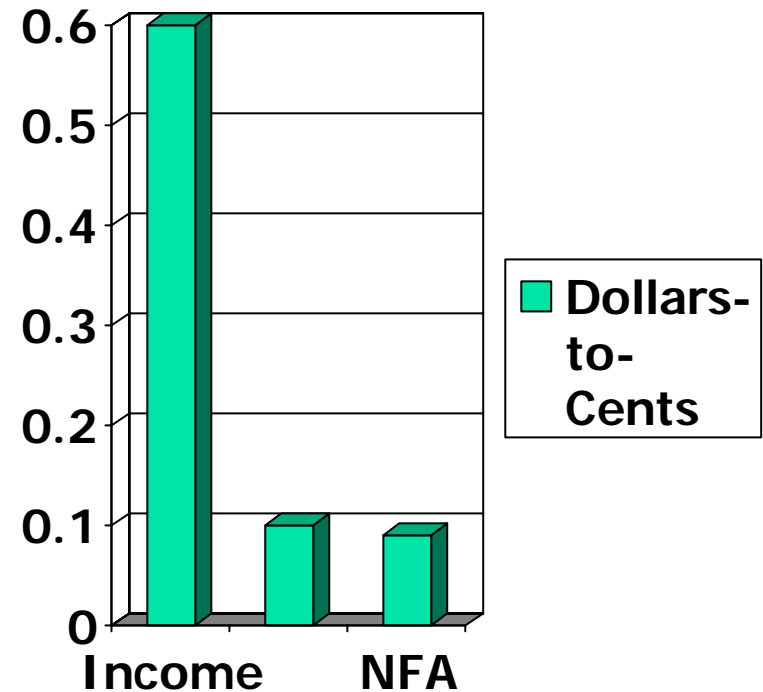
- Blacks earn 59 cents for every dollar earned by whites



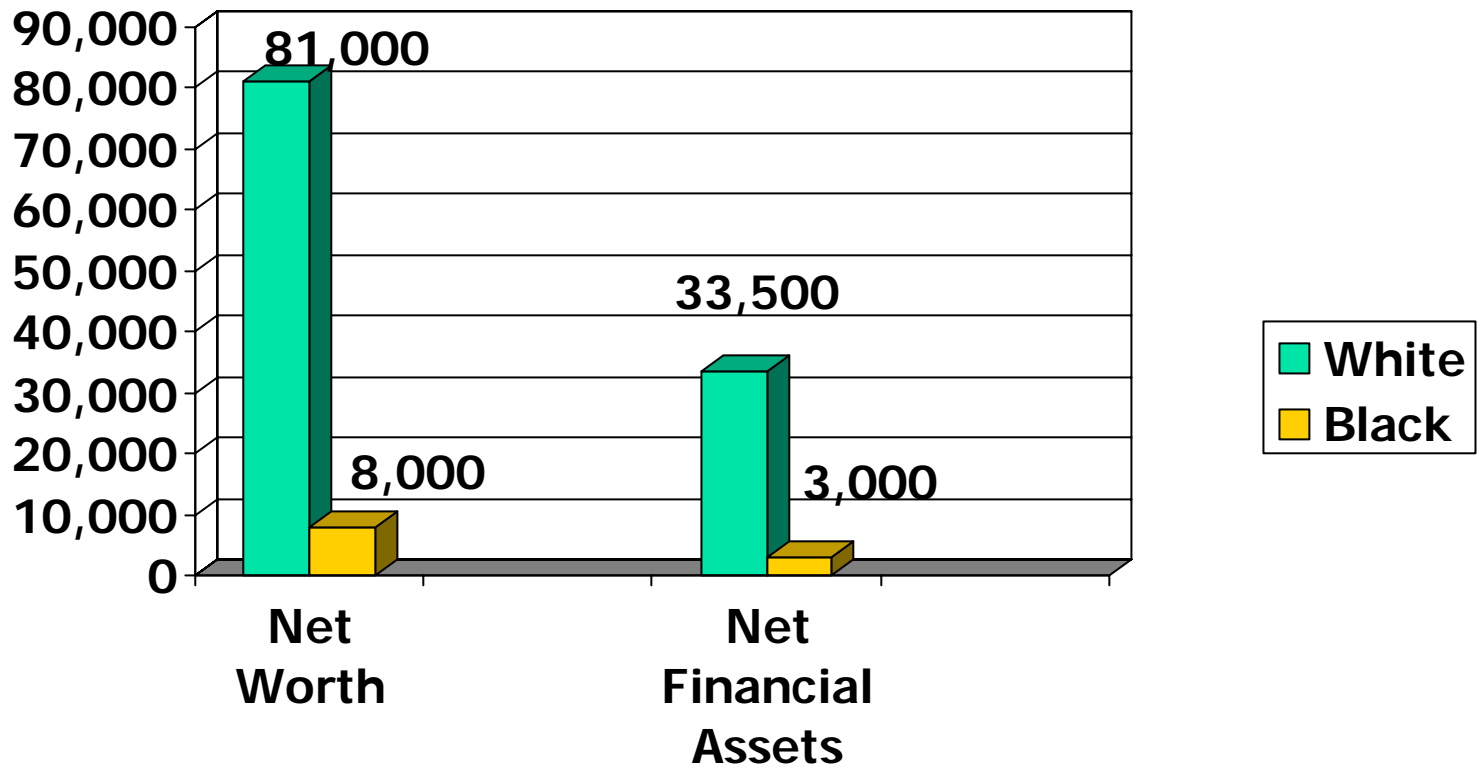
Shift the Lens...

Family Wealth Ratios

- Blacks own 10 cents of wealth for every dollar owned by whites

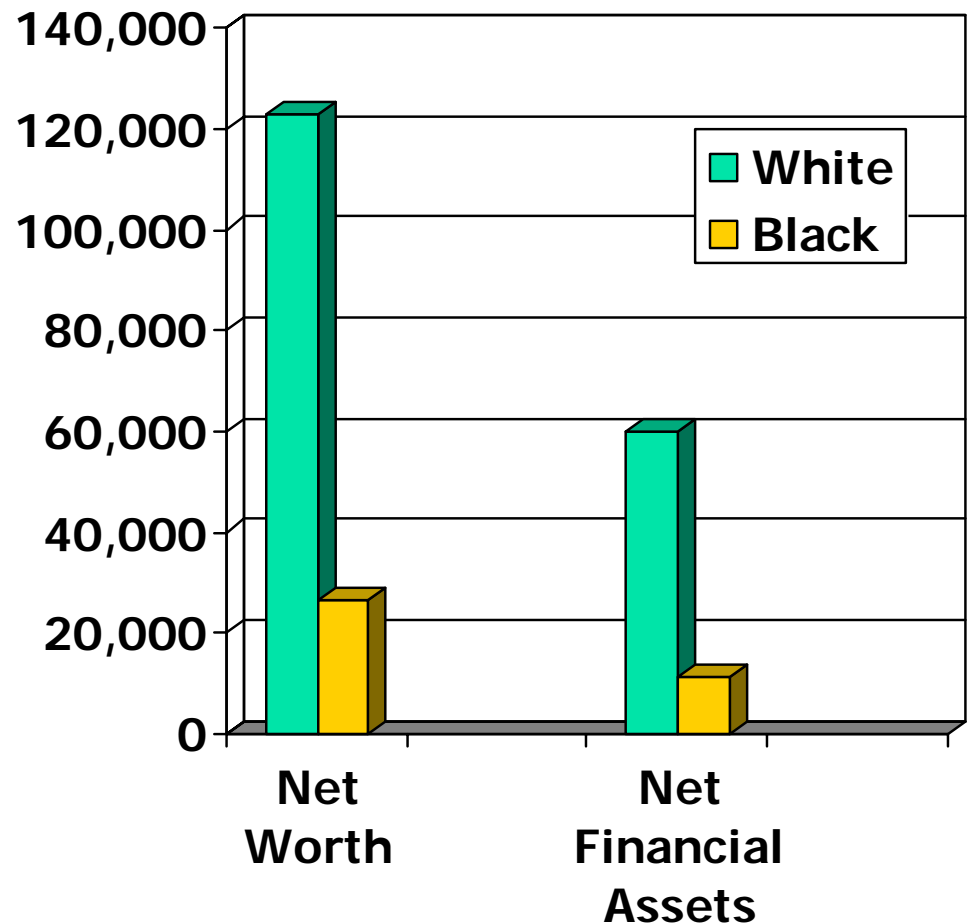


Family Wealth



Middle Class, Race, and Wealth

- Occupational Middle Class
- Income Parity is Close
- Blacks now own 22 cents of wealth for every dollar owned by white (19 cents of NFA)
- (Not much change if income or education used to define middle class)





Assets For Equality

- Three Policy Agendas
 - Mobility, Self-Reliance, Independence
 - Equality
 - Asset Protection



Mobility—Asset Framework

- Family-Targeted:
 - IDAs; CSAs
 - Homeownership
 - Institutional Change—Mortgage Markets
- Community Assets
 - Human, Social, Cultural, Natural Capitals
- Articulate with Labor Market and Safety Net Policies



Equality-Asset Framework

- Estate Tax-Generation-to-Generation
- Reparations?
- Institutional Change
 - Residential Segregation
 - Home Ownership Markets
- Wage Taxes Versus Wealth Taxes
- Ownership or Debtor Society?
- Community
 - Schools
 - Civic



Asset Protection: Homes, Communities, Families

- Subprime Lending
- Predatory Terms
- Pay Day Loans



Asset Protection

- Withering Social Infrastructure >
- More Reliance on Private Assets Utilization > >
- Privatization of Citizenship
 - Health Care
 - Education
 - Housing



Thanks!

- Data:
- **The Hidden Cost of Being African American: How Wealth Perpetuates Inequality, 2004**
- **Black Wealth/White Wealth, Tenth Anniversary Edition, 2006**
- (unless otherwise indicated).

- *Accurate Citation much appreciated*

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What Works?

- Stakeholding/Homeownership/IDAs
 - Children do Considerably better in School
 - Better Jobs and Income
 - Civic Engagement
 - Future-Oriented
- Institutional Change
 - Secondary Mortgage Market



Disjuncture: Knowledge and Practice

- Estate Tax
- Capital Gains
- Social Security?



Assets, Debt, and Predators

- Between 1992 and 2001, average credit card debt for African Americans increased to \$2,950 from \$2,416—a 22 percent increase over the period.
- Nearly 60 percent of African Americans held a credit card in 2001, and nearly 84 percent of these card holders carried a balance.
- In 2001, the average credit card indebted African-American household spent nearly 20 percent of its income on debt payments.
- Nearly one out of five credit card indebted African Americans earning less than \$50,000 was in debt hardship—in other words 40 percent of their income was spent on debt service payments in 2001.
- Demos, Forthcoming Races in the Red



Fragile Assets in Hard Times

- In the years prior to the 2001 recession, white, Hispanic, and African-American families were generating wealth through savings, investment, and homeownership.
 - More families were acquiring assets and family portfolios were growing.
 - The recession and recovery brought wealth growth to an abrupt halt for millions of American families.
 - During the recession and jobless recovery, Hispanic and African-American families lost over one-quarter of their wealth while the wealth of white families grew slowly, 2 percent.
-
- Pew Hispanic Center



What Has Propelled Mobility, Equality and Prosperity in America?

- *Homestead Acts* —Land and Resources
- *VA/GI Bill* —Education and Social Capital
- *FHA* —Homes, Wealth, the Middle Class
- *Unionization* —Restructuring Labor-Capital, adequate standard of living
- *Civil Rights* —Rights and Opportunities
- *Economic Boom* — Post War II-1971



What are the Paths in 21st Century America???



Cost of Being African American

- If Blacks received the same wealth rewards as whites
- \$136,000



Why The Gap??

- 1. Legacy of Race
 - Sedimentation of Inequality
 - Circumstances and Contexts within which wealth is generated
 - Inheritance
 - Whites 4 times as likely to Inherit;
 - Typical Inheritance for Whites=\$10,000; Blacks=\$800
 - In Vivo
 - Down payments; Education and College Tuition



Why the Gap....

- 2. Institutional Discrimination:
Homeownership and Assets
 - Mortgages: Blacks have 60% higher Rejection Rate vs. comparable Whites
 - Interest Rates: Blacks Pay More--.33%
 - Translates into \$12,000 More for Typical Home over 30 years
 - Home Appreciation:
 - \$28,000 less Appreciation White vs. Non-White community



Minimize The Advantages of Privilege/Wealth

- Schools
- Health Care
- Communities