Working Paper No. 880

The Great Recession and Racial Inequality: Evidence from Measures of Economic Well-Being*

by

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January 2017

Draft Only: Do Not Cite

* We gratefully acknowledge the financial support from the Alfred P. Sloan Foundation for the production of some of the estimates used in this paper. The estimates used in the analysis in this paper were partly the product of the work of Selçuk Eren, Melissa Mahoney, and Hyunsub Kum. Travis Bostick and Devon Scarlett contributed research assistance.
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ISSN 1547-366X

ABSTRACT

The Great Recession had a tremendous impact on low-income Americans, in particular black and Latino Americans. The losses in terms of employment and earnings are matched only by the losses in terms of real wealth. In many ways, however, these losses are merely a continuation of trends that have been unfolding for more than two decades. We examine the changes in overall economic well-being and inequality as well as changes in racial economic inequality over the Great Recession, using the period from 1989 to 2007 for historical context. We find that while racial inequality increased from 1989 to 2010, during the Great Recession racial inequality in terms of the Levy Institute Measure of Economic Well-Being (LIMEW) decreased. We find that changes in base income, taxes, and income from nonhome wealth during the Great Recession produced declines in overall inequality, while only taxes reduced between-group racial inequality.

Keywords: LIMEW; United States; Great Recession; Race; Distribution of Wealth; Distribution of Income

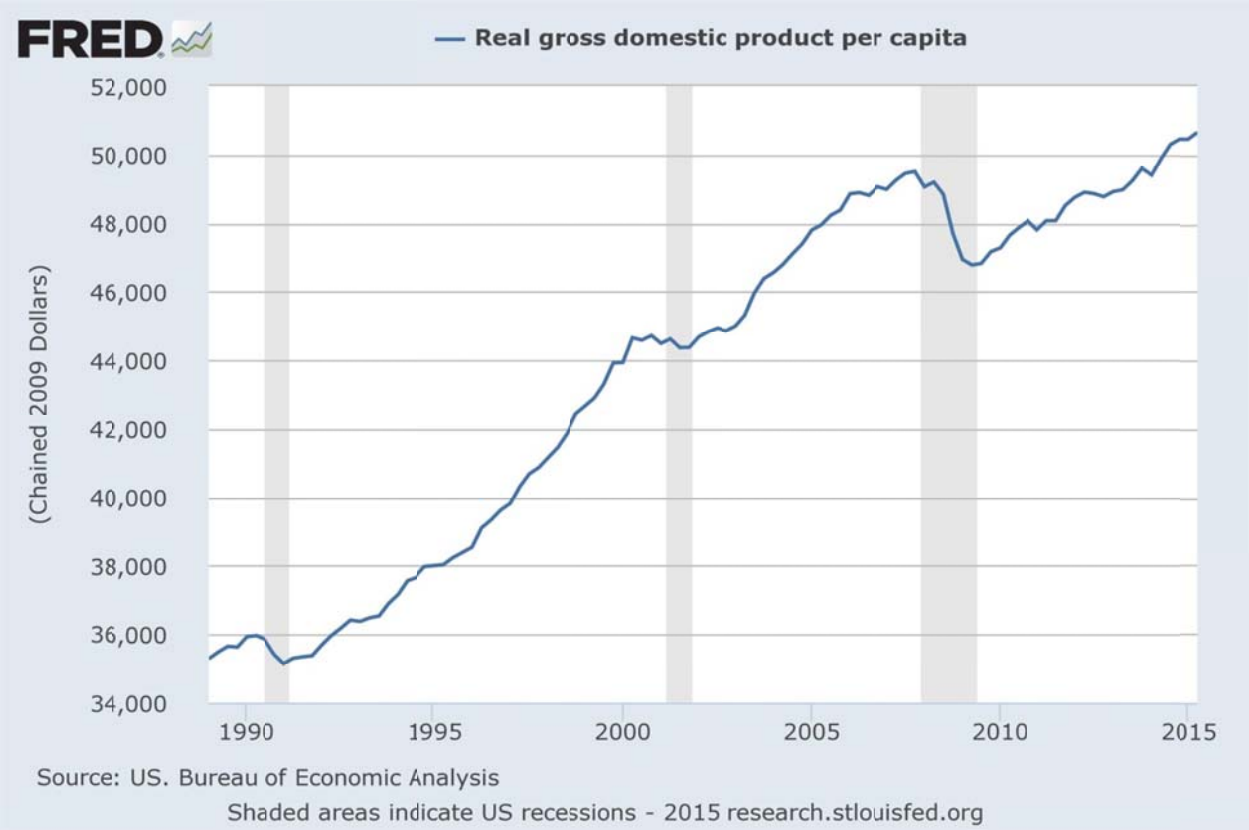
JEL Classifications: D31, D63, I31, J15

INTRODUCTION

Economic disparities between racial groups in the United States have in some ways undergone profound transformations over the last half-century, while in other ways things remain the same. The Great Recession and especially the housing bubble, the collapse of which precipitated the financial crisis and recession, had decidedly unequal effects on different racial groups. In this paper we trace racial economic inequality over the last two decades, with particular emphasis on the period between 2007 and 2010. This period includes the official beginning and end of the Great Recession (measured as usual in terms of economic growth), the election of the first Black President of the United States, and the enactment of a very large fiscal stimulus aimed at reversing the downturn in employment.

Unlike the previous two recessions, the Great Recession was long (lasting one-and-a-half years) and deep (with real gross domestic product per capita falling by 5.5 percent; see figure 1). Recovery has been slow as well. It took over four years to recover to the level achieved in the fourth quarter of 2007. Four years after both the 1990 and 2000 recessions, the real GDP per capita had grown by more than 8 percent; however, real GDP per capita is not necessarily the best indicator of the trend in household economic well-being. Changes in employment are much more important for individual households than overall economic growth.

Figure 1. Real GDP per Capita, 1989–2015

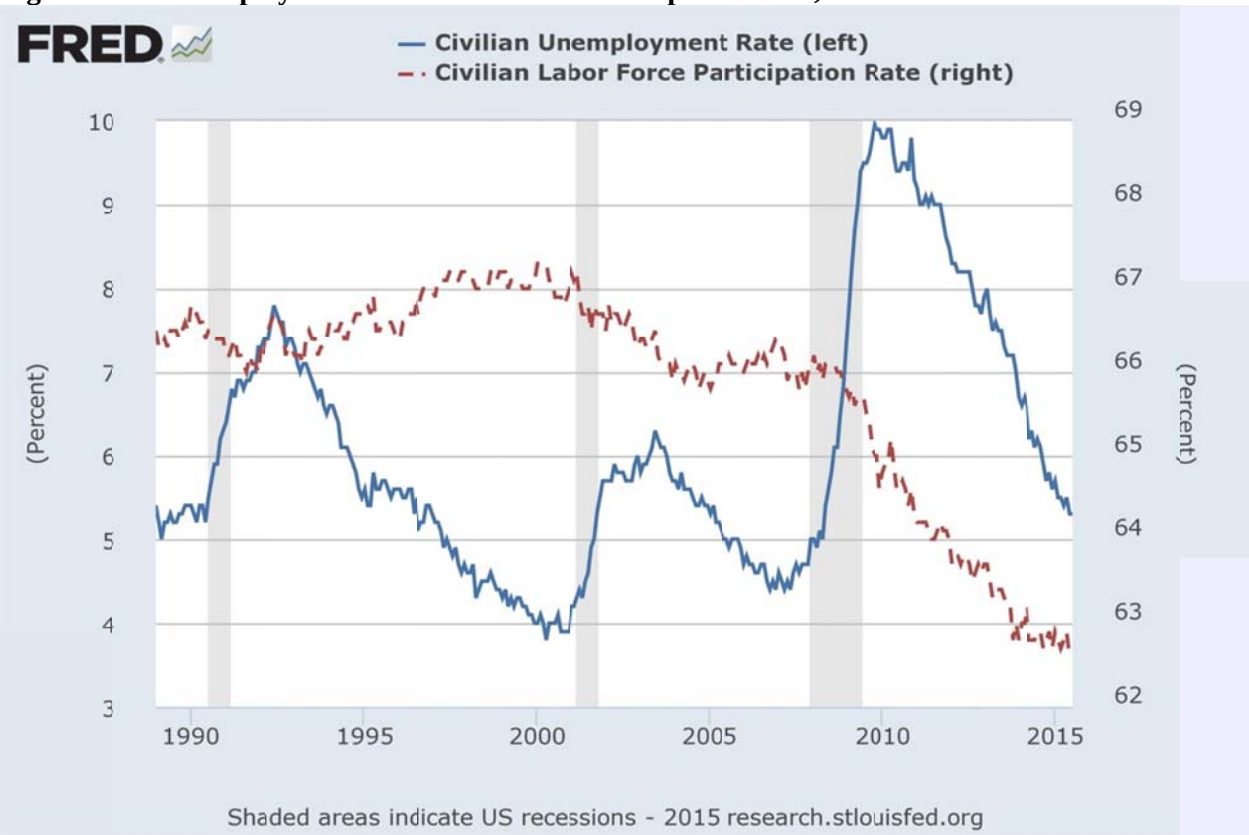


Source: US Bureau of Economic Analysis, Real Gross Domestic Product per Capita [A939RX0Q048SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis (https://research.stlouisfed.org/fred2/series/A939RX0Q048SBEA/), August 7, 2015.

As we can see in figure 2, below, the headline unemployment rate has still not recovered to its prerecession level. In December 2007, US unemployment stood at 4.7 percent. It peaked in October of 2009 at 10 percent, declined only slightly to 9.5 percent by the official end of the recession (June 2009), and has since dropped to 5.3 percent by July 2015. Labor force participation also changed little between the official beginning and end of the recession (66 percent in November 2007 and 65.7 in June 2009). However, the trend in the participation rate since the official end of recession delivers a contrasting picture to that suggested by the trend in the unemployment rate: the participation rate fell drastically, reaching a level of 62.8 percent in October 2013. In July 2015, it was little changed at 62.6 percent. Recent analysis suggests that much of this decline may be structural, with much of that coming from the aging of the population (Aaronson et al. 2014). Whatever the reason for the decline in participation, the US employment rate, which had been 63 percent in November 2007, was 59.4 percent by the second

quarter of 2015. To the extent that labor income is an important determinant of household economic well-being, this decline in employment will have a negative impact.

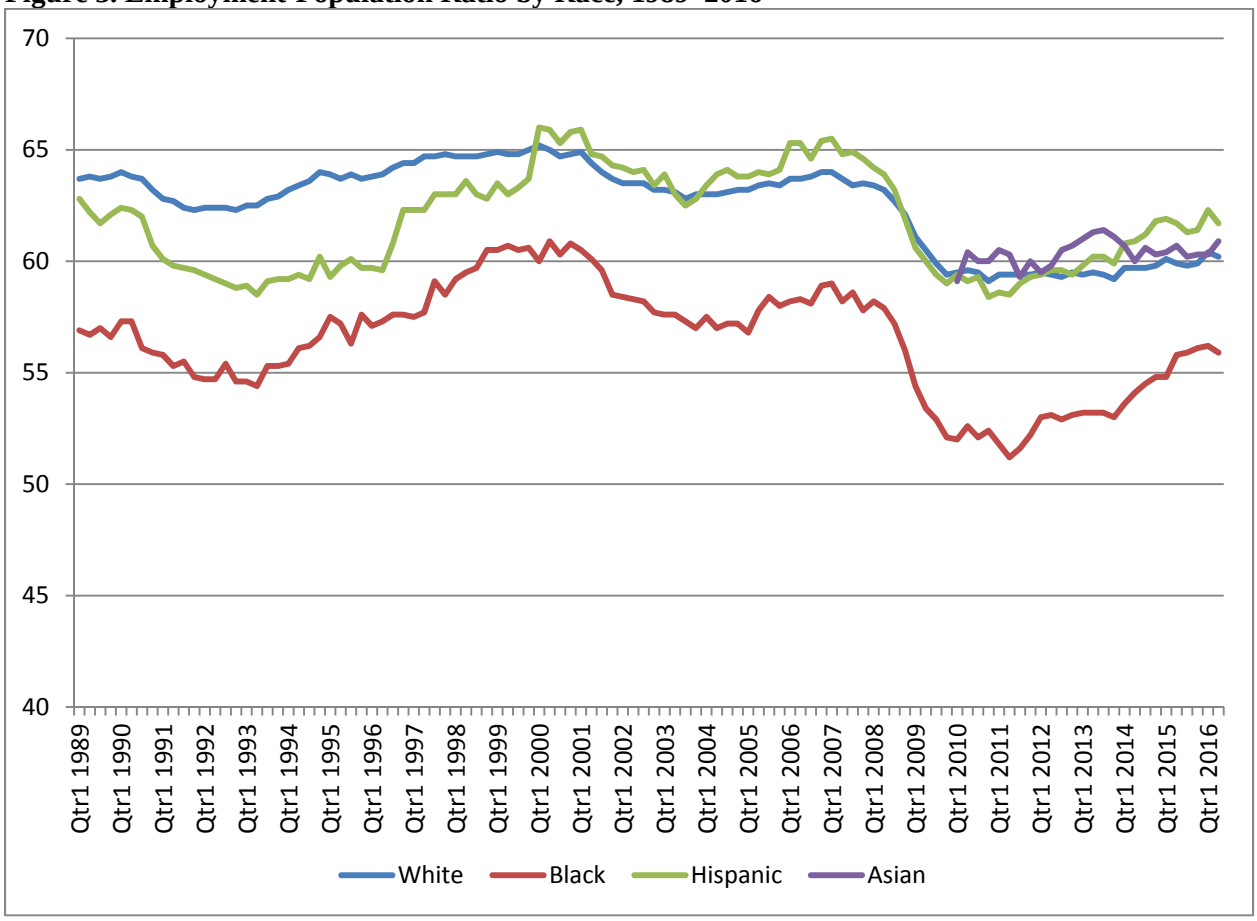
Figure 2. US Unemployment and Labor Force Participation Rate, 1989–2015



Source: US Bureau of Labor Statistics, Civilian Unemployment Rate [UNRATE], retrieved from FRED, Federal Reserve Bank of St. Louis (https://research.stlouisfed.org/fred2/series/UNRATE/), August 7, 2015. US Bureau of Labor Statistics, Civilian Labor Force Participation Rate [CIVPART], retrieved from FRED, Federal Reserve Bank of St. Louis (https://research.stlouisfed.org/fred2/series/CIVPART/), August 7, 2015.

Of course, if we include race, the employment picture becomes more complicated. Figure 3, below, presents the employment-population rates by race over the last two decades. There is a consistent gap between Black individuals and everyone else. The size of the gap is cyclical, rising during and shortly after recessions and eventually falling again, but it never disappears, remaining at or above 5 percent for most of the last two decades.

Figure 3. Employment-Population Ratio by Race, 1989–2016[1]



Source: US Bureau of Labor Statistics, Employment-Population Ratio [LNS12300003, LNS12300006, LNS14000009, and LNU12332183], retrieved from Bureau of Labor Statistics (http://www.bls.gov/data/#employment), July 22, 2016.

Interracial disparities have moved in different directions in recent years. Despite the dismal gap in employment experience, income gaps between White and Nonwhite households have diminished over time. Wealth gaps, however, remain almost unchanged. Public expenditures—both direct transfers and spending on other services, such as education or health—have had an important role in ameliorating racial disparities. In order to accurately measure all these changes, the choice of the measure of economic well-being is critical in attempting to assess changes in racial disparities, as well as the impact of public policy changes over time.

Gross money income (MI) is the official measure of household economic well-being in the United States. But because it omits other sources of income, such as noncash transfers (which

[1] Seasonally adjusted.

have become increasingly important over time) and because it is a pretax income measure (thus ignoring the distributional impact of tax policy), MI does not adequately reflect households' command over, or access to, the products and services available in a market economy over a given period of time. A broader measure is needed.

The Levy Institute Measure of Economic Well-Being (LIMEW) is just such a measure (see table 1 for a comparison between the LIMEW and MI). In addition to including taxes and noncash transfers, it treats wealth as an economic resource, rather than using property income reported in the survey. We annuitize a household's nonhome net worth and assign an imputed rent to home value. We refer to the annuitized value of nonhome assets minus the annuitized value of all debt other than mortgage debt as income from nonhome wealth and the difference between imputed rent and the annuitized value of mortgage debt as income from home wealth. The LIMEW also includes the value of publicly provided services and household production. Thus, the LIMEW is a much more comprehensive measure of household economic well-being than the official measures.

Table 1. Comparison of MI and LIMEW

LIMEW
Money income (MI)
Less: Property income and government cash transfers
Equals: Base money income
Plus: Income from wealth
Annuity from nonhome wealth
Imputed rent on owner-occupied housing
Less: Taxes
Income taxes [a]
Payroll taxes [a]
Property taxes [a]
Plus: Cash transfers [a]
Plus: Noncash transfers [a,b]
Plus: Public consumption
Plus: Household production
Equals: LIMEW

Note: (a) Aligned with the NIPA estimates. (b) The government-cost approach is used.

Racial economic inequality has generated a wide range of research in economics, sociology, and other social sciences. Much of the literature on racial economic inequality focuses on disparities in labor market outcomes (Altonji and Blank 1999). The bulk of the early literature studying economic disparities between races focused on earnings and income and took a critical stand on the question of human capital differences as the primary source for racial disparity (Wright 1978; Smith and Welch 1979; Darity Jr. 1982; Kaufman 1983). This thread in the study of racial economic inequality ultimately addresses inequalities in household income. While money income is important, the LIMEW, as a more comprehensive measure of household economic well-being, is better suited to examining the relative impact of money income, wealth, government policy, and household production on racial economic inequality, as well as the impact of changes in these components over time.

Some early attention was paid to wealth inequality (Parcel 1982; Brimmer 1988; Blau and Graham 1990; Wolff 1992). *Black Wealth/White Wealth* (Oliver and Shapiro 1995) focused on wealth disparities, while outlining the root causes of wealth inequality in racist policies and institutions. A more recent edition (Oliver and Shapiro 2005) makes the case that wealth inequality had not diminished in the flowering of financial wealth that occurred in the previous decades. However clear it may be that this wealth disparity is a disadvantage, the magnitude of this disadvantage in comparison to that deriving from disparities in money income and other sources of household economic well-being remains unclear. Thus a measure of economic well-being that incorporates wealth directly, such as the LIMEW, gives us a better picture of the impact of racial wealth inequality on overall economic inequality. In terms of measuring wealth disparity by race category, the Survey of Consumer Finances (SCF, the source of the wealth data in the LIMEW) does have limitations, including the oversampling of White households implicit in the oversampling of wealthy households and consequent undersampling of Nonwhite households, as well as only collecting race information for the reference person (Leigh 2006). This is an important caveat for the analysis here of racial wealth inequality and its contribution to the inequality of well-being.

Less effort has been expended in examining the impact of public expenditures on racial inequality in household economic welfare. The largest components of government transfers are

Social Security, Medicare, and Medicaid, most of which affect the elderly. As far as Social Security is concerned, as originally created in the 1930s, it did not cover agricultural workers or domestic servants, which left out many African-American and Latino/a workers until reforms included all workers other than agricultural workers. In addition, greater rates of working "under the table" for African-American and Latino/a workers means that earnings inequalities translate into even greater inequalities in Social Security income in retirement (Hogan, Kim, and Perrucci 1997). Although Medicare is universally available for the elderly, this does not necessarily imply inequality reduction. The quantity of care for Nonwhites appears to be lower than for Whites (Gornick et al. 1996). The quality of care for Nonwhites under the Medicare Managed Care programs appears to be worse than that for Whites (Schneider, Zaslavsky, and Epstein 2002). Medicaid is no worse than private insurance in terms of racial equity, but this is faint praise: racial inequality in access to health care is endemic (Hall 1998; Lillie-Blanton et al. 2009). In terms of income support programs for low-income households, the impact of the Earned Income Tax Credit has been studied, and although it has been shown to at least reduce poverty for African-American women (Ajilore 2008), its impact on racial inequality is less clear. The largest component of public consumption (i.e., publicly provided services) is education. Spending on education is thought to be unequal along racial lines. For example, in urban areas, segregation leads to unequal spending on education (La Ferrara and Mele 2006). While all of these studies are important in illuminating pieces of the racial inequality puzzle, the LIMEW brings all of these components together into a comprehensive measure that we can then use to determine their differential impacts on racial inequality at several points over the last fifty years, as well as on the change in racial inequality over time.

In previous work (Wolff, Zacharias, and Masterson 2012), we outlined broad trends in economic well-being between 1959 and 2007. In this paper, we examine trends in differences in economic well-being in the United States by race and focus on the period between 1989 and 2010, with emphasis on changes during the Great Recession (2007 to 2010). Due to data limitations, only comparisons of non-Hispanic Whites (hereafter referred to as "Whites") and Nonwhites (everyone other than non-Hispanic Whites) are possible for the LIMEW for many years in the

series of estimates.[2] The method of statistical matching (Kum and Masterson 2008) used to assemble the LIMEW data set is sensitive to the representativeness of the source data sets. So, for example, the 1989 LIMEW data set comprises information from the 1990 March supplement to the Current Population Survey (CPS) and the 1989 SCF. Neither data set contains sufficient numbers of records to use detailed race and ethnicity in the matching process, so that only White and Nonwhite racial categorizations were used. As a result, the LIMEW data set for 1989 can only claim to accurately represent the distribution of economic well-being among Whites and Nonwhites. While we report trends over the whole period by more detailed racial groupings, the most confidence in these trends is reserved for the estimates from 2004 and onwards. Some of the components of LIMEW (for example, government cash transfers) are amenable to comparison between Whites, Blacks, Hispanics, and Others for all years, since they are contained in a single data set that is nationally representative of these racial groups.

The remainder of the paper is organized as follows. The next section details trends in the distribution of wealth overall and by race between 1983 and 2013, using SCF data. The following section traces trends in economic well-being and its components using LIMEW and household income. The fourth section analyzes trends in inequality by source of income/well-being and by racial categories. A final section summarizes the findings.

RACE AND WEALTH

Although most of the paper will focus on the impact of the Great Recession on racial inequality using broader measures of economic well-being, wealth is worth considering first for two reasons. First, the last two economic downturns in the United States have been the direct result of the bursting of asset bubbles, first in 2000 with the bursting of the high–tech stock market bubble and second in 2007 with the bursting of the housing bubble and the ensuing financial collapse. These recessions thus had important implications for the distribution of wealth. Secondly, the distribution of wealth has been more on the minds of many economists since the publication of

[2] Nonwhites includes households headed by Asian, Black, and Hispanic people.

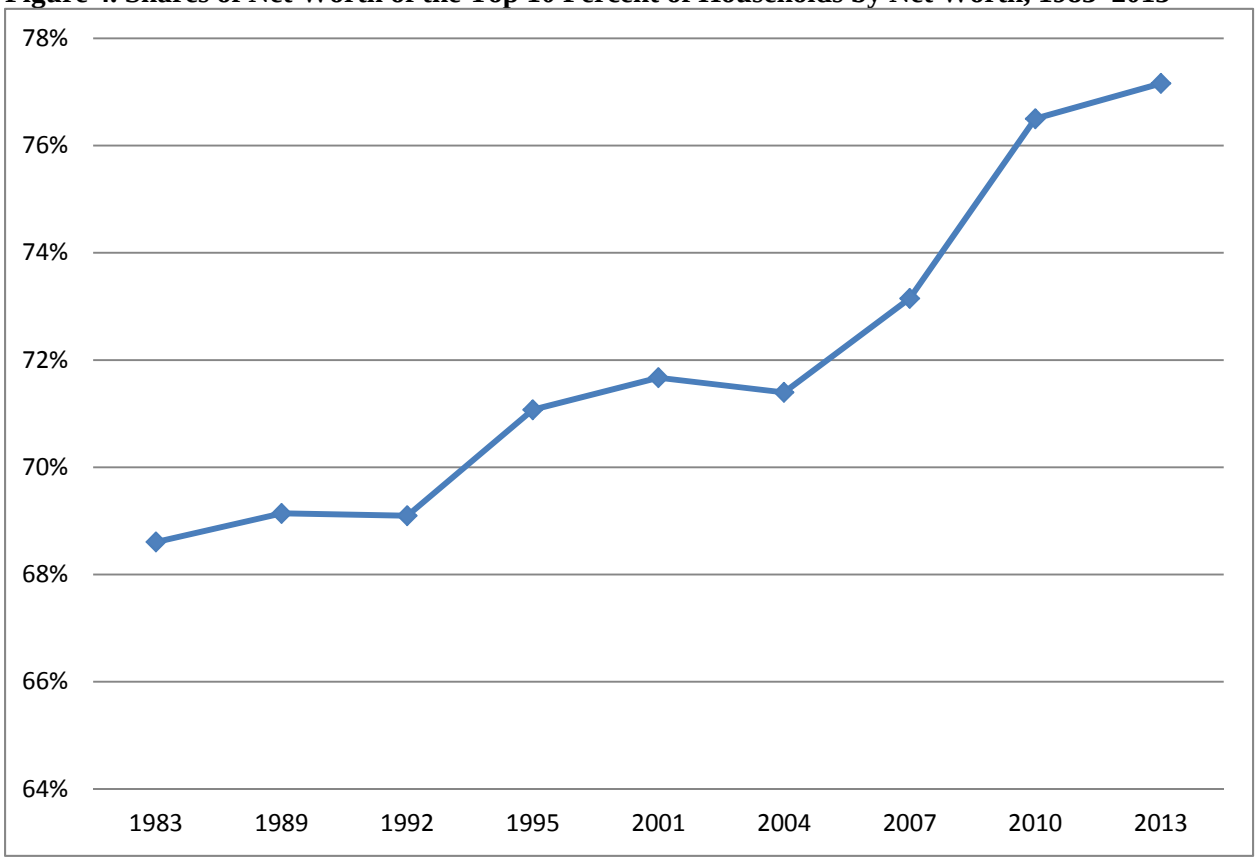
Thomas Piketty's *Capital in the 21st Century*. The discussion of the book even made the mainstream media for a short while. As Piketty documents, the distribution of wealth has grown more concentrated everywhere since the 1970s and nowhere more so than in the United States (Piketty 2014). Therefore we begin with an examination of overall trends in the distribution of wealth over the last three decades and then move on to examine the changes in the racial distribution of wealth.

To begin with the evolution of the concentration of wealth[3] in the United States, figure 4 (below) traces the evolution of the share of the top decile of households by wealth since 1983 using data from the SCF.[4] As we can see, there has been a (mostly) slow increase of the top decile's share. The share of the total household net worth held by the top decile of households was 69 percent in the 1980s and began increasing in the mid-1990s. It stood at 73 percent in 2007 and jumped to 77 percent in the aftermath of the Great Recession, with the largest increase occurring between 2007 and 2010.

[3] Our definition of wealth consists of: homes, equity in real estate and (noncorporate) business, liquid assets, financial assets, retirement assets (defined-contribution pension plans), mortgage debt, and all other debt (mainly consumer debt).

[4] The 1983 survey also oversampled the wealthiest households, though the sample design was different than in later years.

Figure 4. Shares of Net Worth of the Top 10 Percent of Households by Net Worth, 1983–2013



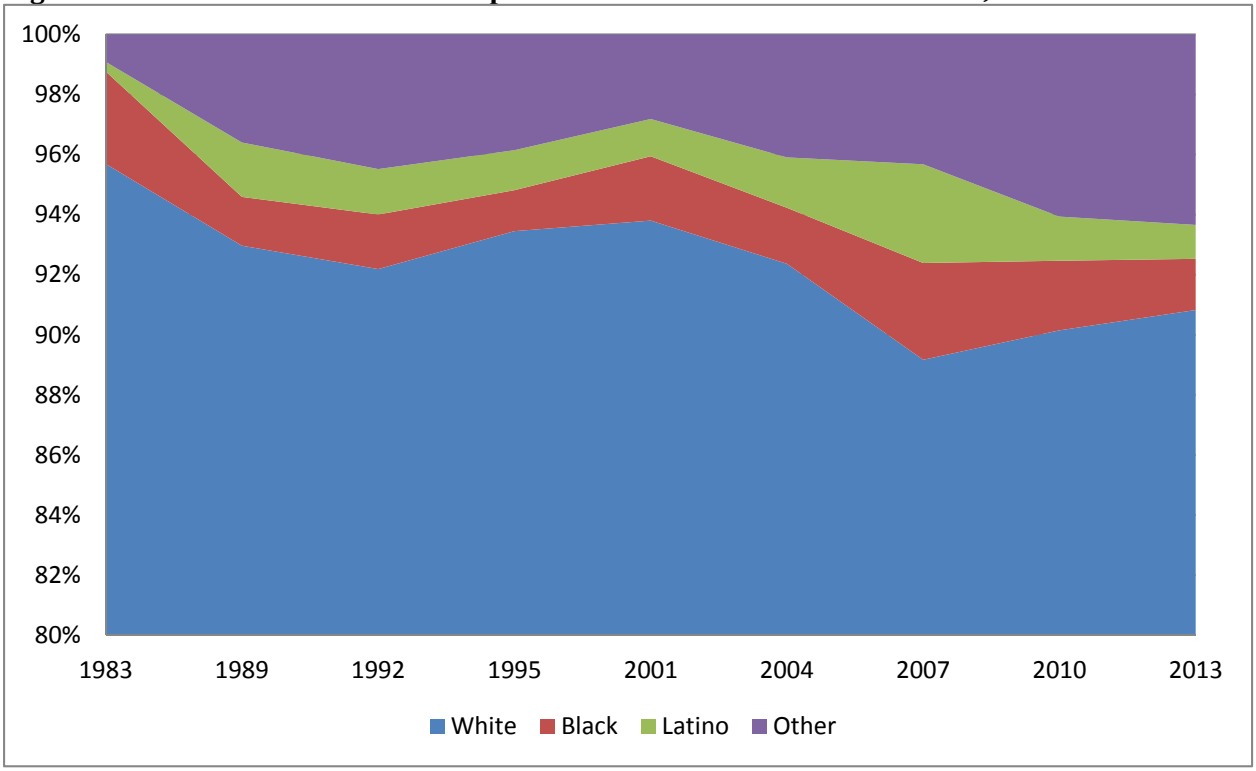
The bottom 90 percent of households have borne the brunt of the increased concentration of wealth in the United States. The share of the bottom 50 percent of households was between 1 and 3 percent of total wealth up until 2007. After the Great Recession, their share is zero (in fact, in 2013, it is slightly negative). The share of the 50th to the 90th percentile, Piketty's "middle class," had decreased from 29 percent in the 1980s to about 25 percent in 2007. The Great Recession reduced their share to just under 23 percent by 2013. So the increase in the share of the top decile had come mostly from the middle before the Great Recession, but afterwards it was drawn from both the middle and the bottom.

To tie this analysis to the question of racial inequality, we can first observe that the top 10 percent of households by net worth is almost exclusively White (figure 5 shows the distribution

of households in the top 10 percent of households by race).[5] White-headed households make up no less than 89 percent of the top 10 percent in any of the survey years. As we can see, Black and Latino households make up very small portions of the top 10 percent (between 1 percent and 4 percent), while the share of Others (primarily Asian-headed households) has risen to more than 6 percent. Over the same period, the share of households headed by Whites in the overall population dropped from 82 percent to 70 percent. If we look at the top 1 percent, the picture does not get significantly more unequal in terms of representation. Of course, this pattern is also reflected in the pattern of racial inequality in terms of net worth as well.

[5] The racial categories employed here and throughout the paper refer to the race of the household reference person. The reference person is identified differently in the Federal Reserve's Survey of Consumer Finances (SCF) used for the analysis of wealth in this section and the Bureau of Labor Statistics' Annual Social and Economic Supplement (ASEC) used as the basis for the LIMEW estimates in the later sections of the paper. In the SCF, the reference person is the household head of the primary economic unit (PEU), "taken to be the single core individual in a PEU without a core couple; in a PEU with a central couple, the head is taken to be either the male in a mixed-sex couple or the older individual in the case of a same-sex couple" (Federal Reserve Board 2014). In the ASEC, the reference person is the householder, defined as "the person (or one of the people) in whose name the housing unit is owned or rented (maintained) or, if there is no such person, any adult member, excluding roomers, boarders, or paid employees. If the house is owned or rented jointly by a married couple, the householder may be either the husband or the wife" (US Census Bureau 2015). In the process of matching the two surveys for the creation of the LIMEW data set, we take these differences into account.

Figure 5. Race of Households in the Top 10 Percent of the Wealth Distribution, 1983–2013

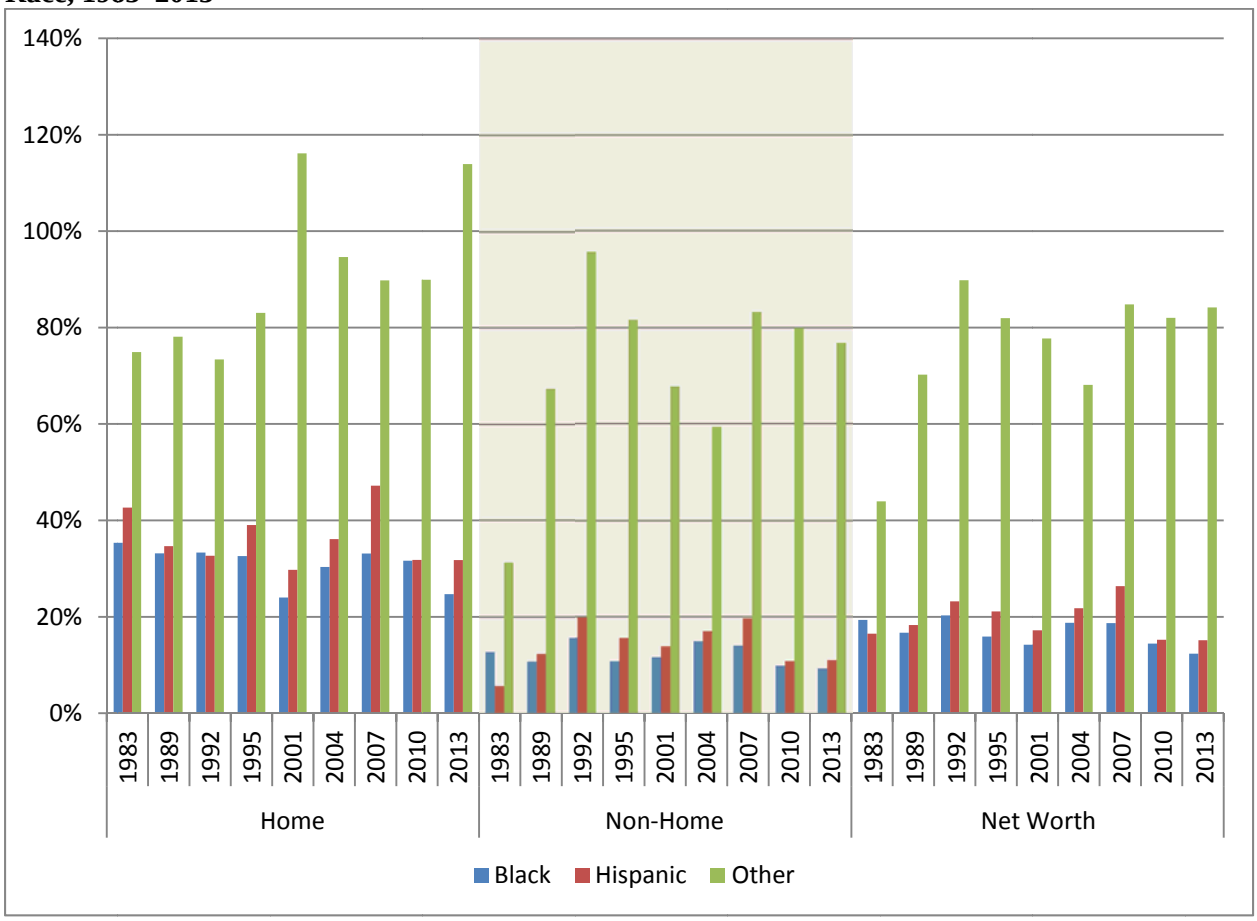


Looking at mean household net worth by race over the last three decades, we see no improvement in the relative position of Black and Latino households compared to White households (figure 6).[6] If anything, we see a slight deterioration. While Latino households had improved their net worth relative to White households—from 16 percent in 1989 to 26 percent in 2007—in the aftermath of the Great Recession, mean Latino net worth has dropped to 15 percent that of Whites. For Black households, 1992 was the peak year when their average net worth was at 20 percent that of the White households. The ratio fell steadily throughout the 1990s, reaching 14 percent in 2001. By 2007, the ratio had recovered to nearly 19 percent, but the Great Recession pushed it back down to 12.4 percent by 2013. So in 2013, White households had, on the average, $8 in net worth for every dollar Black households had on the average. The reason the gap widened between 2007 and 2013 is that despite a 12 percent drop in average net worth

[6] If we look at the ratio of median net worth of Nonwhite to White households, we see that Black households' median net worth was at 1 or 2 percent of White median net worth for every year of the SCF. In 2013, however, that ratio stood at only 0.2 percent, the lowest measured by this survey. Median Hispanic net worth as a percentage of White median net worth has usually been even lower than Black net worth, but not by much. The median net worth of Other households as a share of White median net worth has fluctuated quite a bit: less than 10 percent in 2001, it climbed to 24 percent in 2004, and fell to 10.3 percent in 2013.

among White households, average Black net worth shrank even more, by 42 percent. When we divide net worth into home and nonhome wealth, we see similar dynamics, with the notable difference between the two being that home wealth ratios (between 20 and 40 percent for most years) are larger than those for nonhome wealth (always less than 20 percent for Black and Latino households). The picture for Other households, predominantly Asian, has been more encouraging. Their ratio of average net worth to White households grew to 90 percent by the end of the 1980s, decreased steadily to under 70 percent by 2004, and then has varied between 82 percent and 85 percent. Of course, there is a great deal of diversity within the "Other" category.

Figure 6. Ratio of Mean Home Wealth, Nonhome Wealth, and Net Worth to White Households by Race, 1983–2013



Overall, when Black and Hispanic households are compared to White households (or to Other households, for that matter) racial wealth inequality since the 1980s has increased. We will see the importance of this in terms of its impact on overall household economic well-being when we

analyze trends in racial inequality with the LIMEW in the following sections. First we will compare trends in racial inequality of the LIMEW to that of MI, then move on to look in more detail at the changes in the LIMEW inequality by race.

LIMEW AND MONEY INCOME

Turning now to the impacts of the Great Recession on racial inequality in household economic well-being, we first look at the overall trends in household economic well-being for the two decades between 1989 and 2013.[7] Table 2 provides median values for the LIMEW and household income (MI). Of course, by construction, the LIMEW is larger than MI. The LIMEW also has a different trajectory than MI over this period (and earlier periods as well). While both the LIMEW and MI grew during the 1990s, the LIMEW grew during the 2000s as well, while MI declined to below its 1989 level. During the 1990s, the median LIMEW grew twice as fast as MI, while in the 2000s, the median LIMEW stagnated during the recoveries and grew during the recession periods; median MI has done the opposite.[8] For household income, the explanation is simple: the bulk of MI is earned income and earned income tends to fall during recessions. In addition, real wages have been stagnant, reducing the growth during recoveries. To see the reasons for the different trend in the LIMEW, below we decompose the changes by components of the LIMEW.

Table 2. Median Economic Well-Being and Work, 1989–2010 (2013 US$)

	1989	2000	2004	2007	2010
Measures					
LIMEW	83,100	92,122	94,905	97,400	99,114
MI	54,340	56,820	54,527	56,178	52,632

In table 3, the changes in the mean value of the LIMEW for the middle quintile are broken down into the contributions of each component. We use the mean of the middle quintile since the

[7] Benchmark estimates of the LIMEW for the United States have been prepared for the years 1959, 1972, 1982, 1989, 1992, 1995, 2000, 2004, 2007, 2010, and 2013. We use the years 1989, 2000, 2004, 2007, and 2010 to give a sense of the recent historical context for the Great Recession.
[8] These trends are evident in the equivalence scale–adjusted measures as well.

median cannot be decomposed in this way. The mean LIMEW of the middle quintile is within one-third of 1 percent of the median in each of our benchmark years. Comparing the changes in the 1990s to those in the 2000s (the first and fifth columns, respectively), we see that the contribution of base income tracks the trend in MI. The growth in base income in the 1990s accounts for 58 percent of the growth in the LIMEW, while the growth in net government expenditures (the difference in the amount that the government spends for the households—transfers plus public consumption—and the amount that households pay in taxes) in the 2000s more than offsets the overall drop in base income. The same pattern holds true for the Great Recession: base income reduces the LIMEW by 2.7 percent, while net government expenditures, especially transfers, more than offsets this drop. In fact, net government expenditures is the only component of the LIMEW that contributes substantially to the LIMEW growth of the middle of the distribution, and most of this growth comes from transfers.

Table 3. Contribution of Components to Percentage Change in the Mean LIMEW of the Middle Quintile

	1989–2000	2000–04	2004–07	2007–10	2000–10	1989–2010
Base Income	6.5	-2.8	1.1	-2.7	-4.5	1.5
Income from Wealth	2.1	-0.2	0.6	-0.6	-0.2	1.8
Income from Home Wealth	0.1	0.0	0.1	0.5	0.6	0.8
Income from Nonhome Wealth	2.0	-0.2	0.5	-1.1	-0.9	1.0
Net Government Transfers	0.6	3.9	1.8	6.1	12.3	14.2
Transfers	2.1	2.7	1.3	3.2	7.5	10.4
Public Consumption	1.6	0.7	0.7	1.1	2.6	4.6
Taxes	3.2	-2.7	2.3	-1.8	-2.2	0.8
Value of Household Production	1.9	2.0	-0.9	-0.9	0.2	2.2
LIMEW	11.2	2.9	2.6	1.9	7.7	19.7

Let us now begin to examine patterns of change in economic well-being by race by considering first the estimates of the median LIMEW and MI in table 4, below. By both measures, the racial ranking of median values is the same in every year—Other, White, Hispanic, and Black—from highest to lowest. But in terms of the LIMEW, Hispanic households move closer to White and Other households by the end of the period. Looking at the changes in median MI for the whole period, we see that only Black households are better off in 2010 than in 1989, though only by a small amount. Nonwhite households as a whole gained a greater percentage due to the increase in the share of the relatively more well-off Other households. In terms of the LIMEW, however,

while every group is better off in 2010 than in 1989, Black households made the least progress, with only a 15.3 percent increase. White households saw the next slowest growth in LIMEW, with 20.3 percent, while Other households gained 24.5 percent, and Hispanic households saw their median LIMEW increase by 27.9 percent, nearly double the relative increase of Black households. Nonwhite households overall gained 25.6 percent in median LIMEW. Looking at the period of the Great Recession (from 2007 to 2010), while all groups lost ground in terms of MI, Black households suffered the worst decline (over 10 percent), while the other three groups lost around 6 percent each. Only Black households lost ground in terms of LIMEW, though the drop was small; White, Hispanic, and Other households all gained some ground (2.3 percent, 3.5 percent, and 4.2 percent, respectively). Nonwhite households as a whole saw a small increase of 1.2 percent.

Table 4. Median LIMEW and MI by Race, 1989–2010 ($US 2013)

	White		Black		Hispanic		Other		Nonwhite	
	LIMEW	MI	LIMEW	MI	LIMEW	MI	LIMEW	MI	LIMEW	MI
1989	86,353	58,240	66,327	33,755	74,478	41,116	90,114	59,865	71,436	38,701
2000	96,409	61,427	72,603	40,089	85,944	44,644	103,329	67,642	81,710	45,320
2004	99,853	60,429	72,499	36,997	86,642	41,932	105,629	63,759	83,656	43,016
2007	101,571	61,796	76,590	38,100	91,987	43,215	107,595	64,043	88,617	44,270
2010	103,884	58,224	76,479	34,187	95,239	40,529	112,151	59,859	89,705	40,597

Similar patterns emerge when looking at the ratios of the median LIMEW and MI by race (see figure 7, below). The ratios of median MI for all groups of households to White households increased during the 1990s but have fallen since 2000. However, for the median LIMEW, Hispanic and Other households gained ground on White households in the 1990s, while Black households lost ground. Nonwhite households as a whole gained ground in the 1990s. Hispanic and Other households fell slightly further behind (in the case of Hispanic households) or saw their advantage shrink (in the case of Other households) during the 2001 recession and since then have slowly recovered, with the median Hispanic household exceeding its relative position in 2000 despite the Great Recession. Black households gained after the 2001 recession, but lost most of their gains in the Great Recession. If anything, the Great Recession was remarkable for

the *severity* of the impact it had on Black households, especially relative to White households. Next we move on to examine these trends in more detail by unpacking the components of the LIMEW and their changes over time by race categories.

Figure 7. Ratio of Median LIMEW and MI to White Households, 1989–2010

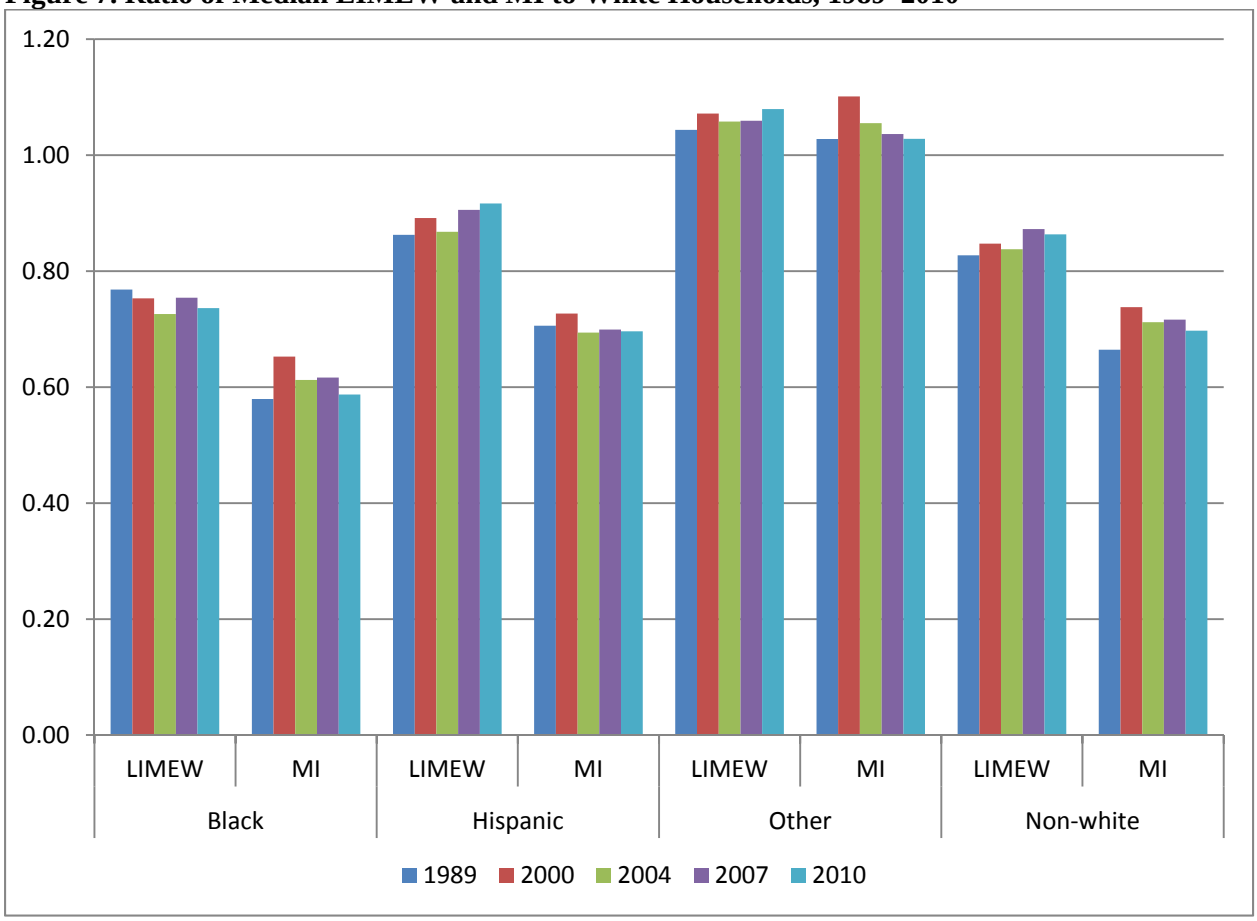


Table 5 gives the mean values of the components of LIMEW for White, Black, Hispanic, Other, all Nonwhite, and all households. Again, base income consists mostly of earnings. We can see that all groups lost substantially in terms of base income during the Great Recession, although Black households lost the greatest amount, both in absolute (almost $6,000 compared to between $3,000 and $3,700 for other groups) and relative (12.6 percent, compared to between 4.7 and 5.8 percent for other groups) terms. Nonwhite households lost 7.7 percent ($4,300) compared to White households' 5.9 percent loss ($3,600). Over the whole period from 1989 to 2010, Black households had the smallest absolute gain ($1,900), while Other households had the greatest

($7,400). Every group was worse off in terms of base income in 2010 than in 2000: White households lost $4,200; Hispanic households lost $4,800; Black households lost $6,000; and Other households lost $7,700. Income from home wealth is the smallest component of the LIMEW for all groups in all years. The changes over time are relatively small as well. Over the 1990s, White households gained $1,000 over the decade, while Black households remained unchanged. Other households lost $800, while Hispanic households lost $700. In the 2000s, Other households more than made up their losses: their income from home wealth increased by $3,600. White and Hispanic households were up $1,600 and $800, respectively, while Black households lost $100. After the Great Recession, almost all groups had gained ground. For White households this was the only period in the 2000s during which they gained income from home wealth ($1,400). For Hispanic households, half of their gains in the 2000s came during this period ($200), while for Other households most of their gains did ($1,500). So again, we see that the housing crisis did not have a dominant impact on households' economic well-being during the Great Recession. We address this question later in this section.

Income from nonhome wealth has played a large part in the growth of racial inequality and inequality over all, as we have already seen. Income from nonhome wealth more than doubled in the 1990s for White households, while increasing by only 13 percent for Nonwhite households. Although it decreased for every group in the Great Recession, White households lost the least ($400), while the other groups lost three to four and more times as much ($1,200, $1,300 and $1,700 for Other, Black, and Hispanic households, respectively).

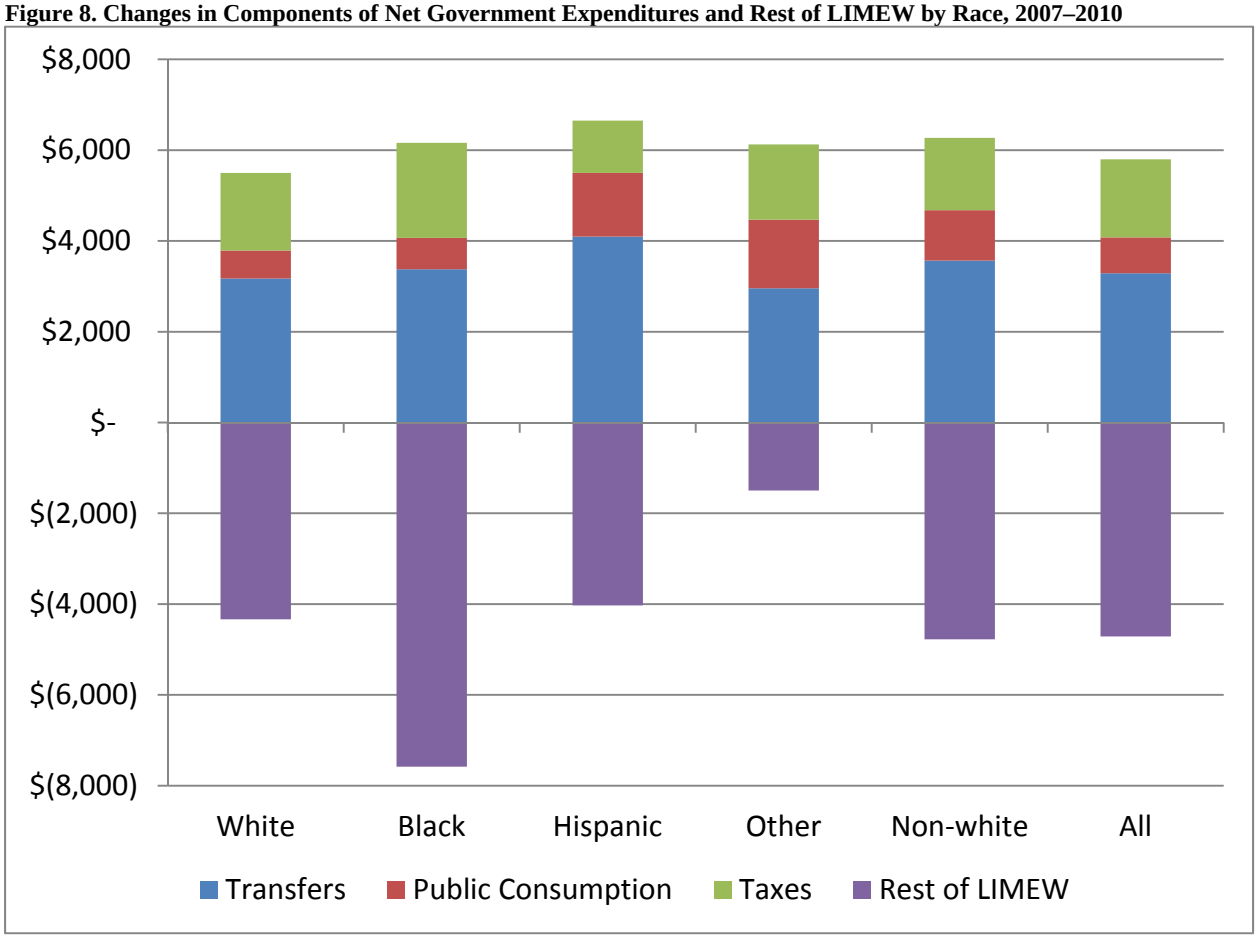
The public sector, mostly absent from MI (except for cash transfers), was by far the most important factor in stabilizing the LIMEW for each group during the Great Recession, though the ranking was different for each component. Hispanic households saw their transfers increase the most ($4,100), followed by Black ($3,400), White ($3,200), and Other ($3,000) households. Nonwhite households as a whole saw a $3,600 rise in transfers, $300 more than the overall mean increase. Other households gained most from public consumption ($1,500), followed by Hispanic ($1,400), Black ($700), and White ($600) households. Nonwhite households again had a larger increase ($1,100) than the average for all households ($800). Taxes dropped most for Black households ($2,100), followed by White ($1,700), Other ($1,700), and Hispanic ($1,200)

households. Of course, the fact that households paid lower taxes is partly an indication of lower household incomes. Net government expenditures were the only thing preventing most households from experiencing LIMEW decreases during the Great Recession. For Black households, the second-highest increase ($6,200) was not enough to overcome the losses elsewhere (see figure 8, below). For all other groups, the increase in net government expenditures more than offset their losses in the other components of LIMEW during the Great Recession (by $1,200, $2,600, and $4,600 for White, Hispanic, and Other households, respectively). For Black households, the increase in net government expenditures was $1,400 lower than the drop in the rest of LIMEW. During the 1990s, net government expenditures decreased substantially for all groups but Hispanic households. During the early 2000s, net government expenditures increased across the board, a result of the Bush tax cuts and the addition of drug coverage to Medicare. But the increase in net government expenditures during the Great Recession was comparable in scale to the early 1990s. Finally, the value of household production increased significantly during the 1990s, but was flat during the 2000s except for in Other households. This is due partly to some increase in the replacement cost of household production in the 1990s and stagnation in the 2000s, and partly to the reduction in the hours spent on household production in the 2000s.

Table 5. Components of Mean LIMEW by Race, 1989–2010

	Base Income	Home Wealth	Nonhome Wealth	Transfers	Public Consumption	Taxes	Value of Household Production	LIMEW	MI
1989									
White	60,094	6,745	14,203	9,045	8,869	18,999	24,682	104,638	71,084
Black	39,040	2,954	4,312	11,814	12,471	9,835	17,651	78,409	44,883
Hispanic	46,537	3,824	3,169	9,277	14,666	11,540	19,460	85,394	52,020
Other	66,729	5,388	9,487	8,425	13,178	20,872	28,775	111,110	74,759
Nonwhite	45,140	3,557	4,652	10,558	13,257	11,862	19,723	85,025	51,165
All	57,074	6,101	12,274	9,351	9,755	17,558	23,680	100,677	67,061
2000									
White	71,219	7,746	30,084	11,276	10,005	24,784	27,234	132,778	82,733
Black	46,959	3,041	4,961	12,973	13,082	13,812	20,377	87,581	53,001
Hispanic	54,518	3,119	3,786	11,287	16,672	14,763	24,591	99,211	58,877
Other	81,863	4,637	8,931	9,355	13,647	28,125	35,557	125,865	89,610
Nonwhite	55,773	3,347	5,226	11,732	14,482	16,647	24,546	98,459	61,502
All	67,267	6,620	23,725	11,393	11,150	22,703	26,546	123,999	77,301
2004									
White	69,945	7,820	26,871	13,672	10,532	20,793	28,097	134,024	80,617
Black	44,417	2,647	4,299	14,712	13,555	11,590	21,519	87,900	50,271
Hispanic	52,126	3,588	5,317	12,098	17,429	12,321	25,371	101,762	56,368
Other	77,705	6,871	10,675	11,303	13,942	22,483	33,045	128,876	84,925
Nonwhite	53,817	3,826	5,924	13,048	15,118	13,977	25,228	101,152	59,316
All	65,427	6,701	21,002	13,497	11,817	18,883	27,293	124,814	74,649
2007									
White	70,649	7,858	30,687	14,388	11,075	24,176	28,058	138,539	82,230
Black	46,830	2,895	4,429	16,151	14,374	13,971	21,219	91,927	52,832
Hispanic	52,812	4,316	5,221	13,406	19,002	13,939	23,847	104,665	57,062
Other	77,806	6,546	18,490	12,204	14,652	25,313	32,683	137,068	85,343
Nonwhite	55,157	4,157	7,454	14,313	16,242	16,148	24,463	105,638	60,768
All	66,136	6,780	23,919	14,366	12,580	21,837	27,011	128,955	75,978
2010									
White	67,014	9,302	29,459	17,561	11,690	22,463	27,142	139,705	78,422
Black	40,912	2,933	3,128	19,526	15,066	11,877	20,817	90,506	47,749
Hispanic	49,732	3,958	3,380	17,502	20,405	12,786	25,098	107,289	54,888
Other	74,147	8,285	17,600	15,162	16,163	23,657	33,997	141,697	81,613
Nonwhite	50,901	4,388	6,085	17,879	17,355	14,557	25,082	107,132	57,210
All	62,234	7,844	22,524	17,655	13,371	20,118	26,531	130,041	72,128

Figure 8. Changes in Components of Net Government Expenditures and Rest of LIMEW by Race, 2007–2010



The breakdown presented in figure 9, below, shows that the 1990s were characterized by fairly even growth in base income among households differentiated by race. The contribution of base income to overall mean LIMEW growth was highest for Other households at 13.6 percent, while its contribution to LIMEW growth for White, Black, and Hispanic households was 10.6, 10.1, and 9.3 percent, respectively. Nonwhite households as a whole saw a greater contribution (12.5 percentage points) than the overall average contribution to growth (10.1 percentage points). Of course the most glaring difference by race category in the 1990s is the 15.2 percent contribution of income from nonhome wealth to the growth in the LIMEW of White households.[9] This component added almost nothing to the growth of the LIMEW for Nonwhite households in the 1990s. The contribution of home wealth was negligible for White households, and slightly

[9] This trend mirrors the evolution of the racial wealth gap that we saw in figure 6.

negative for Nonwhite households. Transfers also contributed somewhat to the growth in the LIMEW for all racial categories: 2.1 percent for White households, 1.5 for Black households, 2.4 for Hispanic households, and 0.8 for Other households. The contribution of taxes to reducing the LIMEW in the 1990s ranged from -3.8 percent for Hispanic households to -6.5 percent for Other households. Public consumption had a modest positive impact on LIMEW growth of 1 percent or less for most groups, but more so for Hispanic households at 2.3 percent. The value of household production was the second-largest positive contributor to LIMEW growth for Nonwhite households but was third largest for White households. Overall, then, the increase in racial inequality of economic well-being during the 1990s was due almost entirely to the growth of nonhome wealth among White households.

The changes between the periods before and after the Great Recession present a different picture altogether. The overall change in mean LIMEW between 2007 and 2010 for White households was 1.1 percent, while for Black households it was -1.3 percent. Both Hispanic and Other households experienced a 2.6 percent growth in their average LIMEW. Base income had a negative impact on all groups, as would be expected for a period with such deep and long-lasting unemployment. There is once again a pattern of Black households faring much worse than all other categories: the loss of base income reduced mean LIMEW for Black households by 6.5 percent, while it cost the other groups around 3 percent.

For all households, income from home wealth actually increased. While this seems counterintuitive, the explanation is straightforward. Although the values of homes decreased and mortgage debt increased slightly (by 15 percent and 1.5 percent, respectively, for the median homeowner), the total amount of imputed rent actually increased by 12.5 percent in real terms between 2007 and 2010.[10] The combination of these factors over the period results in an increased estimate of income from home wealth for all but Hispanic households (see table 6, below). The contribution of income from home wealth to LIMEW growth was generally small, ranging from 0.2 percent for Hispanic households to 1.1 percent for Other households.

[10] Based on National Income and Product Accounts (NIPA) table 7.2, imputed rent for the US was $971 billion in 2007 and $1,093 billion in 2010 (in $US 2013), a real increase of 12.5 percent.

It must also be noted that the housing crisis also caused drops in homeownership rates (see table 6, below) between 2007 and 2010 (and even more between 2010 and 2013).

Changes in income from nonhome wealth, on the other hand, contributed to decreases in the LIMEW for all groups. White households were the least affected, with a 0.3 percent decrease in LIMEW as a result of loss of income from nonhome wealth, while Other households lost 0.9 percent, Black households lost 1.5 percent, and Hispanic households lost 1.7 percent. So despite the headline-grabbing nature of the financial crisis, its direct impact on household economic well-being was fairly modest compared to the direct impact of losses in earnings reflected in base income.[11]

Turning to the government sector, we see that the largest contribution to average LIMEW growth comes from transfers. For White and Other households the contribution was about 2.25 percent, while for Black and Hispanic households the contribution was 3.7 and 4 percent, respectively. Given the larger employment impacts on the latter two groups, this is unsurprising. However, while for White and Other households, transfers nearly cancelled out the reduction in base income during the Great Recession, for Black households transfers fell almost 3 percentage points short. For Hispanic households however, the positive contribution of transfers exceeded their losses from base income by 1 percentage point. Public consumption and taxes added between another 1.4 (for White households) and 2.6 (for Black households) percent to the overall LIMEW growth. Because taxes fell on average for all groups, the contribution of taxes to LIMEW growth was positive. The highest contribution was for Blacks (1.8 percentage points). The groups Others and Whites experienced comparable help from the tax cuts (a little under 1 percentage point), while Hispanics had the lowest boost (0.6 percentage points). The combined impetus of transfers and taxes to LIMEW growth fell short of the setback from the earnings decline *only* for Blacks, while for all others it overwhelmed the setback.

While public services (e.g., highways) are not substitutable for commodities, it is interesting to note that even adding in the contribution of public consumption, the positive contribution of net

[11] While overall mean nonhome wealth declined by 16 percent, average *income* from nonhome wealth fell much less, by only 3.6 percent.

government expenditures was not enough to offset the negative contribution of base income for Blacks. The sum of the contributions from net government expenditures and base income to the change in economic well-being during the Great Recession was -0.2 percentage points for Blacks, while for other groups it was positive: around 1 percentage point to the benefit of White and Other households and 3 percentage points for Hispanic households.

The value of household production had mixed influences on the trajectory of the average LIMEW by race during the Great Recession. Whites and Blacks saw reductions in the LIMEW as a result of value of household production decreasing, while Hispanic and Other households experienced increases. For the latter two groups, household production accounted for 40 to 45 percent of their LIMEW growth. To sum up then, while for all groups of households base income fell and net government expenditures offset that to a greater or lesser degree, White and Hispanic households needed increases in income from wealth and the value of household production, respectively, to see their LIMEW increase while Other households saw increases in both components. Black households, on the other hand, saw additional losses in both income from wealth and the value of household production resulting in an overall decrease in average LIMEW.

Figure 9. Contributions to Growth in LIMEW by Race, 1989–2010 (percentage points)

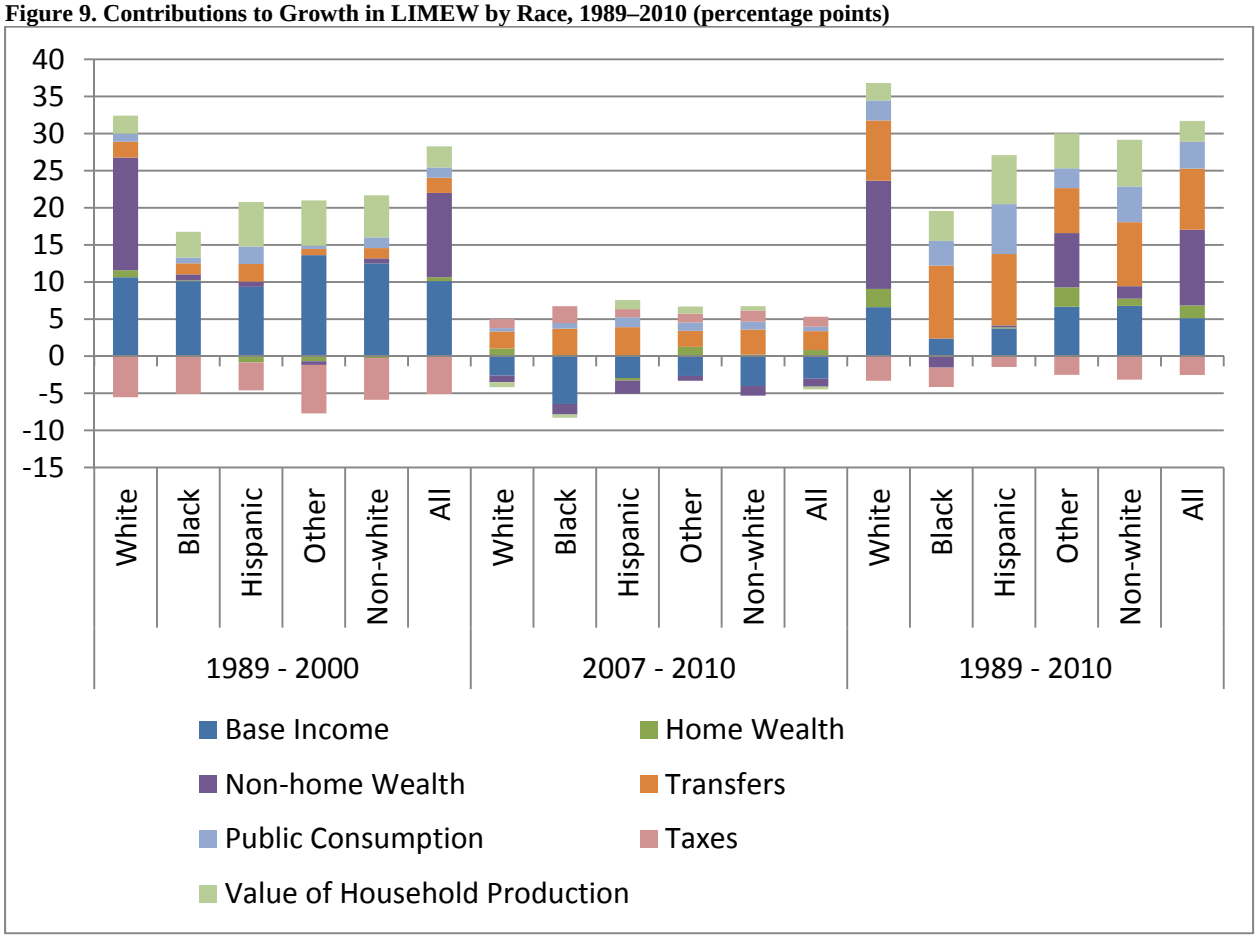


Table 6. Changes in Homeownership Rates, Mean Home Value, Mortgage Debt, and Imputed Rent by Race, 2007–2010

	Home Ownership Rate	Home Value	Mortgage Debt	Imputed Rent
White	-0.2%	-15.3%	3.3%	14.0%
Black	-1.0%	-31.4%	-36.4%	-10.7%
Hispanic	-1.9%	-34.9%	-20.2%	-10.2%
Other	-4.8%	-13.0%	-6.9%	18.4%
Total	-1.4%	-17.9%	-3.0%	10.7%

The changes in average income from home wealth discussed above mask the impact of the housing bubble on households. As we have seen, the average home value dropped considerably for all homeowners but especially for Black and Hispanic homeowners. The same is true of homeownership rates. While there was substantial growth in homeownership for all groups between 1989 and 2007, this was clearly a period of some convergence in rates of

homeownership by race (see table 7, below). The gap in homeownership rates between White and Black households shrank from 28 percent to 26 percent, while that between White and Hispanic households narrowed from 28.5 percent to 25.6 percent. The Other households enjoyed the greatest increase in homeownership, adding nearly 10 percentage points over the period. The Great Recession's impact on homeownership appears to be still unfolding. For most groups, the drop in homeownership between 2007 and 2010 was modest; however, by 2013, all groups had seen considerable losses. White households' drop was notably the smallest (just under 2 percentage points), while Black and Hispanic households' homeownership rates dropped quite a bit (4.7 and 5.2 percentage points, respectively). Only Other households experienced an increase in homeownership rates between 2010 and 2013, though this still left them down by 3.4 percentage points from 2007.

Table 7. Homeownership Rates by Race, 1989–2013

	1989	2001	2004	2007	2010	2013
White	70.5	74.1	75.8	74.8	74.6	73.1
Black	42.4	47.4	50.1	48.6	47.7	44.0
Hispanic	41.9	44.3	47.7	49.2	47.3	43.9
Other	53.9	53.0	57.5	63.4	58.5	60.0

Source: Authors' calculations based on 1989, 2001, 2004, 2007, 2010, and 2013 Survey of Consumer Finances

INEQUALITY

Overall income inequality has increased over the last two decades, especially during the 1990s. However, at least part of the measured inequality increase during the 1990s is due to a change in the method the BLS used to top-code incomes in the CPS in the early 1990s (see table 8, below).[12] It is likely that the reporting changes had a smaller impact on the inequality of the LIMEW primarily because, as discussed below, those at the top of the LIMEW distribution are there by virtue of their massive wealth holdings rather than earnings. So, despite the relative

[12] Both changes made in the survey design and the raising of thresholds for reported earnings, introduced in 1994, raised the measured inequality in money income. One estimate is that these changes accounted for half of the increase in the inequality in household money income between 1992 and 1993 or about one Gini point (Ryscavage 1995). In addition, top-coding of property income items (such as dividends) also underwent changes (Burkhauser et al. 2011).

underestimation of inequality prior to 1994, there is still evidence of a trend of increasing inequality since the 1980s. However, inequality in both MI and LIMEW (as measured by the Gini ratio) has remained stable since 2000, including during the period of the Great Recession.

Table 8. Gini Coefficients for LIMEW and MI, 1989–2010

	LIMEW	MI
1989	36.1	41.8
1995	38.4	45.0
2000	41.9	46.0
2004	41.0	46.5
2007	41.7	46.2
2010	41.2	46.9

Turning to inequality by race, we can first observe that in 1989, LIMEW inequality was the highest within the group Other (36.9). Inequality among White households was nearly as high (36.1), while inequality was notably lower among Blacks (34.3) and lowest among Hispanics (32.1) (table 9, below). Inequality increased among all groups during the 1990s, but the increase was small for Nonwhite households, ranging from a 0.8 Gini point increase for Hispanic households to a 1.5 Gini point increase for Black households. Among White households, there was a 7 Gini point increase. The result was a widening in the level of inequality within racial/ethnic groups.[13]

Table 9. LIMEW Inequality by Race, 1989–2010 (Gini)

	White	Black	Hispanic	Other
1989	36.1	34.3	32.1	36.9
2000	43.1	35.8	32.9	38.0
2004	42.1	36.4	33.2	37.2
2007	43.1	35.6	33.1	39.5
2010	42.5	35.6	32.4	39.8

Decomposition analysis suggests that the surge in inequality among Whites during the 1990s primarily reflects the huge contribution made by income from nonhome wealth to LIMEW inequality (table 10). This is due both to the increasing share of income from nonhome wealth in

[13] A similar trend is apparent for MI, with the Gini for Whites increasing by 5 points during the 1990s. Changes in labor market conditions account for some, but not all, of the increase in LIMEW inequality.

the LIMEW among Whites during this period (see table 5, above) and to the rising concentration of income from nonhome wealth among White households.[14] By contrast, income from nonhome wealth contributed almost nothing to LIMEW growth among Nonwhite households, as we noted above (see figure 8). Its share in the total LIMEW is also much lower for Nonwhite groups compared to Whites as a result of the comparatively low levels of nonwealth holdings among them—a reflection of the highly unequal division of nonhome wealth among racial groups (see figure 6, above). The only Nonwhite group that showed a notable change in inequality was Black households and here the main contributors were household production and government transfers. In both cases, the increase in the contribution was due to the increase in its concentration.[15] Since 2000, LIMEW inequality showed hardly any change within all groups except Other. The latter saw a small decline in inequality between 2000 and 2004 (0.8 Gini points) followed by an increase of 2.6 Gini points between 2004 and 2010, with most of the increase occurring between 2004 and 2007.[16] The Great Recession seems to have been accompanied by no appreciable change in the level of inequality. Thus, while for the 1990s, the standout fact is the increase of nonhome wealth inequality among White households, no such dramatic impact is evident during the Great Recession.

[14] The concentration coefficient of income from nonhome wealth for Whites increased from 0.73 in 1989 to 0.79 in 2000.

[15] The concentration coefficient of household production rose from 0.37 to 0.41 and that of government transfers grew from 0.11 to 0.19 between 1989 and 2000. However, because the increase in inequality among Blacks was rather small, we do not investigate this further here.

[16] We estimated that the increase in inequality among Others during this period was driven by the drastic rise in the contribution of income from nonhome wealth, but the small sample size for this group in the SCF makes it difficult to put much confidence in its analysis.

Table 10. Decomposition of Changes in LIMEW Inequality by Race and Source, 1989–2010

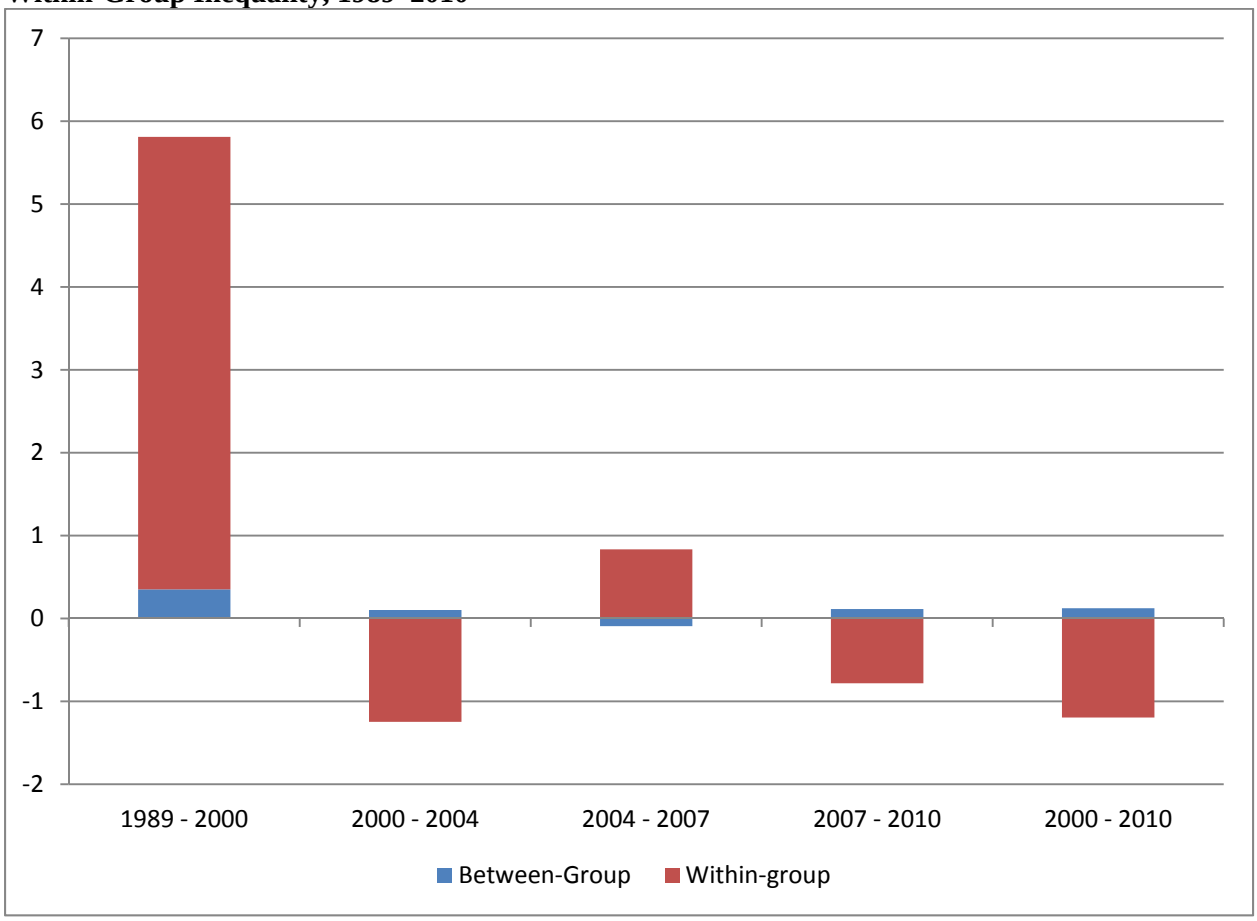
1989–2000	White	Black	Hispanic	Other	All
Base Income	0.3	0.4	0.4	3.9	0.4
Income from Home Wealth	-0.2	-0.1	-1.2	-0.5	-0.3
Income from Nonome Wealth	7.9	-0.2	-0.2	-1.9	6.1
Net Government Expenditures	-0.3	0.3	0.2	-2.7	-0.2
Government Transfers	0.7	1.1	0.6	0.4	0.7
Public Consumption	-0.1	0.3	0.4	-0.4	0.0
Taxes	-0.9	-1.1	-0.9	-2.7	-1.0
Value of Household Production	-0.7	1.2	1.2	2.0	-0.3
Total	**7.0**	**1.6**	**0.4**	**0.8**	**5.8**
2007–10					
Base Income	-0.7	-1.5	-0.8	-0.4	-0.7
Income from Home Wealth	0.5	-0.1	-0.5	0.6	0.4
Income from Nonhome Wealth	-0.5	-0.6	-1.3	-0.7	-0.6
Net Government Expenditures	0.0	1.4	0.8	-0.5	0.1
Government Transfers	0.5	1.4	1.0	0.1	0.6
Public Consumption	0.1	0.4	0.2	-0.1	0.1
Taxes	-0.6	-0.4	-0.4	-0.4	-0.6
Value of Household Production	0.0	0.6	0.9	1.0	0.2
Total	**-0.8**	**-0.2**	**-0.9**	**0.1**	**-0.7**

We use the analysis of Gini (ANOGI) technique proposed by Frick et al. (2006) to decompose changes in racial LIMEW inequality. ANOGI decomposes the Gini coefficient by groups into within-group and between-group components and the effect of overlapping on both components. Intragroup inequality is the weighted average of the Gini coefficient of each subgroup. Between-group inequality (the between-group Gini assuming perfect stratification minus the overlapping component) is a small component of overall LIMEW inequality.[17] Figure 9 shows the contribution of these two components to the change in the Gini coefficient for the LIMEW, using racial categories for the decomposition. In the 1990s, 98 percent of the large increase in overall inequality was due to an increase in intragroup inequality, although there was also an increase in intergroup inequality. This large increase in intragroup inequality is due, as we have shown above, to the increase in inequality among White households due to the explosion of income from nonhome wealth in the 1990s. The 2000s saw a net reduction in the overall LIMEW

[17] In 2010, the between-group component of the Gini coefficient accounted for 2.8 percent of the total LIMEW inequality.

inequality, but there was again a very slight increase in intergroup inequality. The changes during the Great Recession look very much like the changes for the 2000–04 period and for the decade overall.

Figure 10. Changes in the Racial Decomposition of LIMEW Inequality Due to Between-Group and Within-Group Inequality, 1989–2010



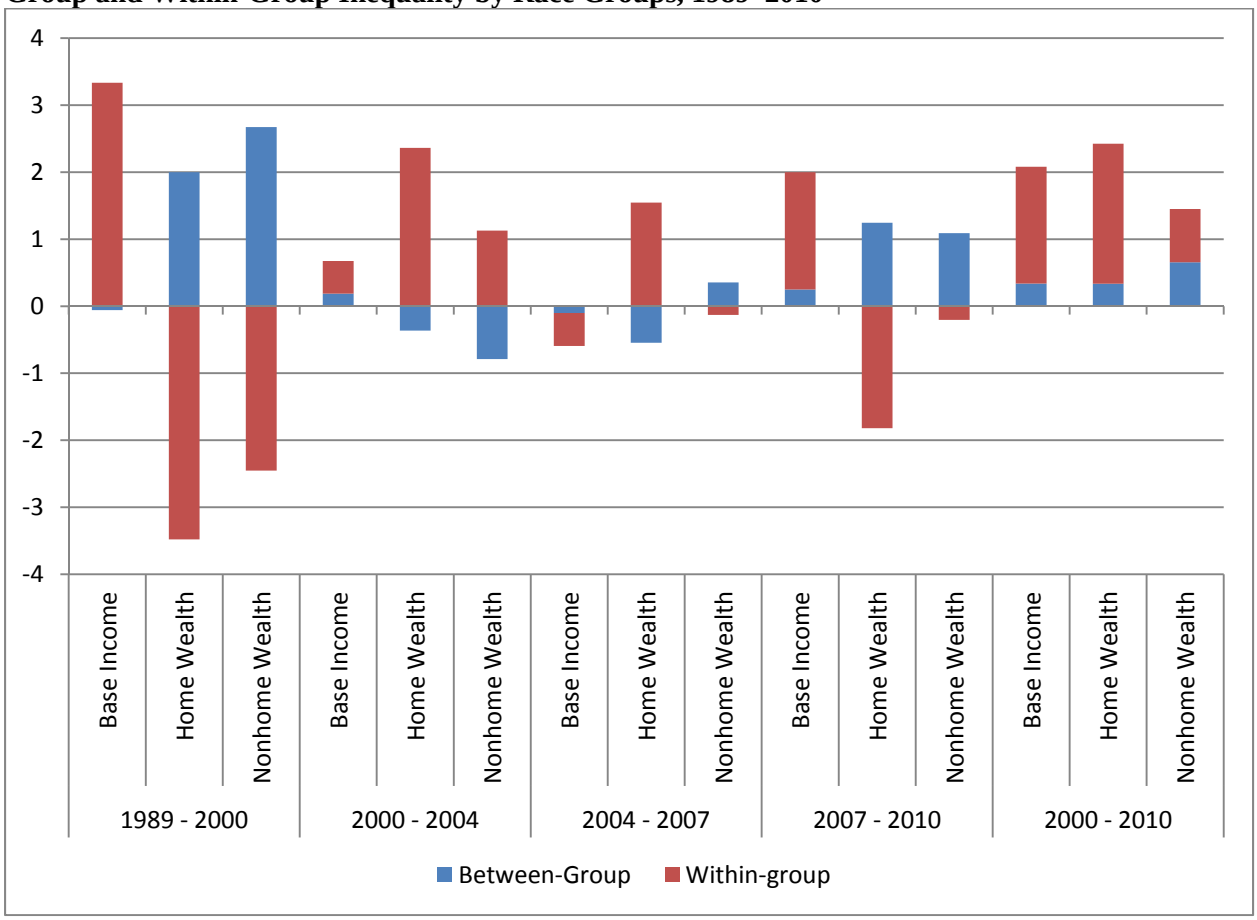
Between-group inequality is similarly small for all of the components of LIMEW, with one notable exception. The between-group component of inequality of income from nonhome wealth was 8.3 percent in 2010. Figure 11 tracks the changes in the level of inequality of base income, income from home wealth, and income from nonhome wealth due to between- and within-group inequality. The 1990s saw an increase in within-group inequality for base income, but no change in between-group inequality, leading to a large increase in inequality in base income. For income from home wealth, between-group inequality increased by about 2 Gini points, while intragroup inequality decreased by 3.5, leading to a reduction in inequality overall. For income from

nonhome wealth, although the overall change in inequality was small, between-group inequality increased, while within-group inequality increased so that within-group inequality fell from 94 percent to 91 percent of inequality in income from nonhome wealth. The overall changes were less than 5 Gini points for all three components.

The changes in the 2000s were quite different. Between-group inequalities were slightly higher for base income, while there was a reduction in terms of income from home wealth and income from nonhome wealth. The within-group inequality for base income was smaller than for the 1990s. The within-group inequality of both income from nonhome wealth and income from home wealth were inequality increasing. The changes in both intragroup and intergroup inequality of base income in the two subperiods between 2000 and 2007 essentially cancelled each other out, leaving the period between 2007 and 2010 to determine the change in inequality of base income. In terms of income from nonhome wealth, the one period between 2000 and 2004 was exceptional in that the small increase in inequality was driven by an increase in intragroup inequality and held back by declines in intergroup inequality. Although for the decade overall, both between- and within-group inequality increased, the latter only increased in the first subperiod. The Great Recession actually reduced the overall trend of rising inequality of income from home wealth. Prior to the Great Recession the increase in intragroup inequality of income from home wealth was over 3.9 Gini points, afterwards it decreased by 1.8 points. The contribution of between-group inequality in income from home wealth fell by 0.9 Gini points between 2000 and 2007, but rose by 1.2 points between 2007 and 2010. While the housing bubble clearly inflated overall inequality in home wealth without appreciably increasing racial inequality, the bursting of the bubble did not undo half of the damage, at least by 2010.[18]

[18] Given the continued declining trend in homeownership rates through 2013, it is hard to imagine additional decreases in inequality of income from home wealth.

Figure 11. Decomposition of Changes in Inequality of Components of LIMEW Due to Between-Group and Within-Group Inequality by Race Groups, 1989–2010



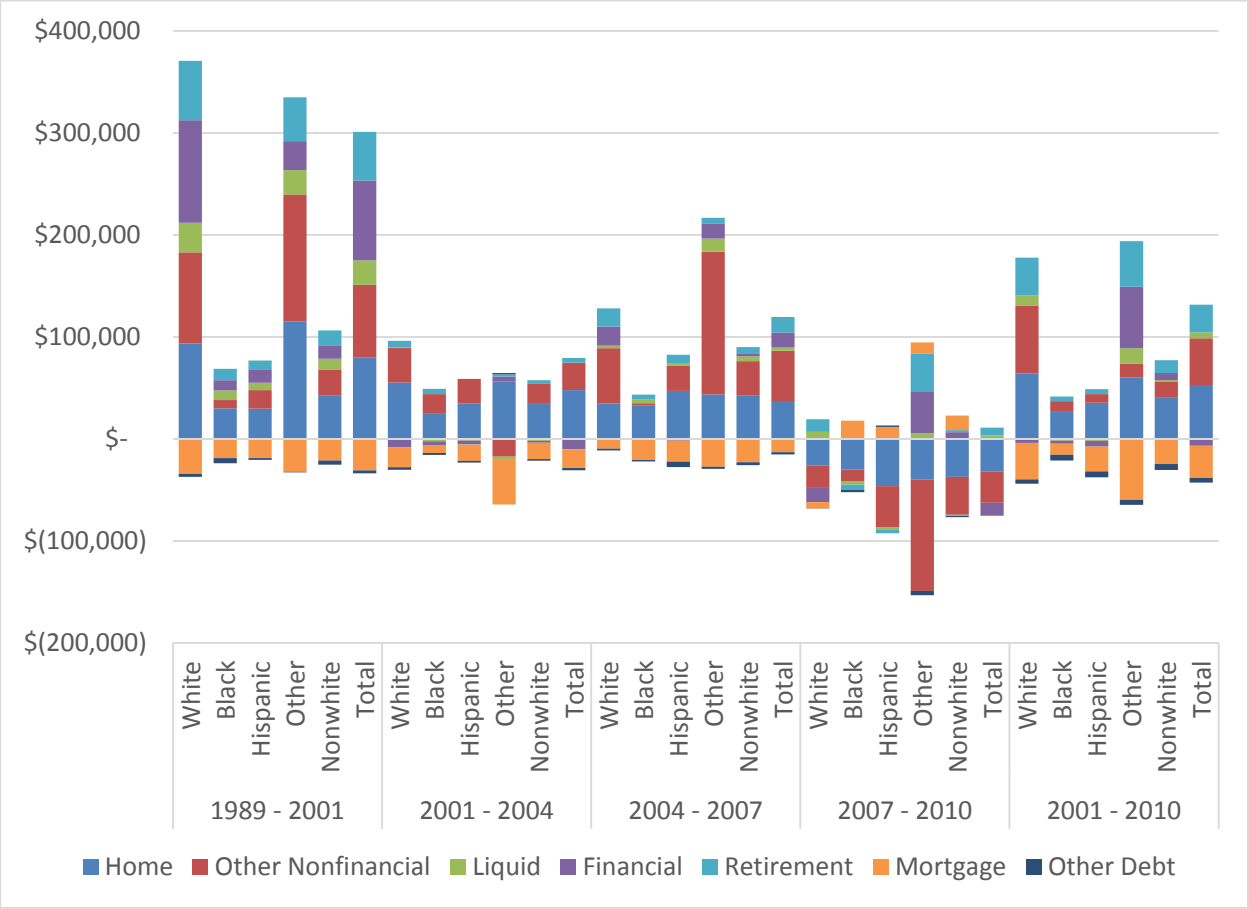
To deepen our understanding of the changes in wealth that drive the changes in inequality of income from wealth, we turn again to the SCF (figure 12). In the 1990s, the growth of average net worth for White households was driven by the growth of their financial assets ($100,600), home value ($93,500), and nonfinancial assets ($89,400), each of which by themselves were larger than the gains in total assets made by Black or Hispanic households during the same period ($68,800 and $76,900, respectively). The largest gain for the Other group was in nonfinancial assets, which includes closely held businesses and real estate other than the primary residence. For Other households, both the increase in home value and other nonfinancial assets ($115,000 and $124,700, respectively) was larger than the total gains in assets for Black and Hispanic households. Clearly the explanation for the increase in the between-group inequality in income from both home and nonhome wealth in the 1990s is due to the much greater average gains made by White and Other households when compared to Black and Hispanic households.

The fact that within-group inequality in nonhome income was falling while between-group inequality was rising indicates increasing stratification between the White and Other households and the Black and Hispanic households during the 1990s.

The first decade of the 2000s reveals substantially different patterns. Overall growth in assets was less than half that of the 1990s ($124,900 compared to $301,000 growth in average total assets), while the increase in debt was comparable. Interestingly, there is a substantial difference in the distribution of growth in assets between White and Other households, which saw similar increases in average assets ($173,800 and $194,000, respectively). For White households, growth was concentrated in home values and nonfinancial assets ($64,300 and $66,700, respectively), while for Other households it was home values and financial assets ($60,200 for both) that contributed the most for 2000–10. All four of these changes exceeded the total growth in average assets for Black and Hispanic households in the 2000s ($36,900 and $41,400, respectively). For the 2000s as a whole, almost all of the increase in inequality in income from home and nonhome wealth was due to intragroup inequality increases. Although the gap between the White and Other households and the Black and Hispanic households was growing in the 2000s, it grew more slowly than during the 1990s. Meanwhile, increased inequality within groups, especially in income from home wealth, was reducing stratification.

The period following the Great Recession stands out in that it shows the only drop in home value and nonfinancial assets for all race groups. There was no group that was a net gainer in assets in the 2007–2010 period, but Hispanic households lost the most ($92,500), followed by Other ($65,600), Black ($49,700), and White ($42,600). Because Black households saw their average debt decrease (by $15,300) while the average White household debt increased ($6,400), their positions are reversed if we consider the change in net worth. Another significant difference in changes by racial group during the Great Recession was the increase in both financial and retirement assets for Other households ($41,100 and $36,700, respectively). The increases in these asset classes helped to offset their losses in home and other nonfinancial assets. The latter, at $109,100, was more than twice the loss of any other group and the sum of the two was almost twice the losses for Hispanic households for the two categories.

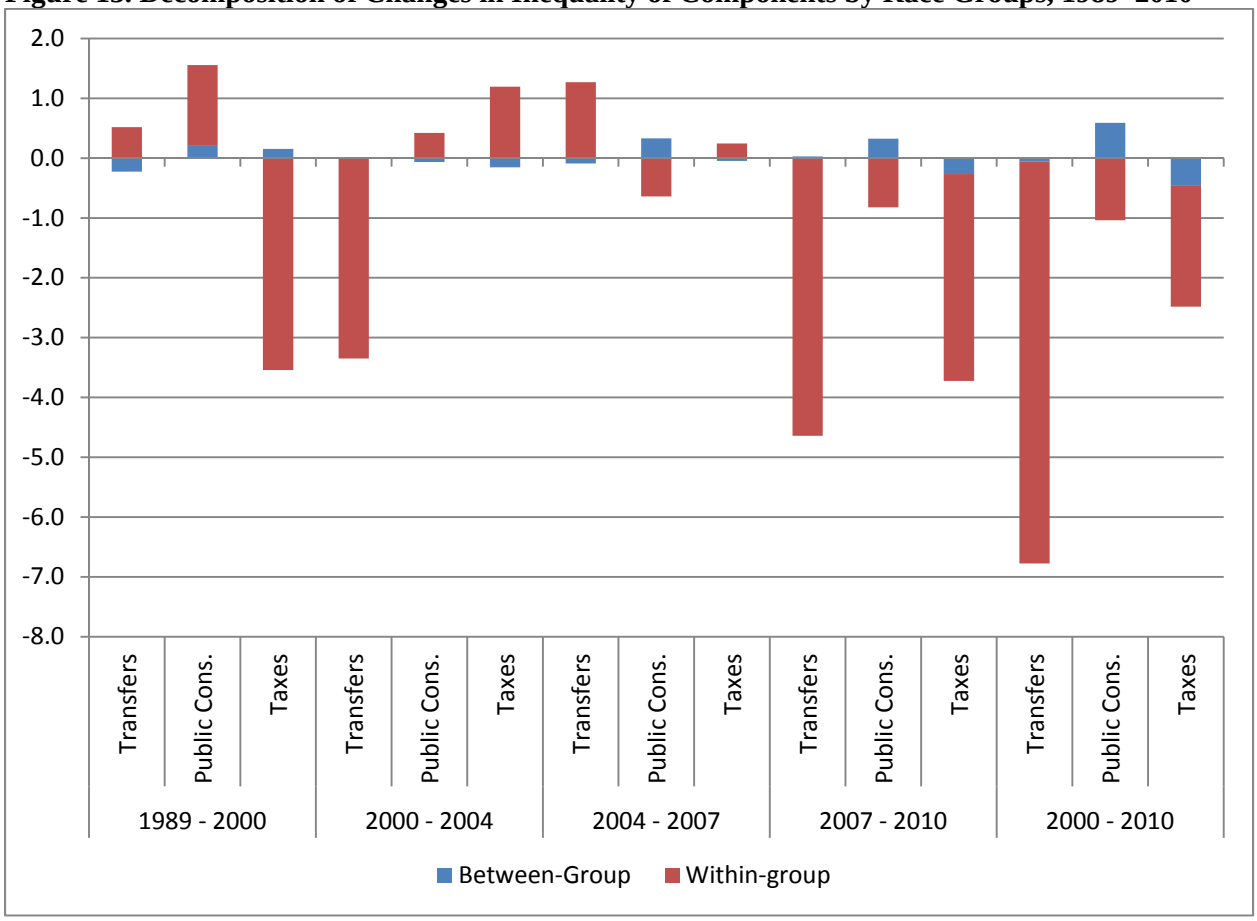
Figure 12. Changes in Components of Net Worth by Race Groups, 1989–2010



We turn now to examine the changes in inequality in government expenditures and taxes (figure 13). With few exceptions, inequality in the distribution of these components of the LIMEW has declined over time, if on a smaller scale than that of income from home wealth. During the 1990s, however, both transfers and public consumption experienced increases in their intragroup inequality, while the reduction in the inequality of taxes was driven by a substantial reduction in the intragroup inequality component. Between-group inequality changed very little for any of the three parts of net government transfers. Once again, the 2000s are a different story. All three components of net government expenditures experienced decreases in their within-group component, especially transfers. Between-group inequality increased for public consumption but decreased for transfers and taxes. The magnitude is much larger for public consumption and taxes, as well. Most of this impact occurred during the Great Recession. The intragroup

component of inequality of transfers also shrank during the recession of the early 2000s, but increased again during the recovery.

Figure 13. Decomposition of Changes in Inequality of Components by Race Groups, 1989–2010



Racial inequality and overall inequality were slightly reduced by the Great Recession. It remains to be seen what the impact of the turn towards fiscal austerity after the 2010 midterm elections will have been. Given the importance of transfers in increasing measured inequality and of taxes in reducing it, the story may be more complicated than we might have predicted.

CONCLUSIONS

The Great Recession, though officially lasting a year and a half, in many ways is still very much with us. Employment rates have not fully recovered to their prerecession levels, though much of

this may be due to the aging of the population. Earnings have certainly not recovered, remaining below their 2000 level. Homeownership rates have dropped off even more sharply after 2010. As we have demonstrated, all of these trends have been experienced quite differently by different racial subgroups in the United States.

In terms of wealth, Black and Hispanic households remain far behind White households, with their average net worth amounting to 12 and 15 percent, respectively, of the average net worth of White households in 2013. The ratio of median Black and Hispanic household net worth to White households is just below 2 percent. This is down from 6.6 and 5.2 percent in 2007, respectively. Black households' mean home equity is a quarter of that of White households' and Hispanic households' is one-third. Black and Hispanic households' median home equity is zero. In terms of employment rate, Black adults remain far behind every other group. These trends have their implications for household economic well-being, measured either by MI or the LIMEW.

While all groups lost ground during the Great Recession in terms of money income (MI), only Black households lost in terms of the LIMEW, while each of the other groups gained $2,000 to $3,000. Unfortunately, this is not an aberration caused by the Great Recession but a continuation of a decades-long trend. In the 1990s, this trend was mainly the result of the increase in White households' income from nonhome wealth. Between 2000 and 2010, and certainly during the Great Recession, the increased gap between White and Black households has been due to the greater loss of base income for Black households than for any other group. Only slightly greater increases in transfers for Black households kept the gap from increasing even further by 2010. This fact makes the prospects for the period since 2010 even gloomier, given the turn towards fiscal austerity, especially in terms of cuts in spending.

Measured racial inequality remains very much a function of intragroup inequality, as opposed to between-group inequality. Inequality remains highest among White households, driven by the increase in the concentration of wealth since the 1980s among the White households at the top of the LIMEW distribution. The between-group component of inequality in income from wealth has increased by 3 Gini points (or 62 percent) since 1989 and it features the largest between-group

inequality of any component of LIMEW, but in 2010 the overall Gini coefficient for income from nonhome wealth stood at 93.2. The implication is that racial economic inequality remains very much a function of the intersection of race and class in the United States.

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