

Why America's finance industry is good for white male bankers but bad for everyone else

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Racial, ethnic and sexual inequality in the US has deepened as a result of the dominance of financial services, with white men becoming wealthier at the expense of women and minority groups.

Economists at the universities of Leeds, Cambridge and Bath compared the earnings of white, Hispanic and black men and women working in different occupations - management and [financial services](#), the professions (such as law and dentistry), sales, services, construction, fishing, farming and forestry - between 1983 and 2009.

The earnings of [white men](#) working in managerial and financial services rose more rapidly than that of Hispanic and black men and women employed in all sectors of the US economy during the 26-year period. The researchers also found that white males working in managerial and financial services earned more than that white males working in any part of the economy.

The study is the first comprehensive analysis of how the dominance of the financial services sector has affected different [demographic groups](#) in the U.S. The researchers used US Bureau of Labour Statistics (BLS) data on full-time wages and salaries in 60,000 US households, and compared it occupation, gender and ethnicity.

Giuseppe Fontana, Professor of Monetary Economics at Leeds University Business School, said: "We wanted to know whether financialisation - the increasing dominance of the financial system over other parts of the economy - has contributed towards inequality in U.S. society. Are some demographic groups becoming richer at the expense of others?"

"The results were startling - the wage premium of white men working in finance has risen considerably over the last three decades at the expense of women and ethnic groups. This suggests that financialisation has actually stratified society, and widened the gulf between white men at the top and women and ethnic minorities."

A series of tests were carried-out in which the earnings of white men working in managerial and finance posts; professional occupations; sales; the services; construction; and farming, fishing and forestry were compared to the earnings of ethnic groups (black men, Hispanic men) and gender groups (white women, black women and Hispanic women).

They show that over the period 1983–2009 the increase of earnings in

managerial and financial occupations for white men is four times greater than those of black men. In a similar fashion, over the same period the increase of earnings for white men is twice greater than those of white females and Hispanic females.

Dr Aurélie Charles of the University of Bath said: "Over the [last three decades](#), financialisation has linked high-earning financial and managerial occupations to the social high status of the main demographic group in the US, white men. Earnings in the finance industry have risen while those in other [occupations](#) have lagged in comparison behind."

More information: Paper: Arestis, P. et al. Financialisation, the Great Recession, and the Stratification of the US Labour Market.

Provided by University of Leeds

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