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TO: The Honorable Detroit City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: May 24, 2023

RE: **Generational Wealth: Wealth in Detroit**

Councilmember Coleman A. Young, II, requested the Legislative Policy Division provide information relative to the circulation of the dollar in the African American community and the primary source of generational wealth in the city of Detroit. Recognizing a scarcity of empirical data on these specific topics, we offer the following.

The primary source of generational wealth for Detroiters remains homeownership, primarily due to the sheer number of single family detached households in the city, followed by insurance benefits. However, when it comes to the circulation of the dollar in the African American community in Detroit, the dollar leaves our community in less than one day.

Generational wealth is described as the accumulation of wealth and assets that are passed down from one generation to the next within a family. This can take several forms, this can include cash, stocks, bonds, and other investments, as well as real estate and family businesses. Generational wealth plays a role in both the increasing concentration of wealth and the racial wealth gap in the United States.

Wealth in Detroit

In Detroit, the nature and degree of wealth among the African Americans has evolved over our history and was shaped by systemic racism and discrimination that limited opportunities for economic mobility and wealth creation.

Looking at Detroit's wealth and economy from an African American perspective, we must acknowledge that Detroit is the city with the largest percentage of Black residents in the nation. And during the great migration when many new Detroiters settled into the area on Detroit's lower eastside known as Black Bottom, housing was segregated, due to real estate steering, redlining and racial restrictive covenants, preventing Black families from buying homes and accessing credit. Therefore, at this time, the overwhelming majority of African Americans rented. During this period, there were approximately one hundred thousand Black people living in the area and three hundred Black owned businesses, including but not limited to, Bars, restaurants, Doctor offices, Barber shops, Hair Salons, Hotels, and Drug Stores.¹ In Detroit, during the early 1900's, generational wealth for Black families could be found in the form of a business or skilled trade handed down to the next generation. In the 1940's when Black Bottom and Paradise Valley were destroyed in the name of urban renewal, many of the hopes and dreams of generational wealth for Black families in Detroit were also destroyed.

In the 50's, Detroit became a manufacturing mecca, a city comprised of single-family detached homes. Contracts negotiated by the United Auto Workers resulted in rising wages and improved benefits like pensions and health care. Although the blue-collared elite were mostly white men, African Americans found employment in manufacturing jobs, and a new middle class began to emerge.

The Jewish community in Detroit was more amenable to the concept of selling their homes to Black families. And as the Jewish community spread out into the city and its northern suburbs, African Americans followed this migration pattern. This created an opportunity for African Americans to create future wealth through both home ownership and employment benefits, which many took advantage of.

However, the decline of Detroit's manufacturing industry in the late 20th century hit the city's Black community particularly hard, as job losses and economic disinvestment left many families struggling to make ends meet. Many upwardly mobile Black families fled to the suburbs. In addition, the foreclosure crisis of the 2000's further eroded black wealth in Detroit as predatory lending practices and subprime mortgages led to mass foreclosures and displacement.

Today, Detroit is the poorest large city in America, with over one-third of the population living below the poverty level. Many Black families have lost their homes and savings and are now living paycheck to paycheck. Notwithstanding, the primary source of generational wealth in Detroit remains home ownership and the transfer of property, followed by financial instruments, such as insurance benefits.

Detroit's Black Dollar

The circulation of the dollar in the community is a result of the spending practices of the people who inhabit the community. Specifically, the willingness or ability of consumers to spend with those who work and live within the community. The higher the circulation of dollars in a community, the greater the economic stability and opportunities for economic growth.

It is helpful to look to history as we examine the circulation of the dollar in the Black community. Before the height of Detroit's Black Bottom, there was the Greenwood District of Oklahoma, an enclave for Black businesses, families, and professionals, often referred to as "The Black Wall Street" until it was destroyed by white supremacists in 1921. Lives were lost, over six hundred businesses destroyed, and 10,000 Black people lost their homes. Prior to June 1, 1921, it is said that the dollar circulated 36 to 100 times in the Greenwood District. A single dollar might have stayed in Tulsa for almost a year before leaving the Black

¹ The People and Places of Black Bottom, Detroit. Ken Coleman, Humanities, 2021, Vol; 42, Number 4

community.² It is safe to assume that the dollar circulated within the Black Bottom area of Detroit in a similar fashion during this time of segregation.

Conversely, according to the University of Georgia's [Selig Center for Economic Growth](#), in modern times, money circulates one time within the African American community, compared to more than six times in the Latino community, nine times in the Asian community and an unlimited amount of times within the white community. A [Black Star Project](#) study on the racial wealth gap calculates that a dollar circulates six hours in the Black community, 20 days in the Jewish community and 30 days in the Asian community.³ According to Census information, there are approximately 716 Black owned businesses in the city of Detroit.⁴ Although some of the business owners may not reside in Detroit, the existence of these businesses in the community, offers consumers the opportunity to patronized Black owned businesses. Black Bottom, at its height, served as home to approximately 100,000 Black people and three hundred Black owned businesses. Using this data, and looking at Detroit's population today of approximately 500,000, African Americans, it can be argued that today Detroit should have at least 1500 Black owned businesses, or at least twice the number we currently have.

Conclusion

The state of our Black business community, particularly in Detroit, is far from what it used to be. The effects of desegregation led to more African Americans leaving the city for the suburbs and a wider array of spending options. As a result, businesses in our communities, such as neighborhood gas stations, convenience stores, hardware stores and restaurants are no longer owned by Black families, limiting the ability for the dollar to circulate within the community for a longer period of time. The sad truth is that Black people in America have about a \$1.3 trillion gross national income, but only 2% of that money, about \$26 billion, is re-circulated in the Black community.⁵

The conversation around building stronger communities by using our economic power within our communities and the creation of generational wealth are welcomed topics in the African American community, as we work to close the racial wealth gap in this country. As younger African Americans familiarize themselves with ways and means to accumulate wealth and pass it down to their children, this will translate to better life outcomes for the next generations.

Should Council seek further information, LPD will respond.

² What happened to Black Wall Street on June 1, 1921? February 9, 2011, (sfbayview.com)

³ Greenwood Project, Circulation of Dollars in Black Communities, Oct 8, 2020

⁴ What would Detroit's business Ownership Look Like with Racial Parity? August 2, 2021, Elizabeth Kepner, Rick Mattoon

⁵ U.S. African American Business Directory, Circulation of Black dollars in the Black Community



City of Detroit ~ Detroit City Council

Coleman A. Young II
Councilman At Large #1

MEMO

TO: DAVID WHITAKER, LPD DIRECTOR

THRU: COUNCIL PRESIDENT MARY SHEFFIELD, EX-OFFICIO


CC: ANNIVORY CALVERT, CHIEF OF STAFF
ALTHEA DARLENE JACKSON, DEPUTY CHIEF OF STAFF

FROM: COLEMAN A. YOUNG II, COUNCIL MEMBER AT LARGE #1

DATE: MARCH 27, 2023

SUBJECT: GENERATIONAL WEALTH

RE: WEALTH IN DETROIT STUDY



Please provide a study on wealth found amongst people living in Detroit.

What is the main source of wealth for people living in Detroit?

How long does a dollar stay in Detroit's economy?

Is the main source of wealth for Detroiters business ownership or the passing down of property from parents/relatives?

Thank you.