



Intergenerational Wealth Mobility and Racial Inequality

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Abstract

The black-white gap in household wealth is large and well documented. Here, we visualize how this racial wealth gap persists across generations. Animating the flow of individuals between the relative wealth position of parents and their adult children, we show that the disadvantage of black families is a consequence both of wealth inequality in prior generations and race differences in the transmission of wealth positions across generations: Black children both have less wealthy parents on average and are far more likely to be downwardly mobile in household wealth. By displaying intergenerational movements between parental and offspring wealth quintiles, we underline how intergenerational fluctuation coexists with the maintenance of a severely racialized wealth structure.

Keywords

wealth, social mobility, race

The U.S. wealth structure is extremely unequal and marked by very large racial gaps, with the average black household holding less than one tenth the net worth—defined as the total sum of assets minus debts—of the average white household (Oliver and Shapiro 2006). To what extent racial gaps in household net worth persist depends on how many children reproduce the wealth position of their parents, how many move up, and how many fall down. Here, we visualize and extend our recent finding of racial differences in intergenerational wealth mobility (Pfeffer and Killewald 2018) using a dynamic display of changes in relative wealth positions between parents and their children. Due to data limitations, we are able to compare mobility rates only for non-Hispanic blacks and non-Hispanic whites.

Building on long-standing evidence of greater rates of intergenerational downward mobility for blacks than for whites, Chetty et al. (2018) used full population tax and census data to confirm that black children are more likely than white children to fall below their parents' relative income position. Their estimates were subsequently visualized by the *New York Times* (Badger et al. 2018). The same type of visualization is presented in Animation 1 (see <https://viz.theinequalitylab.com/Animations/1-mobility-rates.html>) for black-white differences in rates of intergenerational mobility in family wealth. It relies on data from the Panel Study of Income Dynamics assembled in Pfeffer and Killewald (2018).

We display the estimated probability of attaining each quintile of the net worth distribution (dividing the wealth distribution into five equally sized groups) of the net worth distribution for black and white children who grow up in the same wealth quintile of the parental wealth distribution. For instance, among those growing up in the middle 20 percent of the parental wealth distribution, black children are much more likely to be downwardly mobile, with 39 percent of them falling to the bottom 20 percent of the wealth distribution compared to 16 percent of white children. Transition probabilities for each parental wealth quintile can be selected interactively and reaffirm the disadvantage of black children in attaining wealth irrespective of the wealth position of their parents.

Animation 1 focuses on racial differences in mobility rates but obscures the fact that black and white children also are unequally distributed across parental wealth origins: White children are far more likely to have wealthy parents. Therefore, Animation 2 rescales the number of dots representing black and white children to match their distribution across parental wealth quintiles. The concentration of black

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families toward the bottom of the wealth distribution is immediately visible (see <https://viz.theinequalitylab.com/Animations/2-wealth-structure.html>). And although there is considerable intergenerational fluctuation in wealth positions, the wealth distribution in the offspring generation reveals similarly striking racial wealth gaps. While the representation of blacks in the middle 20 percent of the wealth distribution increases (from 8 to 15 percent) and their overrepresentation in the bottom 20 percent of the wealth distribution decreases (from 44 to 30 percent), the overall visual impression underlines the considerable stability of racial gaps in family wealth, despite the fact that 70 percent of white children and 62 percent of black children attain a wealth quintile different from their parents'. Animation 2 thus illustrates that ample intergenerational fluctuation in wealth positions coexists with the maintenance of substantial racial inequality in wealth.

Overall, we conclude that today's black-white gaps in wealth arise from both the historical disadvantage reflected in the unequal starting position of black and white children (the focus of Animation 2) and contemporary processes (the focus of Animation 1), including continued institutionalized discrimination (see also Oliver and Shapiro 2006; Killewald and Bryan 2018).

Technical Note

These animations were produced using JavaScript. Data and code to reproduce them are available at <https://github.com/fpfeffer/WealthMobility>. We have chosen an animated and interactive display of what, at core, are simple cross-tabulations in an effort to maximize the intuitiveness and accessibility to a wide audience beyond that accustomed to reading mobility tables. In the Supplemental Material, we discuss the distinct features of our approach, present interactive Sankey diagrams as an alternative static approach, and report other versions of our animations that display the stability to alternative analytic decisions (see <https://viz.theinequalitylab.com/supplement.html>).

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Supplemental Material

Supplemental material for this article is available online at <https://viz.theinequalitylab.com/supplement.html>

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Author Biographies

Fabian T. Pfeffer is an assistant professor in the Department of Sociology and an assistant research professor at the Institute for Social Research at the University of Michigan. He is also a co-investigator of the Panel Study of Income Dynamics and leads the Inequality Lab at the University of Michigan. His research investigates social inequality and its maintenance across time and generations. Current work focuses on wealth inequality and its consequences for the next generation, on social mobility across multiple generations, and the maintenance of inequality through education. Recent publications on these topics include "Growing Wealth Gaps in Education" (in *Demography*) and "Grand Advantage. Family Wealth and Grandchildren's Educational Achievement in Sweden" with Martin Hällsten (in *American Sociological Review*).

Alexandra Killewald is a professor of sociology at Harvard University. Her research focuses on the family as a site for the production and reproduction of inequality in the contemporary United States. Her work on wealth inequality investigates racial and ethnic wealth disparities and their sources. Her publications on this topic include "Falling Behind: The Role of Inter- and Intragenerational Processes in Widening Racial and Ethnic Wealth Gaps through Early and Middle Adulthood" with Brielle Bryan (in *Social Forces*) and "Return to *Being Black, Living in the Red*: A Race Gap in Wealth That Goes Beyond Social Origins" (in *Demography*).