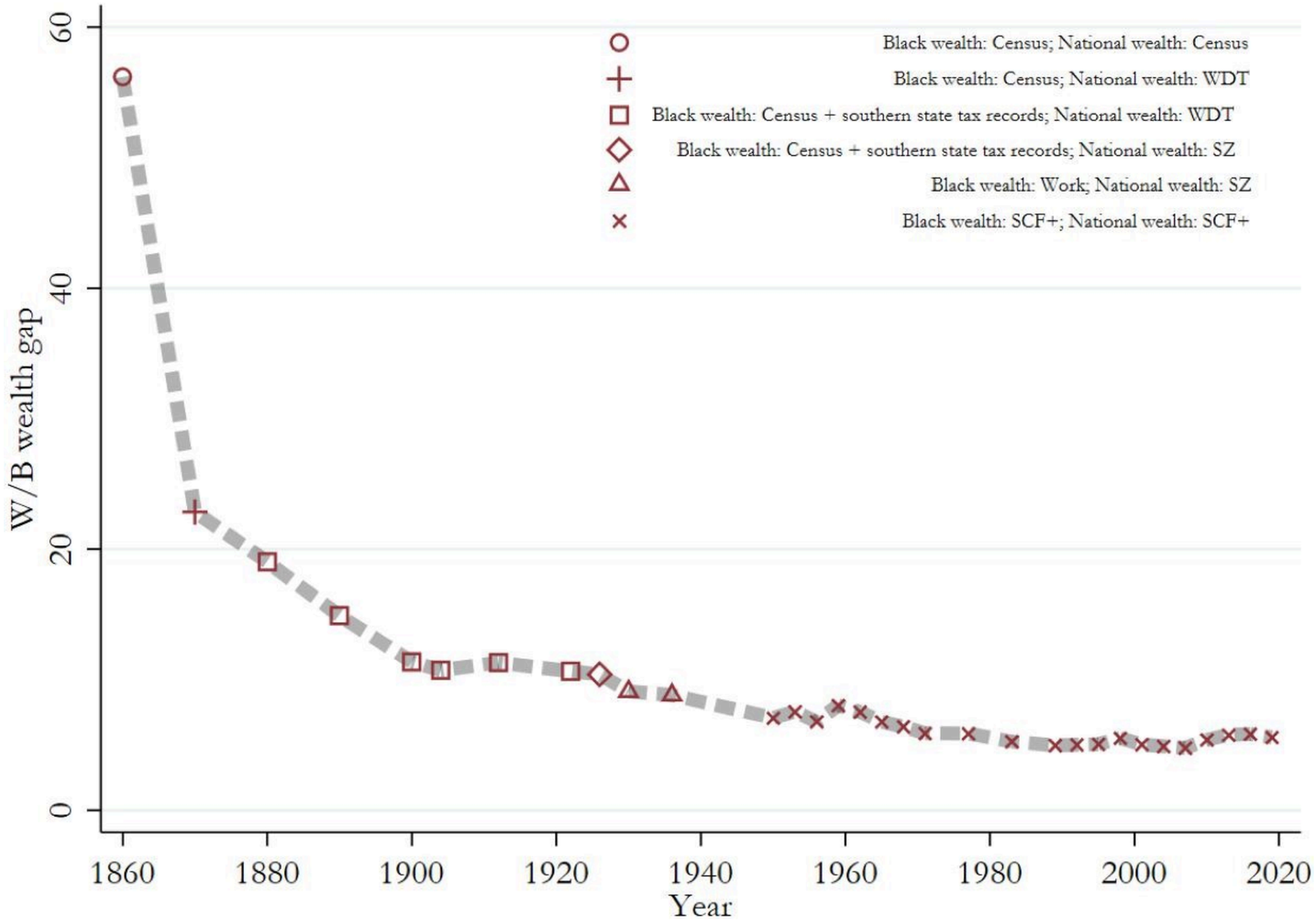
The changing geography of racial wealth inequality in the US, 1960-2020

Tom Kemeny, Dylan Connor & Joel Suss
Visiting Fellow – London School of Economics

2025-02-28

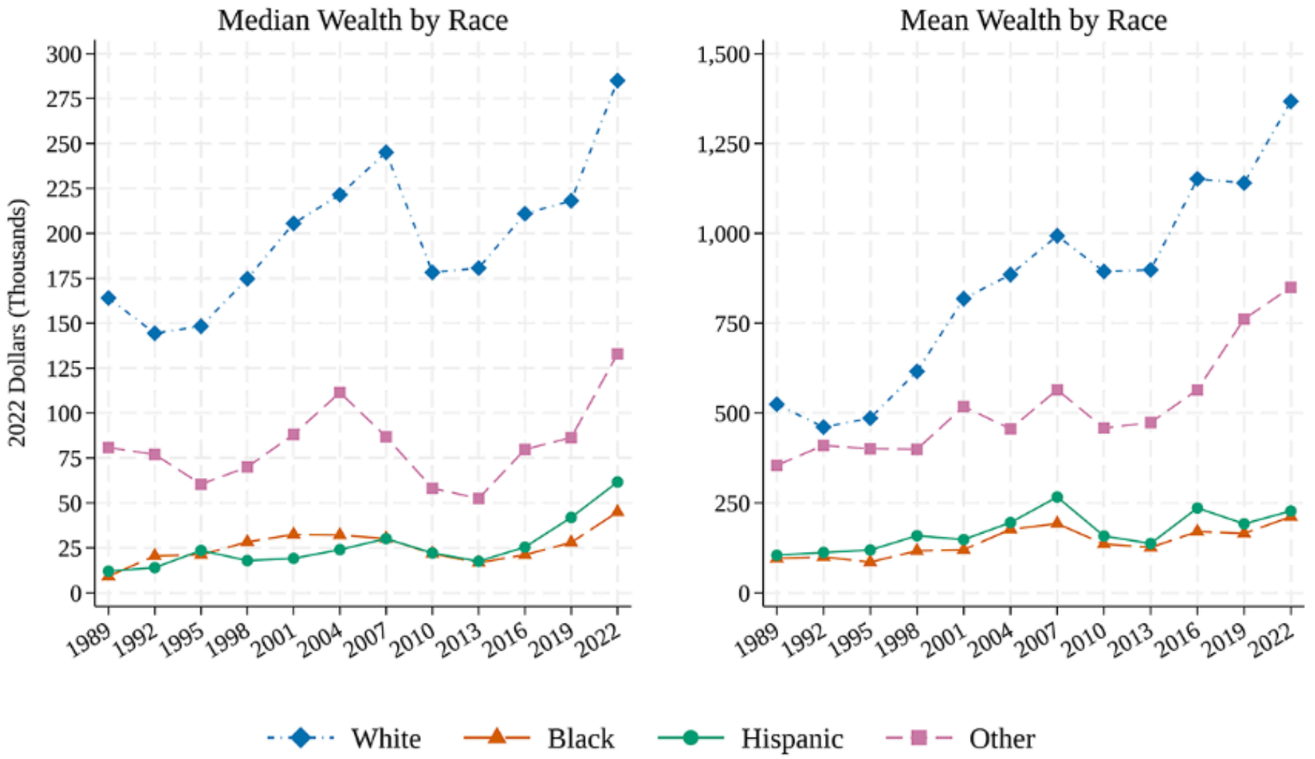
Racial wealth convergence has stalled



Derenoncourt et al. (2024)

Trends in mean and median wealth

Figure 2. Wealth Gaps Persisted and Widened Slightly in 2022, Despite Faster Growth in Wealth for Black and Hispanic Families



Notes: Figures displays median (left panel) and mean (right panel) wealth by race and ethnicity, expressed in thousands of 2022 dollars, over the history of the SCF.

Source: Board of Governors of the Federal Reserve System (2023).

Racial wealth histograms

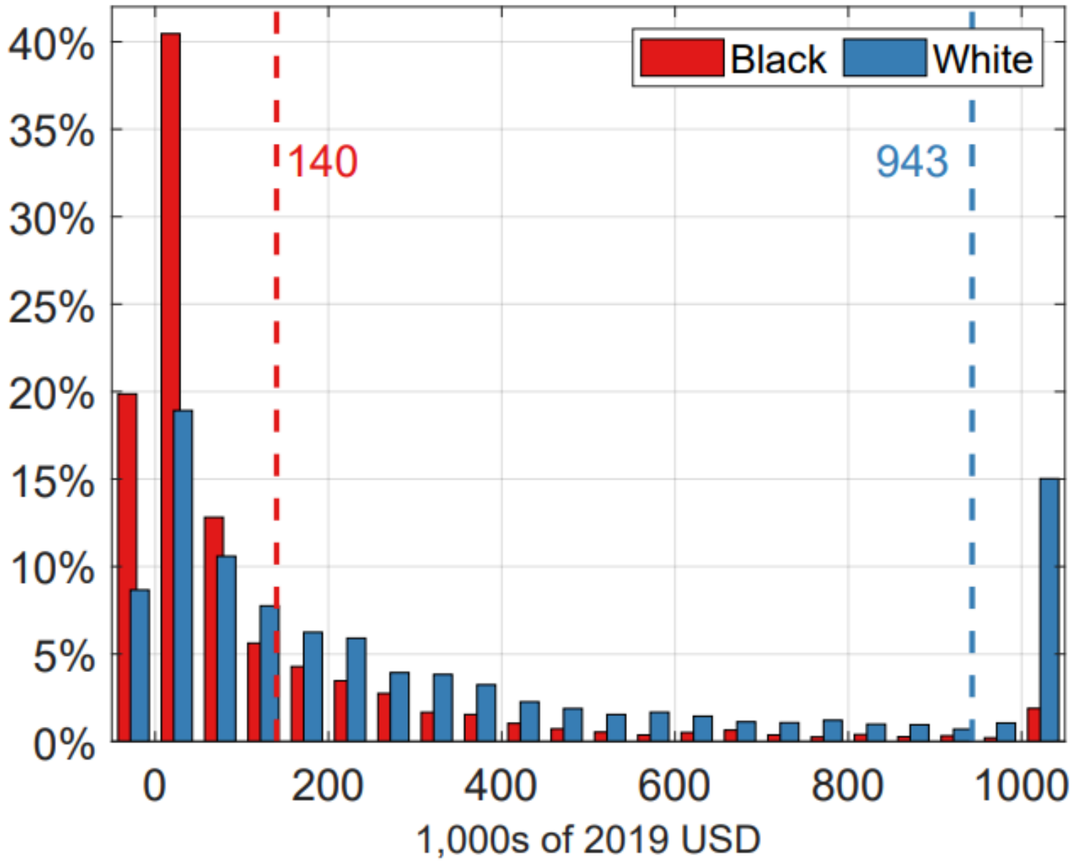


Figure 1: Histogram of the distribution of wealth for White and Black Households in 2019

Albuquerque and Ifergane (2023)

Geography of racial wealth inequality

Many mechanisms underlying national wealth inequality exhibit strong spatial patterns

- initial wealth disparities under slavery
- historical exclusion from local housing and credit markets
- weakening contribution of income growth and savings
- disproportionate accrual of capital gains to White households

(Derenoncourt et al., 2024; Boustan, 2016; Lynch et al., 2018; Dray et al., 2023; Owens et al., 2024)

This work

Where are racial wealth gaps at their largest?

In which kinds of places have they attenuated or expanded?

What has contributed to stagnation of wealth convergence?

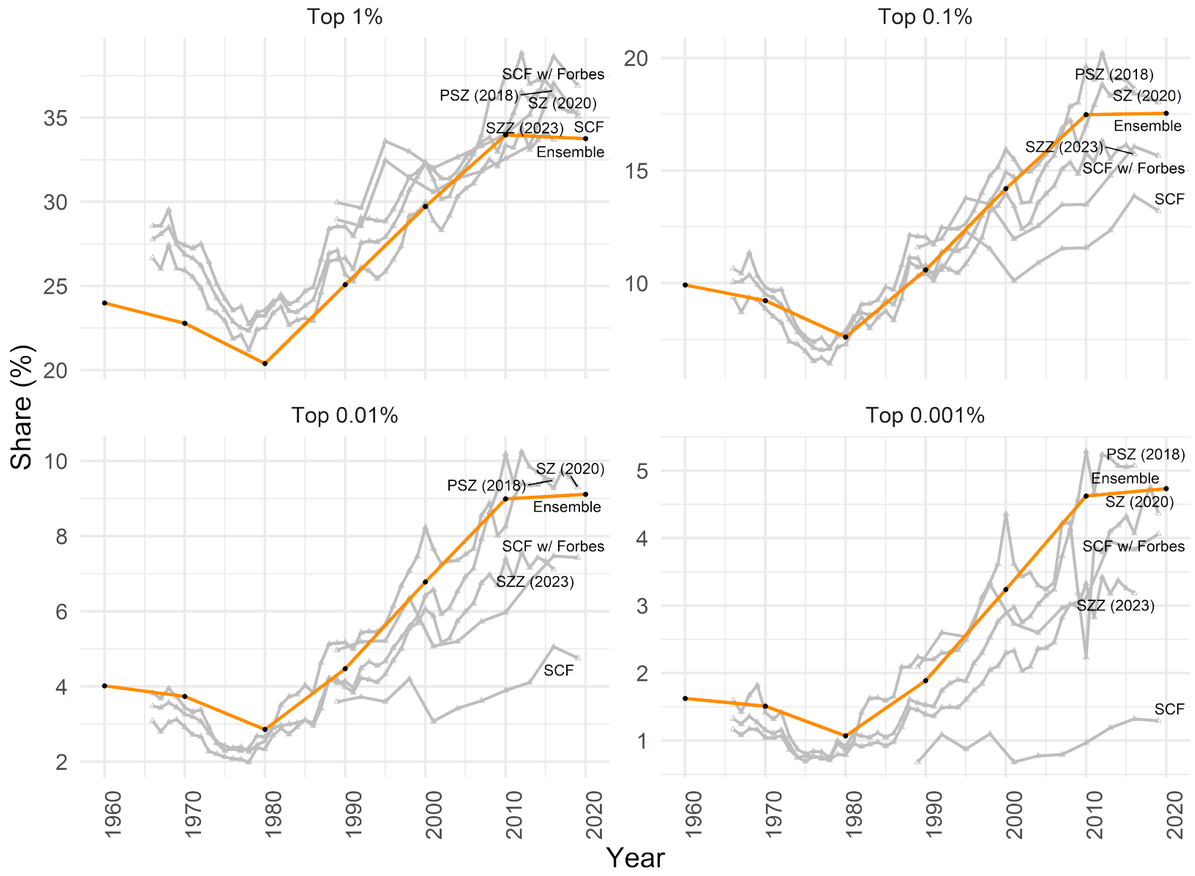
Household wealth estimates

GEOWEALTH-US – spatial wealth inequality data for the US, 1960-2020

Ensemble methods produce highly accurate model of household wealth

Fig. 6 Test sample performance (SCF), positive and negative wealth stacked ensembles. Separately for households with positive and negative wealth in the SCF test-sample data (N = 5,341), this figure describes the correlation between actual and predicted values of net wealth. Root mean squared error (RMSE) for positive wealth estimate equal to 0.99 and the correlation coefficient is 0.94. RMSE for negative wealth estimates is 1.48 and the correlation coefficient is 0.38.

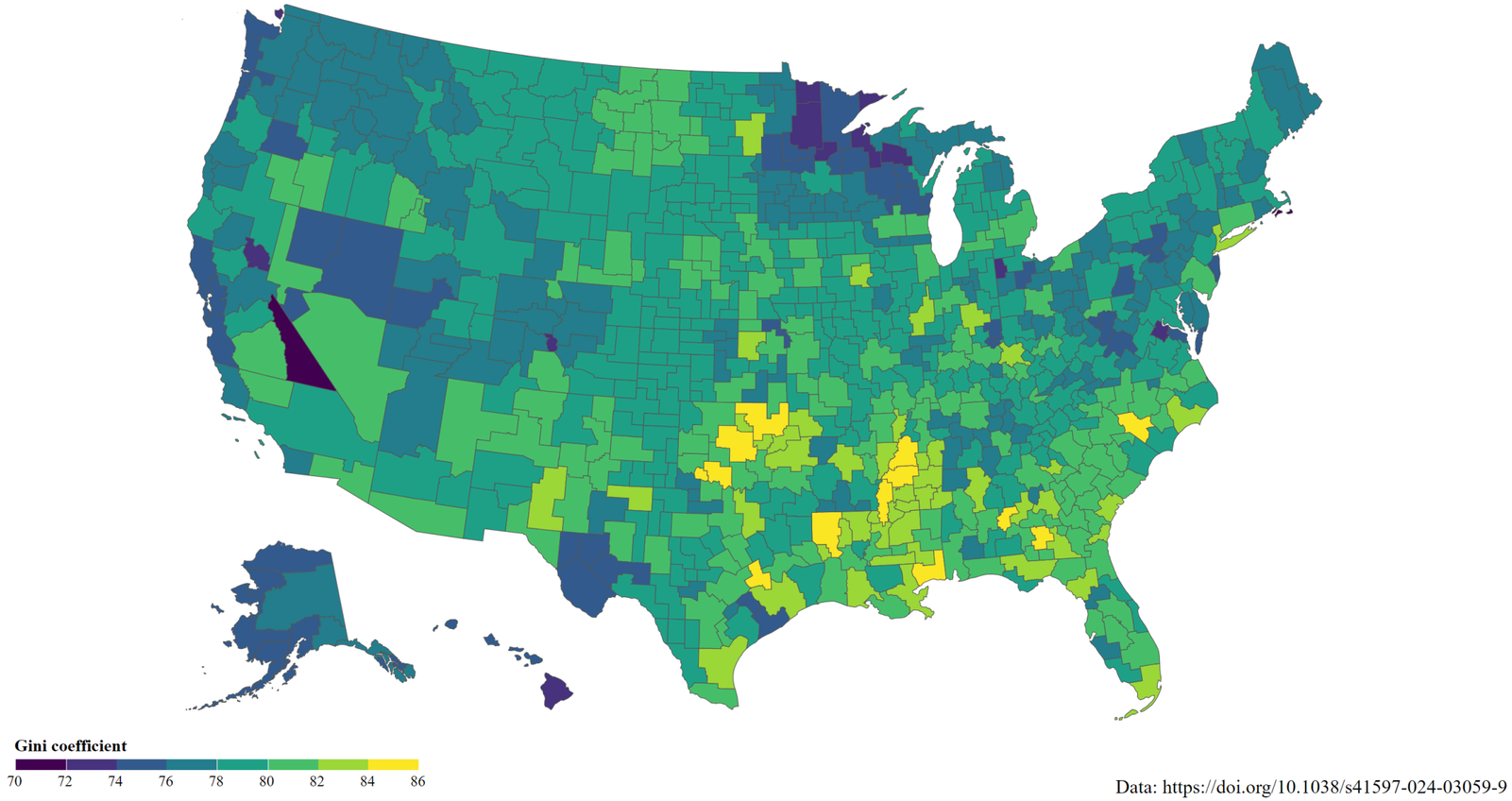
Country-level estimates track other published work



Smith, Zidar, and Zwick (2023)

Saez and Zucman (2020)

Wealth inequality below national level (CZONE, 2020)

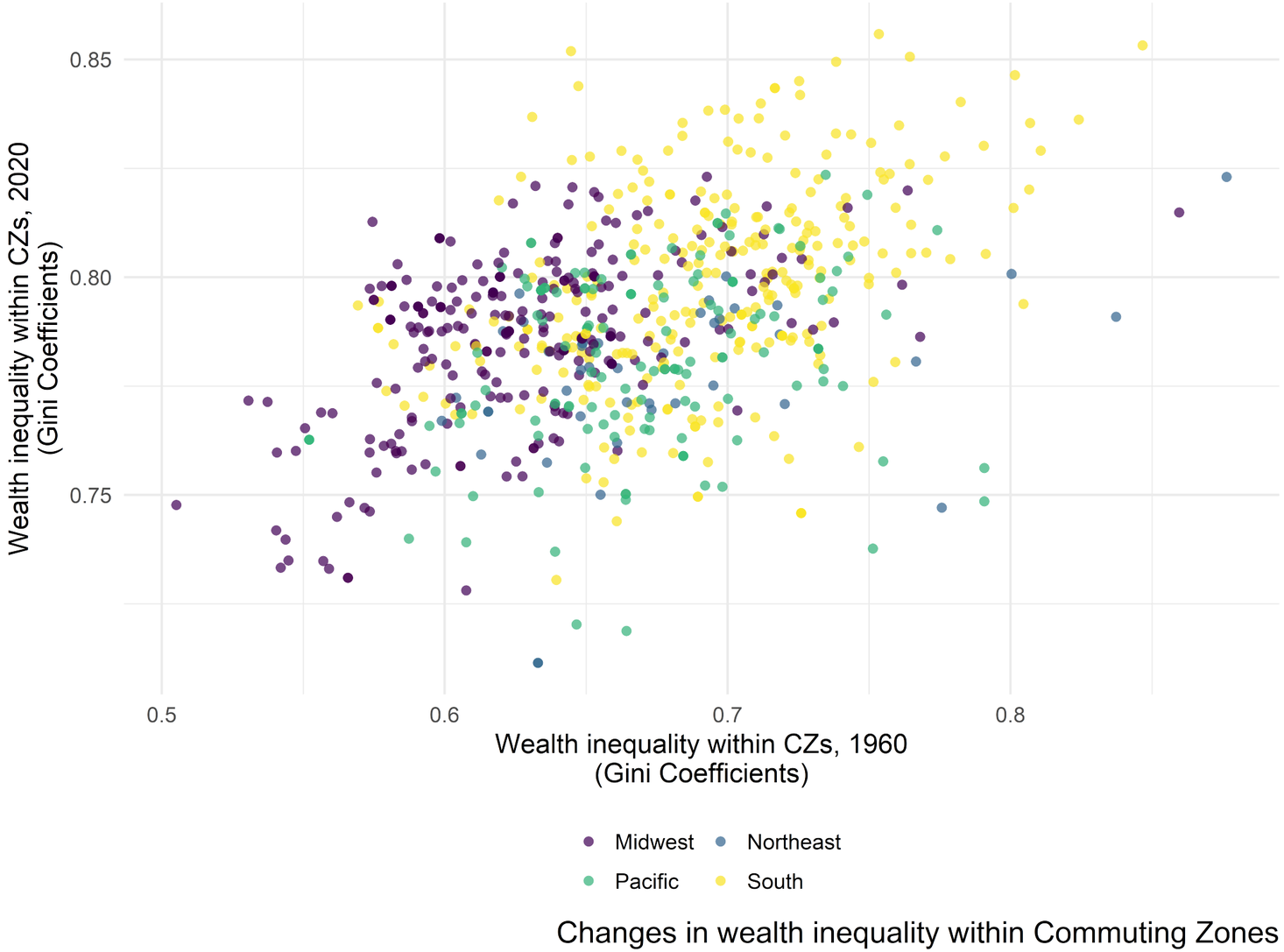


Data: https://doi.org/10.1038/s41597-024-03059-9

Suss, Kemeny, and Connor (2024)

doi.org/10.3886/E192306

Patterns of persistence & change



Changes in wealth inequality within Commuting Zones

Racial wealth inequality

Race not important predictor for household wealth

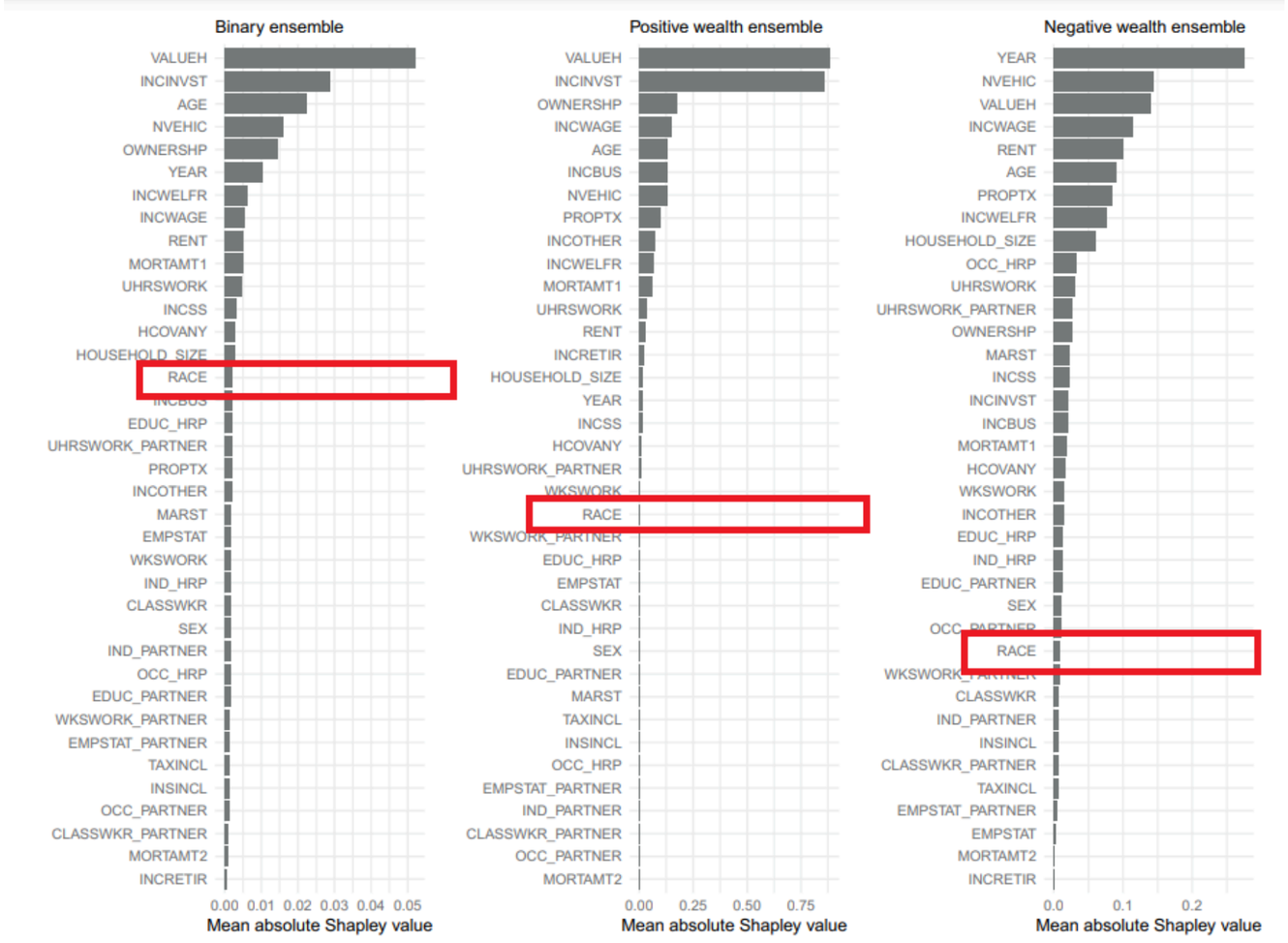
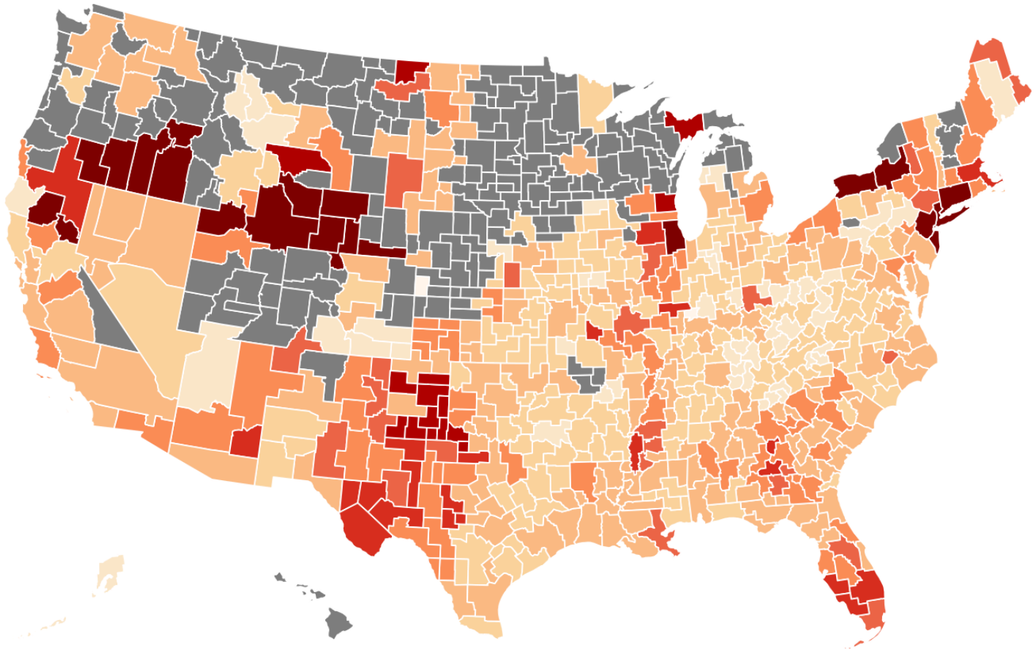


Fig. 3 Mean absolute Shapley values for ensemble combination. Displayed are mean absolute Shapley values for household variables with predictive power on household wealth, with higher Shapley values indicating greater predictive power. Here we include Shapley values for separate predictions of the binary ensemble (whether positive or negative wealth); and individual models predicting levels of positive or negative wealth).

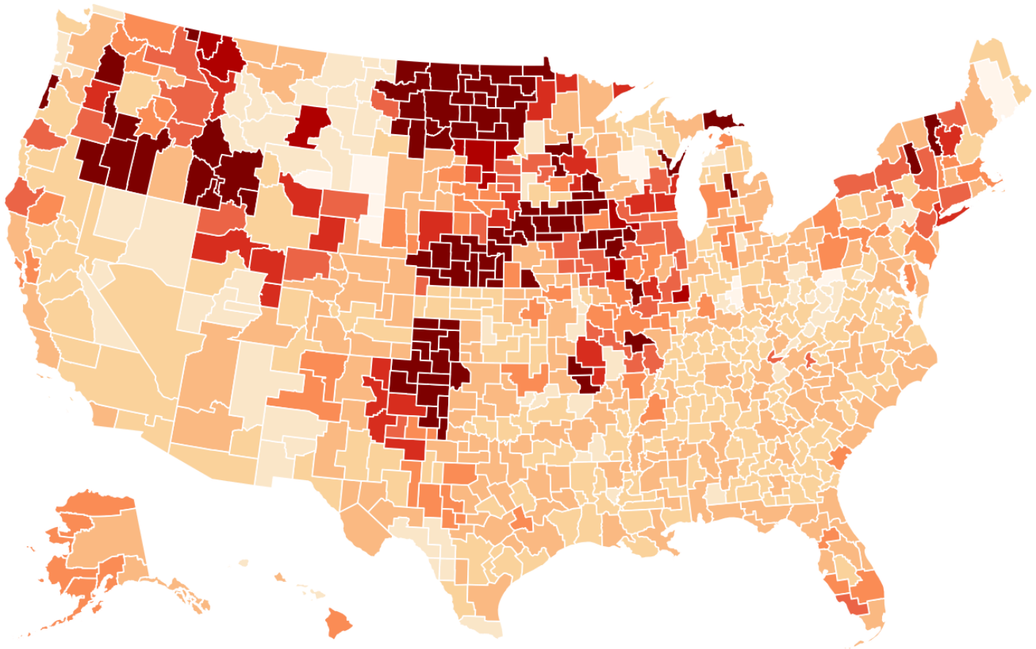
Racial wealth gaps (CZONE, 1960)



Racial wealth gap

- 0-1
- 1-2
- 2-3
- 3-4
- 4-5
- 5-6
- 6-7
- 7-8
- 8+
- NA

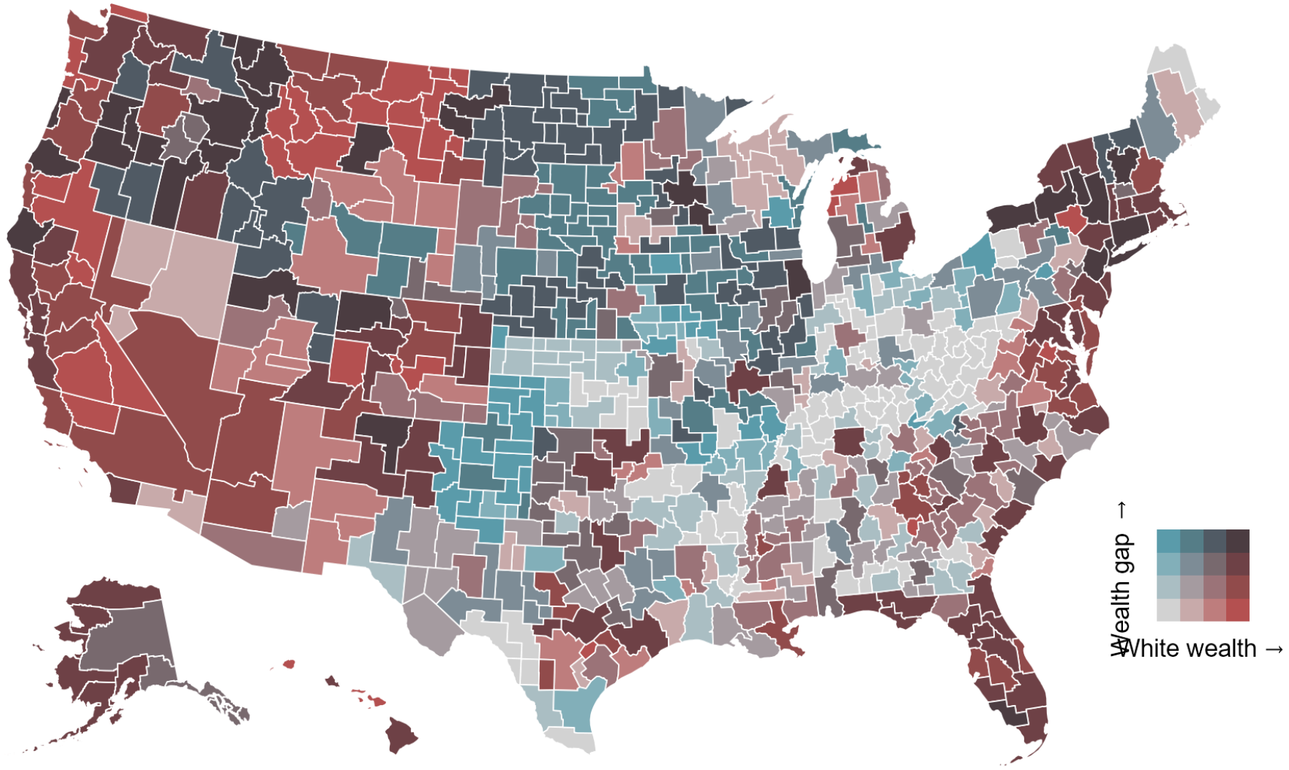
Racial wealth gaps (CZONE, 2020)



Racial wealth gap

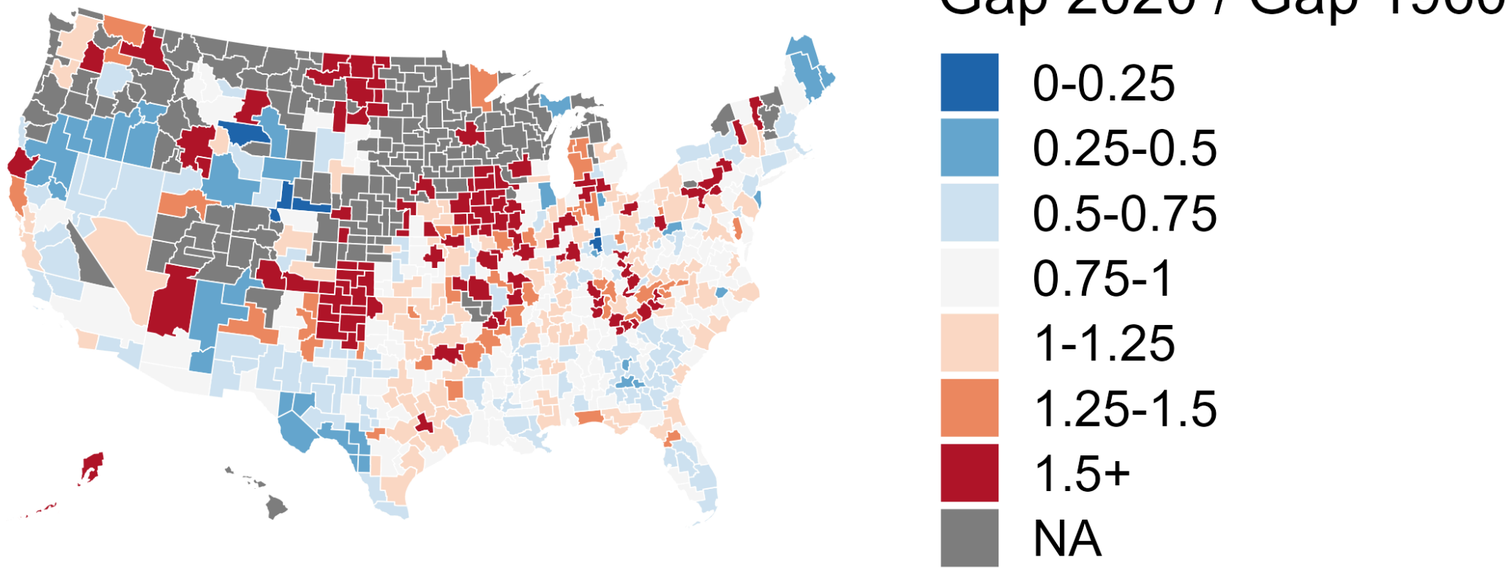
- 0-1
- 1-2
- 2-3
- 3-4
- 4-5
- 5-6
- 6-7
- 7-8
- 8+

Racial wealth gap smaller in South due to lower White wealth levels



Low black wealth levels driving high wealth gap in Midwest

Racial wealth gaps have risen primarily in the Midwest (1960-2020)



Correlates of racial wealth gap

	Dependent variable:				
	Change in racial wealth gap				
	(1)	(2)	(3)	(4)	(5)
College gap	0.110***				0.148***
	(0.039)				(0.037)
Income gap		0.056			0.060
		(0.039)			(0.037)
Home ownership gap			0.324***		0.341***
			(0.037)		(0.037)
Debt gap				0.005	0.039
				(0.039)	(0.037)
Constant	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.039)	(0.039)	(0.037)	(0.039)	(0.036)
Observations	664	664	664	664	664
R^2	0.012	0.003	0.105	0.00003	0.130
Note:	*p<0.1; **p<0.05; ***p<0.01				
	CZONE, 1960-2020				

What might attenuate gap? Business dynamism

	Dependent variable:
	Racial wealth gap
Establishment entry rate	-0.088**
	(0.039)
Constant	-0.006
	(0.039)
Observations	255
R^2	0.020
Note:	*p<0.1; **p<0.05; ***p<0.01
	MSA, 2020

Summary

First exploration of racial wealth inequality *within* the US, 1960-2020

Estimates using sophisticated machine learning imputation method

- Contact: j.suss@lse.ac.uk

Link to GEOWEALTH-US data

References

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