

The "racial wealth gap" narrative obscures reality of class divide in the US

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Over the last several years, news of a “racial wealth gap” has flooded America’s airwaves and print media. According to those pushing the concept, white Americans have a great deal more in all respects than black Americans, and that, therefore, race-based remedies tailored to upper income blacks—such as reparations, set-asides, and affirmative action—must be deployed.

These racist politics share one common feature: They leave untouched the actual source of social inequality for workers of all races—capitalism.

The concept of the racial wealth gap, and the attendant idea of “white privilege,” have been promoted by academics for some time, but it is only recently that they have appeared broadly in the news media. An analysis of newspaper articles on the archive *Newspapers.com* shows that the terms “racial wealth gap,” “racial wealth divide,” “racial inequality,” and “white privilege” appeared 4,689 times in the 1990s and then more than tripled in the 2010s, reaching 15,758 mentions. Over the 2020s—that is, just the last year-and-a-half—there have already been 10,658 references to these terms. By contrast, during the 1960s, the height of the civil rights era, they only appeared 4,560 times.

The deluge coincides with a massive growth in overall wealth and income inequality in the US and globally. The wealthiest 10 percent of US households owns 34.5 times more than the bottom 50 percent, and over the course of just 2020 they increased their fortune by more than \$18.8 trillion—about \$1.53 million per household, with far higher going to the super-rich. As the richest of all races have seen their fortunes climb into the stratosphere and their counterparts in the bottom 90 percent have seen theirs stagnate and crumble, an obsessive focus on race has emerged. It is being pumped into the veins of American society. The purpose is to transform a looming class war into a race war.

The argument that the racial wealth gap is the most salient feature of American society today is, to be blunt, a fraud. It is based on the tendentious selection and presentation of data. There is nothing about it that is remotely progressive or left-wing, much less Marxist, as those on the political right claim.

Before delving into the data, it is essential to underscore one point. Race is neither biologically real nor socially immutable. But when it comes to the creation of categories of people for the purposes of social analysis, it is assumed that it is. The data spin around the idea that there is some sort of clear distinction as to what constitutes a “white household” and what constitutes a “black household,” even though people have always formed, and increasingly continue to form, family bonds across these lines.

Each “racial group” in fact subsumes within it populations with extremely different histories. So-called “white households” may include the children of Appalachian coal miners, Soviet-Jewish immigrants from the Caucasus, Persians from modern-day Iran, Spaniards from the Mediterranean, Arabs from Morocco, the great-great-great grandchildren of American slaves, dispossessed Palestinians, and so on. So-called “black households” might include some of the same groups, as well as Caribbean

islanders, individuals from the Indian subcontinent, French immigrants of west African descent, etc.

But census forms, surveys, and medical histories require Americans to adopt some sort of racial identity. The resulting data is then utilized to argue that race is the overwhelming determinant of social reality—regardless of whether it is personally meaningful or significant in explaining any given individual’s place in the social structure. All other factors—such as language, culture, citizenship status, time of arrival in the United States, role in the labor force, and, above all, class—are regarded as small change in the face of the concept of race.

The data

When investigating the racial wealth gap, mean and median wealth for different racial groups is commonly cited to demonstrate the existence of universal “white privilege.” Analysts and commentators draw on different data sources, generally surveys, the census, and tax records, of which the Federal Reserve’s Survey of Consumer Finances (SCF) is frequently cited.

In 2020, the Federal Reserve published the results of its 2019 Survey of Consumer Finances (SCF). The data were picked up by the media, with news articles on the findings appearing in many press outlets. According to the SCF:

In 2019, the *typical* white family had \$188,200 in wealth and the *typical* Black family had \$24,100... [T]he *typical* White family has \$50,600 in equities they could tap into in an emergency compared to just \$14,400 for the typical Black family and \$14,900 for the *typical* Hispanic family... The *typical* White families’ home value is \$230,000 and the *typical* other families’ home value is \$310,000. The *typical* Black and Hispanic families’ home values are lower, at \$150,000 and \$200,000, respectively.... While the *typical* Black or Hispanic family has \$2,000 or less in liquid savings, the *typical* White family has more than four times that amount [emphases added].

In the Federal Reserve’s ten pages of analysis of the SCF, “typical” appears 25 times. The use of the word gives the impression that the great majority of whites possess eight times more, own homes worth \$80,000 more, and have quadruple the financial reserves of their black counterparts. This implies that white families are overwhelmingly comfortable and secure, and that they have tidy bundles in the bank.

But this is an intentionally distorted portrait of social reality. In order to arrive at it, analysts have to do several things. First, they attach to mathematical measures a social meaning that they lack. Second, they remain silent about the scale of inequality that exists *within* racial groups, and *within society as a whole*, both of which dwarf by many times the racial wealth gap. Third, they focus on strata of whites and blacks and

make no mention of the absolute numbers of people that these percentages encompass. Because the white population is five to six times the size of the black population, even if lower percentages of white households are poor, in aggregate tens of millions of whites—actually more—share the same level of social deprivation as the most oppressed minorities.

Returning to the question of the median wealth of white versus black households, it is essential to realize that the description of this value as reflective of the wealth of the “typical” or “average” white family in the US is deceptive. A median is a halfway point in a data set. When dealing with wealth and income, in which there is a massive chasm between the best and least-well off, a median is often a better measure of the overall situation than a mean (commonly referred to as an “average”), which is pulled upward by the super wealthy and extremely high-income earners. However, under situations in which there are very high levels of inequality, a median also hides more than it reveals.

Using the median, SCF data found that half of all white families own more, and half own less, than \$188,200, compared to \$24,100 for the fiftieth percentile division among black families. But what is lost by focusing on the median for the white population as a whole is the fact that among those who own less than the median, tens of millions of families own *vastly* less. Massive numbers of white households are not experiencing anything like this allegedly “typical” reality.

According to SCF data, the bottom 20 percent of white households—18.6 million (using an average household size of 2.53, about 47 million people)—own virtually nothing or are so indebted that the total value of their wealth is negative. Their reality is shared by the 30 percent of black households—4.5 million (approximately 11 million people)—and 20 percent of Latino households—3.4 million (an estimated 8.6 million people). Using different data, economist Gabriel Zucman calculated in 2014 that as much as 50 percent of the total US population—nearly 160 million people at the time—has zero or negative wealth.

In other words, *for the tens of millions of households that have zero or negative wealth, the “racial wealth gap” is a meaningless concept. It does not exist.* Regardless of skin color, no one has anything. A more “equitable” distribution of wealth across the lower strata of racial groups would not pay a single bill for a poor black family, for the simple reason that you cannot divide something that does not exist.

The United States is a sea of multi-racial destitution. According to the analysis of SCF data by Matt Bruenig with the People’s Policy Project, the poorest 10 percent of the US population is about 54 percent white, 27 percent black, 12 percent Hispanic, and 3 percent some other group. The next most impoverished layer is 42 percent white, 32 percent black, 20 percent Hispanic, and 5 percent other. And the third one up from the bottom is 53 percent white, 20 percent black, 20 percent Hispanic and 7 percent other. When one gets to the top three deciles of wealth holders, the racial composition begins to strongly favor whites. The largest imbalance exists in the highest tier. The racial wealth gap is primarily meaningful for elite African Americans, who are frustrated at being underrepresented where the vast majority of net worth is concentrated.

Looking at the middle of the wealth pyramid, white households whose net worth puts them in the fifth decile (the 40th to 50th percentiles) control just 1.5 percent of the total \$93.82 trillion possessed by white households, according to the Federal Reserve. Imagining this tiny share could be spread evenly among all families in that decile group, it would amount to about \$151,200 per household. This is \$30,000 shy of the median wealth of white households as a whole, which is \$188,200, and about 16 percent of the mean wealth of all white households, which stands at around \$950,000.

The fifth decile of black households possess only 0.9 percent of the approximately \$4.46 trillion held by all households in this racial categorization. If we divided this share up evenly among fifth-decile black households, we find an average wealth for black families of about

\$26,760. White households in the parallel bracket, in other words, own about 5.5 times more than black households because African Americans are overrepresented among the poor. According to the racial wealth gap proponents, having \$151,200—which as Federal Reserve data show will be largely comprised of a partially paid off mortgage and a small retirement fund—is an incredible level of “white privilege.”

However, when we consider the privilege that accrues to the richest households of *all* races, the real stratification in society becomes evident. Today, the top 10 percent of white households control 74.4 percent of all the wealth for that group. The situation for rich blacks is similar. They have 70.6 percent of everything held by their racial category as a whole. Imagining that this is divided equally among the white households in the top 10 percent, each would have a net worth of \$7.5 million. The equivalent number for black households is “only” \$2.1 million.

Inequality is greater among black households than among white households. The average wealth of top white households and the fifth decile of white households—technically families that fall somewhere near the middle of the wealth pyramid—differs by a factor of nearly 50. Comparing black households at the top to blacks in the fifth decile yields a difference of 78.5 times.

Looking at the data cross-racially, we also see big differences between the wealthiest black families and middle class white families, with the former being 14 times richer than the latter. This gives the lie to the claim that “all whites” enjoy “skin privilege.”

The gap between the wealthiest white and wealthiest black households is 3.5 times, tiny compared to what exists more broadly in society. But because the volume of assets at stake at the upper echelons is so large, such a discrepancy is intolerable to the richest African Americans.

Since the first quarter of 2020, total white household wealth has grown by \$21.3 trillion and total black household wealth has increased by \$1.12 trillion. Again, the racial wealth gap proponents point to the fact that white household wealth grew by far more than that of black households. But as the increase for both groups was driven by an extraordinary run-up in stocks, of which the bottom 50 percent of the population owns just 0.7 percent compared to 87.2 percent for the top 10 percent, virtually all of this wealth has been captured by the rich of all races. Of the entirety of the wealth generated over the course of 2020, the bottom half of the population shared in just 2.8 percent.

In addition to net worth, it is often emphasized that “typical” white families have significantly more back-up reserves than blacks and Hispanics. Again, an image of relative security is imposed on white families. But this betrays, on the part of the government analysts, journalists, and academics with six-figure salaries, a complete lack of understanding of how what most people have really stacks up against the economic burdens they face.

The SCF data show that the average black, Latino, and white families have somewhere between \$14,000 and \$50,000 of equities (including stocks, mutual funds, and retirement accounts) that theoretically could be transformed into cash in the event of an emergency. In addition, the “typical” white family has \$8,000 in liquid savings compared to the “typical” black family with just \$2,000. That is, white households, it would appear, have about four times as much.

But these numbers simply do not apply to the bottom 20 to 30 percent of any racial group, who own nothing. And four times a pittance is still a pittance. While some white households are in a better position to hold out against financial blows for a longer period of time, in the event of a job loss, unexpected medical bill, major home repair, or similar disaster, tens of thousands of dollars can swiftly evaporate.

A 2018 report, based on a survey also conducted by the Federal Reserve, found that four out of ten adults said they could not cope with an unexpected expense of just \$400—the equivalent of a set of tires blown out on a freeway or a flu test not covered by insurance—without taking out a

loan, overdrawing on their bank account, borrowing from a friend or family member, or simply not paying the bill. Among this group are tens of millions of people from all races.

This data took on a human face during the COVID-19 crisis in the form of miles-long lines of cars that appeared at food banks. Those queues were made up of families of all backgrounds who, it seems, somehow did not get the memo about their net worth, equity, and liquid savings calculated by the “racial wealth gap” specialists.

It must be stressed that the way the Federal Reserve measures net worth minimizes the wealth of the very richest, who are very adept at hiding their fortunes, while overstating the wealth in the working class. In its calculation of household net worth, the Federal Reserve includes unfunded pensions, for instance, of which 99 percent are promised to government employees. When the 2019 SCF data were released, analysts highlighted the fact that more white households tend to have pensions and retirement accounts than black households. However, as Gabriel Zucman and Emanuel Saez noted in September 2020, unfunded pensions are not backed by anything. They actually have no real value.

Conclusion

The overrepresentation of black families in the poorest strata of society is the outcome of history—namely, specific forms of capitalist exploitation for which racism provided ideological justification, including slavery and sharecropping. Historically, African Americans have suffered from horrendous forms of prejudice and discrimination, with many pushed into the most oppressed layers of the population as a consequence. But the origins of racism do not lie in the “DNA” of white people, as is claimed by the *New York Times* 1619 Project, but in capitalism. The capitalist class foments divisions among workers in order to exercise its rule. All those who insist that the racial wealth gap, not the class gap, is most important division in society do the same.

The dire conditions facing masses of black workers today arise out of a sweeping assault on living standards that started in the 1960s and 1970s and was overseen by both Democrats and Republicans, black and white. The advances of the civil rights movement and mass entry of African Americans into industrial work in northern cities during the post-World War II era had just begun to lift sections of that population out of the extreme poverty and oppression of the Jim Crow era. For a short time, some black workers began to share in the rising living standards of the American working class, experiencing modest gains that were won through hard-fought class battles. But the weakening global position of American capitalism led the US ruling class to determine that such concessions were intolerable. While the South, where many blacks lived, remained poor, deindustrialization hammered northern city after city, such as Chicago, Detroit, Milwaukee, Buffalo, Pittsburgh, St. Louis, and Cleveland, which were home to millions of blacks. African American workers shared the fate of their class as a whole: job losses, wage cuts, collapsing property values, the destruction of whole communities.

But a narrow layer, including a black elite, shared in the spoils of the wreckage. In the 1970s, as the assault on the working class intensified, affirmative action, “black capitalism,” and “black power” in the form of black mayors, police chiefs, and school boards were part of the thin gruel dished out to the residents of America’s hollowed-out cities. They did nothing for the overwhelming majority of the African American population, but a great deal for a small few. The obsession with the racial wealth gap is intended to obscure these class realities, hide this history, and drown class anger in a toxic swamp of racial hatred.

Social scientists expend incredible effort to suppress the reality of social class. Unlike race, class is not a scientifically false category. It arises objectively from control over the means of production. There are those who own great wealth and those who labor to produce it. But in contemporary American sociology, class is, at best, of tertiary interest, important to the allegedly more decisive categories of “race, gender, and

sexuality” only as it “intersects” with them. More often it is treated as essentially meaningless.

Trotsky once explained that behind every social categorization is a political prognosis. Those that insist that universal “white privilege” is the cornerstone of modern American reality demand more racial “equity.” In doing so, they reveal more than they intend to. In the original meaning of the term, to have “equity” means to own stocks. Indeed, this is what they are after. It is to be achieved by impoverishing a section of the white population, ensuring that poor blacks stay poor, and growing the share of total wealth that goes to the African American population at the top. Class inequality is not only to remain untouched, it is to be defended, deepened, and expanded.



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