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Wealth Gaps Rise to Record Highs Between Whites, Blacks and Hispanics

Twenty-to-One

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The median wealth of white households is 20 times that of black households and 18 times that of Hispanic households, according to a Pew Research Center analysis of newly available government data from 2009.

These lopsided wealth ratios are the largest since the government began publishing such data a quarter century ago and roughly twice the size of the ratios that had prevailed between these three groups for the two decades prior to the Great Recession that ended in 2009.

The Pew Research Center analysis finds that, in percentage terms, the bursting of the housing market bubble in 2006 and the recession that followed from late 2007 to mid-2009 took a far greater toll on the wealth of minorities than whites. From 2005 to 2009, inflation-adjusted median wealth fell by 66% among Hispanic households and 53% among black households, compared with just 16% among white households.

As a result of these declines, the typical black household had just \$5,677 in wealth (assets minus debts) in 2009, the typical Hispanic household had \$6,325 in wealth and the typical white household had \$113,149.

Moreover, about a third of black (35%) and Hispanic (31%) households had zero or negative net worth in 2009, compared with 15% of white households. In 2005, the comparable shares had been 29% for blacks, 23% for Hispanics and 11% for whites.

These findings are based on the Pew Research Center's analysis of data from the Survey of Income and Program Participation (SIPP), an economic questionnaire distributed periodically to tens of thousands of households by the U.S. Census Bureau. It is considered the most comprehensive source of data about household wealth in the United States by race and ethnicity. The two most recent administrations of SIPP that focused on household wealth were in 2005 and 2009. Data from the 2009 survey were only recently made available to researchers.¹

Plummeting house values were the principal cause of the recent erosion in household wealth among all groups, with Hispanics hit hardest by the meltdown in the housing market.

From 2005 to 2009, the median level of home equity held by Hispanic homeowners declined by half -- from \$99,983 to \$49,145 -- while the homeownership rate among Hispanics was also falling, from 51% to 47%. A geographic analysis suggests the reason: A disproportionate share of Hispanics live in California, Florida, Nevada and Arizona, which were in the vanguard of the housing real estate market bubble of the 1990s and early 2000s but that have since been among the states experiencing the steepest declines in housing values.

White and black homeowners also saw the median value of their home equity decline during this period, but not by as much as Hispanics. Among white homeowners, the decline was from \$115,364 in 2005 to \$95,000 in 2009. Among black homeowners, it was from \$76,910 in 2005 to \$59,000 in 2009. There was little or no change during this period in the homeownership rate for whites and blacks; it fell from 47% to 46% among blacks and was unchanged at 74% among whites.²

Household wealth is the accumulated sum of assets (houses, cars, savings and checking accounts, stocks and mutual funds, retirement accounts, etc.) minus the sum of debt (mortgages, auto loans, credit card debt, etc.). It is different from household income, which measures the annual inflow of wages, interest, profits and other sources of earning. Wealth gaps between whites, blacks and Hispanics have always been much greater than income gaps.

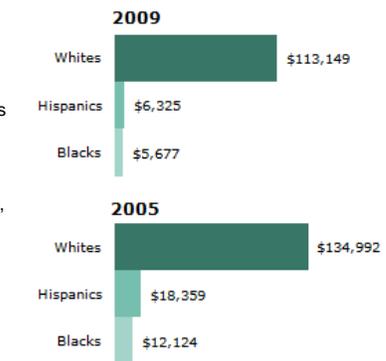
The 2005 to 2009 time frame allows for a before-and-after look at the impact of the Great Recession. However, those dates do not align perfectly with the downturn, which ran from December 2007 to June 2009, according to the National Bureau of Economic Research.

In 2005, both the stock and housing markets were still rising. Thus, had the base year for these measurements of wealth been closer to the top of these markets in 2006 or 2007, the recorded declines are likely to have been even steeper.

Moreover, since the official end of the recession in mid-2009, the housing market in the U.S. has remained in a slump while the stock market has recaptured much of the value it lost from 2007 to 2009. Given that a much higher share of whites than blacks or Hispanics own stocks -- as well as mutual funds and 401(k) or individual retirement accounts (IRAs) -- the stock market rebound since 2009 is likely to have benefited white households more than minority households.

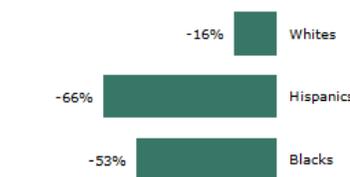
Median Net Worth of Households, 2005 and 2009

in 2009 dollars



Source: Pew Research Center tabulations of Survey of Income and Program Participation data
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Percentage Change in Median Net Worth of Households, 2005 to 2009



Source: Pew Research Center tabulations of Survey of Income and Program Participation data
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