

Race-based police violence impacts wealth of Black families, study finds

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Financial decision-making for Black individuals can be dealt a major blow by race-based police violence, new research suggests, offering insight into the far-reaching effects of police brutality.

The study, titled "Race, Police Violence, and Financial Decision-Making," examined detailed American data on home ownership and

contributions to a [pension plan](#)—using statistics broken down by ZIP code—as well as information on fatal police encounters.

The analysis suggests police violence negatively influence financial decision-making for Black individuals, even when they are not directly involved in the incidents.

"We find that when a member of the Black community is killed in a police incident, the members of that racialized group in that local area experience changes in their financial decision-making that are not just statistically significant, but economically large," says co-author Lisa Kramer, a professor of finance in the department of management at University of Toronto Mississauga and the Rotman School of Management.

"I think what was most surprising was the magnitude of the effects."

The study, which will appear in *AEA Papers and Proceedings*, was carried out by U of T's Kramer, Duke University's Vicki Bogan, University of Manitoba's Chi Liao and University of Mannheim's Alexandra Niessen-Ruenzi. It explored whether two key pieces of the "wealth pie" for most individuals—[home ownership](#) and retirement savings—might be affected by race-based police violence. While many studies have already looked at the grief and community trauma associated with race-based police violence, Kramer says the ripple effects on economic decision-making have been analyzed to a far lesser extent.

The research showed Black individuals were 47.5% less likely to own a home than their non-Black counterparts. After exposure to police-based violence, that gap increases to 62.2%, the study suggests. It also found that Black individuals' participation in defined contribution pension plans was reduced after exposure to police violence.

"We find already just to start with, just at the baseline, Black households are less likely to even own a home than others. And once they've observed one of these events in their [local community](#), they become much less likely to own a home," Kramer says.

Since researchers analyzed demographic, socio-economic and geographic data from U.S. households from 1999 to 2019, some recent key events—including the 2020 Minneapolis police killing of George Floyd that prompted anti-racism protests all over the world—were not captured.

"I think in this more recent era, where [social media](#) allows these events to get on the [collective consciousness](#) more quickly and more fully, we might find that any sort of traumatic implications that arise might even be more pervasive," Kramer says.

And while the study is based on American data, Kramer says its findings likely apply in Canada as well.

"Certainly in Canada we have also had incidents of racialized violence with police involvement. We're not immune to that in Canada," she says. "There's every reason to believe that the effects that we document aren't unique to the United States."

The study doesn't delve into why police-based violence could have such an effect on financial decision-making for Black individuals, but it does hint at possible explanations, including disengagement from financial [decision-making](#) after [police violence](#) in a local area and decisions to relocate following an incident.

Kramer, who notes that the study does not seek to deliberately cast police forces in a negative light, says she and her colleagues want to explore possible causes for their findings in future research.

"Right now, we're identifying a striking set of results," she says. "We find differences in financial outcomes at the local community level after these police-involved fatalities. Next, we need to identify the mechanisms that drive the results by testing different hypotheses."

The hope is that the research will add to broader findings on racial inequalities and spark ideas about potential remedies to underlying problems.

"We're looking to explore those events through a financial lens because it's so important to make sure that households have the [financial resources](#) that they need," Kramer says. "And if there is a connection there—as it appears there may be—we want to start the conversation, in a data-driven way."

More information: Race, Police Violence, and Financial Decision-Making, *AEA Papers and Proceedings* (2024)

Provided by University of Toronto

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