

## **Twitter Thread by [wikipedia “seasonal halloween name” brown](#)**

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**LORDT. two black economists i really respect, [@SandyDarity](#) and [@DarrickHamilton](#), just published a KILLER report debunking what they call 10 commonly-held myths about the racial wealth gap and how to close it. I'm gonna tweet the highlights. (full report:**

first, defining the wealth gap. Black households hold < 7 cents on the dollar compared to white households. The white household living near the poverty line typically has about \$18k in wealth. Black households in similar economic straits typically have a median wealth near zero.

"At the other end of America's economic spectrum, black households constitute less than 2 percent of those in the top one percent of the nation's wealth distribution; white households constitute more than 96 percent of the wealthiest Americans."

that's the racial wealth gap. it's bad. google it. onto the myths."We contend that a number of ideas frequently touted as 'solutions' will not make headway in reducing black-white wealth disparities...While these steps are not necessarily undesirable, they are wholly inadequate."

"There are no actions that black Americans can take unilaterally that will have much of an effect on reducing the racial wealth gap. For the gap to be closed, America must undergo a vast social transformation."

me reading this out loud:



Myth 1: Greater educational attainment or more work effort on the part of blacks will close the racial wealth gap. "At every level of educational attainment, black families' median wealth is substantially lower than their white counterparts."

even when we get educated the same, we don't earn the same. "White households with a bachelor's degree or postgraduate education (such as with a Ph.D., MD, and JD) are more than three times as wealthy as black households with the same degree attainment."

"Moreover, on average, a black household with a college-educated head has less wealth than a white family whose head did not even obtain a high school diploma."

y'all should know that though because i tweet that graph like every 6 weeks, wyd

Myth 2: The racial homeownership gap is the "driver" of the racial wealth gap.

"Among households that own a home, white households have nearly \$140,000 more in net worth than comparable black households. While the wealth ratio between whites & blacks may narrow somewhat among those who own a home, a 6-figure wealth differential remains."

Primarily, Sandy & Darrick seem to take issue with the causal implications here. "By definition, homeownership/home equity is a component of wealth. Hence, the statement that 'homeownership drives wealth' is equivalent to saying that 'wealth drives wealth.'"

"The idea that homeownership creates wealth simply may put the relationship backward. Rather than homeownership creating wealth, having family wealth in the first place leads to homeownership, particularly high equity homeownership."

Myth 3: Buying and banking black will close the racial wealth gap.



"Black-owned banks are miniscule in the context of the general scale of American banking. The largest five black owned banks recently were estimated to have assets totaling \$2.3 billion, while J.P. Morgan alone had an estimated \$2 trillion in assets."

"Moreover, since black wealth is so low in the first place, it is a mere fantasy to anticipate that the existing black consumer base could build a black-owned equivalent of J.P. Morgan by banking black."

important point before y'all get mad: "In the interest of black solidarity, the idea has great merit. But the failure to bank black or buy black does not explain why we have a racial wealth gap of this magnitude, nor will banking black or buying black do much to reduce the gap."

Myth 4: Black people saving more will close the racial wealth gap.

plot twist. WE ALREADY SAVE! A LOT! (COMPARATIVELY!) "The finding advanced in peer reviewed articles in economic journals is clear: there is no evidence that black Americans have a lower savings rate than white Americans once household income is taken into account."

One 2004 study "tracked the financial position of black and white families and found that, once income is controlled, if anything, black families actually have a slightly higher savings rate than their white counterparts."

the idea that we "lack self-control & are plagued uniquely by a culture of frivolous consumerism" comes from "welfare queen" language & "recently via internet financial gurus pushing images of black America spending money on Jordan brand Nike shoes rather than household needs"

they could have dropped the mic after "Jordan brand Nike shoes" but let us continue on to

Myth 5: Greater financial literacy will close the racial wealth gap.

"Meager economic circumstances—not poor decision making or deficient knowledge—constrain choices and leave asset-poor borrowers with little to no other option but to use predatory and abusive alternative financial services."

"Higher levels of wealth enable greater access to more favorable terms for credit. Wealth provides individuals and families with financial agency and choice; it provides economic security to take risks and shields against the risk of economic loss."

In other words, wealthy people don't avoid the payday loan spot just because they know more. They avoid it because they don't have to go there.

Myth 6: Entrepreneurship will close the racial wealth gap.

or what i like to call the "Dame Dash selling cookies" myth

"For at least three decades internet wealth gurus, black and white, have told people if they only left salaried employment and struck out on their own, they could get rich like the late 19th century robber barons."

me:



"When we compile the data even those members of marginalized communities who manage to enter into entrepreneurship largely fail. This is due to a number of factors ranging from under-capitalization, limited market access, or outright theft or destruction."

White business owners start businesses w/average of \$106,702 in capital. Black businesses: \$35,205. "We must keep in mind the primary reason for business failure is low capitalization at the start, and blacks begin the entrepreneurship game with low capital finance."

"Robust black entrepreneurship also will require an environment where the racial wealth disparity already has been confronted and altered directly. Greater black wealth, and hence financial capital, is the vital prerequisite for greater black entrepreneurship," not vice-versa.

Myth 7: Emulating successful minorities will close the racial wealth gap.

the explanation here is primarily sociological, not economic, but the short version is that these arguments ("why can't black people be more like [immigrant group]?") ignore the social context of immigration policies, selection bias, and pre-immigration capital.

Myth 8: Improved "soft skills" and "personal responsibility" will close the racial wealth gap.

What are soft skills, you ask? These are the things that aren't direct job knowledge or experience-- the intangible things that make you appear employable, like collaboration, timeliness, and interpersonal skills.

If it's true that black people lack "soft skills," ask Sandy & Darrick, "what explains the crowding of blacks and Latino at the lower end of the labor market" in service sector jobs that rely heavily on these very skills????



"Hamilton et. al. (2011) found that when taking educational attainment into account, black men are overrepresented in low wage jobs that require interpersonal contact and underrepresented in higher-paying jobs that do not require these 'soft skills.'"

Myth 9: The growing numbers of black celebrities prove the racial wealth gap is closing.

Here's the picture they included for this one. Imoooooooo

## Myth 9: The growing numbers of black celebrities prove the racial wealth gap is closing



Official White House Photo by Pete Souza

"Black life has come to be seen through the lens of radically exceptional cases, rather than typical ones."



"Black celebrity has largely been placed at the vanguard of an imagined black achievement of affluence. While many of the wealthiest black Americans derive their fortunes from some form of entertainment, they frequently are portrayed as major corporate owners."

The people who get upheld as being major corporate owners, like Magic Johnson, Diddy, or Jay-Z, often own less of a stake than is implied. Magic Johnson owns 2.3% of the Dodgers.

Meanwhile, the number of black CEOs of Fortune 500 companies has gone from 8 in 2015 to 4 in 2017.

Finally, Myth 10: Black family disorganization is a cause of the racial wealth gap.

America's perennial fave!

Again, Darity & Hamilton argue that there is an inversion of causality here. "Single motherhood is a reflection of inequality, not a cause. White women still have considerably more wealth than black women, regardless whether or not they are raising children."

this took me out:

"In fact, single white women with kids have the same amount of wealth as single black women without kids. Recent research also reveals that the median single parent white family has more than twice the wealth of the median black or Latino family w/ 2 parents."



this may be the longest thread i've ever written!! if you have questions ask [@SandyDarity](#) or [@DarrickHamilton](#), not me! and I encourage you to read the whole report because it's pretty clearly written. (well done, y'all!)

TL;DR - WE NEED REPARATIONS

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