



Written by [Thomas Sowell](#) on August 2, 2011

Misleading Words

Recent statistics on the average wealth or net worth of blacks are a painful reminder that rhetoric favoring blacks does not mean that politicians using such rhetoric are actually helping blacks. The media seized upon the statistics published by the Pew Research Center to show that whites averaged far more net worth than blacks, and that this disparity was now greater than it was in years past. But what is even more revealing is that the net worth of blacks in 2009 was less than half of what it was in 2005.



What happened to cause such a sharp loss in such a few years? After all, the Republicans controlled both the Congress and the White House in 2005, and the Democrats had control by 2009. There was now a black President of the United States, with much of the media celebrating the beginning of a new era in race relations.

What happened was that the political words had no relationship to the economic reality. But few people judge any administration's effect on blacks by what actually happens to blacks under that administration.

A finer breakdown of the data on the net worth of blacks shows that the most drastic loss of net worth was in the value of the homes owned by blacks. This occurred after years of both Democratic and Republican administrations pushing policies designed to enable more blacks to buy homes.

Much of the media rallied behind the idea that there should be more home ownership by blacks. Editorials rang out across the land, denouncing statistical disparities between rates of home ownership by blacks and whites as showing racial discrimination in the private sector that needed to be corrected by the government.

Even when it was shown that blacks, on average, did not meet the same financial standards as whites, both politicians and the media denounced those standards as too stringent.

The *St. Louis Post-Dispatch*, for example, called for "fairer mortgage-lending standards" and declared that "lending institutions are being far more conservative than they have to be in determining the creditworthiness of minorities." The Federal Reserve Bank of Boston likewise declared that "unreasonable measures of creditworthiness" were not "appropriate to the economic culture of urban, lower-income, and nontraditional consumers."

The *New York Times* reported that "even within the same income group whites are nearly twice as likely as blacks to get loans." Many in the media treated that as proof positive that racial discrimination explained differences in mortgage loan approval rates. They were not talking about racial differences in net worth in those days — much less taking note of the fact that blacks in the same income brackets as whites had far less net worth.

Racial discrimination was where it was at, as far as liberal politicians and most of the media were



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concerned. And the familiar “solution” was massive government intervention in the market. Government agencies, from the Department of Housing and Urban Development to the Federal Reserve leaned on lenders to lower lending standards, and the Department of Justice threatened prosecutions for discrimination if the racial makeup of people approved for mortgage loans did not match their preconceptions.

It worked. In fact, it worked so well that many blacks got loans that they could not have gotten otherwise. Now the statistics tell us, belatedly, that blacks lost out, big time, from this “favor” done for them by politicians.

These lowered lending standards applied to many others besides blacks. Everybody lost out when the resulting risky mortgages led to a collapse of the housing market, followed by a collapse of the economy. Lofty words led to bitter realities.

The same mindset that led to these disasters is still prevalent in Washington. Indeed, the very people who spearheaded those political crusades — Congressman Barney Frank and Senator Christopher Dodd — crafted new legislation offering the same kind of “solution” to our current problems, namely more massive government intervention in the economy. Words triumphed again.

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