



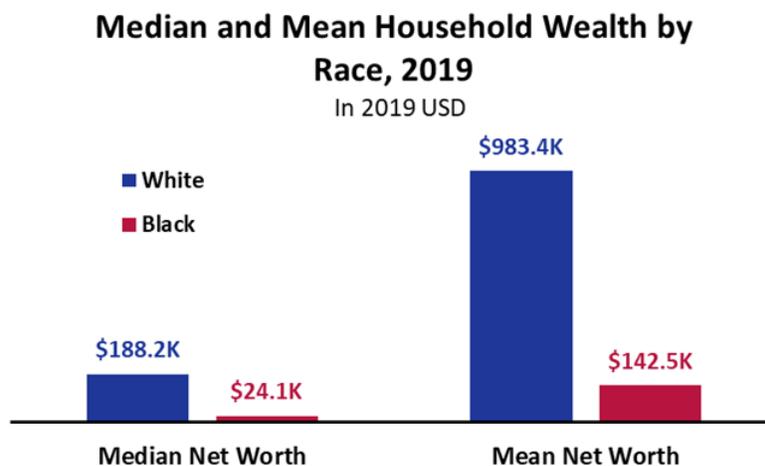
The Economic Legacy of the 1921 Tulsa Race Massacre: Today's Racial Wealth Gap

In early 1921, the Greenwood District in Tulsa, Oklahoma, was home to one of the most affluent African-American communities in the United States. More than 70 businesses, mostly owned by Black Americans, lined up in just the 100 block of Greenwood Avenue in Tulsa.¹ This single block was home to four hotels, two newspapers, eight doctors, seven barbers, nine restaurants and a half-dozen professional offices of real estate agents, dentists and lawyers.² The economic success of Black entrepreneurs in Greenwood added to the striking image of Tulsa as America's Black Wall Street.³

Much of this wealth was destroyed in the 1921 Tulsa Race Massacre, which left hundreds of residents dead.⁴ On the fateful day of May 31, 1921, a violent white mob destroyed more than 1,200 homes across 35 city blocks, and more than 300 homes were looted.⁵ White rioters decimated more than \$27 million of Black property in today's dollars.⁶ The 1921 Tulsa Race Massacre resulted in a decline in home ownership, lower average occupational status, net worth, and educational attainment for Blacks in Tulsa.⁷ This community has yet to recover from the destruction of wealth one hundred years ago.

Today, Black wealth in Tulsa – and nationwide – is only a fraction of white wealth

The typical Black household in the Tulsa metropolitan area has only six cents of wealth for every one dollar of the typical white household.⁸ This mirrors the country's racial wealth gap – Black families' median and mean wealth is less than 15% that of white families, at \$24,100 and \$142,500, respectively. Given the concentration of wealth at the top of the distribution, absolute differences are even larger when we consider average net worth.



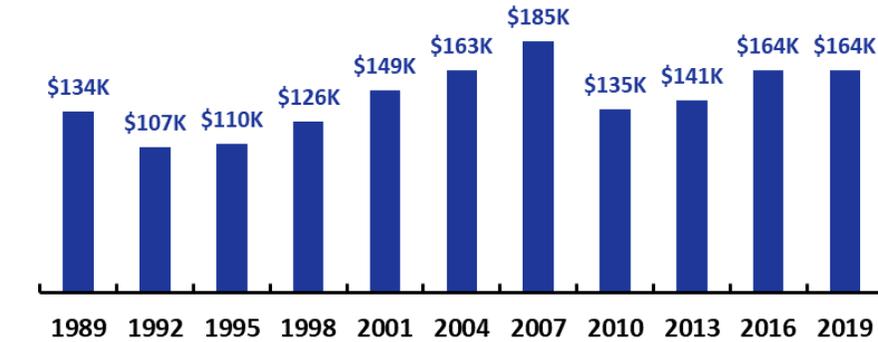
Source: 2019 Survey of Consumer Finances

The racial wealth gap remains persistent

The white-Black gap in median wealth has remained relatively unchanged for decades, shifting from \$134,000 in 1989 to \$164,000 in 2019. While the gap narrows marginally after economic contractions, the impact on Black wealth lingers. The typical Black family has yet to recover their pre-Great Recession levels of wealth.⁹ The disproportionate impact the Great Recession, and previous contractions, had on the economic and wealth status of Black Americans left them much more vulnerable to the adverse effects of the COVID-19 pandemic.¹⁰

White and Black Median Wealth Gap Over Time

Absolute differences in net worth, 2019 USD



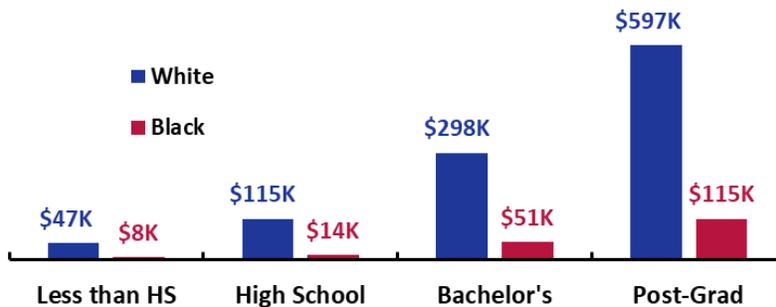
Source: 2019 Survey of Consumer Finances

Education alone can't close the racial wealth gap

While higher educational attainment is generally associated with more accumulated wealth, Black and Hispanic families have less median family wealth than white families with the same education.¹¹ In fact, the typical Black family with a bachelor's degree in 2019 had less median wealth than the typical white family with a high school degree.

Median Household Wealth by Race and Education, 2019

In 2019 USD



Source: Hernandez Kent, Ana and Lowell R. Ricketts, "Wealth Gaps between White, Black and Hispanic Families in 2019," January 2021, Federal Reserve Bank of St. Louis.

Intergenerational transfers and homeownership play a vital role

Intra-family transfers are the primary source of wealth for most Americans with positive net worth. In fact, inheritances, bequests and intra-family transfers account for more of the racial wealth gap than any other demographic and socioeconomic indicators including education, income and household structure.¹² In 2019, nearly 30 percent of white families reported having received an inheritance or gift, compared to about 10 percent of Black families.¹³

The 1921 Tulsa Race Massacre serves as a reminder of the uncomfortable truth that the inability of Black families to transfer wealth to the next generation is the product of decades of systemic racism and exclusion.¹⁴ Housing, for example, is the biggest component of wealth for many families.¹⁵ Yet, this channel is not open to the majority of Black families, as they are much less likely to own a home compared to white families (45% vs. 74%).¹⁶ White Tulsans today are nearly twice as likely to own a home as Black Tulsans.¹⁷ This is despite Black and white residents having nearly identical homeownership rates in 1920.¹⁸ There is also a significant national gap in home values; the typical white families' home value is \$230,000, while the typical Black families' home value is \$150,000.¹⁹ This is because the value of Black homes are based on racism, as home values decline once more than 10% of homeowners in a neighborhood are Black.²⁰

Structural solutions are needed to close the racial wealth gap

The focus on individuals achieving their own social mobility via education and financial literacy is insufficient in addressing the racial wealth gap. Structural solutions are required. To start, the H.R. 40's creation of a commission to study reparations with H.R. 40 marks a vital step in facing up to our Nation's past.²¹ Because a key predictor of the financial success of a child is the wealth level of their parents, baby bonds or trusts should also be part of the solution.²² An interest-bearing account for each child in America would ensure that when they turn 18, they have an asset to finance their education, start a business, or buy a home.²³

Structural solutions must also account for the manner in which the tax code perpetuates the racial wealth gap via tax subsidies for marriage, higher education, and gifts and inheritances. For example, Black college graduates are more likely to send money to their parents, depleting their wealth, while white college graduates are more likely to receive money from their parents enabling them to build wealth. While the gifts and inheritances are received tax-free, the financial transfers by Blacks to help support family members are not tax deductible.²⁴

Any plan to bridge the racial wealth gap must include financial integration and a means to acquire capital.²⁵ Nearly half (46%) of Black Americans are unbanked or underbanked, while about 14% of whites are in the same category.²⁶ Plans to narrow the racial wealth divide must also reverse the damage of redlining via housing and mortgage programs including down payment assistance, mortgage insurance, public housing development, and vouchers.²⁷

While none of the policies above will close the racial wealth gap alone, they can form part of a broad basket of policy solutions each contributing to help narrow the divide one hundred years after the destruction of Black lives, wealth, and financial independence in Tulsa.

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