Chapter 30

THE WEALTH GAP

As recent as 2021, the Federal Reserve's Survey of Consumer Finances determined that white households hold 87 percent of overall wealth in the United States. Conversely, African Americans, broadly defined, have only three percent of the wealth. To put that in dollar terms, the median white family held $184,000 in wealth in 2019 compared to just $23,000 for the median African American family. And for further comparison, the median Hispanic family had $38,000 in wealth. Moreover, we should assume that these comparative figures become starker once we disaggregate the data among the generalized African American population surveyed.[1]

Some economists note that the wealth held by the typical African American household compared to the typical white family has remained at almost the same ratio as it was in the 1960s. While there was an observable closing of the gap over the last 150 years, that closing stopped after 1950. Since the 1980s, the wealth gap has widened again as capital gains have predominantly benefited white households and income convergence has stopped.[2]

The racial wealth gap accounts for the total cost of the injuries to African Americans and the benefits to white Americans, as represented by the contemporary gap in total wealth between these two groups. Thus, the wealth gap is often regarded by reparations advocates as the best indicator of the cumulative impact of anti-Black racism, from African American enslavement through Jim Crow to contemporary disparities. As such, it reflects the total sum of calculable harms and serves as the most direct means of accounting for the value owed as African American reparations.

Determining the racial wealth gap involves consideration of the products of discrimination in lending, employment, property, and commercial practices and policies against African American individuals, communities, and enterprises. This also critically includes how those practices and policies in those same areas privileged white individuals, communities, and enterprises. Some of the key metrics in calculating the racial wealth gap include racial differences in home equity, financial assets, and income, all of which are necessary for economic security and because they facilitate the accumulation of wealth over time. In addition to differences in asset values and composition, differences in the amount and type of debt households possess contribute to racial disparities in economic security. But again, the racial wealth gap, as argued by economists

[1] It should be noted that while the median is a useful measure for calculating typical differences in wealth between blacks and whites it leaves out significant outlier values, which would represent African Americans impacted by significant economic disparities, and whites who benefit from economic advantage. Therefore, the mean, or average is the most appropriate measure for calculating the sum required to eliminate the racial wealth gap. However, because the Federal Reserve's data is only published based on median data, this report relies on that data to illustrate the problem.

[2] [add cite]

advocating for reparations, represents the best indicator of the cumulative impact of racism over time.[3]

On this basis, the use of the racial wealth gap as a distinct harm for the Task Force to address through recommendations is not required. This is because rather than using a single category to capture the total sum of harms against the community of eligibility in California, the Task Force's recommendations are organized around nearly a dozen harms. This itemization is an appropriate approach as it enables a more detailed and comprehensive response to the particularities of the harms African Americans experience in California. But because of the scale of federal recommendations, the racial wealth gap would be a more appropriate measurement at the federal level. In light of the scope of our statutory mandate, the Task Force has identified several key areas most appropriately redressed through direct compensation and reliably captured through quantification and resulting financial calculation. Those areas are:

1. Unjust Property Takings
2. Devaluation of Black Businesses
3. Housing Discrimination and Houselessness
4. Mass Incarceration & Over-policing
5. Health Harms

It should be noted that there is currently no definitive figure for the racial wealth gap in California. And so, though it may not be used to provide reparations in California according to the recommendations in this report, the Task Force nevertheless recommends that the state determine the racial wealth gap in California. We know what the racial *income* gap is in California, and it is itself concerning and is an indicator that the wealth gap in California is likely very significant and would lead to further disparities across future generations of Californians.[4] Determining the racial wealth gap would both enable that information to be considered by the Legislature in its ultimate calculation of reparations, and enable further future data-driven remedial measures to redress the gap.

The Task Force further recommends that the State of California encourage the use of the national racial wealth gap in the determination of the federal-level reparations urged by the Task Force.

[3] [add cite]

[4] The racial income gap shows that Black families in the state earn $.60 for every dollar that white families earn, as determined by Public Policy of California statewide survey. Moreover, the geographic disparities of wealth in the state show that 20% of all net worth is concentrated in the 30 wealthiest zip codes, home to just 2% of Californians. However, these disparities are effectively addressed by the recommendations for commercial and housing discrimination.