REVALUING BLACK AMERICA

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NEW ENGLAND BLACKS IN PHILANTHROPY

An undervaluing of people, communities, and assets results in underestimation of Black giving. This undervaluation has roots in racism and contributes to the persistence of the wealth gap between Whites and Blacks.

Philanthropic giving is a key source of economic redistribution and serves as a barometer of wealth in the U.S. economic system: more than 1.4 million nonprofit organizations generated over 5 percent of GDP in 2013 alone.[1] Philanthropy also serves as an important bellwether of the financial well-being of any given population. Barring significant economic policy change, individual donor-driven philanthropic activity will continue to play a significant role in economic redistribution and tangible and intangible valuation of its donors.

Wealth transfer—the transmission of wealth from one generation to the next—is critically important to the continued vitality of the nonprofit sector, and as the racial and ethnic makeup of the United States changes, interest in the philanthropic habits of communities of color has increased. Like the rest of the United States, Boston has experienced significant changes in its racial and ethnic makeup. Greater Boston is expected to experience a $400 billion wealth transfer by 2026,[2] which will generate charitable donations of as much as $132 billion in the same time frame.[3] This makes understanding the racial philanthropic character of wealth transfer crucial. It turns out that there is a chronic undervaluation of Black donors.[4] They are not perceived as capable of the same wealth accumulation or credited with the same financial acumen as their White counterparts and are therefore not cultivated with the same zeal and expectation. When we dug deeper to better understand how and why Black donors were devalued, we uncovered what we believe are the underpinnings of the racial gap in wealth that is manifested in philanthropy and wealth creation.[5]

The two reasons most commonly given for the persistence of the wealth gap are, first, that White Americans have had a head start of centuries to accumulate wealth when Blacks were denied the opportunity and, second, that Black Americans lack the financial knowledge of White Americans. We propose a third reason. In interviews of Black donors, we learned that the racial wealth gap continues to be fueled by institutional and systemic racism, perhaps more subtle and nuanced than in centuries past, but no less pervasive or insidious. Undervaluation of Black people, communities, and assets, which occurs every day in a variety of contexts, drives current wealth inequality, stealthily but effectively. The appropriate response must include measures to eliminate this institutional racism.

Black Philanthropy

It is worth noting that regardless of why the wealth gap persists, there is a centuries-old history of philanthropy within the Black community, which we distinguish from philanthropy directed *toward* the Black community. As recently as 2014, little was known about the interaction between the increasing demographic diversity of the greater Boston metropolitan area and the capacity for philanthropic giving in emerging communities. In 2015 New England Blacks in Philanthropy released a report entitled "Giving Black: Boston." Despite the well-documented large gaps in accumulated wealth between racial and ethnic groups, "Giving Black: Boston" identified tremendous value within a diverse Black community and developed a strategy that focuses on the proper valuation of Black philanthropy in Boston.

Our recommendations emerge from data gathered in several ways: nearly 300 online surveys, 13 90-minute individual interviews, and three focus groups. All participants were residents of the greater Boston area. From this data we compiled three general donor composites: the Cornerstone Donor, the Kinship Donor, and the Sanctified Donor. (See "Three Donor Types.") These donor composites debunk the notion that Black communities are recipients only, and never donors, and show that Black donors give in a variety of ways to a wide range of causes.

Valuing People, Place, and Assets Correctly

The three profiles, discussed in greater detail in the report, guided the recommendations below concerning the proper valuation of diverse donors and communities when considering the future of philanthropy, particularly in Boston. Our recommendations can be summarized as proper valuation of people, place, and assets.

Proper Valuation of People

One of the most significant findings of our report was an undervaluation of Blacks as donors and employees. It's well known that even when two people have similar educational backgrounds, their wages can differ based on gender and/or race.[6] But even when Blacks are earning the same salaries and wages as their White counterparts, assumptions persist about whether Black donors have the capacity to become "real donors." In our report, "Giving Black: Boston," high-income, high-net-worth Black donors reported being subjected to inappropriate requests and assumptions that they were grantees rather than donors. For example, a large local nonprofit organization held a meeting to discuss board member financial commitments and determined that a new Black board member should not be held to the same financial standards as her White colleagues. The Black board member was a medical doctor, but no one thought to ask her about her financial capabilities. They assumed that she lacked the capacity of the White board members. Other donors indicated that they were asked to talk about the lived experiences of lower-income Blacks, while no one expected their White counterparts to do the same. Middle-income donors with growing net worth reported a desire to learn more about philanthropy, mirroring national trends,[7] in order to be more strategic, particularly as their family and career start-up obligations subside.

Many of these younger donors will be part of the generation that both inherits and passes along wealth to the next generation. These donors constitute a valuable resource that is currently overlooked by the majority of the Boston nonprofit sector, despite the fact that in the current era, individual philanthropic activity is growing at a slower pace nationally. If nonprofits wish to grow their net worth, they should reform their institutional practices so they no longer see race as the dividing line between donor and grantee.

Proper Valuation of Place

The role of race in the proper valuation of place continues to be a challenge. Consider the rise in multiracial couples and diverse families living in suburbs, both of which are relevant for the Boston area. Evidence gathered incidentally in the process of preparing our report suggests that the appraisal of homes owned by interracial couples in upper middle-income brackets can vary by

Three Donor Types

Donor Type	Cornerstone Donors	Kinship Donors	Sanctified Donors
Donation Type	General societal improvements	Betterment of Black community	Religious donations

Source: "Giving Black: Boston."

tens of thousands of dollars depending on who opens the front door to greet the appraiser.

The constant and consistent undervaluation of neighborhoods of color leads to the demise of community and makes neighborhoods vulnerable to gentrification.[8] We need to change the current model of gentrification, with its pattern of decline, displacement, renewal, and reinvestment, which preserves wealth for only a narrowing group of select few who are already well resourced. Just as intangible factors like a beautiful view contribute to the value of a home, we should recognize the value of income diversity and racial diversity as measures of community strength and as assets that can lead to an increase in community resources and desirability.[9]

Proper Valuation of Assets

The research is clear: racial and ethnic diversity significantly improve corporations, which serve as economic engines of our society. The idea that diversity matters has now become conventional wisdom, as it produces enhanced financial performance in racially diverse U.S. companies.[10] Properly valuing minority-owned businesses as more than organizations that require a hand up or a handout is an important element in properly valuing the assets of Blacks, especially Black women, whose entrepreneurship has grown nationally by 322 percent since the Great Recession.[11] In 2002, there were 1 million businesses in the United States owned by women of color.[12] By 2016, there were 1.9 million businesses in the United States owned by Black women alone.[13] Yet Massachusetts is among the bottom five states in terms of growth of economic clout of women-owned businesses.[14]

Acknowledging True Worth

The racial gap in wealth in our country is a very serious problem, but to solve it, it is imperative that we identify the true cause of the problem, as failure to do so can lead to misguided attempts at remediation. It appears that that has unfortunately been the case.

Although centuries of inequality have allowed the wealth gap to grow and persist, it would be a mistake to focus on that factor solely. As argued above, undervaluation is another pervasive and pernicious force at work, and one that has largely been ignored in modern analyses. As long as Black people, places, and assets continue to be undervalued in comparison with their White counterparts, the racial wealth gap will persist unabated. All of the financial literacy efforts aimed at another oft-touted cause of the wealth gap—lack of financial knowledge in the Black community—will be of limited or no value until this basic problem is addressed.

A variety of sectors and institutions will need to be involved in addressing the problem of undervaluation. While the philanthropic sector cannot recalibrate the entire valuation process on its own, it can play a key role in two ways: as a leader in setting the value attributed to Black philanthropy, and as an indicator of progress on the reduction of the wealth gap, with Black giving being used as a proxy for the health of the Black community. New England Blacks in Philanthropy welcomes the opportunity to share knowledge, ideas, and resources in the future as we work together to eliminate the racial wealth gap.

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Endnotes

1 "Philanthropy Outlook 2016–2017"(report, Marts and Lundy, Lyndhurst, NJ, 2015).

2 Paul Havens and John Schervish, "The Transfer of Wealth in Greater Boston: The Toll of the Recession and Prospects for the Future" (report, Boston Foundation, 2013), 6.

3 Ibid.

4 We report on this in Ange-Marie Hancock, "Giving Black: Boston, An Intimate Portrait of Black Stewardship in Boston " (report, New England Blacks in Philanthropy, Boston, 2015).

5 See Ana Patricia Muñoz et al., "The Color of Wealth in Boston" (report, Duke University and the New School, 2015).

6 See Claire Cain Miller, "Pay Gap Is Because of Gender, Not Jobs," *New York Times*, April 23, 2014; Eileen Patten, "Racial, Gender Wage Gaps Persist in U.S. Despite Some Progress (Fact Tank Report, Pew Research Center, Washington, DC, 2016).

7 "The African American Financial Experience" (report, Prudential Research, Newark, NJ, 2011 and 2013).

8 Karen Chapple, "Mapping Susceptibility to Gentrification: The Early Warning Toolkit" (report, Center for Community Innovation, Berkeley, CA, 2009), http://communityinnovation.berkeley.edu/reports/Gentrification-Report.pdf.

9 Lisa K. Bates, "Gentrification and Displacement Study: Implementing an Equitable Inclusive Development Strategy in the Context of Gentrification" (report, City of Portland Bureau of Planning and Sustainability, 2013).

10 Katherine Phillips, "How Diversity Makes Us Smarter," *Scientific American*, October 1, 2014.

11 "The 2015 State of Women-Owned Businesses Report" (report, American Express OPEN, 2015).

12 "The 2016 State of Women-Owned Businesses Report" (report, American Express OPEN, 2016).

13 Ibid.

14 Ibid. "Clout" was defined as growth in the number, employment, and revenue of women-owned businesses (p. 7).