

Dr. Teresa Powell
Faculty Development Grant- Report of Findings
The Black Wealth Gap in America: Are We Standing in Our Own Way
Summer 2021

Many recent studies abound, describing and explaining the wealth gap between blacks and whites in America. Many social, historical, political and institutional forces have contributed to this gap, and closing it has seemed a nearly insurmountable task. In 2016, the Federal Reserve reported that the net worth of whites was ten times the net worth of blacks (\$171,000 vs. \$17,600- April 1, 2021) retrieved from <https://www.federalreserve.gov/econres/notes/feds-notes/recent-trends-in-wealth-holding-by-race-and-ethnicity-evidence-from-the-survey-of-consumer-finances-20170927.htm> An August 2019 study by McKinsey & Co. reports that black Americans can expect to earn \$1 million less than White Americans over their lifetime. (March 30, 2021) retrieved at (<https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-economic-impact-of-closing-the-racial-wealth-gap#>) And, according to the Federal Reserve's 2019 Survey of Consumer Finances, the median family wealth of whites is more than five times that of blacks. (April 2, 2021) Retrieved at <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>

The year 2021, was simultaneously the best time and the worst time to be black in America. Navigating finances while black takes focus, ingenuity, and a willingness to learn and do things differently. Black people have the innate ability to eliminate the wealth gap, despite the daunting challenges.

During the summer of 2021 I conducted research to look closely at the wealth gap between blacks and whites in America. Many interesting statistics were found, including the mind-boggling reality that just one bank, JP Morgan Chase, has more wealth than all blacks added together. Additionally, some recommendations were provided to improve the wealth of blacks, namely: address the financial trauma suffered by many blacks, assuring that one always gets the company match of invested retirement funds at work, and gamifying savings and investing.

This project has enhanced teaching and research at the University as it lent a first-hand perspective to blacks' purposefully transforming their financial lives to overcome and refute black wealth gaps. A personal financial literacy lesson has been included in the Math Methods course (EDU625) as a result of this research. This will permit our students who are classroom teachers to implement *Next Generation Personal Financial Literacy* standards within their math instruction.

I have also attached a copy of the PowerPoint presentation that I delivered on Friday, April 22, 2022.

The Black Wealth Gap Are We Standing In Our Own Way?



Lincoln

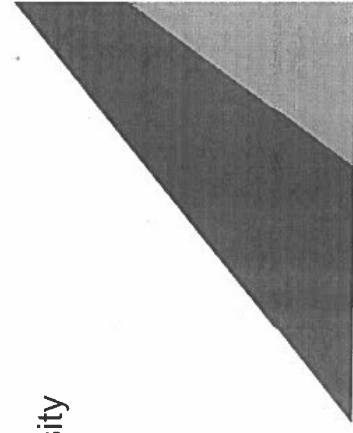
School of A

Seminar Presentation By:

Teresa Powell, Ed.D., MBA, Chair and Assistant Professor
Education Department, Lincoln University

Karen Pinckney, M.ED. Candidate
Educational Leadership Program
School of Adult & Continuing Education, Lincoln University

Mission: Lincoln University, the nation's first degree-granting Historically Black College & University (HBCU), educates and empowers students to lead their communities and change the world.





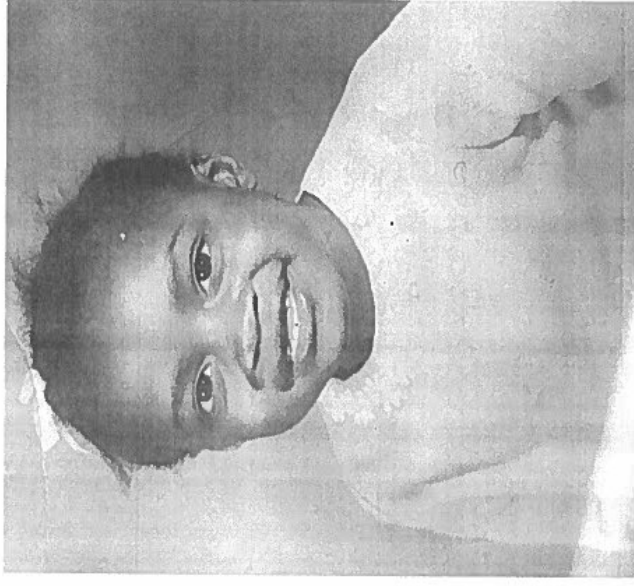
OBJECTIVE

To discuss some of the historical origins of the Black Wealth Gap in the United States, and to provide recommendations to decrease the Black Wealth Gap

How Teresa & Karen Arrived Here



Teresa Powell



Karen Pinckney

Research Questions



- What are some causes of the Black Wealth Gap?
- How have these causes affected Blacks?
- What are some solutions to decrease the Black Wealth Gap?



Black Wealth Gap Defined

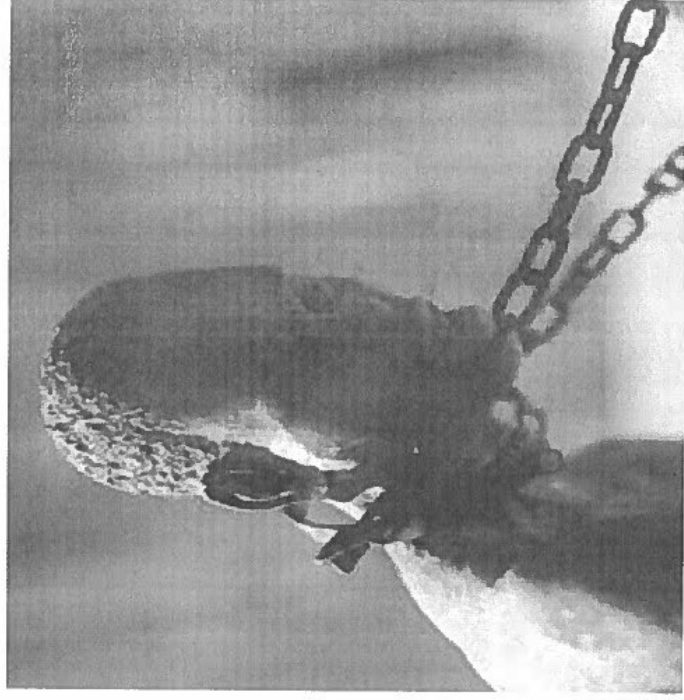
***Wealth Gap-the disparity in assets of typical household
across race and ethnicity***

***Black Wealth Gap- this disparity between Blacks and
Whites***

D.T. Mollenkamp

The Impact of Slavery on The Black Wealth Gap

Legacy of Discrimination passed down from generation to generation

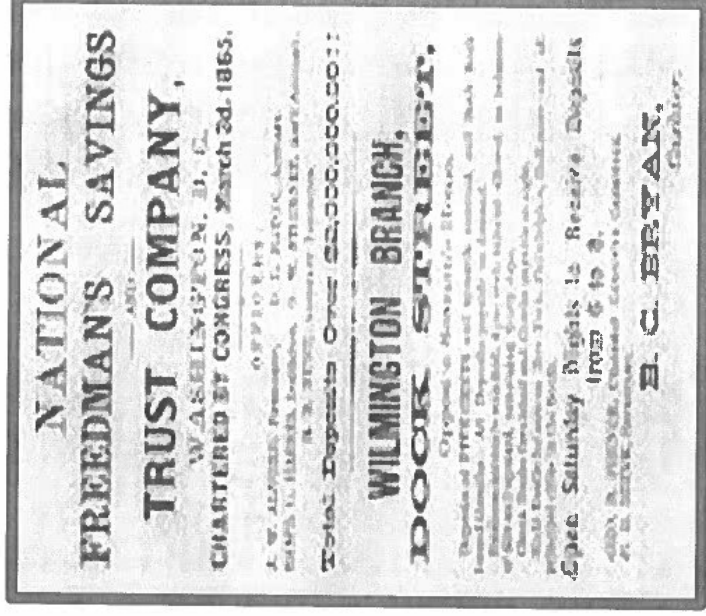


- Slavery began in 1619 with the Trans Atlantic Trade where 4 million Africans arrived in VA, and auctioned off by Slave Traders.
- 200 years of Slavery in The United States
- President Abraham Lincoln issued the Emancipation Proclamation on January 1, 1863

Impact of Mismanagement of Freedmen's Savings Bank



- Bank created by Congress in 1863
- Blacks deposited more than \$57 million
- Collapsed in 1874 as a result of fraud and mismanagement
- Bank failed in 1874
- Depositors lost all their savings
- Records of the bank remain today



Impact of the Devastation of Black Wall Street

Tulsa, Oklahoma. 1921. A wave of racial violence destroyed an affluent African-American community, seen as a threat to white-dominated American capitalism.



The St. Luke Penny Savings Bank in Richmond was one of the first black-owned banks in the United States. Photo Credit: (Courtesy of National Park Service. Maggie L. Walker National Historic Site)

Impact of G.I. Bill Denied to Millions of Black WWII Veterans

The Bill Promised Prosperity and Stood as One of the Premier
Vehicles that enabled Americans to Build Wealth



The **Servicemen's Readjustment** **1944**, commonly known as the **G.I.** law that provided a range of benefits of the returning World War II veterans. Bill included:

- low-cost mortgages
- low-interest loans to start a business
- low-interest loans to start a farm
- one year of unemployment compensation
- dedicated payments of tuition
- living expenses to attend high school, college, or vocational school.



Impact of the New Deal's Fair Labor Standards Act on the Black Wealth Gap

Black and Brown people were excluded from key jobs and programs like Social Security and Protections under the National Labor Relations Act.



President Franklin D. Roosevelt signs the New Deal
Labors Act Legislation in 1933. | AP



Groups of unemployed gathered in front of the U.S. House on March 6, 1930. Domestic care workers left out of many Farr Labor Acts in the 20th century.

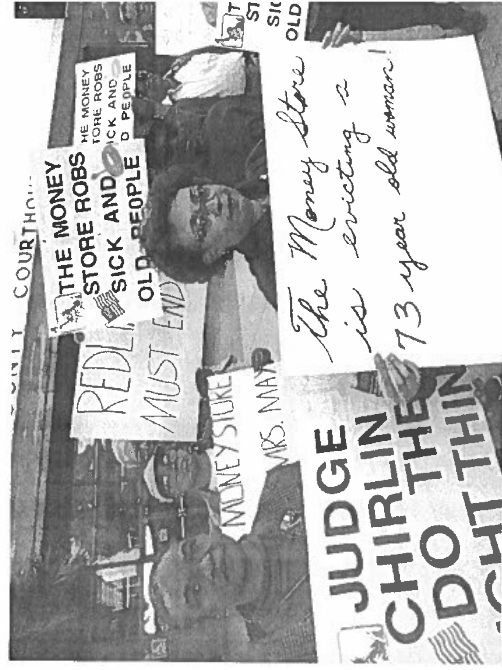
Impact of Redlining on the Black Wealth Gap



Redlining kept Black Americans from home ownership decades ago — and is still contributing to the racial wealth gap today



The original Home Owners' Land Corporation map of Durham, dated July 23, 1937. Red areas were largely Black communities, and considered to be risky for new home loans.

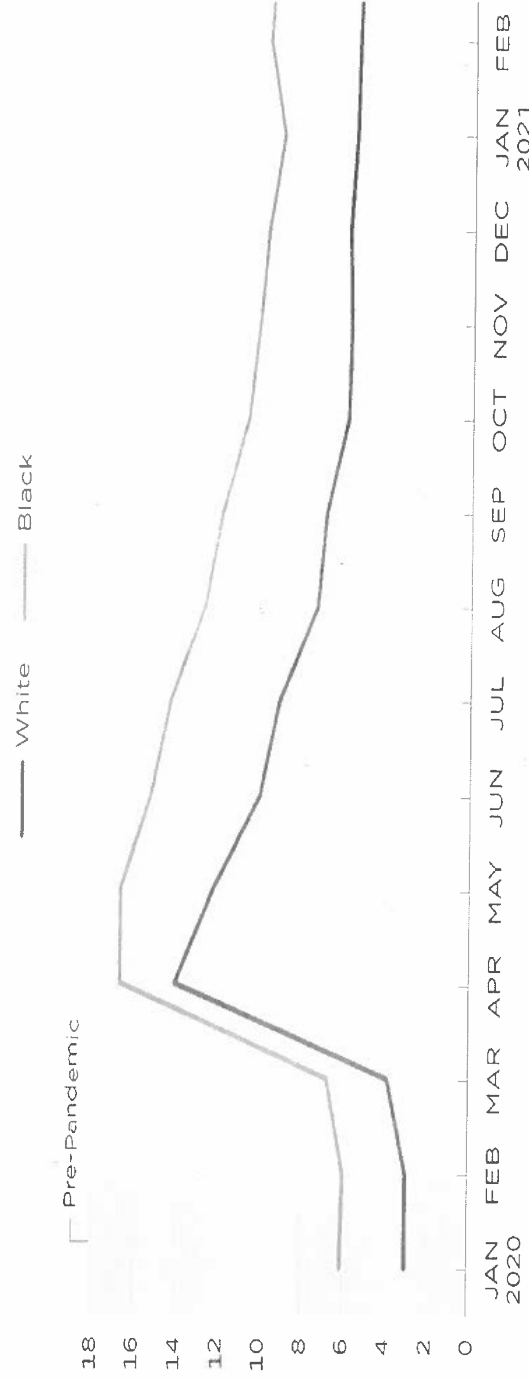


Jan Arceneaux and other members of the South-Central LA Against Bank Fraud and Redlining protest in front of the LA Courthouse in 1998. Ken Lubas/Contributor/Getty Images

Impact of COVID pandemic



Unemployment Rate, by Race: 2020-2021
(In percent)



Note: White and Black Hispanics are included in these data.

Source: Current Population Survey, U.S. Bureau of Labor Statistics, January 2020-March 2021.



Impact of The Moynihan Report

Formally entitled *The Negro Family: The Case for National Action*

Presented by Assistant Secretary of Labor, Daniel Patrick Moynihan

Very controversial- helpful & hurtful to Blacks



How have these causes affected Blacks?

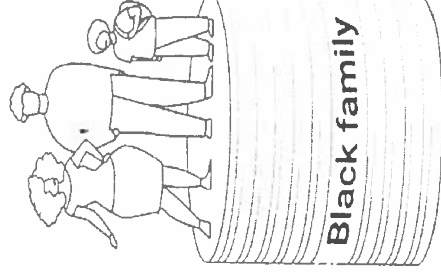


Black Wealth Gap

A WIDE AND PERSISTENT WEALTH GAP EXISTS BETWEEN

**black and white
American families.**

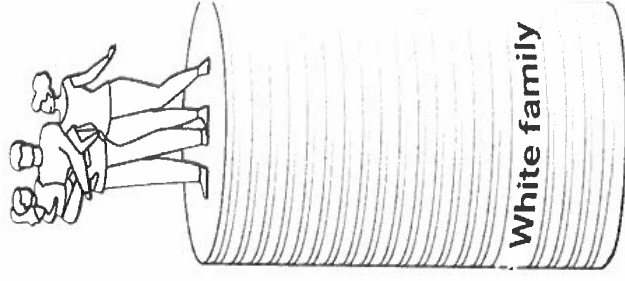
\$17,600



Source: The Federal Reserve

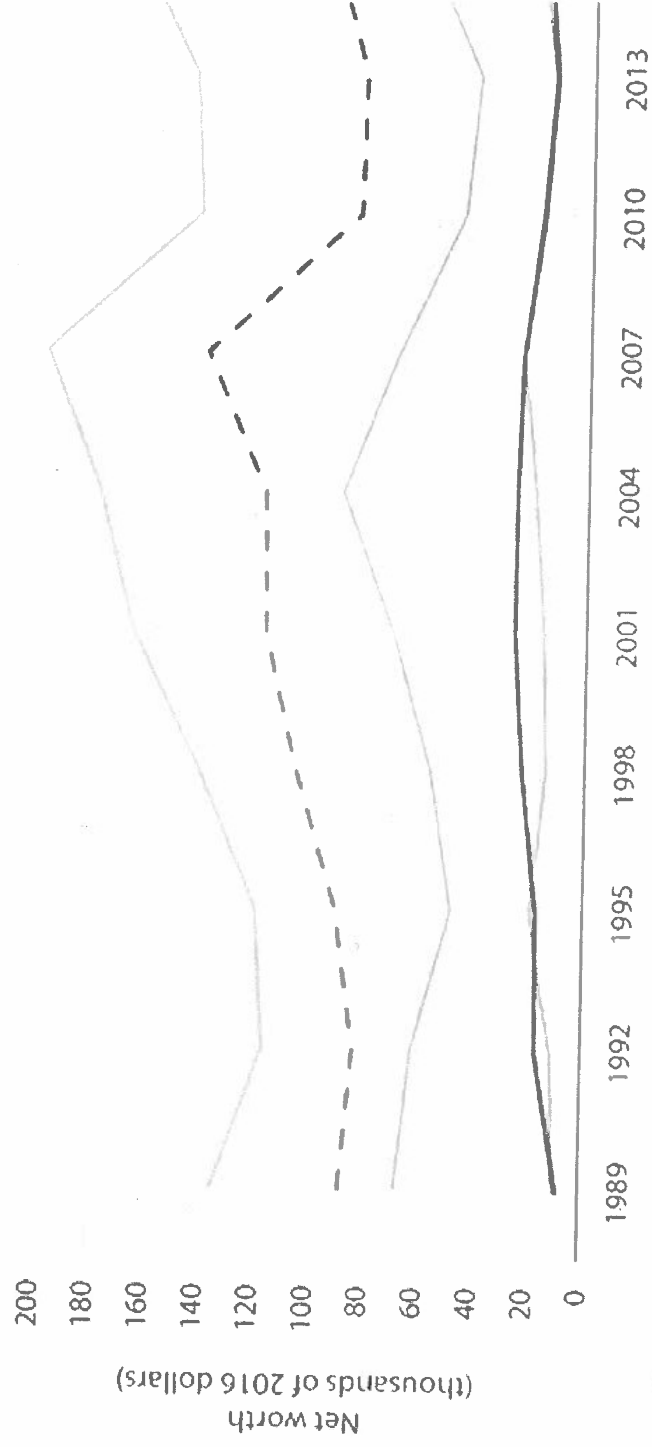
 banks.com

\$171,000



Black Wealth Gap

FIGURE 1
Median Net Worth by Race/Ethnicity, 1989–2016



Source: Survey of Consumer Finances, 1989–2016.
 Notes: Net worth refers to the difference between assets and debts. A household head, Black and Hispanic, are those of the survey respondent.

Black Wealth

#Bank Black Movement

- Gained traction in July 2016 as a protest against police brutality
- Black banks saw marked increase in deposits
- In 2022, 21 black-owned banks hold \$4.98+ billion in assets

Black Wealth...

#Bank Black- THE REALITY in 2021



Assets of the 21 Black Banks- \$4.98+B

Assets of JP Morgan Bank- \$2.6T

Federal Reserve Statistical Release, Dec. 31,

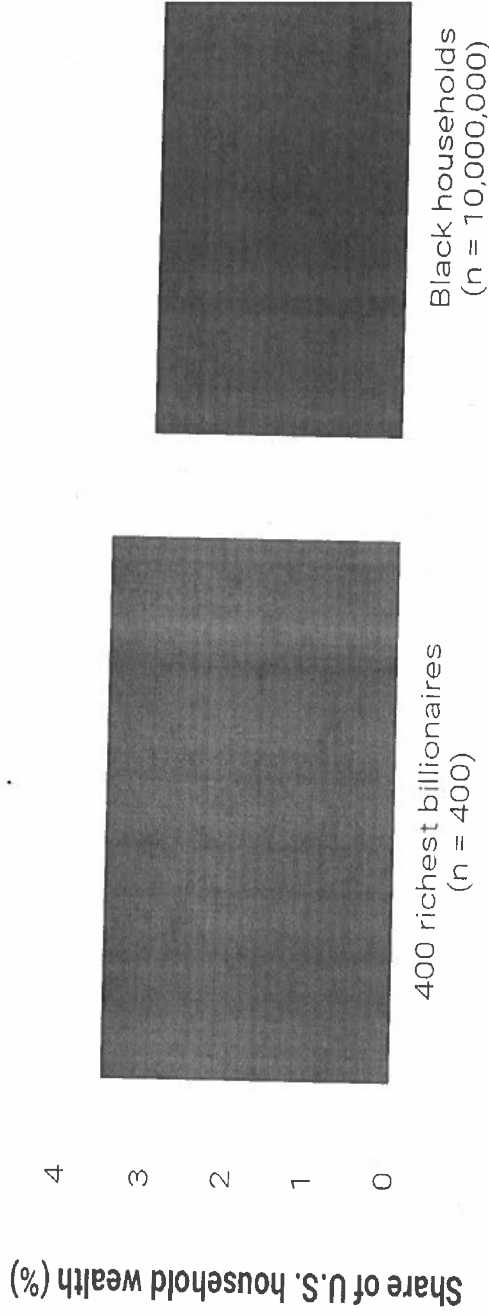
**...About 2 tenths of 1% of the single largest bank
assets**

2018

400 Billionaires & 40,000,000 Blacks



Figure 2: Shares of U.S. household wealth, Forbes 400 and Black ho



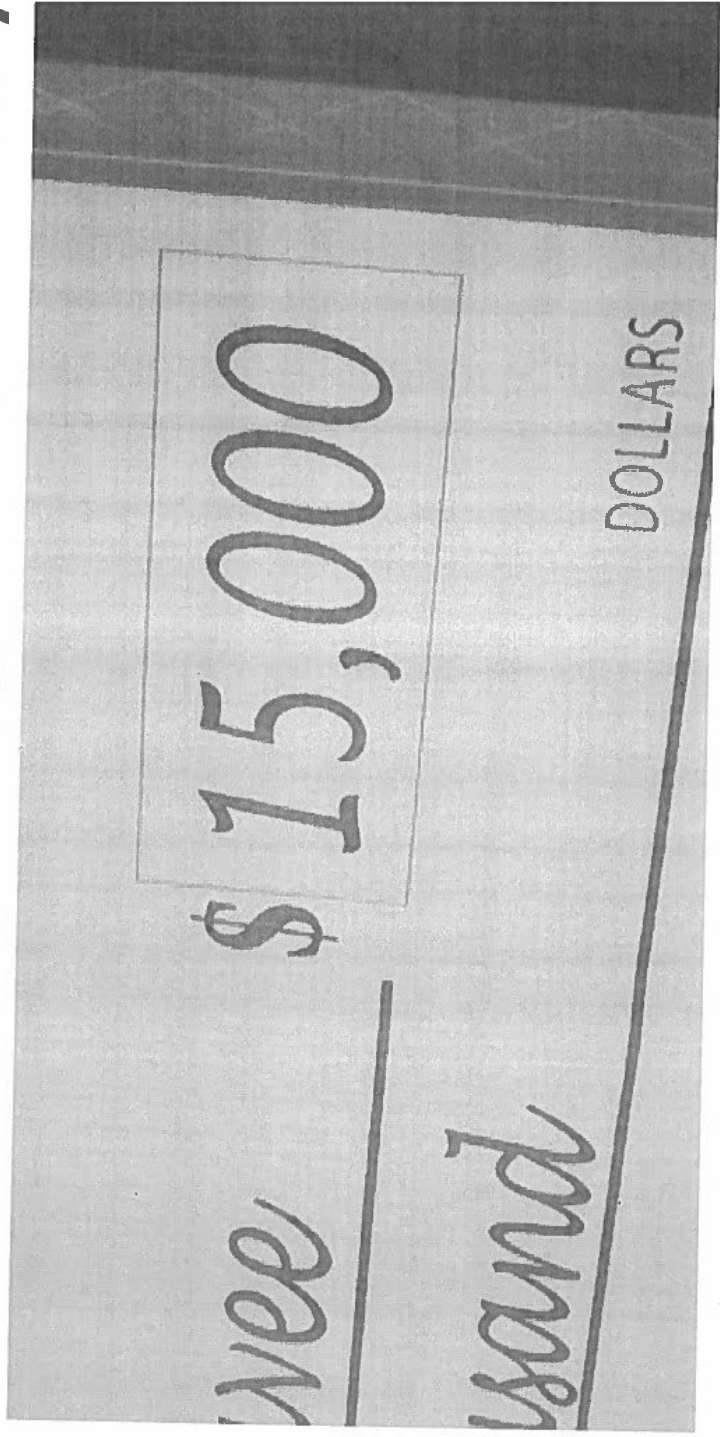
Source: Saez and Zucman 2019; Darity and Mullen 2020.

BROO]



Lit

Are We Standing In Our Own Way





Some solutions to decrease the Black Wealth Gap?

Address Financial Trauma- “the physical, emotional, & cognitive deficits people experience when they cannot cope with either abrupt financial loss or the chronic stress of having inadequate resources”

G. Buckwalter

Some causes of financial trauma:

- Inheritance of toxic money beliefs
- Chronic debt
- The sudden loss of a job
- Unstable Income

Some solutions to decrease the Black Wealth Gap



Become educated in financial topics

- Get the company match
- Listen to finance-related podcasts/audio books when commuting
- Roll over retirement funds to a tax-deferred account when leaving a company
- Learn about more advanced options

Some solutions to decrease the Black Wealth Gap?



Invest in self

- Write down wealth goals
- Gamify saving & investing
- Use an investment app to invest
- Learn from your adult children

Some solutions to decrease the Black Wealth Gap

- Policy Makers and Educational Leaders should Mandate Financial Literacy for Grades K-12 Students in the US
- Make Financial Literacy a Prerequisite in College
- Banks and Corporations have a responsibility to educate their consumers.



Limitations

- Target Audience- General Public
- Lens of Pk-12 Educators
- Research on Blacks under 40

List of Works Cited



Ariel-Schwab Black Investor Survey: New Ariel-Schwab Black Investor Survey Shows Black Americans Continue to Trail Their White Counterparts in Building Wealth- Signs of younger investor engagement offers hope.

Buckwalter, G. Are You Struggling with Financial PTSD? Questions & Answers with goop.com

Darrity, W. & Mullen, A.K. From Here to Equality: Reparations for Black Americans in the Twenty-first Century. University of North Carolina Press. 2020

Federal Reserve Statistical Release: JP Morgan Bank U.S. Assets. 2021

Federal Reserve. 2016 Survey of Consumer Finances. Wealth Gap Between black & white American Families. 2017

McIntosh, K., Moss E., Nunn R., Shambaugh, J. Examining the Black-white wealth gap. Brookings, Hamilton Project. 2020

Mollenkamp, D.T. Race and Income Inequality: What is the Racial Wealth Gap? Accessed at investopedia.com 4/18/2022

Moynihan, D.P. The Negro Family: The Case for National Action. Office of Policy Planning and Research. U.S. Department of Labor. 1965

Philandro Castile's Death Inspires Black Economic Movement. Accessed at theuptake.org June 2021.

Saez, E. & Zucman, G. Brookings Papers on Economic Activity, Sept. 5-6th 2019. Conference Draft.

Unemployment Rate by Race: U.S. Bureau of Labor Statistics, 2020-2021



Questions & Answers



Lin

Contact

Education Department
3020 Market Street
Philadelphia, PA 19104

Dr. Teresa Powell
tpowell@lincoln.edu

Karen Pinckney
kpinkney@lincoln.edu

