

## US Black Income is larger than the GDP of most Countries

By Byron A. Ellis, Ph.D. - November 25, 2023



The US Census Bureau in the [2022 Current Population Survey](#) (CPS) estimated the population of Black people in the United States (US) was 49,220,000 with a per capita income of \$31,180. Per capita income measures the average income earned per person in a specified year. Thus, the total income for Black people in the US is estimated at \$153,467,960,000  $\{=49,220,000 \times \$31,180\}$  or \$153.0 billion.

Therefore, the aggregate 2022 income of Black people in the US is higher than the 2022 gross domestic product (GDP) of many countries in the world; if such aggregate income were generated by a country its GDP would rank 60<sup>th</sup> in the world ([World Bank](#)).

However, despite such high aggregate earnings, [Aladangady, and Forde \(2021\)](#) noted that “In the United States, the average Black and Hispanic or Latino households earn about half as much as the average White household and own only about 15 to 20 percent as much net wealth.”

The after-tax yearly aggregate US disposable income for Black people is their purchasing power. [Merriam-Webster’s](#) dictionary defines purchasing power as the amount of money a person or group has available to spend. It is also money available for savings.

The US Census Bureau reported that “Non-Hispanic White householders had a median household wealth of \$187,300, compared with \$14,100 for Black householders and \$31,700 for Hispanic householders. The median is the value that separates the higher half of a data sample from the lower half. Half of Black households earn less than \$14,100 and half earn more. The US Census Bureau defines a householder as the person, or one of the people, in whose name the home is owned, being bought, or rented.

Savings (S) is the difference between disposable income ( $Y_d$ ) -purchasing power- and consumption (C), what is spent; and investment (I) is equal to what is saved. Therefore, communities that do not control their savings, do not control their investments.

The [U.S. News & World Report](#) reported that “Long-standing income and wealth disparities along with low savings rates have endangered retirement readiness for millions of elderly Black Americans, who still haven't recovered from the devastating impact of the 2008 housing crash.”

The Federal Reserve [2023 Survey of Consumer Finances \(SCF\)](#) indicated that in 2022 the median and mean incomes for college degree earners are far higher than for non-college degree earners. Moreover, the 2022 mean and median incomes for Blacks and Hispanics were far lower than for Whites and others. Thus, it would appear that focusing on educating one's offspring by engaging and improving the schools in communities improves lifetime earnings.

The median and mean and median incomes for Asian people are higher than that for White people, which might be due to business ownership and college degrees.

2022 Income		
Race/Ethnicity	Median Income	Mean Income
White	\$81,100	\$165,200
Black	\$46,000	\$71,000
Hispanic	\$46,700	\$71,500
Other/multiple race	\$68,030	\$135,100
Asian	\$122,600	\$234,800

[Investopedia](#) noted that Black and Latino workers are paid less due to racial wage gaps, driven in part by structural racism, leading to lower lifetime earnings and hence decreasing the amount they can save. It also leads to the inability of Blacks to transfer intergenerational wealth.

[Times](#) reported that the families surveyed for the 2019 SCF documented average savings by race and ethnicity. It documented a significant gap between the average account balances of White and "other" groups versus the Black and Hispanic households.

2019 Average Savings by Race and Ethnicity		
Race/Ethnicity	Median Amount	Mean Amount
White	\$8,200	\$51,510
Black	\$1,510	\$13,270
Hispanic	\$1,950	\$11,860
Other	\$5,000	\$43,890

[The Brookings Institution](#) noted that "Achieving the American dream—the opportunity to succeed, to provide food and shelter for family members, education for children, hope for a better life, and freedom of opportunity— requires capital. But, in the United States, access to capital for individuals and business owners is uneven based on race." They highlighted that "...the number of African American minority depository institutions (MDIs) has been declining and policy or private-sector support is likely needed."

So, if it is true that the aggregate earnings of US Black people would rank 60<sup>th</sup> among world countries, why do Black communities remain depressed and with few Black-owned financial intermediaries?

Either the US Census Bureau overestimates US Black people's earnings or Black earners do not use Black-owned financial intermediaries to save their earnings, preferring to use White financial intermediaries that do not allow them access to capital.

Most US citizens do not understand that it is financial intermediaries, such as credit unions, banks, insurance companies, and so on that expand the money in circulation in their communities through the credit channel. As a result, Black earners often put their wages and savings in non-Black-owned financial intermediaries that do not cater to them. Thus, when they need capital for investment in housing, businesses, and so on they seldom have access to their capital in the White financial institutions. Communities that lack access to financial institutions will remain underdeveloped with low standards of living.

According to the Federal Reserve, Black people are two times more likely to be denied credit than their white counterparts—regardless of income level. This discriminatory practice, also known as redlining, has contributed to intergenerational disparities in wealth between Black and white households.

The [Business Insider](#) indicates that there are 32 Black-owned banks and credit unions and lists them by state. Thirty-two Black-owned banks and credit unions serving a Black population of 49,220,000 is indicative that Black people are banking in White-owned banks and the reason why access to capital is uneven by race. Access to capital within communities expands money in circulation and creates investments, productivity, and employment.

What if Black people deposited their wages and savings in Black-owned banks and credit unions? Say, that on average the 49,220,000 Black people in the US saved \$100 per year in black financial institutions, the aggregate assets in those Black-owned financial institutions would be \$4,922,000,000  $\{=49,220,000 \times \$100\}$  or close to \$5.0 billion per year. However, if on average Black people saved \$100 per month or \$1,200 per year, Black-owned bank assets would be \$59,064,000,000  $\{=49,220,000 \times \$1,200\}$  or \$59.0 billion per year, and could increase by the same amount or more every year.

Such assets controlled by Blacks would be transformational, it could be used to uplift Black housing ownership and set up businesses, such as construction companies to restore community housing, to use materials from Black-owned warehouses, and to train Black laborers to gut and rebuild housing.

It is time for Blacks to unite economically and raise our community's living standards. All comments and suggestions are helpful and appreciated.

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