

UNDERSTANDING AND CLOSING THE RACIAL WEALTH GAP

A Q&A with Author, Economist and Eastern Bank Foundation Fellow Jeff Fuhrer



The numbers behind the U.S. wealth gap are sobering. White households on average hold \$223K and \$240K more in household wealth than Latino or Black households, respectively.¹ These figures reflect a fundamental and cavernous inequity for our neighbors, their families, and our communities.

In his new book, **“The Myth That Made Us: How False Beliefs About Racism and Meritocracy Broke Our Economy (And How to Fix It)”**, Jeff Fuhrer, a Brookings Institution Fellow and Eastern Bank Foundation Fellow offers his perspective on how we got here and discusses how we can begin to repair such deep-rooted disparities. With more than three decades in economics research, Jeff explores the link between widely held but false narratives about poverty and race and the poor outcomes for so many in the U.S. economy.

Here are some highlights:

Q. What is “The Myth” that you believe is driving economic inequity in the U.S.?

“The Myth” is made up of several false narratives that are deeply embedded in our national identity. They include the ideas that hard work is sufficient to attain success and economic struggle springs from laziness; that systemic racism no longer affects economic outcomes; that large businesses should take care of their shareholders (not so much their employees); and that government’s role is to stay out of the way of our “free-market” economy.

Some of these narratives contain an element of truth or aspiration, others are flat out wrong. The book demonstrates how the narratives together have produced startling outcomes: Data shows tens of millions of families—more than two in five—lack adequate resources to cover life’s basics, such as food, health care and safe housing.

This share rises to over one-half for Black and Hispanic families.²

Q. How did we get here?

A combination of public policy and private sector actions have created these outcomes. Key examples include slavery and Jim Crow Laws, the racially skewed New Deal, the dismantling of Unions, and the erosion of earnings, benefits and advancement opportunities for low-wage workers. Families of color are deeply and disproportionately affected, but large numbers of white families also struggle economically, according to Census data on income and poverty. The number of people denied opportunity by our system is staggering.

Q. What can we do about it?

The first thing is to push back on the false narratives articulated above. When we hear stories of people who gain success from meager beginnings, we also need to acknowledge that far more people work really hard and never achieve similar success. Each of us can help by knowing and sharing the facts in our professional, personal, community, and digital circles. The book also recommends a variety of opportunity-building changes to our economy, including provision of universal early childhood education, providing reliable pathways to employment through community colleges, ensuring family-sustaining wages for our lower-income workers, building more affordable housing, and beginning the discussion about ways to close massive wealth gaps. These are big lifts, to be sure. But the opportunity that can result from making these changes would be life-changing for many.

Q. What was your journey to writing the book and how did that shape your thinking?

I started off as a mainstream economist working

on macroeconomic policy issues. In my last twelve years at the Federal Reserve Bank of Boston I became involved in projects looking more closely at the lives of low-income residents, quite often people of color, in Gateway Cities across Massachusetts and other struggling areas around New England. By learning more about the residents, communities and nonprofits serving them, I began to see the narrative I held about the causes of poverty and wealth discrepancies was way off. It became clear to me that we had chosen this set of outcomes consistently over decades — denying opportunity to many, while building wealth for a few. While refining macroeconomic policy remains important, working to rectify the wrongs we have perpetrated, and changing systems to bring everyone to a more stable economic existence is what I personally choose to focus on and believe we can collectively benefit from.

Q. Is there one person interviewed for the book whose story best illustrates “The Myth” in action?

All of the interviewees were incredibly generous in sharing their poignant life stories. One that stands out for me is a single mother with three children who works incredibly hard and earns less than \$10,000/year. She receives economic assistance, and still constantly juggles bills — choosing whether to pay the electric bill or the rent on any given month, for example. Somehow, she still finds time to give back — volunteering for a diaper bank and voter registration. She shared: “People think we don’t try. I tried.” Her story encapsulates the plight of so many low-income families in our country, and she succinctly summarizes the essence of “The Myth.”

To learn more about the book visit: <https://mitpress.mit.edu/9780262375825/the-myth-that-made-us/>

¹Federal Reserve Board, “Survey of Consumer Finances,” 2022, median net worth.

²<https://cps.ipums.org/>; <https://www.epi.org/resources/budget/>