Book Review

The Privileges of Wealth: Rising Inequality and the Growing Racial Divide, **by Robert B. Williams *(2016).* UK and New York, NY: Routledge, 2016.**

Robert Williams' new book, *The Privileges of Wealth: Rising Inequality and the Growing Racial Divide,* is an effective, comprehensive, and empirically grounded exposition of the theory of wealth privilege.

Privileges afforded to the wealthy are partly due to natural market processes while others are non-market, overt, intentional, public policies aimed at ensuring the wealthy maintain and potentially further their political, economic, and social dominance.

Wealth is the market value of all assets, tangible and intangible, owned by individuals or households less debt obligations. Wealth, and its continued acquisition expands social and economic opportunities and agency of the wealth holder. Wealth confers power, leads to social, political, cultural, and economic domination, and ultimately leads to the marginalization of those who are wealth-poor (Williams 2016, p. 26). Wealth shields individuals, households, and for some protects family members from the otherwise debilitating consequences that occur during economic downturns. At the same time, intergenerational transfers of wealth provide the children of the wealthy a head start in adulthood, allowing them to begin their adult lives debt free, opening opportunities for cumulative wealth creation.

Wealth structurally advantages the wealthy. For instance, an individual's net worth is largely predicated on the net worth of their parents rather than their own personal behaviours and motivations. Where one starts out in life matters. This is partly due to institutional structures that advantages the wealthy, such as access to quality education, the ability to attend higher education debt free, and the availability of financial assistance to purchase their first home. For the younger generation, this means freedom from debt. Further a college education will help land these individuals into better paying jobs. College educated workers are also less likely than their counterparts to be involuntarily unemployed. Wealth offers those the means to purchase a home, often at lower interest rates. The cumulative effects that early home ownership affords the wealthy include favorable tax policies and increased equity in one's home. Both allow homeowners an initial pathway toward wealth accumulation through increased household savings and asset appreciation. What's more, the wealthy are further advantaged as they are more likely to be free from the initial debt burden of student loans or other high interest credit card debt. Freedom from debt allows for earlier savings and asset acquisition further building net worth.

Wealth begets wealth, so the wealthier a household is, the more it that can use their wealth to their advantages. Adding to the privileges of the wealthy afforded by markets, the wealthy are also advantaged through favorable public polices geared toward protecting and advancing wealth and encouraging intergenerational transfers of wealth.

The wealth-poor households do not enjoy these advantages. For them, wealth accumulates in small and unsteady increments (if wealth accumulates at all!) To this point, Williams introduces his readers to the idea of wealth privilege, which "refers to the host of advantages that accrues to families with wealth as they attempt to accumulate additional wealth (p. 7)." This leads to wealth concentration in the hands of the few.

Wealth both creates and advances opportunities in the social, political, and cultural sphere. Thereby inequalities in wealth lead to inequalities in opportunities. Unequal opportunities lead to social stratification and "creates a system in which birthright increasingly trumps merit (p. 8)." This in-turn pushes the American economy away from a system of meritocracy to a plutocracy where the powerful elites, through intentional public policies, create incentives, typically through tax policy, advancing their own ability to accelerate the pace of wealth accumulation while disadvantaging the wealth-poor. If one is wealthy, it leads to a virtuous cumulative cycle of wealth enhancement, if one is wealth-poor these same institutions that help the wealthy lead to a downward spiral of deteriorating wealth and potentially mounting debt. Simply put, it costs more to be poor.

The racialized aspect of wealth and wealth accumulation is also studied in this book. Williams notes that those at the top of the wealth spectrum are almost exclusively White. Blacks, Hispanics, Native Americans, and people of color have lower amounts of wealth. These results are not coincidental, but rather intentional and historically derived. Beginning with the founding of the United States, U.S. federal policy toward wealth acquisition has favored White Americans over people of color either overtly or covertly.

Williams dedicates a chapter to detail the historical and overtly racist policies that discriminate peoples of color and expropriate 'colored wealth'. Examples provided by Williams include the removal of Native Americans, the enslavement of Africans, the conquest of Mexican lands, the removal of native residents in the southwest United States, to the internment of Japanese Americans –requiring a liquidation of homes, land, businesses, and other property during World War II, to Jim Crow Laws in the South. These events are just a few examples of our American history that Williams cites to illustrate the overt formal U.S. policies that ensured that wealth was concentrated in the hands of White Americans over people of color.

Today, federal policy toward the treatment of wealth is framed as race neutral. Yet formal legislation that benefited White Americans during the late 18th and 19th century and into the early 20th century have been replaced by a series of both formal policy (tax policy) and informal institutions (i.e. access to affordable, quality education) that create structural barriers that in the end systematically disadvantage people of color over White Americans. Thus, wealth acquisition varies substantially based on "race, family background, education, income, and wealth status (p. 9)." The creation of wealth privilege is the creation of white privilege. The wealth privilege model reinforces the concept of structural racism "the normalized and legitimized range of policies, practices, and attitudes that routinely produce cumulative and chronic adverse outcomes for people of color." [46] By illustrating how wealth privilege extends structural racism, Williams can clearly describe why most households in the upper echelons of the wealth spectrum are White while the bulk of the Black and Latino households are found in the bottom. Further the expansion of opportunities for wealthy elites yields power and dampens the U.S. economic/social/political systems founded on meritocracy and creates a system of plutocracy. As Williams successfully argues, wealth privilege, disproportionately advances the interests of White Americans, creating opportunities unavailable to their minority counterparts and yielding preferential social and political influence. The circular-cumulative-causative effects of wealth privilege shift America toward not just plutocracy, but White plutocracy.

Williams suggests three pathways to wealth accumulation that structurally benefits White Americans. These include, 1) household savings, 2) asset appreciation, 3) and intergenerational transfers.

For many, the ability to save out of income is the first step toward building wealth. But, the ability to save out of income is obviously easier for those with higher incomes. The marginal propensity to save out of income is greater and greater for an individual the greater their income. Those in the bottom wealth quintile, (those with the lowest incomes) experience dis-savings. Yet, the desire to save is constant among all wealth groups. As Williams notes: "household saving is less about motive than opportunity (p. 86)." Increased savings is available to those with higher incomes, so there is an obvious correlation how these savings can be transformed into increasing wealth.

Turning from household savings to non-liquid assets (i.e. equities, real estate). Asset-rich households use their wealth to accumulate more assets, and thereby acquiring additional wealth. The asset acquisition pathway creates a virtuous cycle. When wealth is held in the form of non-liquid assets,

[46] "How Structural Racism Works" Center for the Study of Race and Ethnicity in America" Brown University, https://www.brown.edu/academics/race-ethnicity/how-structural-racism-works Accessed: 4/17/17.

it compounds on its own, with little sacrifices needed from the asset holder, thereby allowing wealth to accumulate.

Yet, asset-poor households must draw down their wealth to meet current income needs. To show this, Williams offers a comprehensive set of empirical evidence, largely taken from the *Federal Reserve's Survey of Consumer Finances*. Using data from 2007, at the height of the economic expansion, Williams provides data on household net worth by quintile and by racialized group, data on access to credit, asset types, data on inheritances, and other key statistics to illustrate the composition of the aforementioned pathways of wealth accumulation. Taken collectively, Williams is not only able to show the composition of wealth, but the favorable position of Whites to accumulate wealth.

The acquisition of wealth generating assets is an important contributor. For most Americans, one's home is their biggest source of net worth. Yet wealthier households are given access to lines of credit at lower costs, which can contribute to additional savings thereby feeding into household savings. Further, Williams investigates the composition of asset ownership. In addition to having more expensive homes, with lower interest rates, thereby allowing the wealthy to build equity in these homes faster; the wealthiest households also owned a mix of stocks and business interests, allowing them to diversify their asset holdings making them less susceptible to market risk. (p. 97).

Finally, when it comes to inheritances, Williams reports that the wealthy in the upper quintile was five times more likely to receive an inheritance than those in the lowest wealth quintile. Williams grounds the theory of wealth privilege in scores of economic data to show how the acquisition of wealth disproportionately favors one race (Whites) over all others.

By doing so, Williams dispels old myths like the "culture of poverty" and clearly show that "wealth disparities result less from differences in household attitudes than in circumstances and opportunities (p. 102)." Yet circularity reigns true as one's circumstances and opportunities are also largely predicated upon the level of wealth of the individual or household.

Williams tackles this correlation between wealth and opportunity in depth by asking "do specific circumstances radically alter the options and opportunities faced by households at different locations along the wealth spectrum (p. 107)?" Williams finds that the full benefits of wealth privilege, i.e. the ability to buffer oneself from an economic calamity, is not a reality for most Americans and reserved only for the super-rich. To accommodate this fact, Williams adopts a three-tiered approach to wealth, the bottom—middle—top. Those at the top enjoy the full benefits of wealth privilege, the middle group has some wealth which can be used to buffer the effects of a recession, while the bottom group suffer the most. For those at the bottom, income losses lead to debt accumulation, creating a vicious downward spiral.

Through a series of data analytics, Williams describes (what he refers to) as the dampening of the American dream. “Overcoming the obstacles and challenges facing our young and wealth-poor households is less about character and more about capacity building (p. 119).”

Looking at the effects of the financial crisis allows Williams to investigate the effects wealth privilege has on financial resilience and the implications this has for White, Black, Latinos, Asians, and Americans of other races. Because the Great Financial Crisis hit asset values hard, the wealthy were not able to mitigate losses. The wealthy had greater absolute losses and greater relative losses than the wealth-poor during the Great Recession.

That being stated, the wealthy lost more but were harmed less. While asset values fell, the wealthy were more likely to maintain employment, they largely avoided bankruptcy, foreclosures, nor did they succumb to insurmountable debt burdens. Individual experiences obviously varied; but as a group, the wealthy remained in the same structural position as they held prior to the crisis. When markets recovered, the wealthy were ready to reap the market gains. So, the greater one’s wealth, the greater the ease to ride out the storm.

The real turmoil from the Great Recession fell upon the wealth-poor individuals and wealth-poor households who succumb to a vicious downward spiral of income loss, asset liquidation or asset repossession. The outcomes of the recession for the wealth-poor, were negative and structural. The structural change in the composition of wealth left the wealth-poor with even fewer opportunities to regrow wealth. The Great Recession may have created initial drops in wealth across the entire wealth spectrum, but the end result will be an expansion of the gaps in future wealth following the recession.

Williams notes that the benefits of wealth does not offer equal protection to households of color. “Black and Latino households generally lost at twice the rate of their white counterparts (p. 144)”. What’s more is that Blacks and Latinos suffered tangible losses not paper-losses. They disproportionately suffered losses to their “homes, retirement, savings, vehicles, stock portfolios, and businesses (ibid).” This leaves Blacks and Latinos at a structural disadvantage to their White counterparts. It is far more difficult to recover from concrete losses of physical assets than to overcome “paper losses”.

To understand how federal public policy disproportionately benefits the wealthy, Williams introduces readers to the myriad of tax policies, written into our federal law, that overwhelming advantage the wealthy explicitly for the purpose of maintaining their current wealth and attaining more regrow their wealth.

Turning to tax policy, Williams delineates the differences in wealth outcomes of a tax deduction, rather than a credit. He illustrates to readers the many tax policies that currently exist to structurally advantage the wealthy. While tax policies have undergone change, the change has been towards advantaging the wealthy.

A key point for in this section is that these policies are not the consequence of a naturally functioning market economy, but rather these are intentionally designed public policies to favor the wealthy in lieu of other economic groups.

The racialized consequences of U.S. federal tax policy are hard to ignore as the beneficiaries of these polices are disproportionality White (p. 166)." This leads to policies that favor White Americans over people of color leading to the maintenance of wealth for White Americans and their assured dominance in public policy. In other words, the outcomes of our current ``race neutral'' public policies are similar to the outcomes of the overtly racist federal policies in an earlier epoch. In both cases, the outcomes of federal U.S. policy lead to a transference of wealth away from people of color toward White Americans.

To end the circular-cumulative-causative cycle of the concentration of wealth in the hands of the –White- few leads the U.S. away from a system of meritocracy towards a system of White plutocracy. To counteract these effects, Williams offers a set of policy proposals, geared around shifting our tax policy away from benefiting the wealthy to benefiting the wealth-poor. Williams' proposals allow those at the bottom end of the wealth spectrum the ability to attain at least modest levels of wealth and achieve greater financial security. Some of Williams policies include limits on intergenerational transfers of wealth through reinstating a tax surcharge, eliminate tax deductions whose benefits are skewed toward the rich, turn some tax deductions into tax credits, and expand the Earned Income Tax Credit to name but a few suggestions. These policies proposals will systematically advantage people of color over wealthy White Americans. It will lift the net worth of people of color, and make headways into reversing course away from a system of White plutocracy toward one of meritocracy.

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References

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