

# Developing Community Wealth in Rural America: Why Race Matters

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Aspen Institute Roundtable on Community Change  
for the

NRFC Funders Institute  
Wye, Maryland  
November 14, 2006



# Today's Agenda

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- Are poverty and wealth rates in rural America really that different from the rest of the country?
- Are there really racial differences in rural poverty rates?
- What do racial gaps in wealth have to do with alleviating poverty in rural areas?
- What theoretical guides do we have to shape our work toward racial equity in wealth?

**Part 1**  
**Exploring Racial Disparities in Rural  
Poverty**



## NRFC's Work Is About "Community Wealth" So Why Are We Going To Talk About Poverty?

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- We need to understand the contours of rural poverty in order to plan the best community wealth building strategies
- Many believe that wealth building strategies are the only sustainable way to fight poverty



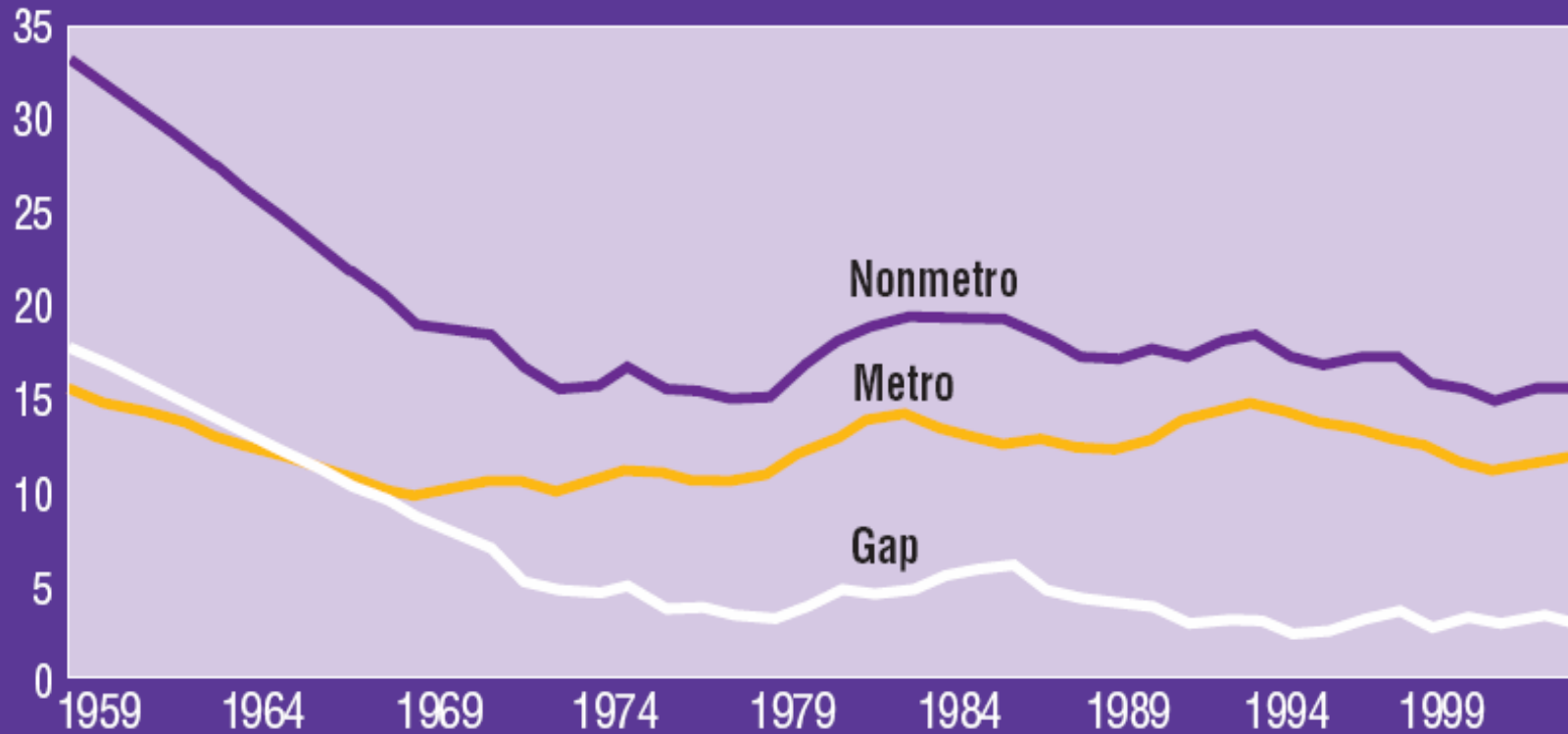
## Rural Areas Are Poorer And Have Less Wealth Than Metropolitan Areas

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“While metro and rural areas have shared the similar upward and downward trends in poverty rates over time, the rural poverty rate has exceeded the metro rate every year since poverty was first officially measured in the 1960s.”

## Poverty rates by residence

Percent poor



Note: Metro status of some counties changed in 1984 and 1994. Metro and nonmetro rates are imputed for 1960-1968, 1970, and 1984.



# Rural Poverty

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- The rural poverty problem is also more than simply an issue of low family income...the rural poor are disadvantaged along multiple dimensions:
  - education
  - health
  - public services
  - employment



# The Prosperity of the 1990s

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During the 1990s, America enjoyed a growth in prosperity, ending with record high income levels and the lowest unemployment rate in 30 years.



## Prosperity Did Not Reach Rural America

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Despite the prosperity of the 1990s, **over 400 non-metro counties** were still considered high poverty (meaning that the county-level poverty rate was 20% or higher)



# So, what's going on here?

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- ❑ Persistent poverty appears to be concentrating in rural counties.
- ❑ There are high barriers to economic self-sufficiency in rural areas.
- ❑ Rural communities still do not have the capacity to provide work and family supports that lead to success in the labor market.
- ❑ Policies to improve the well-being of low-income families are less effective in rural relative to urban areas.



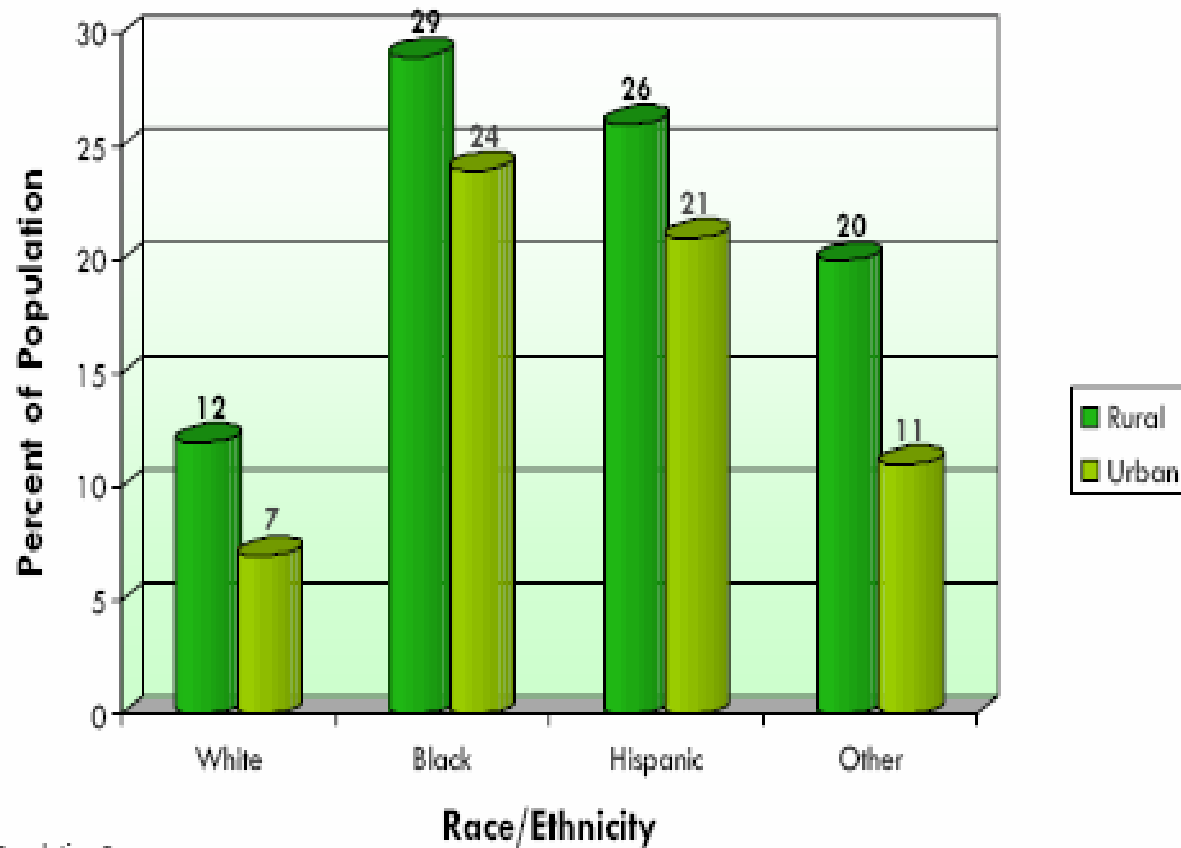
# Why does race matter?

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The “\$64,000 question” on many people’s minds is: “why do we have to talk about race when we are actually trying to resolve horrible conditions of poverty in rural America?” Wouldn’t everyone benefit from anti-poverty/wealth building strategies?

**Figure 3. Rural and Urban Poverty Rates, by Race/Ethnicity, 2005.**

*Rural minorities suffer significantly higher poverty rates than urban minorities.*



Source: 2005 Current Population Survey



# Why Race Matters

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“Among poor people living in rural America, minority populations are much more likely than non-Latino whites to live in areas where the overall level of poverty is high. Nearly half of all rural poor Blacks and Native Americans live in high poverty areas, as do nearly a third of all poor Latinos.”



# Rural Poverty And Race

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By contrast, only an eighth of poor non-Latino White households live in a milieu of widespread poverty, notwithstanding the regional concentrations in Appalachia.



# Rural Poverty And Race

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For the most part, areas of high poverty have long histories, with conditions stemming from a complex of social and economic factors rather than from personal events, such as temporary job layoffs or loss of a spouse



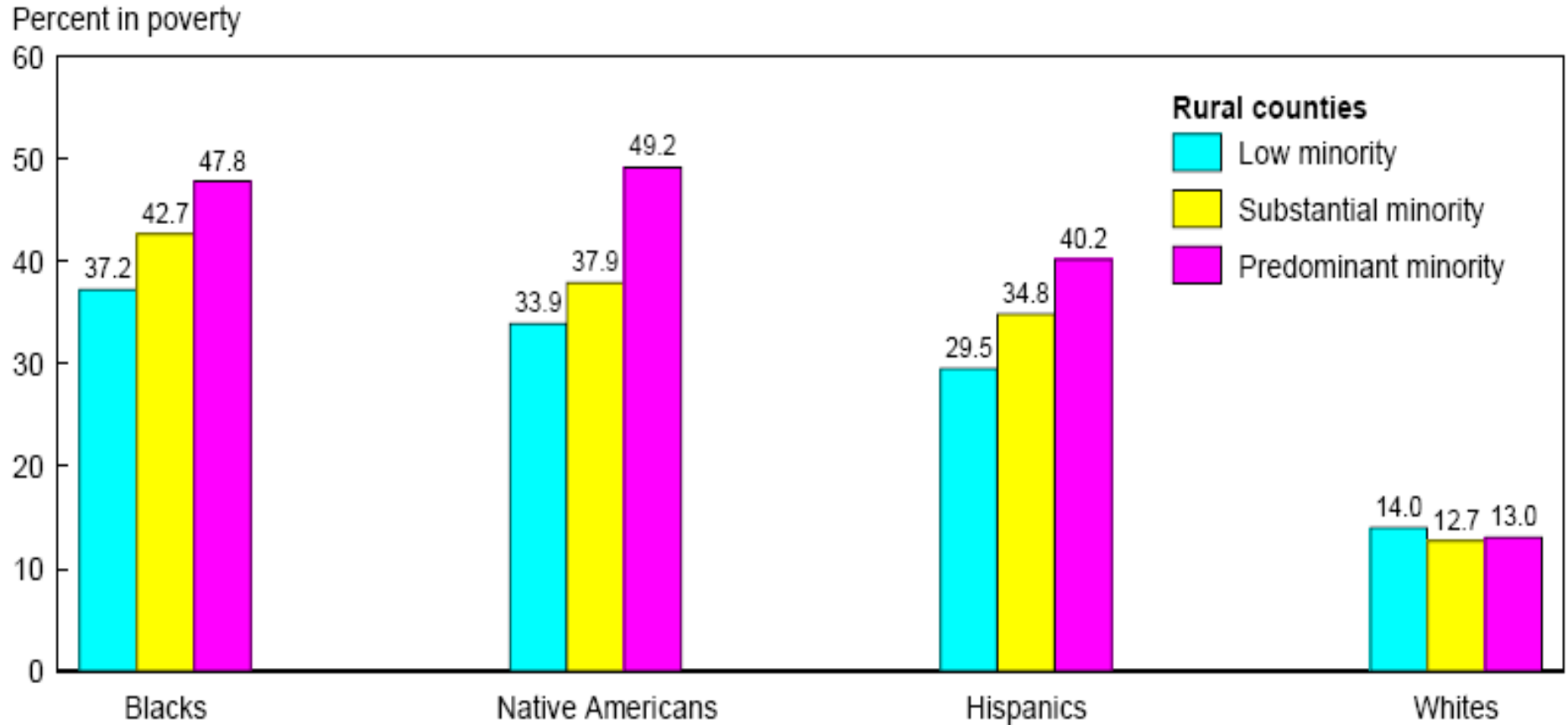
# Persistently Poor Rural Counties

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- The Rural Poverty Research Center reports: persistently poor counties have been 20% or more poor in every Decennial Census since 1970
  - 340 of the 386 persistently poor counties are rural (88%).
  - The rural South, with 40% of the US rural population, has a significantly higher incidence of poverty. 82% of rural persistently poor counties are in the South.

Figure 4  
**Poverty rates by race and ethnicity in rural counties, 1989**

*Minority poverty increases with concentration*



Note: See p. 8 for definition of minority concentration areas and p. 118 for definition of poverty.

Source: Calculated by ERS using data from the Bureau of the Census.



# High Poverty Rural Counties

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- Of the 444 rural counties classified as high-poverty counties in 2000 by the USDA, **three-fourths** reflect the low income of racial and ethnic minorities:
  - 210 counties were predominately Black
  - 74 counties were predominately Latino, and
  - 40 counties were Native American.
  
- Let's look at each region in detail....



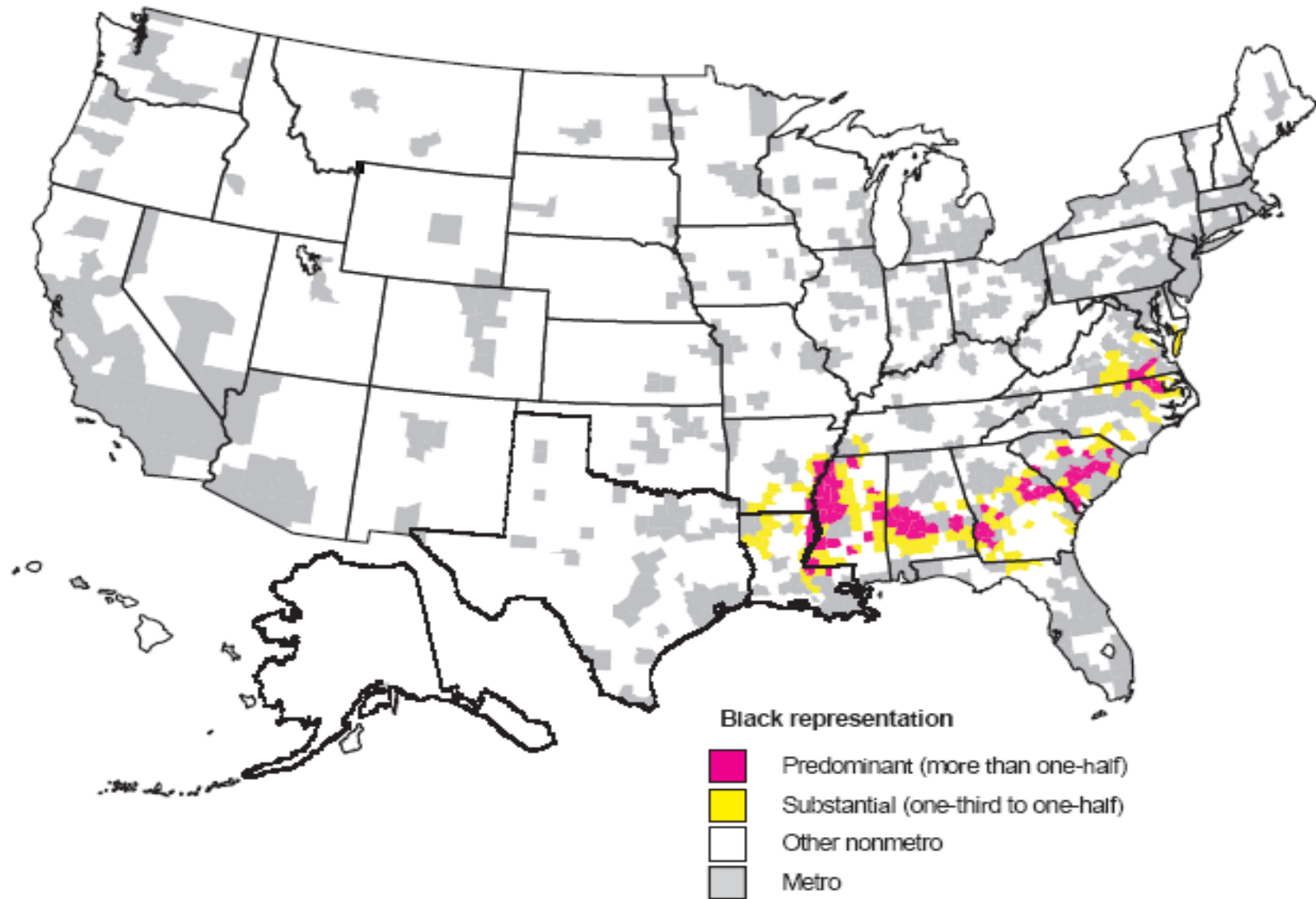
# Black Persistently Poor Counties

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- 210 high poverty counties are characterized by the high poverty rate of their Black residents
- Nearly 5 million people lived in these counties in 2000
- 39% of the Blacks in these counties had poverty level income

Figure 1  
Rural Black counties, 1990

*Rural Black counties are found throughout the Southern Coastal Plains and Mississippi Delta*



Source: Calculated by ERS using data from the 1990 Census of Population, Bureau of the Census.



# Latino Persistently Poor Counties

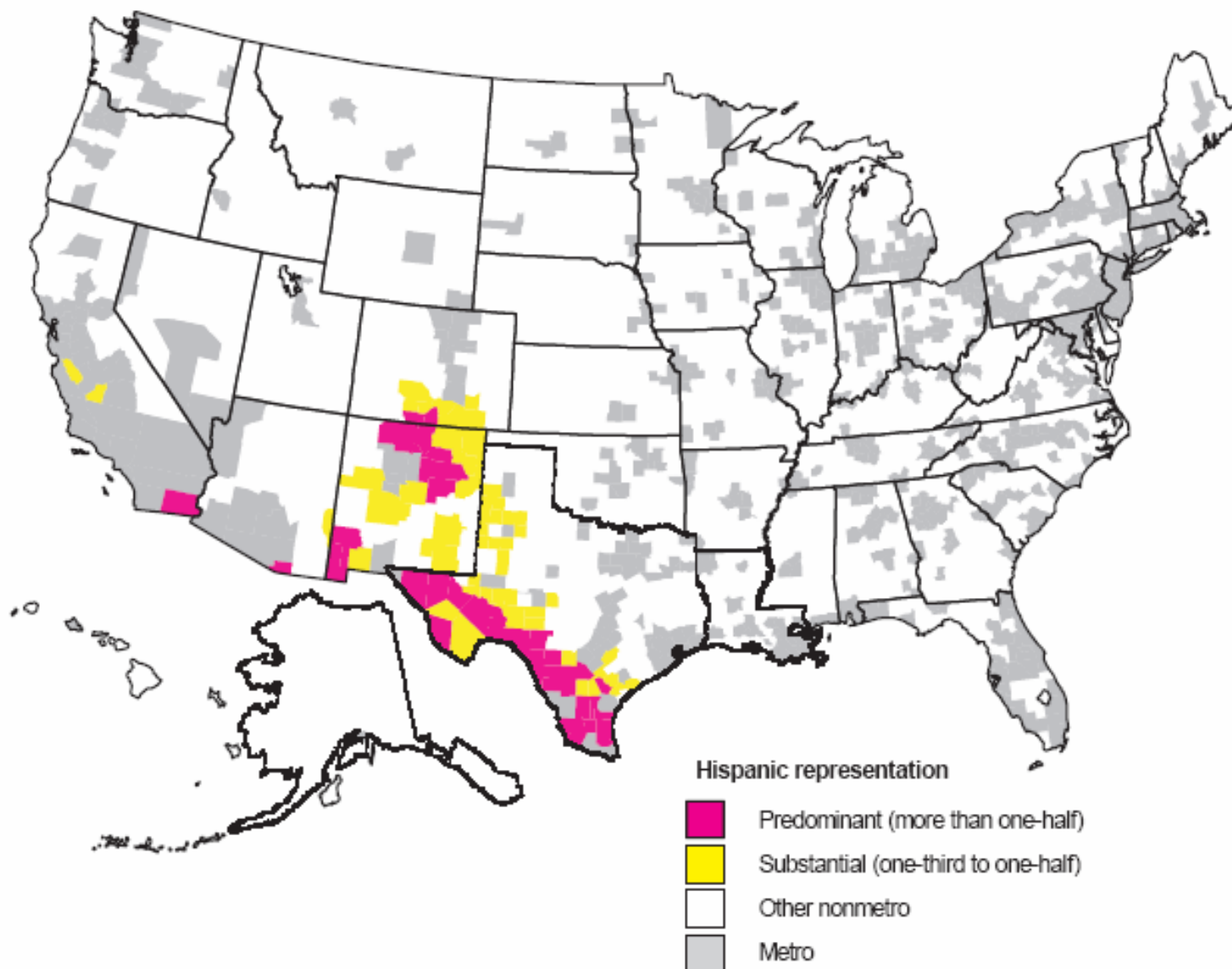
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- 74 high poverty counties have predominately Latino populations
- Concentrated in the Southwest, especially Texas and New Mexico
- Poverty rates averaged 32 percent in 2000, compared to 41 percent in 1990

Figure 3

### Rural Hispanic counties, 1990

*Most rural Hispanic counties lie in or near the Rio Grande Valley*



Source: Calculated by ERS using data from the 1990 Census of Population, Bureau of the Census.



## Native American Persistently Poor Counties

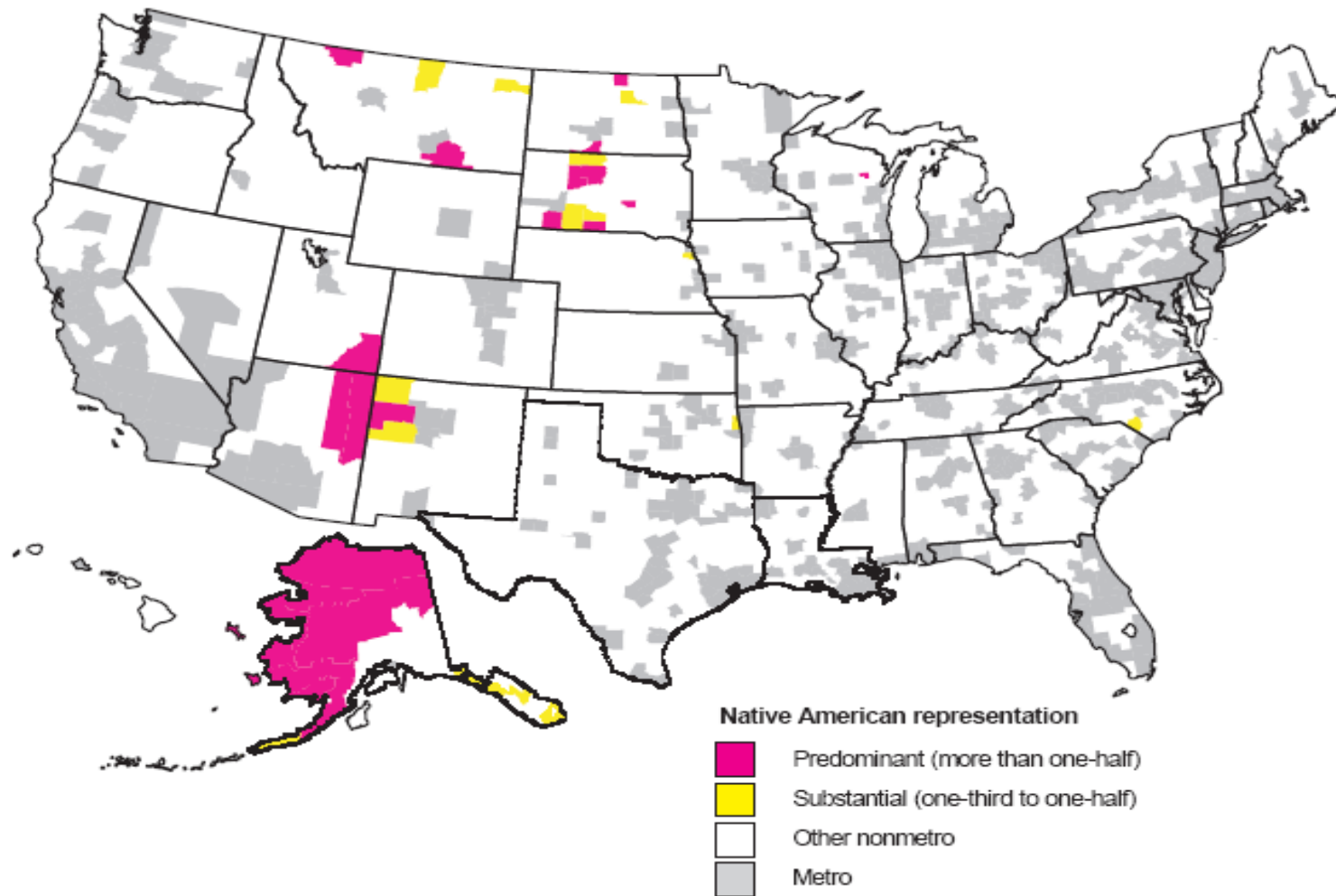
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- 40 high poverty counties are predominately Native American
- All of them are in areas of historic tribal presence or 19<sup>th</sup> century Indian reservation resettlement, especially in Northern Plains, the Southwest, Oklahoma and Alaska
- The poverty rate in these counties among Native Americans is 41%, the **highest rate of all high poverty minority counties**

Figure 2

**Rural Native American counties, 1990**

*American Indians, Eskimos, and Aleuts are concentrated in a few very isolated settings*



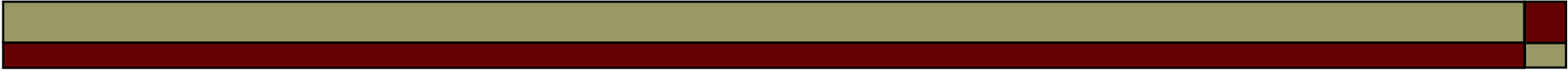
Source: Calculated by ERS using data from the 1990 Census of Population, Bureau of the Census.



# A Note About Appalachia

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“The poor are principally concentrated in the central region of Appalachia. And even though Appalachia has smaller share of Blacks than the nation as a whole, the *region’s Black population is two and a half times more likely to be poor than the white population.*”



So, do you still want to know what *race*  
has to do with it?

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We'll answer that question more fully a  
little bit later, but first let's look at the  
racial picture in regard to *wealth*.

Part 2  
Exploring the Racial Gap in Wealth and  
Assets

“Wealth inequality is higher now than it has been since 1929.”

---*Dalton Conley*

“In 1865, at the time of the Emancipation Proclamation, African Americans owned 0.5% of the total worth of the United States...by 1990, a full 135 years after the abolition of slavery, Black Americans owned only a meager 1% of total wealth.”

***--Dalton Conley***

“Wealth ownership is the single dimension  
which Whites and Blacks are most  
persistently unequal”

*---Thomas Shapiro*



## Now, We May Think We Understand What This Is About...

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- “Minorities have less wealth because they earn less”
- “Minorities on the whole are poorer, so of course they have less wealth”
- “Minorities, on the whole, are into instant gratification—need financial education to learn how to save...”
- (and other, even more obnoxious ideas....)



## None Of The “Conventional” Explanations Are Borne Out In The Data

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- Change in income is a significant factor in change in wealth, but more so for Whites than Blacks:
  - Blacks accrue **\$1.98** in net worth for every additional dollar earned, compared to **\$3.22** for Whites
  - The average Black family earning \$60,000 possesses ***\$76,000 less wealth*** than the average White family with the same earnings



## ...And We Can't Blame It On Savings

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- Savings rate for Blacks and Whites is relatively the same (10% and 11% respectively)



## So, how did things get *THIS* bad?

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- The current disparity in wealth can be traced back to a number of Federal policies
  - **Homestead Act of 1862**—provided up to 160 acres of land to families moving to the West
    - 246 million acres ( equal to Texas + California) distributed
    - 46 million adults living today are descendants of these families; **1/4 of the contemporary population benefits** from this multi-generational wealth engine
    - Blacks, Mexicans, Chinese, Indians: banned from participation in the program



# New Deal? Not for Everyone...

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- During the early part of the last century, the “New Deal” solidified and codified a number of policies that still reverberate inequality today....
  - Social Security
  - Unemployment Insurance
  - Federal support for unions (Wagner Act 1935)
  - Housing Act of 1937/Establishment of FHA



## New Deal? Not for Everyone...

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- Social Security Act of 1935 initially ***excluded*** agricultural workers and domestic servants, two occupations in which Blacks in the South predominated
- Unemployment Insurance also excluded these two occupations from coverage



## New Deal? Not for Everyone...

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- Unions (AFL), which were strengthened by legislation during the New Deal era, *excluded* Blacks from membership until AFL-CIO merger in 1955



## Public Policies Have An Enduring Legacy

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These three policies had serious effects on the earning potential of non-white workers, but we could argue that the housing policies ushered in during this time had the most lasting impacts on wealth and the race wealth gap.....



# The Biggest Blow

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- Federal Housing Administration (FHA)
  - Changed the way homes were purchased by guaranteeing low downpayment, self-amortizing loans
  - Program favored suburban new housing over urban and rural existing housing
  - “Redlining” meant that neighborhoods with Black population were *not eligible for loans*



# The Biggest Blow

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Housing Act of 1937 “allowed local authorities to use tax-free bonds to build public housing projects, with federal funds being used to subsidize rent for the poor [in racially segregated neighborhoods]...

*Thus, homeownership was for whites, and rentals were for African Americans”*



# But that's all history, right?

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- All of the housing policies, social safety net policies, and union policies that robbed minorities of homeownership and income earning potential in the past are still playing out today...

- Let's take a break, and do an exercise that will help make a really important point...
- We'll do the "Stepping forward and back exercise on the Roots of the Racial Wealth Divide in Government Policies" which was developed by United For a Fair Economy ([www.ufe.org](http://www.ufe.org))



## Historical Roots — Contemporary Consequences

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- So, as we can see, policies and practices that we think of as “ancient history” still shape contemporary realities...
- This is what we think of as the key to “structural racism”

Part 3:  
The Race Wealth Gap in  
Rural America



# Net Worth: One Measure Of Wealth

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- For example, the ratio of mean net worth of White headed households to non-white households is
  - 4.11 in Louisiana
  - 4.00 in Mississippi
  - 3.94 in Arkansas
  - 3.11 in Oklahoma
  - 3.07 in Texas
  - 2.30 in California
- (That means, for example, that White net worth is 4.11 times Black net worth in Louisiana!)



## Key Findings From The CFED Report Card

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- ❑ In all but one state, **asset poverty** is greater than income poverty
- ❑ Asset poverty varies significantly by race, gender and geography,
- ❑ No state can yet claim the right blend of policies at sufficient scope and scale to eliminate asset poverty



# Rural Minority Counties

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- The Housing Assistance Council is another respected research organization that has studied assets and wealth in rural areas of color
- They base their work in places they call “*Rural Minority Counties*” (which is similar to the data we discussed earlier)



# Wealth In RMCs

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- Homeownership is a proxy for wealth in Rural Minority Counties
- Homeownership rates in minority rural counties are high for minority residents but the ***benefits*** of homeownership do not accrue to these communities the way they do in other rural places, or in urban places
  - Homeownership rate of **African Americans** in African American RMC= **73%** (comparable to national homeownership)
  - Homeownership rate **Latinos** in Latino RMC= **72%**
  - Homeownership rate **Native American** in Native American RMC= **69.7%**



# Housing Segregation Impacts Rural Minorities, Too

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“While not typically represented in the housing segregation literature, life for rural minorities in RMCs is comparable to the life of their urban counterparts.”



# Billie Holiday Was Right...

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- Given the legacy of racially biased policies and practices, *it is likely that the racial wealth gap will continue to widen*. This is true because of the cruel fact that wealth begets greater wealth...
- This situation sounds **bleak**...and it is, but we must roll up our sleeves and fight fire with fire
  - The race-wealth gap is a product of structural forces in our economy and society.
  - Thus, **structural solutions** are called for to resolve it.
  - These structural solutions are the topic of the **second presentation in this series**.