

Racial/Ethnic Differences in the Distribution of Wealth in the United States

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This study examined racial/ethnic differences in the distribution of wealth in the United States. Extended from previous studies on racial/ethnic wealth gap, we used quantile regression models and focused on the distribution. Using rich information contained in the 2016 Survey of Consumer Finances, we find that the median net worth of White households was almost 10 times the median net worth of Black households and over 8 times the median net worth of Hispanic households. Also, Black households had lower mean net worth than Hispanic households while Asian/other households had lower median but higher mean net worth than White households. We conducted a quantile regression on the Inverse Hyperbolic Sine (IHS) transformation of net worth.

Independent variables included: education, racial/ethnic status, and age of the respondent, household income, health, whether a substantial inheritance had been received, risk tolerance, and interaction terms between age and racial/ethnic status. For the 50th percentile (median) regression, the age-racial/ethnic status interaction variables had significant effects for Hispanic and for Asian/other. At the mean levels of control variables, younger Hispanic households had higher net worth than comparable White households, while older Hispanic households had lower net worth than comparable White households. Based on the median regression results, the pattern for Asian/other-White differences in net worth was even more striking, with Asian/other households at age 30 having 83% higher net worth than comparable White households, but 53% lower net worth at age 75. The interaction term between age and Black was not significant, with households with Black respondents having lower net worth for all ages, even controlling for a number of household characteristics such as education. The relationships between age and net worth for Hispanics, Asian/others, and Blacks, relative to households with a White respondent, are illustrated in Figure 1. The interaction effects between Hispanic status and age, and between Asian/other status and age, raise some interesting questions that need further research. Both groups have high proportions of immigrants, and there might be cohort effects in terms of the types of immigrants represented in different age groups.

Selected References

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Figure 1. Calculated Percent Difference of Net Worth of Hispanic, Black, and Asian from White Households, Based on Median Regression

