



## Founder's Blog

### **African Americans and Money**

By Paula Quick Hall<sup>1</sup>

William A. Darity, Jr. discusses the wealth of Black<sup>1</sup> Americans, in comparison to the wealth of other population groups in this [video](#)<sup>2</sup>. Darity also talks about the relationship between wealth and income. This is an excerpt of his talk, (transcribed):

The . . . average difference in wealth between Black and white households in the United States. . . amounts to an absolute gap of eight hundred forty thousand dollars (\$840,000.) in net worth. . . It's a consequence of the fact that all along the income distribution, there are sharp wealth differences. . . [W]hite households, taken collectively, possess about ninety-two percent (92%) of the nation's wealth, although they constitute somewhere in the vicinity of seventy percent (70%) of the nation's population. Contrast, Blacks constitute approximately thirteen percent (13%) of the nation's population, but possess only two and one-half percent (2<sup>1</sup>/<sub>2</sub>%) . . . [T]wenty-five percent (25%) . . . of white households in the United States have a net worth in excess of one million dollars, while it's only four percent of Black households. . . [T]here are sharp differences in wealth at the lower end of the distribution. . . The poorest whites in the United States, in terms of income—the bottom 20% of the income distribution—are families that possess a net worth of at the median of about fifteen thousand dollars (\$15,000.) It is actually zero (\$ 0) for Black households that are in the same income category.

Although economists typically refer to “wealth” as “net worth,” this essay encourages readers to consider alternative meanings of the term “worth”—meanings that go beyond money as the relevant indicator. I think of money as a medium for exchange—for example, I give you money for tangible items that you possess, such as a meal or a hat; or for intangible items, such as your company or advice. I also think of money as an indicator of the value of things that can be exchanged. I may give you more money

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<sup>1</sup> Dea'nnie Schulerbrandt, a student at North Carolina Central University, volunteered her time to help with research on wealth and income. The data she found are included in this essay.

<sup>1</sup> If you are wondering why I capitalize “Black” it is because this term shows respect for a population with a shared culture and history, characterized by identification as a “racial” group of African ancestry, despite diversity in countries of origin, traditions, languages and other aspects of culture. I recommend the [letter](#) published by the Brookings Institution in 2020, that ends with the statement “Words, like Black lives, matter. It's Black, with a capital B.”

<sup>2</sup> In this March 24, 2021, Race and Bias Conversation, Professor William "Sandy" Darity discusses his research on race and economic inequality in America.

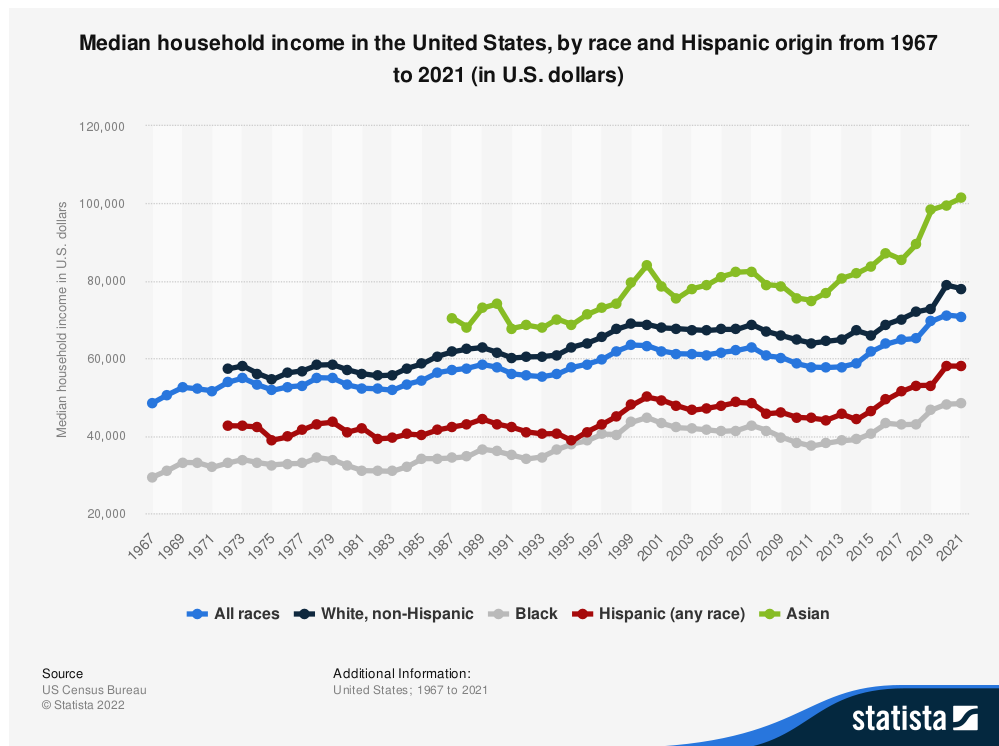
for dinner than for breakfast, and less money for a small head scarf than for a fancy hat. The effort required to produce things is also associated with the value or cost for exchange.

Although people speak of the gap in median wealth of population groups (e.g. Black people and Asian Americans), the wealth controlled by the group is not available equally to all members of the group. An economist uses an example of a white nurse who loses her job and is being evicted from her home, but cannot depend upon a white billionaire to pay her rent and expenses while she finds another job.

As I think about ways that money increases my sense of security, two things come to mind. One is the question of how I can increase my ability to earn or be paid more money for the services I provide. The other is exploration of the skills that I could acquire that enable me to produce material goods that other people would want to buy.

For generations, the people in my community have emphasized the value of education and learning as means to increase economic security and wealth. I learned that knowledge (acquired by formal education or informal learning) will likely increase my access to money and economic security. Awareness of discrimination has made it obvious that while education is useful and, I believe, necessary, it is not sufficient to overcome discrimination. As an African American woman, experience has taught me that differences in opportunities and pay cannot be fully explained by my level of education, skill, or personal characteristics such as “work ethic.” (That’s a topic for a longer, later discussion about equity, assessment and compensation.)

To continue the presentation of economic indicators, the following chart of income shows changes over time in the median household income of selected population groups.



As a social scientist, I have been interested in the ways that individuals explain their economic status. Sometimes people disregard the variation in starting points, as groups are compared. I have heard it said that we must “pull ourselves up by our bootstraps.” Some people say that this is what they have done, without acknowledging the advantages that they inherited at birth or the ways that other people have helped them. Other people would say, that they have no bootstraps, and maybe no boots at all. Whatever your circumstances from birth and to the present time, I believe that although we do not determine the economic or social status of the families into which we are born, we can affect our access to money as we mature. This belief is a result of my experience and observations, as well as the messages that I received from my family.

My family taught me to find ways to earn money. As a child, I went door-to-door in our neighborhood selling greeting cards that would be imprinted with the names of the buyers before Christmas. When I was old enough to be hired, I was employed as a gift-wraper at a local department store during the holiday season. When we meet online Saturday, April 15<sup>th</sup>, I’ll share more of my story and lessons learned about money. In the meantime, think about your own experiences and lessons learned about money. We’ll discuss some of these when we meet online.

You may have heard the expression “The rich get richer and the poor get poorer.” My case is somewhere between rich and poor, but it illustrates the various ways that people get money and education to acquire housing and other resources that provide economic security. Although economic status may be less than secure, people with a solid foundation fare better even in natural disasters. If their homes are destroyed, they have insurance, or second homes, and the means to pay for temporary housing. They probably have friends or relatives who would provide temporary shelter, as my friend did when a tree fell on our house during a snow storm. People who, at some stage of their lives, are above the poverty level may also have more information about opportunities (scholarships, grants, contracts), and pitfalls (such as pay-day lending companies and for-profit colleges). Access to this information is readily available if you have Internet and the ability and time to search. People may also need help completing forms and application requirements. Increasingly, digital technologies are essential for access to information and funding.

I must mention the significance of cultural and social capital. Social scientists use these terms to refer to the intangible resources associated with relationships and our ways of being (such as attire, speaking, language, foods, music, religion) that contribute to our comfort or discomfort with other people. Our families and communities teach us ways of greeting, acknowledging and communicating with others, and the symbols of status (such as age and position) that signal appropriate behaviors. The extent to which we internalize these lessons may affect our ability to adapt to change as we move geographically and as our environments change.

Finally, there is more to say about collective versus individual knowledge and use of money. The current issue of *YES! Magazine* includes an article titled “Could We End Wealth?” In an analysis of the U.S. economic system, wealth inequality and the associated privileges and power are explained. “Philanthropy was set up not as a purely altruistic endeavor, Villanueva says, but one driven by wealthy industrialists giving themselves an image makeover.” Housing, taxes and charity are discussed, along with the concept of “the commons.” Collective ownership, reparations, and redistribution are

considered. Community land trusts are mentioned as a way of “removing housing from the speculative market” and “preserving both affordability and communities.”

A future essay will address the topic of cooperatives and ways that groups of people accumulate and preserve wealth for the benefit of a community. Much of the transfer of assets among African Americans is unreported, as, for example, children are cared for by people who have no legal obligation to do so. The U.S. tax system that allows transfer of wealth from one generation to the next by inheritance provides substantial benefits to people with wealth by applying different tax rates and policies governing inherited income, earned income and increases in the value of assets such as real estate. Such benefits accrue to people who file taxes and have the means to take advantage of applicable tax policies.

Cooperative organizations exist for stores, housing, and credit unions (which offer the same services as most banks). Information about housing cooperatives is available at <https://www.Cohousing.org>. For more information about cooperatives, view [“African American Cooperatives and Civil Rights,”](#) or [“This New Cooperative Business Model Could Change Everything,”](#) or [“Collective Real Estate: Land without Landlords”](#) on the PBS Laura Flanders show.