

The Racial Wealth Gap

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HIST 1378

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Racial injustice has always been a hot topic in the United States, and this is due to the caste system that was imbued into the country's foundation. Isabel Wilkerson uses *The Warmth of Other Suns* to portray several issues that were present during the oppressive times of this country. Some of these issues remain to this day, and this includes the racial wealth gap. As Wilkerson notes, "the layers of accumulated assets built up by the better-paid dominant caste, generation after generation, would factor into a wealth disparity of white Americans having an average net worth ten times that of black Americans by the turn of the twenty-first century, dampening the economic prospects of the children and grandchildren of both Jim Crow and the Great Migration before they were even born"<sup>1</sup>. The wealth gap is an issue that remains prevalent to this day, and discrimination in other areas, such as housing and education, are factors that contribute to the wealth gap and help keep it in place.

Racial discrimination remains prevalent to this day despite the progress that this country has made in social justice. As the Economic Policy Institute notes, "racial discrimination, it seems, is like the salt that's left in a pot after water boils away – much easier to identify in the absence of the other things"<sup>2</sup>. The researchers' studies showed that the distance between what white Americans and African Americans earn is larger than what it's ever been in almost four decades<sup>3</sup>. And while the severity of the wage gap once varied by region, the gap is now more uniform throughout the country<sup>4</sup>.

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<sup>1</sup> Isabel Wilkerson, "Robert Joseph Pershing Foster," in *The Warmth of Other Suns*, 85

<sup>2</sup> Gene Demby, "Racial Disparities in Wages Boil Down to Discrimination", NPR, September 23, 2016, [https://www.npr.org/sections/codeswitch/2016/09/23/495013420/black-white-wage-gap-racial-disparity-discrimination?sc=17&f=1001&utm\\_source=iosnewsapp&utm\\_medium=Email&utm\\_campaign=app](https://www.npr.org/sections/codeswitch/2016/09/23/495013420/black-white-wage-gap-racial-disparity-discrimination?sc=17&f=1001&utm_source=iosnewsapp&utm_medium=Email&utm_campaign=app)

<sup>3</sup> Gene Demby, "Racial Disparities Boil Down"

<sup>4</sup> Gene Demby, "Racial Disparities Boil Down"

The major reason for the wealth gap is not education, qualification, nor work experience; it's discrimination, and there's a lot of data that confirms this. It can be difficult to measure discrimination since it's invisible and usually isn't advertised by the people doing it. Nonetheless, it can be done by finding the portion of the wage gap that remains after controlling for all the other factors that would reasonably influence one's earnings"<sup>5</sup>. There's a study, from 2003, that suggests that applicants with resumes boasting names that are "black-sounding" – such as Lakisha or Jamal – were less likely to get callbacks for positions<sup>6</sup>. There's also another study, from 2014, that analyzed the job searches of 5,200 unemployed people in New Jersey<sup>7</sup>. It showed that black applicants were offered much less compensation than white applicants by potential new employers<sup>8</sup>. These African American applicants were also much more likely to accept lower offers than the white applicants<sup>9</sup>.

However, economists found that the racial wage gap narrowed over time if employees stayed at the same company<sup>10</sup>. This is likely because companies would have gotten more comfortable with their black hires; however, this also means that black hires would have to stay at a company longer to catch up with the wages of their white counterparts. Data from an EPI study also shows that black college graduates usually enter the workforce making less income

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<sup>5</sup> Gene Demby, "Racial Disparities Boil Down"

<sup>6</sup> Gene Demby, "Racial Disparities Boil Down"

<sup>7</sup> Gene Demby, "Racial Disparities Boil Down"

<sup>8</sup> Gene Demby, "Racial Disparities Boil Down"

<sup>9</sup> Gene Demby, "Racial Disparities Boil Down"

<sup>10</sup> Gene Demby, "Racial Disparities Boil Down"

than white college graduates<sup>11</sup>. It's fair to say that discrimination is likely to be an experience for African American workers long before and long after they are hired<sup>12</sup>.

When the economy is in a weaker state, discrimination is less costly to employers because there are more available prospects than there are jobs available. As the report notes, "during the early 1980s, rising unemployment, declining unionization, and policies such as the failure to raise the minimum wage and lax enforcement of anti-discrimination laws contributed to the growing black-white wage gap. During the late 1990s, the gap shrank due in part to tighter labor markets, which made discrimination more costly, and increases in the minimum wage. Since 2000 the gap has grown again"<sup>13</sup>.

However, when the economy is in a bolstered state, discrimination hurts the employers. When competition for hiring potential workers was steeper, everyone's wages had to go up, including the wages of black people<sup>14</sup>. Researchers also noted that anti-discrimination laws were being enforced more consistently during these times, and the wage gap was at its smallest<sup>15</sup>. Nonetheless, in the long run, the black-white racial wage gap is growing ever so wider.

Even as the nation's economy gets better, there is a racial divide between blacks and whites within the recovery itself<sup>16</sup>. Mississippi is the state with the highest proportion of African

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<sup>11</sup> Gene Demby, "Racial Disparities Boil Down"

<sup>12</sup> Gene Demby, "Racial Disparities Boil Down"

<sup>13</sup> Gene Demby, "Racial Disparities Boil Down"

<sup>14</sup> Gene Demby, "Racial Disparities Boil Down"

<sup>15</sup> Gene Demby, "Racial Disparities Boil Down"

<sup>16</sup> Michell Mizner, "The Recovery's Racial Divide", PBS, August 1, 2016, [https://www.pbs.org/wgbh/frontline/video/the-recoverys-racial-divide/?utm\\_source=Eloqua&utm\\_medium=Email&utm\\_campaign=ICYMI\\_080516](https://www.pbs.org/wgbh/frontline/video/the-recoverys-racial-divide/?utm_source=Eloqua&utm_medium=Email&utm_campaign=ICYMI_080516)

Americans in the country, but it is also the poorest state nationwide<sup>17</sup>. In Cleveland, Mississippi, the median income for black families was \$13,000 as opposed to \$32,000 for white families<sup>18</sup>. The unemployment rate for black families was 22% as opposed to 6% for white families<sup>19</sup>. And the rate of poverty for black families was 37% as opposed to 12% for white families<sup>20</sup>.

Black Americans were paid lower wages for working in the same positions as their white counterparts. *The Warmth of Other Suns* sheds light on this inequality with the story of Robert Pershing. As Wilkerson notes, “his father, his mother, and the other teachers at Monroe Colored High School were working long hours with hand-me-down supplies for a fraction of the pay their white counterparts were getting”<sup>21</sup>. In Louisiana, white teachers and principals were paid a salary of \$1,165 per year, on average. On the other hand, colored teachers and principals were paid a salary of \$499 per year, on average<sup>22</sup>. Furthermore, in Mississippi, white teachers and principals were paid a salary of \$630 per year while the colored teachers and principals were paid one third of that<sup>23</sup>. This was the start of a racial wealth gap that only worsened over time.

While the difference in wages may not be as blatant as it was back in Pershing’s time, the divide between the wealth of black Americans and that of white Americans is huge. A report by Josh Hoxie, “The Road to Zero Wealth”, compares the median net worth of a black

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<sup>17</sup> Michelle Mizner, “Recovery’s Racial Divide”

<sup>18</sup> Michelle Mizner, “Recovery’s Racial Divide”

<sup>19</sup> Michelle Mizner, “Recovery’s Racial Divide”

<sup>20</sup> Michelle Mizner, “Recovery’s Racial Divide”

<sup>21</sup> Isabel Wilkerson, “Pershing”, 85

<sup>22</sup> Isabel Wilkerson, “Pershing”, 85

<sup>23</sup> Isabel Wilkerson, “Pershing”, 85

family and that of a white family over the past thirty years. A median black family had \$1,700, and it had \$6,800 in today's dollars, thirty years ago<sup>24</sup>. On the other hand, a median white family had \$116,800, and it had \$102,000 in today's dollars, thirty years ago<sup>25</sup>. Black families' wealth decreased over the past thirty years while white families' wealth increased over the same period.

Hoxie's report projects this trend about thirty years into the future. As it notes, "by 2053, just 10 years after the country is projected to become majority non-white, black median families will own zero wealth if current trends continue"<sup>26</sup>. This explains why the report is called, "The Road to Zero Wealth". The study even shows that there are black families with a member holding a four-year degree that own less wealth than white families whose head just owns a high school diploma<sup>27</sup>. Another study shows that if the average black family wealth grows at the same pace that it has over the past three decades, it would take black families 228 years to gain the same amount of wealth that white families have today<sup>28</sup>.

The disparity in educational opportunities for black Americans and white Americans exacerbates the racial wealth gap between the two races. **yes** Lesser education often leads to less wealth and income. *The Warmth of Other Suns* portrays this disparity in the life of Robert Pershing. As Wilkerson notes, "the boys jumped out and began stacking the truck bed with the

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<sup>24</sup> Josh Hoxie, "Blacks and Latinos Will be Broke in a Few Decades", *Fortune*, September 19, 2017, [https://fortune.com/2017/09/19/racial-inequality-wealth-gap-america/?utm\\_source=fortune.com&utm\\_medium=email&utm\\_campaign=raceahead&utm\\_content=2017092018pm](https://fortune.com/2017/09/19/racial-inequality-wealth-gap-america/?utm_source=fortune.com&utm_medium=email&utm_campaign=raceahead&utm_content=2017092018pm)

<sup>25</sup> Josh Hoxie, "Blacks Will be Broke"

<sup>26</sup> Josh Hoxie, "Blacks Will be Broke"

<sup>27</sup> Josh Hoxie, "Blacks Will be Broke"

<sup>28</sup> Josh Hoxie et al., "Report: Ever-Growing Gap", Institute for Policy Studies, August 8, 2016, <https://ips-dc.org/report-ever-growing-gap/>

books the white school was throwing away. That is how Monroe Colored High School got its books”<sup>29</sup>.

While this exact scenario may not be the case in today’s times, the racial disparities in education remain present in subtler manners. Doug Lederman’s article notes that blacks are greatly underrepresented at selective colleges and overrepresented at open-access institutions<sup>30</sup>. The article is based on a report by researchers at Georgetown University: “Separate and Unequal: How Higher Education Reinforces the Intergenerational Reproduction of White Privilege”<sup>31</sup>. When comparing blacks to whites with similar academic and socioeconomic backgrounds, the minority’s underrepresentation and the majority’s overrepresentation worsened from 1994 to 2009<sup>32</sup>. As the report notes, “rather than function to reverse gaps generated by inequities in K-12 education and housing and health, Carnevale says, higher education is now serving as a ‘capstone’ that exacerbates those other mechanisms”<sup>33</sup>.

Anthony Carnevale is a lead researcher who focuses on educational access and equality, and as he notes, “the postsecondary system mimics and magnifies the racial and ethnic inequality in educational preparation it inherits from the K-12 system and then projects this inequality into the labor market”<sup>34</sup>. More college completion tends to lead to higher earnings,

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<sup>29</sup> Isabel Wilkerson, “Pershing”, 84

<sup>30</sup> Doug Lederman, “Higher Ed: Engine of Inequality”, Inside Higher Ed, July 31, 2013, <https://www.insidehighered.com/news/2013/07/31/report-documents-how-higher-education-exacerbates-racial-inequities>

<sup>31</sup> Doug Lederman, “Higher Ed”

<sup>32</sup> Doug Lederman, “Higher Ed”

<sup>33</sup> Doug Lederman, “Higher Ed”

<sup>34</sup> Doug Lederman, “Higher Ed”

and these earnings highly correlate with the purchase of more expensive housing in the suburbs with the best schools. “The synergy between the growing economic value of education and the increased sorting by housing values makes parental education the strongest predictor of a child’s educational attainment and future earnings”<sup>35</sup>. White Americans benefit from the intergenerational reproduction of privilege that black Americans are excluded from because white parents have the means pass on their educational advantages to their children<sup>36</sup>. This cycle has repeated itself for several years.

Colleges’ level of selectivity is a huge factor in the disparity of African Americans who are admitted compared to white Americans. The authors of the aforementioned study divided postsecondary education into three categories. The most-selective tier incorporates the most highly competitive segments that are identified by Barron’s. The second is a middle “competitive” tier of four-year colleges, and rest of the four-year and two-year colleges that accept all applicants make up the third category<sup>37</sup>.

African Americans had a tiny gain in the proportion of their college students in the top three tiers of selectivity compared to whites<sup>38</sup>. The report shows that the percentage of students in the top three tiers of selectivity who were African Americans went up from 8% to 9% from 1995 to 2009<sup>39</sup>. Meanwhile, the same percentage of white students went up from 16% to 25% in the same period<sup>40</sup>. It’s important to note that 82% of the additional white students

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<sup>35</sup> Doug Lederman, “Higher Ed”

<sup>36</sup> Doug Lederman, “Higher Ed”

<sup>37</sup> Doug Lederman, “Higher Ed”

<sup>38</sup> Doug Lederman, “Higher Ed”

<sup>39</sup> Doug Lederman, “Higher Ed”

<sup>40</sup> Doug Lederman, “Higher Ed”

who enrolled during this period were admitted into the 468 most-selective four-year colleges compared to just 9% of African Americans. On the other hand, 68% of African-American enrollments was at open-access institutions<sup>41</sup>.

College readiness is not always the main reason behind these statistics, for the aforementioned report shows data that indicates that students with similar academic qualifications are sent down different paths. Studies showed that white students with SAT scores above 1200 have a 77% likelihood of completing a certificate or degree as opposed to African Americans' 57% likelihood<sup>42</sup>.

The racial disparity in admissions of minorities puts them at a disadvantage because the colleges in the three different tiers of selectivity provide significantly different levels of resources which results in the students having significantly different kinds of outcomes<sup>43</sup>. "The 468 higher-selectivity institutions spend about twice as much on instruction per student than do the open-access colleges"<sup>44</sup>. Furthermore, the studies showed that 82% of students at the higher-selectivity colleges earn their degrees. On the other, only 49% of students at the open-access institutions earned their degrees<sup>45</sup>.

While a lack of educational opportunities does contribute to the racial wealth gap, it still comes down to disparate treatment and impact on African Americans. As Algernon Austin, director of EPI's program on Race, Ethnicity, and the Economy, notes, "at the end of the day, it

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<sup>41</sup> Doug Lederman, "Higher Ed"

<sup>42</sup> Doug Lederman, "Higher Ed"

<sup>43</sup> Doug Lederman, "Higher Ed"

<sup>44</sup> Doug Lederman, "Higher Ed"

<sup>45</sup> Doug Lederman, "Higher Ed"

turns out that being black matters”<sup>46</sup>. Darrick Hamilton, one of the co-authors of the *Whiter Jobs, Higher Wages* paper with EPI, claimed that about 90% of job positions in the United States can be categorized as racially segregated, and this was based off of data from the *Whiter Jobs* paper<sup>47</sup>. In occupations where black men are underrepresented, \$50,533 was the average annual salary. On the other hand, \$37,005 was the average annual salary for occupations where black men are overrepresented<sup>48</sup>.

The education and skill requirements for positions are not plausible factors for this racial segregation. For example, Hamilton’s paper showed that black men are the most severely underrepresented race in occupations within the field of construction, extraction, and maintenance, which usually require a low level of education credentials<sup>49</sup>. These occupations also pay wages that are much higher than in the low-paying service sector where black men are overrepresented<sup>50</sup>. Upper management positions are another example of a racially segregated field. Black men are very underrepresented as chief executives and legislators even though they are more proportionately represented in a variety of managerial-type occupations<sup>51</sup>. As Hamilton’s *Whiter Jobs* paper notes, “That black men have the skills needed to be financial managers, human resource managers, public relations managers, and a variety of other types of managers suggests that they also have the skills needed to be chief executives and legislators,

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<sup>46</sup> Andrea Orr, “Why Do Black Men Earn Less”, Economic Policy Institute, March 3, 2011, [https://www.epi.org/publication/why\\_do\\_black\\_men\\_earn\\_less/](https://www.epi.org/publication/why_do_black_men_earn_less/)

<sup>47</sup> Andrea Orr, “Black Men Earn Less”

<sup>48</sup> Andrea Orr, “Black Men Earn Less”

<sup>49</sup> Andrea Orr, “Black Men Earn Less”

<sup>50</sup> Andrea Orr, “Black Men Earn Less”

<sup>51</sup> Andrea Orr, “Black Men Earn Less”

since these two positions draw on many of the skills needed in these other management fields”<sup>52</sup>. Hamilton’s studies also suggest that black men are not self-selecting into lower paying professions<sup>53</sup>. There was no meaningful difference in the chosen courses of study between a sample of black college majors and white college majors<sup>54</sup>.

Racial housing segregation is another factor that greatly contributes to the racial wealth gap between African Americans and white Americans. This is because African Americans have tended to be denied the opportunity to live in high-value areas that provide better education opportunities for children and greater returns on investments<sup>55</sup>. The National Fair Housing Alliance conducted studies to prove that housing segregation is still prevalent even decades after the Fair Housing Act was passed by Congress<sup>56</sup>.

A year of studies showed that black and white testers posing as home buyers had drastically different experiences when they sought out a real estate company near Jackson, Miss<sup>57</sup>. The real estate agents often refused to show properties to black customers. Meanwhile, the white testers who expressed interest in buying properties were steered towards majority-white communities in the majority-black city of Jackson. This was the case even though the black customers were more qualified with higher incomes, better credit scores, and more

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<sup>52</sup> Andrea Orr, “Black Men Earn Less”

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<sup>54</sup> Andrea Orr, “Black Men Earn Less”

<sup>55</sup> The Editorial Board, “How Segregation Destroys Black Wealth”, The New York Times, September 15, 2015, <https://www.nytimes.com/2015/09/15/opinion/how-segregation-destroys-black-wealth.html?ribbon-ad-idx=5&src=me&module=Ribbon&version=origin&region=Header&action=click&contentCollection=Most%20Emails&pgtype=article>

<sup>56</sup> The Editorial Board, “Segregation Destroys Black Wealth”

<sup>57</sup> The Editorial Board, “Segregation Destroys Black Wealth”

savings for down payments than the white testers<sup>58</sup>. Similar results were prevalent in another Alliance investigation covering several other metropolitan areas including Atlanta, Austin, Birmingham, Chicago, Dayton, Detroit, New York, Philadelphia, Pittsburgh, San Antonio and the District of Columbia<sup>59</sup>. This suggests that racial housing segregation is a universal problem.

This behavior is a throwback to the practices used by the real estate industry in the early 20<sup>th</sup> century that resulted in ghettos for blacks, regardless of income. Real estate agents enforced residential and school segregation by steering homebuyers into communities based on race. As the article notes, “Whites were encouraged to live where the schools were mainly white; African-Americans where schools were disproportionately black; and Latinos where schools were disproportionately Latino”<sup>60</sup>.

The Federal Housing Administration, created during the New Deal, supported these racist measures, forbade lending to black people, and cut them off from fairly priced home loan credit<sup>61</sup>. This is how black neighborhoods deteriorated and lost a lot of value. While many of these discriminatory practices eventually were officially ended, subtler techniques emerged that promoted ghettoization. Black families were channeled away from white areas, and banks and mortgage brokers systematically pushed middle-class African-American families into high-cost, high-risk loans when they could have qualified for more affordable loans<sup>62</sup>.

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<sup>62</sup> The Editorial Board, “Segregation Destroys Black Wealth”

The history of racial housing segregation took an enormous toll on black wealth. Research by Douglas Massey and Jonathan Tannen at Princeton University's Office of Population Research shows this. For example, in 1970, the average well-off African American lived in a neighborhood where potential home wealth stood at about \$50,000 as opposed to \$105,000 for affluent whites and \$56,000 for poor whites<sup>63</sup>. And by 2010, black Americans had fallen even further behind affluent whites<sup>64</sup>. As Massey and Tannen note, there's more than money at stake because home values "translate directly into access to higher quality education given that public schools in the United States are financed by real estate taxes"<sup>65</sup>.

Racial injustices have been well documented since the conception of this country and throughout the decades in many facets of American life. History, moreover, clearly reveals that the plight of African Americans has been and continues to be systemically fashioned to keep them in a "quagmire" that creates a perpetual wealth gap, contributes to inadequate healthcare, inferior housing, higher unemployment rates, lower paid wages, segregated communities, substandard educational opportunities, and other atrocities as well. However, these long-standing injustices and inequalities continue to become more magnified with the current climate of protest against the killing of unarmed black American men. The social outcry for change as well as the economic loss was enormous; thus, this racial bias in the criminal justice system is a hot topic that may become the catalyst that brings about much deeper and

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<sup>63</sup> The Editorial Board, "Segregation Destroys Black Wealth"

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<sup>65</sup> The Editorial Board, "Segregation Destroys Black Wealth"

analytical action steps across society to improve the overall disproportionate mistreatment of African Americans.

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