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Racial Gap in Income, Wealth and Asset Allocation Between Ethnic Groups In America

By Herby Brutus

This paper evaluates the effect of race, age, and education on income, debt and asset allocation in the United States using data from the 2010 Survey of Consumer Finances collected by the Federal Reserve. This paper uses a linear regression to analyze a cross-section of inequality and wealth between different ethnic groups. This thesis acknowledge the effect of racism in affecting income and wealth, but take into account how African-Americans and Hispanics allocate their assets as a possible cause for the racial gap in income, wealth and asset allocation between ethnic groups in America.

1. Introduction

Inequality and asset distribution is the subject du jour. The disparity between the rich and the poor, the gap in income and wealth between Caucasians, African-Americans and Hispanics is greater today than at any time since the Great Depression¹. While race, and demographics (age, level of education) are important factors in determining the income gap, examining financial asset allocation as well as home equity, add clarity to the broader picture. This paper also describes the extent to which diversifying asset choices such as saving accounts and financial equities contribute to the racial gap in income, wealth and asset allocation between ethnic groups.

The gap in housing equity has widened in recent years. Crowell (2012) said; African-American and Hispanic neighborhoods have lost \$1 trillion in home equity. “The data shows that African-Americans and Latinos comprise less than 30 percent of the nation’s population. Yet together neighborhoods of color shoulder more than half of the \$1.95 trillion in the drain on neighborhood property value as a result of foreclosures²”. Ethnic and racial distinction in financial equity has increased the gap in income and wealth between African-American, Hispanics and Caucasians. At every age group and educational level the data show that African-Americans and Hispanics consistently have less financial equities than White households. The decline in housing equity for Blacks and Hispanics combined with higher financial equity rate of return for White, considerably increasing the wealth gap.

¹ Emily Kaiser, “How American income Inequality hit levels Not Seen Since The Great Depression” http://www.huffingtonpost.com/2010/10/22/income-inequality-america_n_772687.html

² Charlene Crowell, NNPA Columnist “Blacks and Hispanics Lost \$1 Trillion in Home Equity” <http://www.blackvoicenews.com/news/news-wire/48272-blacks-and-hispanics-lost-1-trillion>

2. Literature review

Income distribution measures how income is earned by different groups and partitions of the population. Rector and Hederman assert that the Census figures are inadequate and misleading since they ignore taxes and most of the non-contributory transfer programs offered by the government seeking to prevent the poor and vulnerable from economic shocks and falling below the poverty line. The majority of the income inequality in the United States derives from inequality in work performed according to Rector and Hederman (2004).

Asset allocation is an important factor in explaining wealth disparities. After the housing bubble and the recession of 2007, many households saw the value of their house drop, sometimes below the original purchasing price. This affects different demographic and age groups. Many saw their wealth decline as the gains made during the economic and housing boom evaporated as the housing market reach its peak and started to decline. Chakrabarti *et al* (2011). Liquidity constraints, in earlier stage of life when income is minimal, may prevent household from borrowing for the consumption of goods such as the purchase of a new home. Younger household tends to rent as they built their nest egg toward the purchase of a dwelling and retirement. As liquidity constraint are lax, household tend to borrow more for their consumption

Another possible contributor for the difference in income level is the growing consumer debt. The increase in indebtedness in conjunction with stagnating wages make it harder for different segments of the population to purchase goods and services to keep up with peer households. Pressman *et al* (2009). Furthermore, to satisfy the growing consumption needs and to keep up with the Jones many household have gone into debt and some have seen their level of debt increases as their level of income decreases (Frank 1999 and Veblen 1994). Consumer spending has been rising steadily and accounts for two thirds of the United State gross domestic product, it can possibly pose a high risk to the economy for it has been instrumental to our country's growth since the early 1990s (Maki 1999). This exposure to a greater amount of indebtedness resulted in a much higher debt burden payments than income, and the households were submitted to a certain extant to a greater exposure to movement of the housing and equity prices. Dynan *et al* (2009). A high level of indebtedness has the possibility to expose the household to a great possibility of defaulting.

Some theoretical models imply that households may be highly responsive to changes in anticipation of future income. The consumer makes astute choices on how much he consumes at different stage of life constrained only by the amount of available resources. Modigliani *et al* (1963). Consumers begin to assess their debt only after realizing that they were too aggressive regarding their future income and having accumulated a large amount of debt. A solid increase in the availability of credit tends to be associated with an effective and positive future growth in consumption (Maki 1999). The rise in household debt due to the availability of credit in the past decade, and the financing of consumption with the equity amassed in the home increased borrowing by existing mortgage holders.

Accumulation of debt was not solely due to housing, but also higher education. The rising costs of higher education pushed up the accumulation of debt. With unemployment high, many graduates find it difficult to find employment and repay their

student loans. During the Great Recession, many households chose to return to school in order to improve their skills and marketability, thus increasing the amount of debt by borrowing to finance their education.

There are empirical studies, using the two-way model³, calculating education in proportion of the population in order to calculate its effect on all U.S. States' income level, indicating that an increasing in education play an important role in equalizing the inequality in income in the US (Chintrakarn 2011). Many other studies on income distribution include education. There is a positive correlation between education dispersion and income distribution. De Gregorio in his empirical studies provides evidence on how education is related to income disparity. His results demonstrate that higher education attainment correlates with more income equality. To confirm his finding is uses the “Kuznets inverted-U curve for the relationship between income level and income inequality” De Gregorio *et al* (1999).

3. Data and Variable Description

This research paper is based on data from the 2010 Survey of Consumer Finance spanning from 2007-2009. The Survey of Consumer Finance (SCF) is a triennial survey of U.S. families. The survey includes data on families' balance sheets, pension, income, and other demographic characteristics. The Federal Reserve Board sponsors the study in cooperation with the Department of the Treasury and NORC at the University of Chicago has collected the data since 1992. Data from the Survey of Consumer Finance is ubiquitously used for analysis at the Federal Reserve and other branches of the government and major research centers. Participation on the study is strictly voluntary and SCF only use about 6,500 families in the survey in the most recent study. The Survey of Consumer Finance oversamples the rich and gives weights to allow researchers to infer population estimates. In order to partly compensate for not using these weights, this paper only uses cases in which the age of the household head is from 17 to 55 years old and excludes cases in which household income is greater than \$200,000.

A. Household characteristics

In this sample (Table 1.), 11.5 percent of white households are not married with children; compare to 30.7 African-Americans and 20.8 percent for Hispanics. This is an important distinction since being married or living with a partner permits people to consolidate their capital and assets together thus accumulating more wealth. Family structure in one of the most foreboding components in upward mobility in the United States , “Children of married parents also have higher rates of upward mobility if they in communities with fewer single parents” Raj Chetty et al (2014). Children who are raised by two married parents have a greater probability of climbing up the income scale than single parent household (Isaac 2007).

Twenty-four and seven tenths percent of African-Americans have a college degree compared to 18.6 percent of Hispanics, while 40.7 of White households have a college degree (Table 1). Education is an integral component and a key characteristic in

³ $y_{it} = \beta_0 + \beta_1 education_{it} + control\ factors_{it} + \gamma_i + \delta_t + time\ trend + \sum_{i,j} \epsilon_{i,j}$; $i = 1, \dots, 48$; $t = 1988, 1989, \dots, 2003$

affecting a household's ascension of the economic ladder. In today's economy, having a college education is critical in order to compete for a middle class job (Canevale 2012). Furthermore most college graduates tend to marry college graduate, which contributes to an increase in income and wealth inequality.

B. Asset Characteristic

Incomes for African-Americans and Hispanics has increased vastly since the Civil Rights of the sixties, but they are still lower than Whites. The average income for White households is \$63,901, African-Americans have an income mean of \$40,932, and Hispanics are close to Blacks with an average of \$41,642 (Table 1). Different level of income between the races and the level of education will have different implication on their saving behavior and asset allocation.

Whites are wealthier than African-Americans and Hispanics in the United States. Ten percent of the African American population have no financial assets; almost double the fraction of Hispanics who are at 5.5 percent. Of people who had financial assets, Whites had most assets with an average of \$365,021, African American 70 percent less than their White counterparts averaging \$108,099. Hispanics fare a little better with \$121,377 in assets (Table 2).

It is important to distinguish the different types of assets that compose the portfolio of each ethnic group. First, home ownership is a key variable in determining the chasm in wealth between Whites, African-Americans and Hispanics. The fraction of white households who own their home is almost double the number of African-Americans: 60.5 percent of Whites; 30.6 percent of African-Americans; 36.9 percent of Hispanics (Table 2). Even though mortgage originations were strong in the last quarter of 2010, according to the Federal Reserve Bank of New York Research and Statistics group, they were still 40 percent below their mean level of 2003-2007. One of the causes can be explained in the difficulty for African-American and Hispanics in getting access to credit during and after the Great recession. Since the beginning of the crisis, African-American households have lost 240,020 home and Hispanics 335,950 (Gruenstein Bocian et al 2010). Of people who received loans to purchase or refinance their home from 2005-08, 4.5 percent of whites lost their home compared to 7.9 percent of African-Americans and 7.7 percent of Hispanic households (Gruenstein Bocian et al 2010). "If you sought to advantage one group of Americans and disadvantage another, you could scarcely choose a more graceful method than housing discrimination. Housing determines access to transportation, green spaces, decent schools, decent food, decent jobs, and decent services. Housing discrimination is as quiet as it is deadly" (Coates 2014)⁴.

According to a study by Rusk, White homes are valued 18 percent more than blacks. "For every dollar of income, white homeowners owned \$2.64 worth of house. By contrast black homeowners owned only \$2.16 worth of house" (Rusk 2001). Purchasing a home in minority neighborhood is less taxing on the saving account but it comes at a cost. It is a poor investment having a house in those neighborhoods in the long-term because it is difficult to build equity through homeownership, the more African-Americans and Hispanics in the less the homes appreciate compare to white areas (Rusk (2001).

⁴ <http://www.theatlantic.com/ta-nehisi-coates/>

This data support Rusk's finding on the difficulty of minorities in building home equity compared to whites. More than 50 percent of whites have housing equity (52.1 percent to be exact), 31 percent of Hispanics, and this number drop drastically to 24 percent for African Americans with equity on their home. The mean value of equity on primary residence for whites is \$116,954 which is 1.67 time that of African-Americans and Hispanics (Table 2). Many African-Americans and Hispanics lost their home during the "Great Recession" the ratio of foreclosure to loan originations affecting African-American and Hispanics is disproportionate compare to white household. African-American and Hispanic purchasers receive 25.8 percent of all loans to low income borrowers, yet they account for 32.9 percent of those affected for this category. This pattern holds true for predatory lending for all minority groups (Gruenstein Bocian et al 2010). More African-American and Hispanics households losing their home contributes to a substantive loss in wealth. Blacks and Hispanics found themselves in a downward spiral; foreclosures lead to vacant neighborhood, which in turn lower the price of the home in the area, causing home equity to fall.

While the majority of different ethnic groups hold financial assets, 98.5 percent for Whites, 90 percent for African-Americans, and 94.5 for Hispanics (Table 2), the composition of their portfolios varies tremendously. Numerous researches have revealed that financial equity is extremely more concentrated than financial assets are (Levine 2012). Higher yielding assets are extremely smaller for African-American and Hispanic households than White households. The mean financial assets for White are \$117,691, African-Americans and Hispanics are at the other hand of the spectrum with a financial assets mean of \$30,346 and \$19,360 respectively. I believe the majority of African-Americans and Hispanics did not grow up with a strong background in financial education. Whites teach their children early about financial product, many young white children start at an earlier age to invest and have the own trading account. Many minorities do not know the difference between a money market saving account which is FDIC [Federal Deposit Insurance Corporation] insured and money market in the financial market which are not.

Black and Hispanic differences in financial holdings can also be explained, in part, the widening gap in asset accumulation. Guaranteed products, which are considered conservative, such as savings, checking, CDs are a safer haven than volatile, high-risk financial equities. While 41.8 percent of African-American households have a saving account, 36 percent of Hispanics and whites stand at 58.2 percent. Minorities seem to be more risk averse than whites. Minorities need to be more liquid for emergency situations. It is extremely difficult for Blacks and Hispanics to absorb economic shocks; the wild fluctuations and volatility in the market reinforce their fear in investing in stock. The 56% of Whites who have financial assets invested in stocks have on average \$85,115 in equity, while only 30.5 percent of blacks have stock worth \$27,822 and 23.1 percent of Hispanics have stock worth \$29,723. Lack of trust in financial advisors and the market prevents Blacks and Hispanics in investing in the financial market, many minorities equate the stock market to gambling.

C. Debt Characteristics

There is a high percentage of households in each ethnic group with debt: 85.7 percent of Whites, 71.7 percent of African-Americans, and 69.5 percent of Hispanics. Of those with debt, the mean value of \$126,703 for whites is more than double African-American households with a mean debt value of \$58,401 and Hispanics are higher than

Blacks averaging \$72,652 in debt. The types of debts matters; I look only at a few variables in this study: credit card balances and student loans. To some degree the higher levels of debt reflect a higher capacity to service debt with income.

In 2010 cumulative consumer debt declined in the fourth quarter. The total consumer indebtedness was \$11.4 trillion down 8.6 percent from its peak level of at the close of the third quarter of 2008. Over the same period, close to 11 million credit accounts were closed, while only 164 million accounts were open in the fourth quarter that ended in December 31, 2010.⁵ Using the Survey of Consumer Finance of 2010, 42.1 percent of the 17286 of the respondents carried a credit balance. The differences between the races were negligible, 44.8 percent of the respondents were Whites, while 39.7 of Hispanics, 35.8 of African-Americans, and Others compose of 34.7 percent. The mean total value of credit card balances held by Whites is \$7,947, \$4,354 for African-American, and \$4,171 for Hispanics.

Thirty-one and one tenth percent of African-Americans have educational loans, 29.3 percent of Whites, while Hispanics have the lowest percentage at 16 percent. For those who have any loan, the average education loan for Whites is \$25,962, African-American follow closely with \$25,861; Hispanics are much lower at \$18,808 (Table 2). The educational debt burden has a long-term impact on African-Americans and Hispanics since as the previous section showed, their average incomes are less. It contributes loss of wealth over the lifetime of the loan for African-Americans and Hispanics.

The descriptions of the variables are:

A. Demographics

This study uses selected demographic characteristics of households listed in Table 1. The ethnicity and race of the household is defined by ethnicity or race of the household head. The four ethnic groups in the paper are: White Non-Hispanics is referred as Whites, Black/African-American, Hispanic, and Other, which comprise of Asian-Pacific islanders, Native Americans, and others. Many researchers use different parameters in order to explain wealth disparity between the races, I chose to use how the family is structured: married or not, married with children, and married with no children. It is important to study the effect of education on income and wealth; therefore I categorized by the education of the head of the household. The four education categories are no high school diploma, with High School Diploma or GED, Some College, and with a college degree (four years or more). Furthermore I look at different education category by race.

B. Asset

Table 2 describes the various assets categories I use. The different measurements of wealth are: Assets, the total value of asset held by household and home ownership; Home equity; total value of home equity lines of credit (HELOC) secured by the primary residence held by the household; financial assets(including liquid assets, certificates of deposit, directly held pooled investment funds, stocks, bonds, quasi-liquid assets, savings bonds, whole life insurance, other managed assets, and other financial assets); Equity, the total value of financial assets in stock; Savings, which is the total value of savings accounts held by household although does not include money market accounts. Income in

⁵ Federal Reserve Bank of New York research and statistics group- Microeconomic studies: Quarterly Report on Household Debt and Credit (February 2010)

Table 1 is the total amount of income of household in the previous calendar year including wages, self-employment and business income, taxable and tax-exempt interest, dividends, realized capital gains, food stamps and other support programs provided by the government, pension income and withdrawals from retirement accounts, Social Security income, alimony and other support payments, and miscellaneous sources of income.

C. Debt

Various liability variables are used to study the difference in income and wealth inequality between ethnic groups. The variables are: Debt, the total value of debt held by household; Mortgage and home equity loans, the total value of mortgages and home equity loans secured by the primary residence held by household; Credit card balances, the total value of credit card balances outstanding on all credit cards and revolving store accounts after the last payment but not including purchases made since the last account statement; Student loans, the total value of education loans –, including education loans that are currently in deferment and loans in scheduled repayment period.

4. Empirical Methodology

For my empirical analysis, I use a simple linear regression model where y_i or $\ln(y)$ represents the dependent variables.

$$(1) \ln(y) = \beta_0 + \sum_{i=1}^{K1} \beta_i x_i + \sum_{j=1}^{K2} \beta_j z_j + \sum_{k=1}^{K3} \beta_k x_k z_k + \varepsilon$$

The dependent variables are:

- Log of income, log of asset, and log of debt
- Ratio of asset to income and ratio of debt to income

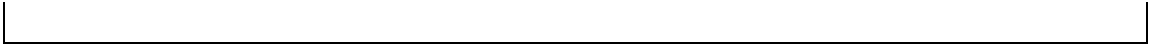
In Table 3-7, Column 1 is represented by $\sum_{i=1}^{K1} \beta_i x_i$ where β_i are the estimates resulting from my analysis performed on variables x_i . The beta coefficient of x_i ; the slope of the regression line and how much changes in y_i or $\ln(y)$ for each unit change in the demographic variables Age, Age Squared, Married, Black, Hispanic, and Other represented by x_i .

Column 2, expressed by the term $\sum_{j=1}^{K2} \beta_j z_j$ adds the education level of the respondents where z_j is the education predictors; High School/GED, Some College, College 4+.

The ethnicity and education are interacted in column 3, $\sum_{k=1}^{K3} \beta_k x_k z_k$ where $x_k z_k$ express by the variables Black High School/GED, Black Some College, Black College 4+, Hispanic High School/GED, Hispanic Some College, Hispanic College 4+, Other High School/GED, Other Some College, Other College 4+. The variables in column three are the cross product of race and education level attained. The interactions of $x_k z_k$ variables have a joint effect of the dependent variable y_i or $\ln(y)$. The relationship between x_k and y_i or $\ln(y)$ is affected by each level of education z_k .

So the interaction effect allows, for example, that Hispanics might get different returns to educational qualifications than whites or blacks.

Chart 1.	
Description of the Independent Variables	
Agesqr	Age Squares
Age	Age of Respondent
Married	Marital Status of Respondent
Black	African-American
Hispanic	Hispanic
Other	Asian-Pacific islanders, Native Americans, and others
High School/GED	Completed High School or has a GED
Some College	Has not completed College
College 4+	Has Completed College
Black High School /GED	African-American Completed High School or has a GED
Black Some College	African-American who has not completed College
Black College 4+	African-American who has Completed College
Hispanic High School/GED	Hispanic who has Completed High School or has a GED
Hispanic Some College	Hispanic who as not completed College
Hispanic College 4+	Hispanic who Completed College
Other High School/GED	Other who Completed High School or has a GED
Other Some College	Other who has not completed College
Other College 4+	Other who has Completed College



5. Results

A. *The Impact of Age, Marital Status, Ethnicity and Education on Log Value of Income.*

The estimated coefficients for the three regression specifications are presented in Table 3 with t-statistics below each coefficient. Income will increase at a diminishing rate until the respondent reaches 45-47 years old (depending on the specification) with a white single person without a high school diploma predicted to reach a maximum income of \$40,000 because of the life cycle effect (Fig. A-2). Being married increases a household income by 63.1 percent compare to a single household.

Increases in education have sizable impacts on household incomes.

Looking at the effect of race/ethnicity, the estimated coefficients for African-Americans indicates a decrease in income in a range of 20 to 33 percent. The magnitude of the differential does not change much after controlling for education. By contrast, the estimated coefficient for Hispanic is very sensitive to the controls for education. Without education in the estimating equation, Hispanics make 36% less income. But with a full set of education differentials, Hispanics make just 8% less. Differences in education explain much of the Hispanic-white income gap but do not explain much of the black-white income gap. The higher the education level, the higher the income level for African-Americans. The estimated income for a 40-year-old married black individual with no high school or GED is \$37,949, which is \$10,779 less than Hispanics in the same category. Blacks with a high school / some college degree and Hispanics with the same credentials are not statically different from each other. The estimated income for a 40-year-old black married individual with some college degree is \$75,509 while Hispanics is only \$80,258. The OLS estimates in Table 3 indicate there is not enough evidence to infer if Hispanics with a college degree have a different income than Caucasians. The mean asset value of a 40 year old, married African-American individual with a college degree is \$266,199 (Fig. A-1) which is above the mean of \$212,306 for Blacks compare to Hispanics with a mean of \$275,665 (Fig. 2).

Fig. A-1

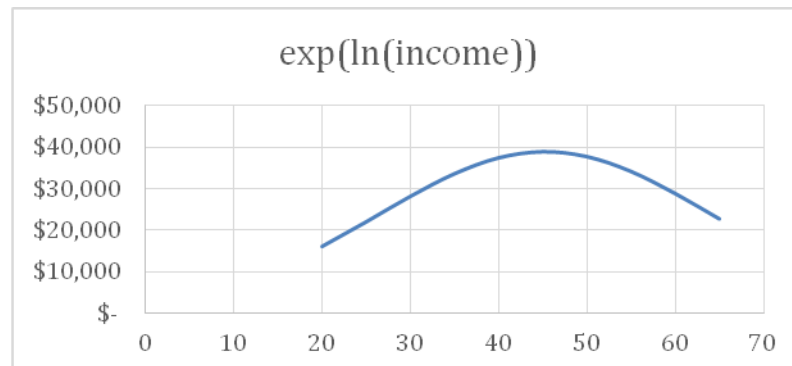
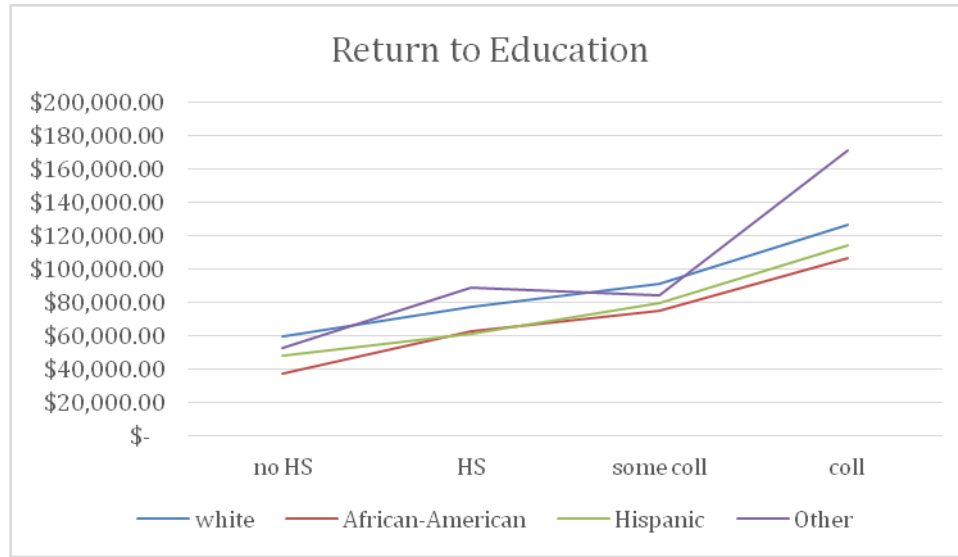


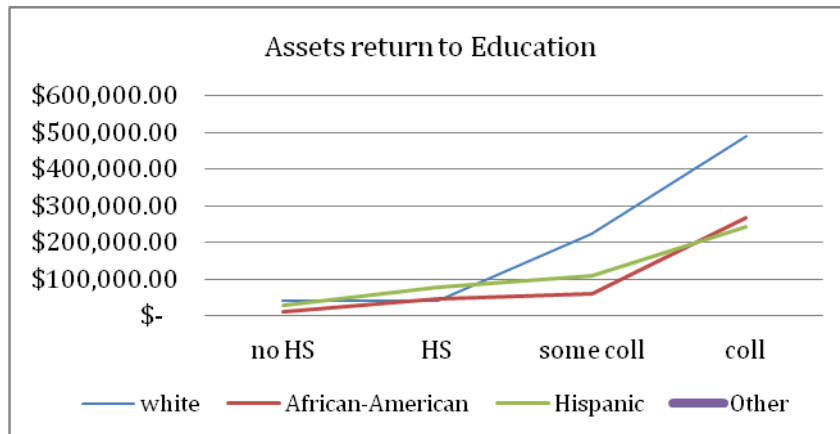
Fig. A-2



B. The impact on of Age, Marital Status, Ethnicity and Education on Log Value of Asset.

The ethnicity of the respondents also has a significant effect on assets. The total value of asset is estimated to increase 119.8 percent for married households. The estimated coefficient of Black, Column 3 in Table 4, indicates a decrease in assets by 136.8 percent. Holding all other variables constant, Hispanics have a negative relationship with the dependent variable $\ln(y)$ representing asset value. There is not enough evidence to assess the effect of Black High School/GED, Black Some College, Hispanic High School/GED on asset. Holding all other variables constant, the estimate coefficient for Black College 4+ has a positive effect on asset. Black College 4+ increases assets for blacks with a college degree 76 percent. Hispanics with some college and college degree have a negative effect on asset, a decrease of 32.4 and 32.8 percent respectively. A 40-year-old, married black respondent, consistently has less asset than Hispanics, except for respondents with a college degree.

Fig. B-1



C. Estimates of the impact of Age, Marital Status, Ethnicity and Education on Log Value of Debt.

The impact of age, marital status and education on debt is shown on Table 5. The results presented in the table are estimates equation (1). Estimated coefficient on marriage is statically significant. Debt in creases by 89.6 percent in households who are married. Age as a significant effect on debt and has an Inverter U-shape all things being equal. The OLS estimate for Black projects a 73.3 decrease compare to Whites and a decrease of 77.5 percent for Hispanics compare to Whites. Education level has a significant effect on how much debt a household has; the effect of having a high school diploma in crease debt level by 73 percent, some level of college is estimated to increase the amount of debt for a household by118.2 percent, and having a college degree significantly increase debt level by 175.1 percent. The insignificant coefficients; Black High School/GED, Black Some College, Black College 4+, Hispanic High School/GED, Hispanic College 4+, Other High School/GED, Other Some College, Other College 4+, indicate that there is not enough evidence to say if African-Americans and Hispanics with a degree have different debt levels.

D. The impact on of Age, Marital Status, Ethnicity and Education on Debt to Income Ratio.

Table 5 presents the OLS estimate of the effect of Age, Age Squared, Married, Black, Hispanic, and Other, High School/GED, Some College, College 4+. In column 2, married households increase their debt to income ratio 24.3 percent. Age significantly increases debt to income 14.5 percent. Debt to income ratio will increase at a diminishing rate and will decrease after a certain period of time following the life cycle inverted U-shape curve (Fig. D). The estimated coefficient of Black, Column 2 in Table 5, indicates a decrease of debt to income ratio by 60.8. The estimated coefficient for Hispanics the ratio of debt to income 46.6. A 30-year-old married individual increase his debt 66 percent for every dollar increase in income. At 40 his debt to income ratio increases 71 percent per dollar increase in income. The estimated coefficient predicts that at age , debt to income will decrease.

Fig. D-1

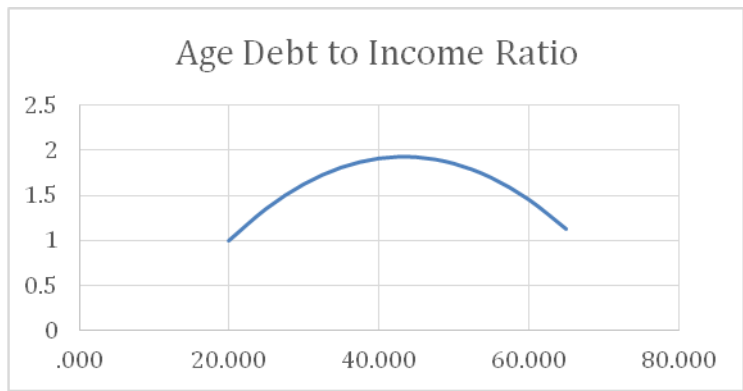
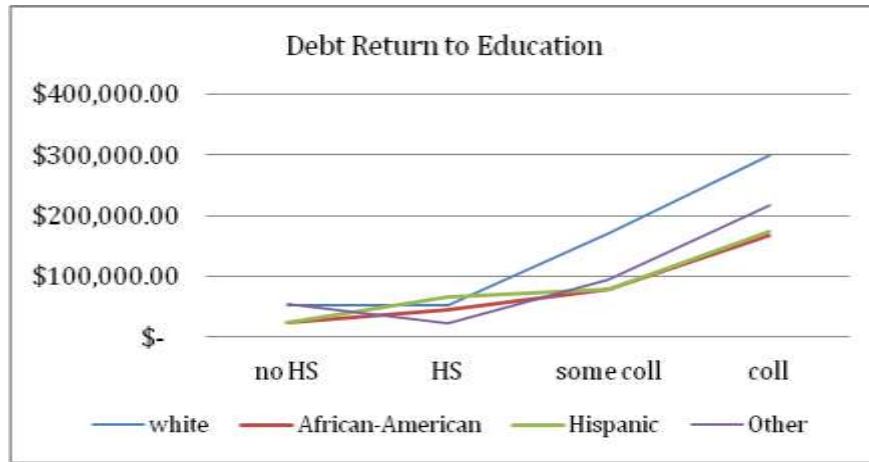
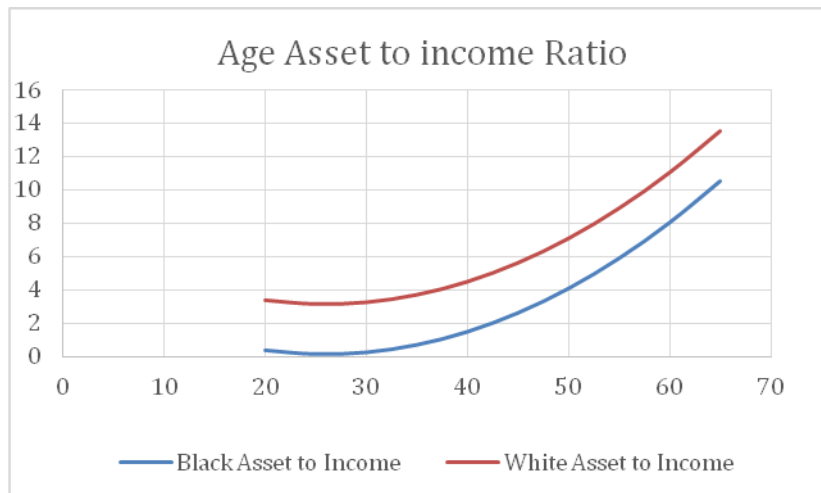


Fig. D-2



E. The impact on of Age, Marital Status, Ethnicity and Education on Asset to Income Ratio

The impact of age, race, and education on household asset to income ratio is shown on Table 6. The results presented in column 2 on the table indicate that age, marital status, and education have a significant effect on the ratio of asset to income. Table 6 shows that a married individual increase their asset by 54.9 percent for each additional dollar in income compare to a respondent who is not married. The coefficient estimate for the Black variable indicate about a 264 percent decrease asset in to income ratio for an African-American household, and a decrease of 177.6 for Hispanics. The results in the table show a dramatic increase in asset as one’s education level increases. For example having a college degree will increase one’s asset 8.8 times for every dollar increase in income. Education and marriage increase income level, which in turn increase asset allocation.



6. Conclusion

Many studies and articles link income inequality and asset distribution to race. Indeed race does have a role in asset distribution and income inequality. There is a correlation between race, education, age, income and asset allocation; but are race and education the most important determinants? The analysis of the data suggests that the main differences found in income and asset allocation between African-American, Hispanics and Caucasians is due to education attainment. African-American income diminishes significantly compare to Hispanics and Caucasians. The inequality in asset level and income between Caucasians, African-Americans, and Hispanics can be attributed primarily to how the assets are allocated within those groups. The present analysis finds Blacks and Hispanics differences in financial holdings can also be explained, in part, the widening gap in asset accumulation.

The descriptive analysis shows that African-Americans and Hispanics favor guaranteed products such as savings, checking, CD's which are a safer haven compare to volatile, high-risk financial equities. Minorities seem to be more risk averse and are more conservative. The desire for gain and the fact whites are in a better position to withstand the economic shock, is a reason why whites invest more than African-Americans and Hispanics. Minorities need to be more liquid for emergency situations. It is extremely difficult for Blacks and his panics to absorb economic shocks, the wild fluctuations and volatility in the market reinforce their fear in investing in stock.

Minorities did not accumulate large amount of debt comparatively to Caucasians, the ratio of debt to income found in this study is not surprising. This study support the finding that after the ease of credit to minorities despite not having no real income growth, more African-Americans and Hispanics are closer to bankruptcy or have already lost their home Mian *et al* (2008)⁶, thus inhibiting their ability to acquire credit cards, loan, and mortgages. Yes there is inequality; inequality in income, inequality in asset distribution, let us not "Cry 'Havoc!', and let slip the dogs of war"⁷ on racism, bur let us take a closer look at the choice of assets between ethnic groups in the United States.

⁶ **Chicago and the Causes of the Great Recession:** <http://houseofdebt.org/2014/05/08/chicago-and-the-causes-of-the-great-recession.html>

⁷ Wililiam Shakespear - “**Julius Caesar**”

Table 1.
 Demographic characteristic of household
 By race and Ethnicity of Respondents (Values are in percent unless stated otherwise)

Demographic Characteristics	Race/Ethnicity Of Respondent				Total
	white non- Hispanic	African American	Hispanic	Other	
Family Structure					
Married	62.4	38.5	60.6	61.7	58.2
Married with Children	42.3	26.1	47.9	43.7	40.6
Not Married With Children	11.5	30.7	20.8	11.2	16.0
Education category of head of household					
No High School Diploma/GED	6.0	11.8	34.4	6.3	11.3
High School Diploma or GED	33.7	37.1	29.0	21.9	32.9
Some College	19.6	26.4	17.9	16.5	20.3
College Degree	40.7	24.7	18.6	55.3	35.4
Mean Income of Household *	63,901	40,932	41,642	63,179	56,731

* Among those with non zero

Table 2.
 Assets and Debt Characteristics
 By race and Ethnicity of Respondents (Values are in percent unless stated otherwise)

Wealth Characteristics	Race/Ethnicity Of Respondent				
	White non- Hispanic	African American	Hispanic	Other	Total
Assets	98.5	90.0	94.5	98.8	96.5
Mean value of Assets	365,021	108,099	121,377	263,899	
Home Owner	60.5	30.6	36.9	36.7	50.8
Home Equity	52.1	24.0	31.0	31.4	43.3
Mean Value of Equity in Primary Residence *	116,954	75,136	77,443	200,684	200,684
Saving	58.2	41.8	36	47.9	51.7
Mean Value of Saving *	15,431	3,770	4,725	13,360	
Pension	55.9	42.6	29.4	43.5	49.1
Value of pension *					
Financial Assets	95.8	83.1	84.0	91.8	91.7
Mean value of Financial Assets *	117,691	30,346	19,360	86,364	89,543
Financial Assets Invested in Stock	56.0	30.5	23.1	46.1	46.3
Mean value of Financial Assets Invested in Stock *	85,115	27,822	29,723	82,897	74,651
Debt	85.7	71.7	69.5	72.3	80.3
Mean value of Debt *	126,703	58,401	72,652	126,464	110,224
Mean value of mortgage and HELOC*(1)	151,460	103,463	128,500	211,240	147,359
Credit Card Balances	44.8	35.8	39.7	34.7	42.1
Mean value of Credit Card Balances *	7,947	4,354	4,171	9,132	6,955
Student loans	23.9	31.1	16.0	17.0	27.0
Mean value of Student loans *	25,962	25,861	18,808	28,067	25,364

* Among those with non zero

1 Mean Value of mortgages and home equity loans secured by primary residence held by household

Table 3 Dependent Variable	Log Income		
	(1)	(2)	(3)
(Constant)	7.726 (87.2)	7.348 (88.059)	7.366 (86.341)
Agesqr	-0.00139 (-22.532)	-0.00122 (-21.431)	-0.00120 (-21.220)
Age	0.126 (26.160)	0.113 (25.387)	0.112 (25.194)
Married	0.611 (-53.333)	0.635 (-60.05)	0.631 (-59.572)
Black	-0.306 (-19.751)	-0.207 (-14.340)	-0.333 (-7.437)
Hispanics	-0.362 (-22.884)	-0.135 (-8.776)	-0.083 (-2.435)
Other	-0.042 (-1.650)	-0.11 (-4.616)	-0.29 (-3.083)
High School/GED		0.366 (20.132)	0.378 (13.461)
Some College		0.544 (27.849)	0.549 (18.530)
College 4+		0.892 (48.583)	0.874 (31.551)
Black High School /GED			0.126 (2.491)
Black Some College			0.139 (2.633)
Black College 4+			0.158 (3.026)
Hispanic High School/GED			-0.148 (-3.422)
Hispanic Some College			-0.05 (-1.046)
Hispanic College 4+			-0.019 (-.400)
Other High School/GED			0.14 (1.312)
Other Some College			-0.078 (-.702)
Other College 4+			0.302 (3.034)
R-squared	0.268	0.379	0.382
Significant at 5 percent (All Values)			

Table 4 Dependent Variable	Log Asset		
	(1)	(2)	(3)
(Constant)	5.731 (22.485)	4.444 (18.345)	4.436 (17.936)
Agesqr	-0.001661 (-9.420)	-0.001279 (-7.799)	-0.001243 (-7.593)
Age	0.195 (14.174)	0.167 (12.987)	0.164 (12.817)
Married	1.136 (34.734)	1.205 (39.663)	1.198 (39.437)
Black	-1.289 (-28.493)	-1.055 (-24.988)	-1.368 (-10.302)
Hispanic	-1.208 (-26.659)	-0.575 (-12.935)	-0.38 (-3.836)
Other	-0.53 (-7.311)	-0.694 (-10.302)	-0.488 (-1.839)
High School/GED		1.199 (22.524)	1.268 (15.682)
Some College		1.567 (27.551)	1.722 (20.238)
College 4+		2.518 (47.161)	2.506 31.416)
Black High School /GED			0.217 (1.436)
Black Some College			0.059 (.376)
Black College 4+			0.76 (4.885)
Hispanic High School/GED			-0.236 (-1.885)
Hispanic Some College			-0.324 (-2.345)
Hispanic College 4+			-0.328 (-2.460)
Other High School/GED			-0.174 (-.578)
Other Some College			-1.139 (-3.659)
Other College 4+			0.066 (.236)
R-squared	0.235	0.343	0.347
Significant at 5 percent (All Values)			

Table 5

Dependent Variable	Log Debt		
	(1)	(2)	(3)
(Constant)	5.037 (19.529)	4.165 (16.543)	4.206 (16.263)
Agesqr	-0.002829 (-16.065)	-0.002471 (-14.711)	-0.002475 (-14.734)
Age	0.25 (18.067)	0.223 (16.911)	0.224 (16.938)
Married	-0.802 (24.973)	0.896 (29.240)	0.896 (29.228)
Black	-0.848 (-19.070)	-0.722 (-17.018)	-0.733 (-4.671)
Hispanic	-1.007 (-21.909)	-0.637 (-14.002)	-0.775 (-7.003)
Other	-0.297 (-3.996)	-0.449 (-6.335)	0.05 (.154)
High School/GED		0.765 (13.078)	0.73 (8.522)
Some College		1.195 (19.529)	1.182 (13.255)
College 4+		1.833 (31.644)	1.751 (20.731)
Black High School /GED			-0.121 (-.698)
Black Some College			-0.03 (-.170)
Black College 4+			0.156 (.908)
Hispanic High School/GED			0.275 (1.994)
Hispanic Some College			-0.044 (-.299)
Hispanic College 4+			0.226 (1.626)
Other High School/GED			-0.843 (-2.343)
Other Some College			-0.625 (-1.696)
Other College 4+			-0.37 (-1.095)
R-squares	0.142	0.227	0.228
Significant at 5 percent (All Values)			

Table 6 Dependent Variable	Ratio Asset to Income		
	(1)	(2)	(3)
(Constant)	7.689 (4.500)	6.014 (3.449)	5.096 (2.854)
Agesqr	0.006786 (5.741)	0.007370 (6.241)	0.007332 (6.204)
Age	-0.351 (-3.804)	-0.395 (-4.227)	-0.391 (-4.225)
Married	0.414 (1.889)	0.549 (2.510)	0.508 (2.316)
Black	-3.022 (-9.996)	-2.641 (-8.692)	-1.519 (-1.549)
Hispanic	-2.692 (-8.862)	-1.776 (-5.551)	-0.437 (-.612)
Other	-1.245 (-2.563)	-1.59 (-3.280)	-0.516 (-.270)
High School/GED		1.018 (2.657)	1.464 (2.820)
Some College		2.259 (5.516)	3.309 (5.387)
College 4+		3.805 (9.899)	4.809 (8.353)
Black High School /GED			-0.402 (-.365)
Black Some College			-1.452 (-1.272)
Black College 4+			-2.004 (-1.785)
Hispanic High School/GED			-0.654 (-.723)
Hispanic Some College			-1.93 (-1.934)
Hispanic College 4+			-2.74 (-2.848)
Other High School/GED			-1.269 (-.584)
Other Some College			-2.953 (-1.315)
Other College 4+			-0.625 (-.309)
R-squared	0.029	0.038	0.039

Significant at 5 percent (All Values)

Table 7

Dependent Variable	Ratio of Debt to Income		
	(1)	(2)	(3)
(Constant)	-1.296 (-2.362)	-2.133 (-3.812)	-2.23 (-3.891)
Agesqr	-0.001718 (-4.527)	-0.001644 (-4.340)	-0.001658 (-4.371)
Age	0.149 (5.023)	0.145 (4.899)	0.147 (4.937)
Married	0.177 (2.511)	0.243 (3.332)	0.231 (3.276)
Black	-0.71 (-7.292)	-0.608 (-6.238)	-0.292 (-.929)
Hispanic	-0.77 (-7.893)	-0.466 (-4.540)	-0.418 (-1.824)
Other	-0.392 (-2.516)	-0.495 (-3.185)	-0.498 (-.811)
High School/GED		0.325 (2.643)	0.377 (2.011)
Some College		1.064 (8.100)	1.189 (6.032)
College 4+		1.237 (10.027)	1.307 (7.071)
Black High School /GED			-0.405 (-1.146)
Black Some College			-0.36 (.984)
Black College 4+			-0.286 (-.794)
Hispanic High School/GED			0.258 (.888)
Hispanic Some College			-0.304 (-.950)
Hispanic College 4+			-0.234 (.757)
Other High School/GED			-0.184 (-.264)
Other Some College			-0.268 (-.372)
Other College 4+			0.157 .242
R-squares	0.009	0.02	0.021
Significant at 5 percent (All Values)			

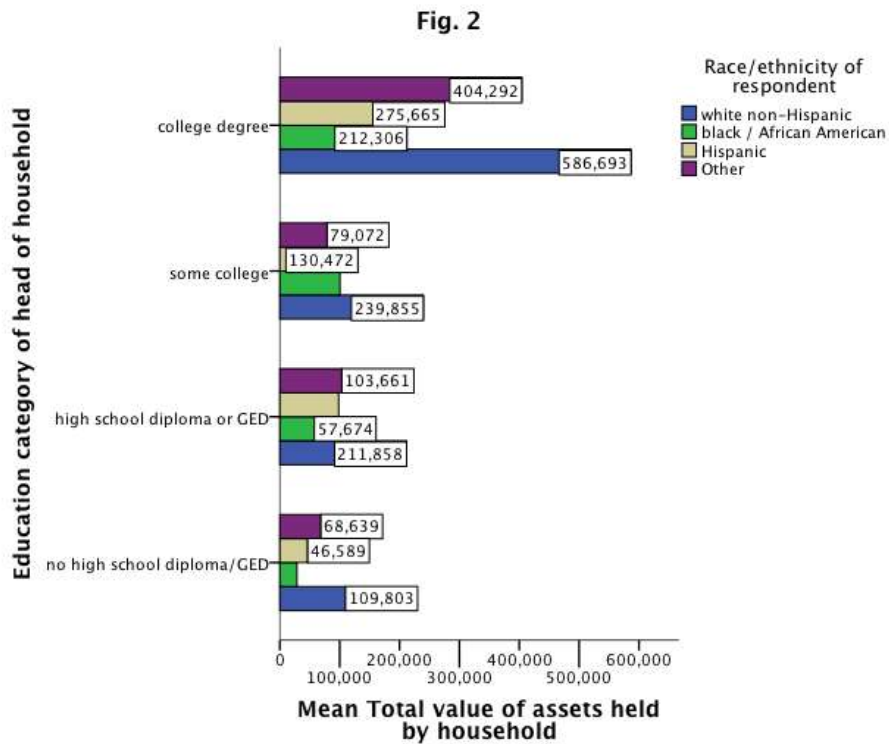
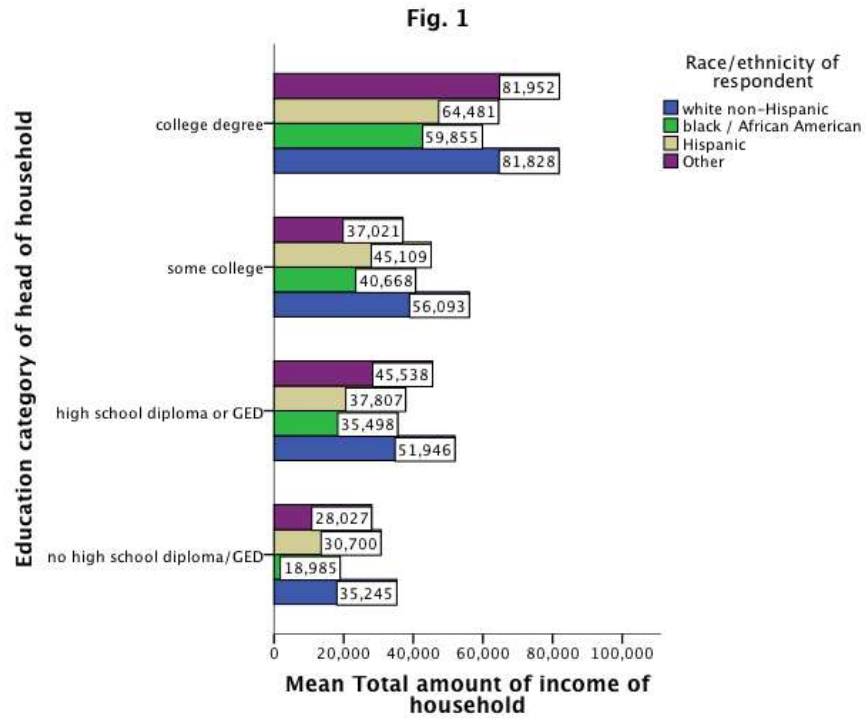


Fig. 3

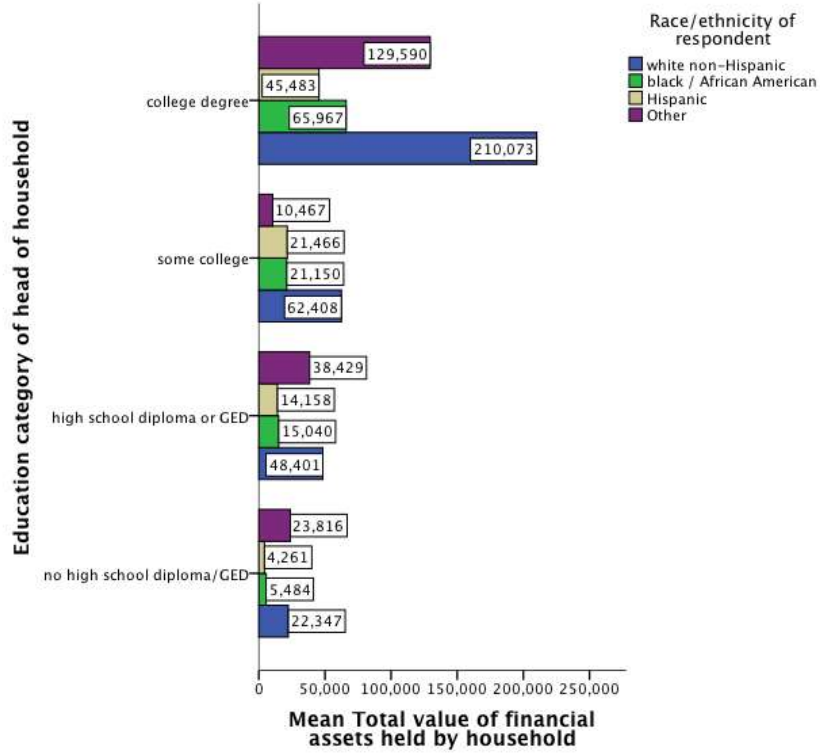


Fig. 4

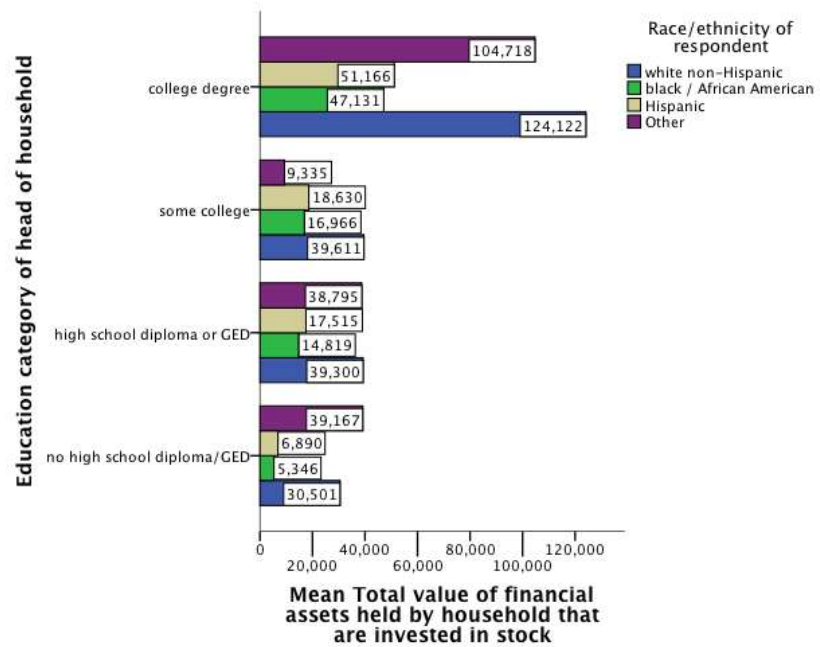


Fig. 5

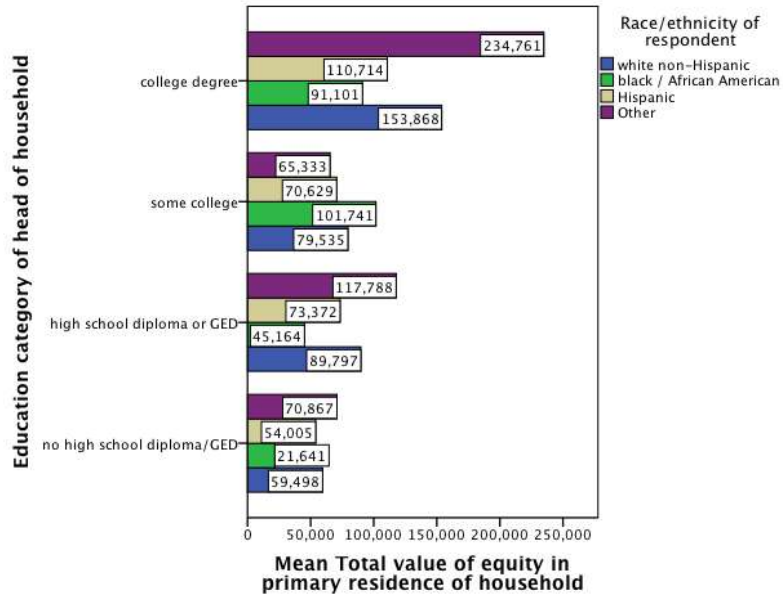


Fig. 6

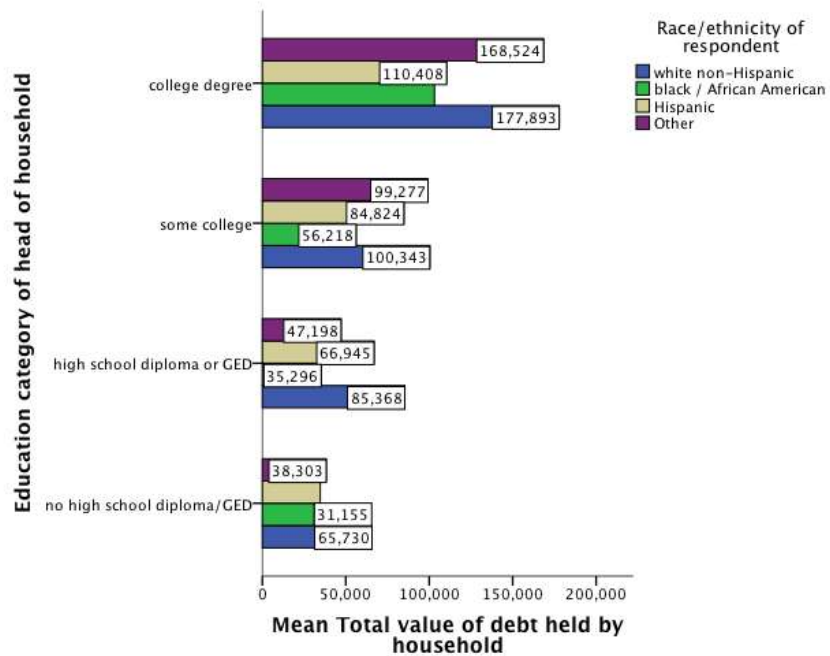


Fig. 7

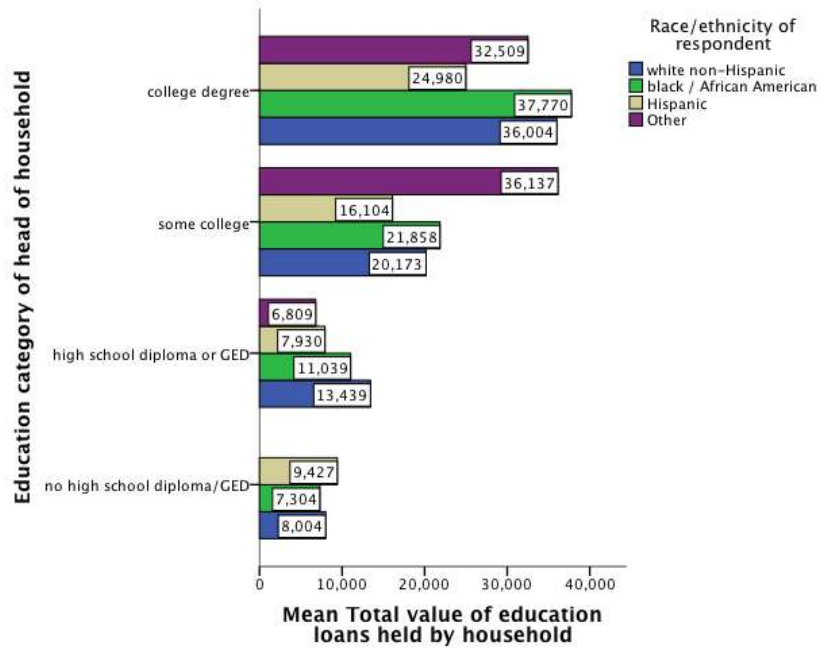


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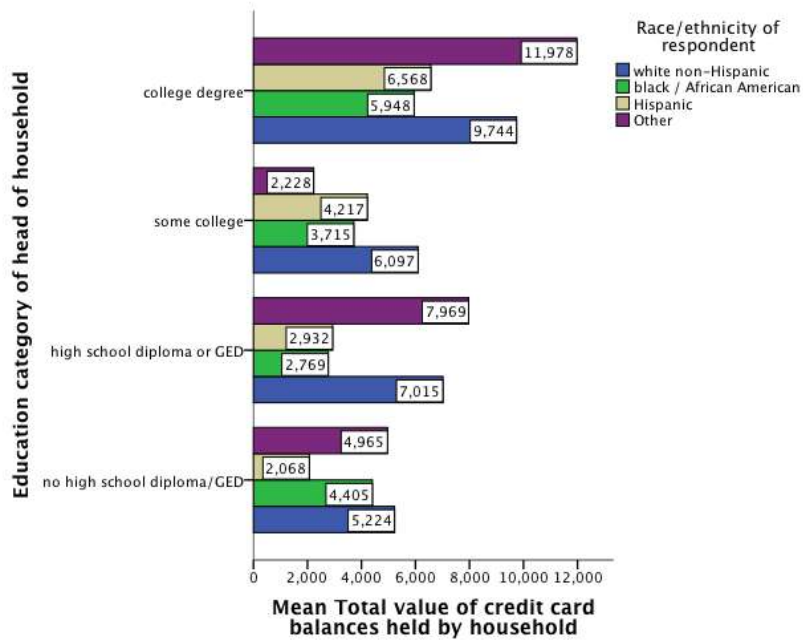
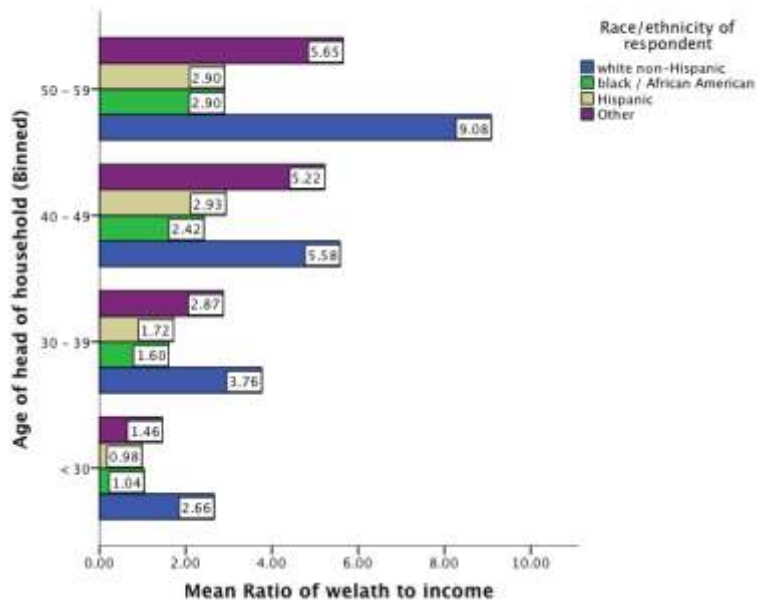


Fig. 9



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