



THE BLACK-WHITE RACIAL WEALTH GAP

LDF
**THURGOOD
MARSHALL
INSTITUTE**

Brandeis

THE HELLER SCHOOL
FOR SOCIAL POLICY
AND MANAGEMENT
Institute on Assets
and Social Policy

Authors:

This report was prepared by Tom Shapiro, Jessica Santos, and Sylvia Stewart from the Institute on Assets and Social Policy (IASP) at Brandeis University in partnership with Janell Byrd-Chichester, Coty Montag, Algernon Austin, Jair Froome, and Will Searcy from the Thurgood Marshall Institute of the NAACP Legal Defense and Educational Fund, Inc. (LDF). Keecee DeVenny and Catherine Blalock of LDF also provided editorial and research assistance.

The Thurgood Marshall Institute is a multidisciplinary center within LDF. Launched in 2015, the Institute complements LDF's traditional litigation strengths and brings critical capabilities to the fight for racial justice, including research, public education, and targeted advocacy campaigns.

IASP at Brandeis University is a research institute that advances economic opportunity and equity for individuals and families, particularly households of color and those kept out of the economic mainstream.

Table of Contents

Introduction | 1

- Defining Wealth

The Black-White Racial Wealth Gap Today | 2

- A Large and Growing Racial Wealth Gap

Foundations of the Black-White Racial Wealth Gap | 4

- Land, Labor, and the Original Sources of White Wealth
- Policy Drivers and Ongoing Sources of White Wealth and Black Poverty
- Segregation: A Key Driver of the Widening Wealth Gap

Disparities Across Sectors and Generations | 10

- Segregation Facilitated a Widening Racial Wealth Gap in the Recent Financial Crisis

Misperceptions About the Black-White Racial Wealth Gap | 14

Moving Forward to Eliminate Racial Wealth Inequities | 15

Endnotes | 19

Introduction

This report provides a look at the Black-White racial wealth gap in the United States today, explains the historical foundations and contemporary drivers of the gap, and offers a lens for developing and assessing policies to address these structural disparities.

While we provide some detail for other groups as context on the overall state of wealth inequality in the United States, this report primarily focuses on and examines the history of wealth inequalities between Black and White Americans. Of course, this focus is only one aspect of the total picture of wealth inequality in American society. We commend efforts to explore other aspects of wealth inequality, including Eric Rodriguez’s discussion of the Hispanic/Latinx wealth gap,¹ Christian E. Weller and Jeffrey Thompson’s work on wealth inequality among Asian Americans,² and Greg Leiserson, Will McGrew, and Raksha Kopparam’s analysis of wealth inequality in the United States generally.³

Defining Wealth

“Wealth” and “income” are sometimes used interchangeably. Wealth or net worth, however, is the total value of a person’s assets minus their debts. Assets refer to everything that one owns of monetary value, such as savings and checking accounts, stocks and bonds, and retirement accounts. Assets can also include property like homes, cars, and businesses. Debts or liabilities, which are deducted from assets to determine net worth, refer to money that someone owes, such as mortgages, education or vehicle loans, and credit card balances. Income typically is money or something of value, which is received in the form of wages or salary or through investing capital. In the case of a business, income typically is earnings after expenses, in exchange for providing a good or service. For retired persons, income most commonly comes from investments, pensions, and Social Security benefits.

Wealth plays an important role in providing a safety net to help people weather financial emergencies or “shocks.” In the United States, 25 percent of families do not have the assets needed to cover basic living expenses for three months if they lose their income. If we consider only the money that people can use right away (including savings but excluding a home), also known as “liquid” assets, the percentage of families with insufficient assets to cover basic living expenses on a short term basis rises to 40 percent.⁴ Wealth is vital for helping families achieve economic stability and preventing poverty.

Assets also enable families to take advantage of economic opportunities. Families rely on wealth to purchase a home, pay for college, start businesses, and make investments. Intergenerational wealth transfers are a key driver of inequality: 38 percent of wealth transfers go to people who are in the top 10 percent of income earners and 56 percent

go to those in the top 10 percent of wealth holders.⁵ Although most families rely on stable income for their basic needs, wealth has a greater impact on economic security, opportunity, and inequality over time.

The Black-White Racial Wealth Gap Today

Racial wealth inequalities in the United States today are a direct result of centuries of racialized, exploitative social and legal structures—policies that set the foundation for a skewed distribution of land, labor, political power, and resource ownership by race. These patterns continue today and are evident in Black-White racial disparities in net worth, known as the Black-White racial wealth gap.

A Large and Growing Racial Wealth Gap

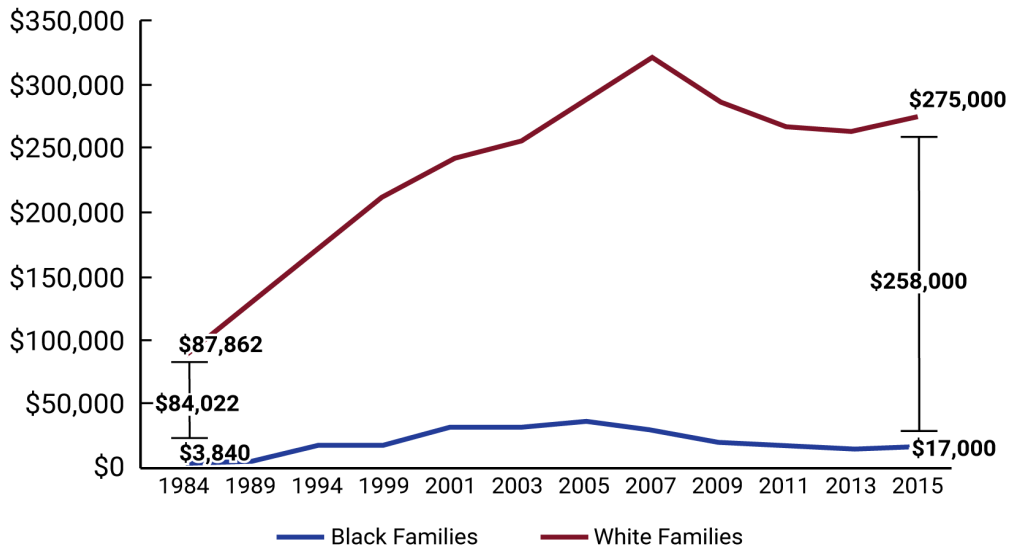
In the United States, wealth is distributed in a grossly unequal manner, with wealth inequality increasing sharply in recent years.⁶ Recent data from the Federal Reserve's Survey of Consumer Finances show that one percent of asset-holders in the United States own about 40 percent of America's wealth, while 90 percent of households own less than 25 percent of the wealth. Moreover, one-quarter of American households have less than \$10,000 in assets.⁷

When we consider this through a racial lens, we see that the median net worth of White households in the United States is \$130,800, compared to \$9,590 for Black households and \$17,530 for Latinx households.⁸ In looking specifically at the Black-White racial wealth gap, Black households have about seven cents on the dollar relative to White households. A White household living near the poverty line typically has about \$18,000 in wealth, while similarly situated Black households have a median wealth near zero or negative net worth. If the population is divided into income quintiles, the lowest 20 percent of White earners have a median net worth of about \$18,000, far exceeding the median net worth of \$7,600 of Black earners in the next highest income quintile, and coming close to the \$22,000 median net worth of Black earners in the middle income quintile.⁹

These statistics indicate that Black families and communities are disproportionately asset poor,¹⁰ and commonly lack the resources to meet ongoing needs, weather a crisis, or achieve economic stability and mobility. The racial wealth gap is growing dramatically.

An analysis of the wealth of approximately 2,000 families over three decades (Figure 1) shows that the gap tripled as wealth for White families skyrocketed while growing very modestly for Black families.

Figure 1: Following the Same Families Over the Last 30 Years, the Black-White Racial Wealth Gap has Grown Dramatically



PSID, IASP Analysis, 1984-2015

Among the main drivers were homeownership and the long-lasting effects of residential segregation, with lower returns from home equity going to Black families than White families.¹¹ Although most economically insecure families rely on income as their primary resource, the depth and nature of the racial wealth gap require that we look beyond income, jobs, and poverty rates to understand the structural and policy-driven roots of economic injustice.

Economists William Darity Jr., Darrick Hamilton, and others have found that education, full-time employment, and marriage, while positive factors for financial stability and higher net worth, are still unable to help Black people overcome the accumulated advantage that White people have to close the racial wealth gap. Black households headed by a college-educated individual, a full-time worker, or a married couple only have a fraction of the wealth of similar White households.¹²

As homeownership is the principal source of wealth for most American families, the racial wealth gap is less a product of differences in income than of unequal access to homes in good neighborhoods, which in turn produces racialized differences in homeownership, property values, and the accumulation of home equity.¹³

The Black-White racial wealth gap is a structural, policy-created problem, and it will require structural, policy-driven solutions.

Foundations of the Black-White Racial Wealth Gap

Land, Labor, and the Original Sources of White Wealth

In the 17th and 18th centuries, European settlers generated wealth by claiming ownership of lands previously inhabited by Native Americans, forcibly removing these indigenous people, and by exploiting Native American labor.¹⁴ In these original acts of appropriation, wealth-building for Whites is inextricably linked to wealth-stripping of communities of color. The emergence of American chattel slavery starting in 1619, fueled by the Trans-Atlantic Slave Trade, was crucial to building the American economy. These patterns of exploitation that created White wealth were further cemented through political power, law, and policy, and catapulted the standard of living for Whites in the United States to among top in the world by the 19th century.¹⁵

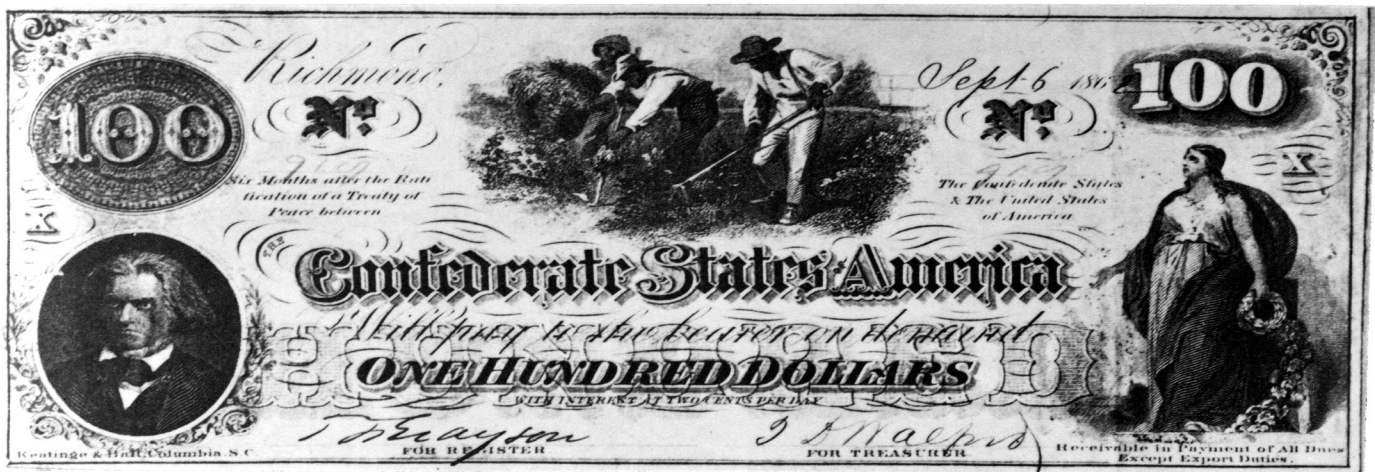


Image: A one hundred dollar note issued by the Confederate States of America, late nineteenth century. (Photo by Interim Archives/Getty Images)

After the Civil War, free Black workers in the South had few options other than working as sharecroppers in the Southern agricultural system. They were supposed to be paid for their labor, but many found themselves cheated by White landowners and trapped in a quicksand of debt known as debt slavery or peonage.

As historians John Hope Franklin and Evelyn Brooks Higginbotham observed,

The wages paid [to Black farm workers] in 1867 were lower than those that had been paid to hired slaves. In the sharecropping system the cost of maintenance was so great that at the end of the year the freedman was indebted to his employer for most of what he had made, and sometimes more than he had made.¹⁶

During the Reconstruction Era, which occurred roughly between 1863 and 1877, the federal government undertook efforts to bring Black people into the mainstream of American life socially, politically, legally, and economically. Reconstruction, however, was under attack from its initiation and short lived. It ended with the Compromise of 1877, which resolved a contested presidential election and marked the full retreat of the federal government from its role of protecting the rights of Black people in the South.¹⁷

The loss of Reconstruction meant that the conditions facing Black families deteriorated and that they continued to live in stark circumstances through the late 1800s. Black people lost significant political power as Black voting rights were severely curtailed. Jim Crow social and legal structures to support White supremacy and Black subordination grew and became entrenched, and criminal laws and penalties in the South became increasingly harsh and targeted to Black people.¹⁸

The economic exploitation and treatment of African Americans as enslaved people did not end with the Civil War. The 13th Amendment to the U.S. Constitution adopted in 1865 abolished slavery, “except as punishment for a crime.”¹⁹ In addition to the exploitative sharecropping system, a brutal system of racialized convict leasing emerged to help address the labor needs in the post-slavery South. Black men who were “guilty of no crime at all” were nonetheless “arrested [and] compelled to work without pay.”²⁰ Soon, “thousands of African Americans were pulled back into forced labor with shocking force and brutality.”²¹ These practices continued into the 20th century.²²

Even under these adverse circumstances, some Black people were able to build wealth by running successful businesses. Whites, however, frequently saw Black economic success as a threat to White supremacy and responded with racial violence, which continued well into the early 20th century. Much of the anti-Black violence committed during this time was initially deemed a form of extra-judicial justice, in response to alleged sexual assaults on White women by Black men. Yet, investigative journalist Ida B. Wells-Barnett documented that such violence and lynchings were primarily motivated by Whites’ anger at economically successful Black individuals.²³

Perhaps no example of this is more notorious than the destruction of “Black Wall Street” in Tulsa, Oklahoma in 1921. “Black Wall Street” was the nickname for the Greenwood neighborhood in Tulsa, the wealthiest Black neighborhood at the time with many successful Black-owned businesses. Following a sensational story in the newspaper that a young Black man allegedly assaulted a young White woman in an elevator, an organized White mob—with the participation of the police and city government and accompanied by airplanes—looted and burned the entire 30-block Greenwood community.²⁴ The mob destroyed the prosperous business district and left over a thousand families homeless



Image: People Searching Through Rubble After The Tulsa Race Riot, Tulsa, Oklahoma, June 1921 . (Photo by: Oklahoma Historical Society/Getty Images)

and perhaps 150 people dead.²⁵ White mob violence occurred in many cities across the nation in the late 1800s and well into the 1900s. There were 26 such riots in 1919 alone. These incidents often resulted in the killing of Black people at the hands of the mob and included criminal prosecutions and even executions of those who resisted the mobs.²⁶

Policy Drivers and Ongoing Sources of White Wealth and Black Poverty

Public policies from the 1800s also contributed significantly to the Black-White racial wealth gap that exists today. One such example is the Homestead Act of 1862, through which the federal government aimed to promote western settlement. It allowed U.S. citizens to file an application for 160 acres of unappropriated public land and to gain title to that land after living on it and cultivating it for five years. Families required access to capital to move, build a farm, and gain access to these titles. Although freed Black people legally gained citizenship through the ratification of the 14th Amendment in 1868 and could file Homestead claims, government and financial leaders actively excluded Black families from accessing this asset by denying access to capital or developing exclusionary local policies.²⁷ Estimates on land transfers from the 1866-1876 Southern Homestead Act (which opened up 80-acre plots of land in Alabama, Arkansas, Florida, Louisiana, and Mississippi) indicate that only 5,440 of the 27,800 titles awarded went to Black families.²⁸ Furthermore, this land was marginal, often located in swamps or forests, and it was of a much lower quality than that available through the Homestead Act of 1862.²⁹

The federal government also took steps that ensured a grossly unequal allocation of educational resources on the basis of race. In 1862, Congress established state land grant colleges for White people under the Morrill Land Grant Act.³⁰ It was not until 1890 that Congress adopted a law to establish land grant colleges for Black people,³¹ but along

with the creation of the 1890 colleges, Congress enacted funding provisions to ensure that they would receive significantly less funding than the White land grant colleges and would be decidedly inferior.³² These policies effectively converted valuable assets—land and education—into grossly disproportionate sources of private White wealth.

In the mid-1900s, post-World War II economic demands and the early stages of the Civil Rights Movement coincided with the establishment of policies that furthered the wealth disparity between Black and White individuals. The Social Security Act of 1935 excluded agricultural and domestic workers (65 percent of the Black workforce) and tied benefits to income, depleting wealth for low-wage Black workers.³³ The G.I. Bill intended to provide educational benefits to White and to Black veterans. In practice, however, it excluded many Black veterans in the South from seeking higher education because of the limited seats in the small number of underfunded colleges and universities that admitted Black students.³⁴

Redlining, which limited mortgage lending opportunities for Black families because of their race, was designed and implemented by the federal government (as described below). This practice confined residential opportunities for Black people primarily to urban ghettos. In his book, *The Color of Law: A Forgotten History of How Our Government Segregated America*, Richard Rothstein discusses the racial character of post-World War II governmental policies and their impact on Black homeownership. He notes:

[M]any African American World War II veterans did not apply for government-guaranteed mortgages for suburban purchases because they knew that the Veterans Administration would reject them on account of their race, so applications were pointless. Those veterans then did not gain wealth from home equity appreciation as did white veterans, and their descendants could not then inherit that wealth as did white veterans' descendants.³⁵

Segregation: A Key Driver of the Widening Wealth Gap

As slavery ended, broadscale efforts to separate and isolate the four million formerly enslaved people from the social, economic, and political mainstream of society began to take hold. Segregation and subjugation by law, policy, and practice to enshrine White supremacy and spare Whites from having to interact with or share power with an “inferior race” became widespread and legal. In 1896, despite the 14th Amendment’s requirement of “equal protection under the law,” the U.S. Supreme Court ruled in *Plessy v. Ferguson* that the so-called separate-but-equal doctrine was constitutional, thus allowing American apartheid to flourish.³⁶

The forms by which racial segregation was enforced were many. Municipal segregation ordinances, some with threat of imprisonment, were adopted by many cities and enforced through the mid-1930s despite the Supreme Court having ruled them invalid in 1917.³⁷ Racially restrictive covenants in property deeds enforced by courts were also widely used to establish residential racial segregation. These covenants began to be used in the 1800s and were upheld as legal by many state courts and the U.S. Supreme Court early in the 20th century.³⁸ Between 1920 and 1948, restrictive covenants in deeds in almost every new housing development in the North and West barred the use and ownership by persons other than Whites.³⁹ This period marked the “Great Black Migration,” when large numbers of Black families moved to the North to escape the oppression, violence, and extreme poverty of the South. As their numbers grew, however, they increasingly faced White opposition and violent resistance to their integrating presence in White communities.⁴⁰

In this environment, during the Great Depression, which began in 1929, the federal government introduced new programs to protect homeowners and homeownership from the volatility of the economic markets. The Home Owners’ Loan Corporation (HOLC) developed the modern, long-term amortized mortgage in 1933 to prevent families from losing their homes to foreclosure. The Federal Housing Administration was established in 1934, creating the modern system of mortgage financing with government backed lending to enable low interest lending. The Veterans Administration mortgage program was established in 1944. With these programs, the federal government designed and implemented an elaborate, nationwide system of racial classification of individual neighborhoods for virtually every major city in the United States, now known as redlining. Redlining created segregated communities through a system of geographically coded maps that were used to exclude Black people from home financing while segregating communities on the basis of race. The federal investments that flowed with these homeownership financing programs were significant and explicitly racially discriminatory. By denying Black people financing for a home purchase in White areas, the government drove widespread residential segregation and under-investment in Black homeownership.⁴¹ The extensive residential segregation and concentration of race and poverty that mark every major city in the United States are a result of these governmental practices.⁴²



Image: Exterior of Robert Taylor Homes public housing, Chicago, Illinois, July 1, 1964. (Photo by Henry Hubert/Hedrich-Blessing Collection/Chicago History Museum/Getty Images)

Today, a high concentration of race and poverty in U.S. cities reflects both the higher average poverty rates in communities of color and the continuation of racial and ethnic segregation. Paul Jargowsky notes:

In nine states, more than one in four of the black poor live in a high-poverty neighborhood; the highest is [] Michigan, at 41.8 percent. These states comprise a large and populous swath of the country starting in the rust belt and following the course of the Mississippi River. In another seven states, concentration of poverty is between 20 percent and 25 percent, and ten more have rates between 15 percent and 20 percent. [Consider] that in no state does concentration of poverty for whites exceed 11.4 percent.⁴³

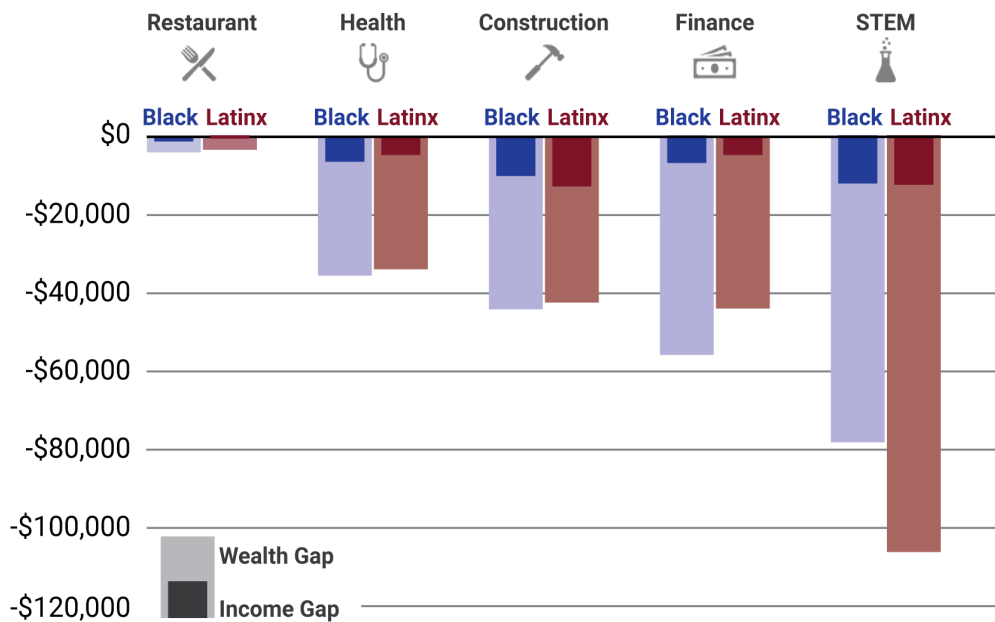
The concentration of race and poverty means that Black people are more likely to live in under-resourced, low opportunity neighborhoods, and that Black families and Black institutions, like Black banks,⁴⁴ continue to be excluded from wealth-building opportunities. These neighborhoods help to perpetuate poverty and inhibit wealth-building.⁴⁵

Disparities Across Sectors and Generations

Wealth is a foundational gateway to prosperity, allowing people to weather emergencies, invest in their future, and pass opportunities to the next generation. Essentially, wealth magnifies the possibilities and potential of families by facilitating access to high quality health, education, jobs, and more. Wealth inequalities have historically and continue to multiply privilege for Whites and simultaneously produce cumulative and cross-sectoral disadvantages for Black families.

American society offers individuals and families a range of wealth-building policies and mechanisms, including jobs that provide health and retirement benefits; homeownership that builds home equity; small business ownership; and savings accounts and investments. The historical racialized policies described in this report produced visible patterns of racial inequality (such as occupational segregation, housing segregation, and health disparities) that are further compounded by institutional and interpersonal discrimination today. For example, Figure 2 shows that, in examining similarly educated professionals in five sectors of the labor market in 2013, Black and Latinx workers earned less and had less wealth than White workers. The size of this income gap varies by sector—income disparities by race are greater in science, technology, engineering, math (known as STEM) and finance than in restaurant occupations.

Figure 2: Racial Wealth Inequality is Magnified by Job Sector, Despite Similar Education



Authors' calculations of difference in income and wealth of Black and Latino workers relative to White workers using median regression, controlling for education, among working, prime-age (25-64) sample in the Survey of Income and Program Participation (SIPP), 2014 Panel Wave 1. All regression estimates for wealth are significant, except for restaurant industry. Income results are significant for Black employees except for restaurants, and for Latinos, income differences are significant in construction and health. All dollar figures are in 2013 dollars.

Crucially, the wealth gaps between Black, Latinx, and White colleagues who are similarly situated within each sector are much greater than income gaps. This is driven in part by the fact that White workers are more likely to occupy quality jobs providing benefits that build and protect assets than their Black and Latinx colleagues.⁴⁶

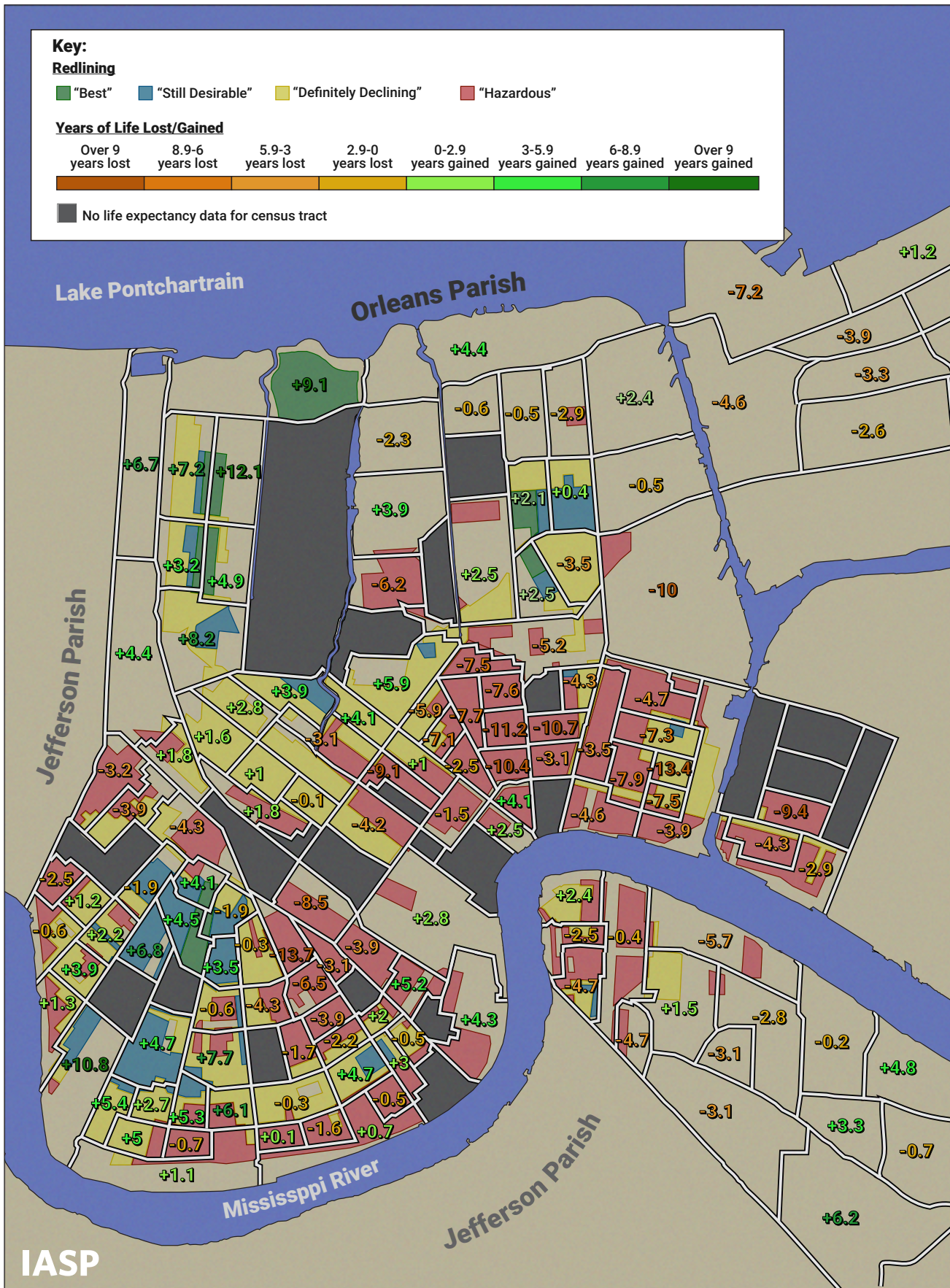
Due to the additive nature of wealth, discriminatory policies have had broad and wide-reaching effects on both economic and physical well-being today. These policies, along with other governmental actions and private discrimination in the real estate industry and by White people who avoided or fled neighborhoods inhabited by Black people, prevented Black families who were locked in segregated communities from reaping the benefits of rising home values in White neighborhoods. Thus, long-term, widespread racial segregation in the United States is one of the greatest drivers of the racial wealth gap. Thomas Sugrue summarizes the impact of segregation as follows:

Even more perniciously, past and ongoing housing segregation has had devastating consequences for wealth accumulation by minorities, especially African Americans. In the postwar period, when whites were buying homes in unprecedented numbers—and accumulating wealth as a consequence of federal mortgage subsidies—blacks were disproportionately renters. Their houses depreciated in value because of systematic disinvestment in segregated, majority black neighborhoods. The result was that African Americans did not accumulate capital to pass to their children to the same extent as did whites.⁴⁷

The impacts of widespread racial segregation combined with other discriminatory policies and laws that restricted wealth building by Black households starting in the 1930s and 1940s continue to have a vibrant force today. In New Orleans, for example, neighbors that live only a few miles from each other experience more than a 20-year difference in life expectancy. Figure 3 shows how median life expectancies in New Orleans neighborhoods correlate with the HOLC’s racist practices. In some neighborhoods originally appraised as “best” or “still desirable” by HOLC, residents gain 10 years of life (over Louisiana’s median life expectancy of 76 years), while residents in other neighborhoods originally deemed “hazardous” by HOLC lose over 10 years of life.

Figure 3: The Life and Death of Redlining

Years of Life Lost/Gained = Real Life Expectancy - Louisiana Median Life Expectancy (76 Years)



IASP

Life Expectancy Data: Arias E, Escobedo LA, Kennedy J, Fu C, Cisewski J. (2018) U.S. small-area life expectancy estimates project: Methodology and results summary. National Center for Health Statistics. Vital Health Stat 2(181); National Center for Health Statistics. U.S. Small-Area Life Expectancy Estimates Project (USALEEP): Life Expectancy Estimates File for Louisiana, [2010-2015]. National Center for Health Statistics. 2018. Available from: <https://www.cdc.gov/nchs/nvss/usaleep/usaleep.html>; HOLC Map Source: Nelson, R., Winling, L., Marciano, R., Connolly, N. et al., "Mapping Inequality," American Panorama, ed. Robert K. Nelson and Edward L. Ayers, accessed June 4, 2019, <https://dsl.richmond.edu/panorama/redlining/#loc=14/29.9347/-90.0663&opacity=0.8&city=new-orleans-la>. Census Tract Maps Source: https://www2.census.gov/geo/maps/dc10map/tract/st22_la/c22071_orleans/DC10CT_C22071_001.pdf, https://www2.census.gov/geo/maps/dc10map/tract/st22_la/c22071_orleans/DC10CT_C22071_003.pdf

Concept Inspired by: The Robert Wood Johnson Foundation. (2013) "Metro Map: New Orleans, Louisiana Infographic" <https://www.rwjf.org/en/library/infographics/new-orleans-map.html>

Segregation also facilitated the frequent targeting of Black communities for predatory financial schemes,⁴⁸ the siting of toxic facilities that lowered property values,⁴⁹ and the denial of investments, including the refusal of many banks to establish a lending presence in Black neighborhoods despite operating in the larger area, limiting credit opportunities for Black families.⁵⁰ The mass incarceration of Black people further restrains assets and limits opportunities for Black families today.

Segregation Facilitated a Widening Racial Wealth Gap in the Recent Financial Crisis

Segregation was an “important . . . contributing cause of the foreclosure crisis.”⁵¹ By creating dense communities of people who historically were denied credit, it created ideal conditions for predatory lending practices. In the early 2000s, these conditions aligned with the growth of the mortgage-backed securities market, where loan originators were no longer responsible for the quality of the loans they originated and could maximize profits by selling increasingly risky loan products with little repercussions.

Many lenders targeted Black communities and other communities of color with predatory loans, a practice known as “reverse redlining,” which continues to exist today. Lenders pushed a variety of predatory loan products, including loans people could not afford, and steered many Black borrowers to subprime mortgage loans that carried high interest rates and fees, even when the borrowers qualified for lower-cost and more favorable prime loans based on their objective credit characteristics.⁵² As a result, when the inflationary housing bubble burst, a disproportionately large number of Black borrowers faced default and foreclosure when they could not afford the steep rates and fees that accompanied these loans.⁵³ Steil, Albright, Rugh, and Massey note:

By 2006, 62% of subprime borrowers actually qualified for prime loans. Of home purchase loans made in 2006, roughly one out of every two loans made to African-American (53%) and Latino (46%) borrowers were high-cost, compared to fewer than one out of five loans made to white borrowers (18%). Similarly, for refinance loans made in 2006, 52% of black refinance borrowers and 39% of Latino refinance borrowers received high-cost loans compared to only 26% of white borrowers. Even after controlling for available loan and household characteristics, such as income, black home purchase borrowers were more than twice as likely to receive a subprime loan as white borrowers.⁵⁴

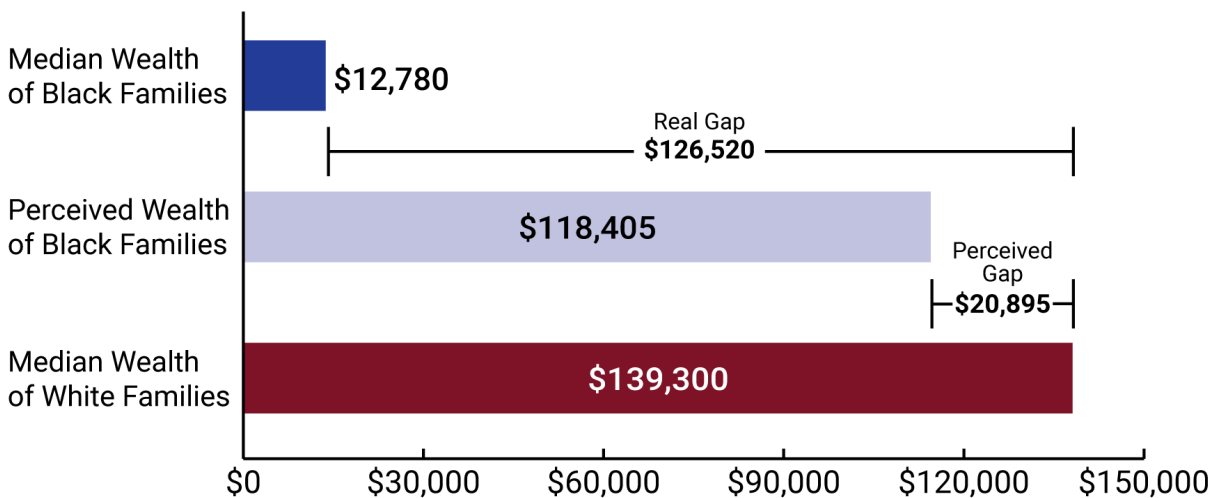
Thus, the historical dynamics of racial exploitation and segregation were contemporary drivers of the predatory lending behind the foreclosure crisis.⁵⁵ The end result was that roughly half of Black wealth was lost over the Great Recession while roughly a quarter of White wealth was lost.⁵⁶ Black households, however, started the Great Recession with only a small fraction of the wealth of White households. Advocates, policymakers, and

researchers in the fields of housing, health, education, work, and wealth are increasingly finding that these disparities affect the economic prosperity and wellbeing of entire communities, not just the individuals and families most directly affected. It is past time to untangle the roots of the Black-White racial wealth gap, halt the continued growth of inequality, and set a new course for racial and economic justice in the United States.

Misperceptions About the Black-White Racial Wealth Gap

Historical erasure of the racially discriminatory nature of many of America’s economic policies has obscured the inextricable links between expanding White wealth and wealth stagnation and depletion in Black communities. As a result, many White Americans believe that the benefits of racial privileges do not extend to them and view the United States optimistically as fair or meritocratic. This leads to an overly individualistic orientation that attributes a person’s economic position to their level of skill or effort. As shown in Figure 4, Americans underestimate the extent of the Black/White racial wealth gap by over \$100,000.⁵⁷

Figure 4: The Racial Wealth Gap is Six Times Larger than Americans Believe It is



Wealth data retrieved from: U.S. Census Bureau (2015) Survey of Income and Program Participation: Wealth and Asset Ownership File. Retrieved from: https://www2.census.gov/programs-surveys/demo/tables/wealth/2014/wealth-asset-ownership/wealth_tables_cy2014.xlsx

Perceived gap based on authors’ calculation of estimates from: Badger, E. (2017) Whites Have Huge Wealth Edge Over Blacks (but Don’t Know It). *The New York Times*. Retrieved from: <https://www.nytimes.com/interactive/2017/09/18/upshot/black-white-wealth-gap-perceptions.html>

Moving economic and racial justice forward requires re-orienting our perspective through a deeper analysis of the policies and levers that prop up and grow White wealth at the expense and exclusion of Black families. It requires challenging our individualistic, meritocratic notions and correcting the assumption that Black individuals, families, and communities need to stay married, work harder, or spend less to achieve an American Dream that is commonly believed to be equally available to all (see Figure 5).⁵⁸ It also requires accepting and adjusting for the fact that in our racialized unequal system, equal effort commonly results in unequal rewards.

Figure 5. Equal effort, unequal rewards. From *The Asset Value of Whiteness*

- **Family Composition:** Single-parent White families with children have more wealth than two-parent Black families.
- **Full-time Work:** The median White household that includes a full-time worker has 7.6 times more wealth than the median Black household with a full-time worker and has 5.4 times more wealth than the median Latinx household with a full-time worker.
- **Spending:** The average White household spends 1.3 times more than the average Black household of the same income group.

Moving Forward to Eliminate Racial Wealth Inequities

The complex, intertwined nature of the drivers of the Black-White racial wealth gap means that no single policy solution will eliminate this gap. The existing and historic policies of exploitation, segregation, and discrimination perpetuate and widen this gap. However, it is possible to close the racial wealth gap if we commit to ending harmful policies and promoting policies for economic and racial equity and wealth-building among Black people.

Reparations through payments to those harmed are often regarded as a necessary remedy for the Black-White racial wealth gap. We encourage a vision of reparations that includes policy and legal reforms, as well as economic investments designed to comprehensively redress systemic harm from discrimination.⁵⁹ We can make progress by enacting wealth-building policies across a wide range of policy arenas.

It will be necessary to pay attention to the design and potential distributional impact of specific proposals since the solutions and priorities are likely to vary by community, depending on the historical and contemporary drivers of racial injustice in a particular place. Individuals and communities that are the most adversely affected by these disparities should hold positions of power in decision-making and policy design processes.

Policy changes in the following areas have the potential to positively impact economic and racial justice:

- **Housing: Promote desegregation, housing mobility, Black homeownership, and investment in Black communities.**
 - **Potential policies: enforce fair housing laws including the Fair Housing Act; reinstate and enforce the Affirmatively Furthering Fair Housing rule; eliminate blanket bans on housing opportunities for people with convictions, in public and private housing; expand Housing Choice vouchers; promote inclusionary zoning as part of a regional fair housing strategy; construct, restore, and preserve public housing; provide rental assistance programs including tax credits for renters; provide down payment assistance and low-interest loans to first-time homeowners and victims of predatory lending; establish property-tax-payment assistance for long-term residents of gentrifying communities; adopt measures to avoid Black home and land loss through water and tax liens and loss of heirs' property; and invest in infrastructure, business development, and green spaces in racially and economically isolated communities.**
- **Employment: Promote full-employment for Black workers in jobs with salaries sufficient to allow for savings and that provide asset-building benefits.**
 - **Potential policies: increase the federal minimum wage; promote reform of policies limiting employment opportunities for people with convictions; eliminate mandatory arbitration clauses in employment agreements; support and strengthen worker protections and collective bargaining mechanisms; create jobs in areas of persistent poverty; invest in workforce development tied to career pathways into quality jobs; ensure the equitable distribution of wealth-building benefits such as retirement accounts and health insurance offered in or outside the workplace; and use community-benefits agreements to ensure that Black workers benefit from development projects.**

- **Criminal Justice: End mass incarceration and promote criminal justice reform.**
 - **Potential policies: hold police departments accountable for bias-based policing practices; eliminate cash bail and other forms of payment for pretrial release; adequately fund public defender offices and indigent defense services; support diversion programs and alternative sentences; restructure prosecutorial incentives away from practices that exacerbate mass incarceration; educate communities on the importance of prosecutor elections and the role of the district attorney; eliminate mandatory minimum sentences; reform sentencing policies to eliminate excessively long sentences and policies and practices that produce racial inequalities; reform probation and parole policies so that they contribute less to re-incarceration,⁶⁰ and invest in effective reintegration programs for returning citizens.**

- **Education: Promote school desegregation and affordable higher education.**
 - **Potential policies: advance the racial and economic desegregation of schools; establish children's savings accounts; institute universal pre-K; provide student debt relief; establish tuition waivers at community and public colleges; invest in Historically Black Colleges and Universities and Minority-Serving Institutions; support affirmative action in admissions and financial aid; provide greater access to financial aid for higher education; protect against predatory practices at profit-making educational and lending institutions; and stop the garnishment of assets for federal student loan payments.**

- **Retirement: Increase retirement security for Black individuals.**
 - **Potential policies: establish retirement programs that are not tied to employment; address the projected shortfall in Social Security's funding; increase Social Security benefits; and develop new defined-benefit retirement programs.**

- **Credit and Lending: Promote access to affordable, fairly priced credit and stop predatory lending practices.**
 - **Potential policies: enforce the Equal Credit Opportunity Act; strengthen consumer protection from predatory lending including payday and car title lending; limit**

finances and fees lending institutions are permitted to charge borrowers; support credit-building programs; encourage banking with reputable institutions; and provide support for the development of community banks.

- **Tax and Revenue Policies: Adequately fund public institutions and programs without increasing racial economic inequality.**
 - **Potential policies: reform “upside-down” tax expenditures so that they do not provide disproportionate benefits to the wealthy,⁶¹ support tax benefits to low-income families, including favorable tax treatment for renters; and work to eliminate excessive fines and fees on low-income households.**

The policies identified here for consideration are not a comprehensive listing. There are many others worthy of exploration. The listing reinforces the point that a multitude of policies maintain the Black-White racial wealth gap, and a multitude of policies will be needed to eliminate it.

The unequal, racially discriminatory system described in this report affects us all. Our nation will not achieve its true potential until we eliminate the racial wealth gap.

Endnotes

- 1 Eric Rodriguez, *Addressing the Wealth Gap for Hispanic Families*, 99 Fed. Reserve Bank of St. Louis Review 53, 53-58 (First Quarter 2017), <https://files.stlouisfed.org/files/htdocs/publications/review/2017-02-15/addressing-the-wealth-gap-for-hispanic-families.pdf>.
- 2 Christian E. Weller & Jeffrey Thompson, *Wealth Inequality Among Asian Americans Greater Than Among Whites*, Ctr. for Am. Progress: Race and Ethnicity (Dec. 20, 2016), <https://www.americanprogress.org/issues/race/reports/2016/12/20/295359/wealth-inequality-among-asian-americans-greater-than-among-whites/>.
- 3 Greg Leiserson et al., *The distribution of wealth in the United States and implications for a net worth tax*, Wash. Ctr. for Equitable Growth (Mar. 21, 2019), <https://equitablegrowth.org/the-distribution-of-wealth-in-the-united-states-and-implications-for-a-net-worth-tax/>.
- 4 *Financial Assets & Income, Liquid Asset Poverty Rate*, Prosperity Now Scorecard (2014), <https://scorecard.prosperitynow.org/data-by-issue#finance/outcome/liquid-asset-poverty-rate>.
- 5 Laura Feiveson & John Sabelhaus, *How Does Intergenerational Wealth Transmission Affect Wealth Concentration?*, Bd. of Governors of the Fed. Reserve Sys.: FEDS Notes (Jun. 1, 2018), <https://www.federalreserve.gov/econres/notes/feds-notes/how-does-intergenerational-wealth-transmission-affect-wealth-concentration-20180601.htm>.
- 6 Leiserson et al., *supra* note 3, at ¶1, 5.
- 7 *Id.* at ¶4, Figure 1.
- 8 *Wealth, Asset Ownership, & Debt of Households Detailed Tables: 2015*, U.S. Census Bureau (2015), <https://www.census.gov/data/tables/2015/demo/wealth/wealth-asset-ownership.html> (last visited Oct. 10, 2019) (Click on Excel link under “Wealth and Asset Ownership” to download data; relevant data located in cells B8 and B9 of spreadsheet).
- 9 William Darity Jr. et al., Samuel DuBois Cook Ctr. on Soc. Equity, *What We Get Wrong About Closing the Racial Wealth Gap* 2, 8-9 (Apr. 2018), <https://insightcced.org/wp-content/uploads/2018/07/Where-We-Went-Wrong-COMPLETE-REPORT-July-2018.pdf>.
- 10 Amy Traub (Demos), Laura Sullivan et al. (Institute on Assets & Social Policy at Brandeis University), *The Asset Value of Whiteness: Understanding the Racial Wealth Gap* 1-2, 4-11 (2017), <https://www.demos.org/research/asset-value-whiteness-understanding-racial-wealth-gap> [hereinafter Traub et al., *Asset Value*]; Melvin L. Oliver & Thomas M. Shapiro, *Wealth of a Nation: A Reassessment of Asset Inequality in America Shows at Least One Third of Households are Asset-Poor*, 49 Am. J. of Econ. & Soc. 129-50 (1990); Prosperity Now, *supra* note 4.
- 11 Amy Traub et al. (Demos), Laura Sullivan et al. (Institute for Assets & Social Policy at Brandeis University), *The Racial Wealth Gap: Why Policy Matters* 5-15 (2016), <https://www.demos.org/research/racial-wealth-gap-why-policy-matters>.
- 12 Darity Jr. et al., *supra* note 9, at 5-9, 51-55.
- 13 Justin P. Steil et al., *The Social Structure of Mortgage Discrimination*, 33 Hous. Stud. 759, 759 (2018), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6084476/>.
- 14 Rebecca Onion, *America’s Other Original Sin*, Slate (Jan. 18, 2016), http://www.slate.com/articles/news_and_politics/cover_story/2016/01/native_american_slavery_historians_uncover_a_chilling_chapter_in_u_s_history.html.
- 15 Peter Lindert & Jeffrey Williamson, *Unequal gains: American growth and inequality since 1700*, Vox CEPR (Jun. 16, 2016), <https://voxeu.org/article/american-growth-and-inequality-1700>; Robert J. Gordon, *The Rise and Fall of American Growth: The U.S. Standard of Living Since the Civil War* 27 (Joel Mokyr ed. 2016).
- 16 John Hope Franklin & Evelyn Brooks Higginbotham, *From Slavery to Freedom: A History of African Americans* 248-49 (Stacey Sawyer et al. eds., 9th ed. 2011).
- 17 Eric Foner, *Reconstruction: America’s Unfinished Revolution, 1863-1877*, at 575-87 (Henry Steele Commager & Richard B. Morris eds., Harper & Row, Publishers 1988).
- 18 *Id.* at 587-601.
- 19 U.S. Const. amend. XIII, § 1.
- 20 *Slavery by Another Name* (PBS 2012), <http://www.pbs.org/tpt/slavery-by-another-name/home/>.
- 21 *Id.*
- 22 *Id.*
- 23 Ida B. Wells, *Crusade for Justice: The Autobiography of Ida B. Wells* 64 (Alfreda M. Duster ed., Chicago: University of Chicago Press, 1970).

- 24 Sameer Rao, *It's Been 96 Years Since White Mobs Destroyed Tulsa's Black Wall Street*, Colorlines (May 31, 2017), <https://www.colorlines.com/articles/its-been-96-years-white-mobs-destroyed-tulas-black-wall-street>; Alfred F. Brophy, *Reconstructing the Dreamland, The Tulsa Riot of 1921: Race, Reparations, and Reconciliation* 24-26, 38-40, 46-47, 60 (Oxford Univ. Press 2002).
- 25 Brophy, *supra* note 24, at 75.
- 26 See Douglas S. Massey & Nancy A. Denton, *American Apartheid: Segregation and the Making of the Underclass* 30-35 (Harvard Univ. Press 1993); Charles Abrams, *Forbidden Neighbors* 82-83 (Harper & Brothers 1955); see also, e.g., LaRae Umfleet, NC Dep't of Cultural Res., *1898 Wilmington Race Riot Report*, NC Digital Collections (May 31, 2006), <http://digital.ncdcr.gov/cdm/compoundobject/collection/p249901coll22/id/5842/rec/16>; Megan Gannon, *In Land of Lincoln, Long-Buried Traces of A Race Riot Come to the Surface*, Smithsonian.com (Jan. 7, 2019), <https://www.smithsonianmag.com/history/land-lincoln-long-buried-traces-race-riot-come-surface-180971036/>; *Photos from the archive: The 1917 East St. Louis race riots*, St. Louis Post-Dispatch (Feb. 20, 2014), https://www.stltoday.com/news/archives/photos-from-the-archive-the-east-st-louis-race-riots/collection_ddbb6cfb-8942-551e-9ee4-0be478808ab2.html; James Jeffrey, *Remembering the black soldiers executed after Houston's 1917 race riot*, PRI (Feb. 1, 2018), <https://www.pri.org/stories/2018-02-01/remembering-black-soldiers-executed-after-houstons-1917-race-riot>; Grif Stockley, *The Massacre: What Happened, UA Little Rock Ctr. for Ark. Hist. & Culture* (2019), <https://ualrebits.org/elaine/100-years-ago/the-massacre-what-happened/>.
- 27 Trina Williams, Ctr. For Soc. Dev. at Washington Univ., *The Homestead Act: A Major Asset-building Policy in American History* 8-10 (Working Paper 00-9, 2000), https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1045&context=csd_research.
- 28 *Id.*
- 29 Warren Hoffnagle, *The Southern Homestead Act: Its Origins and Operation*, 32 *The Historian* 612, 612-629 (1970), https://www.jstor.org/stable/24441013?seq=1#page_scan_tab_contents.
- 30 First Morrill Act, Ch. 130, 12 Stat. 503 (1862).
- 31 Second Morrill Act, Ch. 841, 26 Stat. 417 (1890).
- 32 Gil Kujovich, *Equal Opportunity in Higher Education and the Black Public College: The Era of Separate but Equal*, 71 *Minn. L. Rev.* 29, 45 (1987) <https://scholarship.law.umn.edu/cgi/viewcontent.cgi?article=2386&context=mlr>; William Elton Trueheart, *The Consequences of Federal and State Resource Allocation and Development Policies for Traditionally Black Land-Grant Institutions: 1862-1954* (1979) (out of print Ph.D. thesis, Harvard University) (on file with University Microfilms International; available in microform at NY Public Library).
- 33 See, e.g., Mehrsa Baradaran, *The Color of Money: Black Banks and the Racial Wealth Gap* 101 (Belknap Press: An Imprint of Harvard Univ. Press, reprint ed. 2019); Ira Katznelson, *Fear Itself: The New Deal and the Origins of Our Time* 268-69, 386-87 (Liveright Pub. Corp. 1st ed. 2013).
- 34 Sarah E. Turner & John Bound, *Closing the Gap or Widening the Divide: The Effects of the G.I. Bill And World War II on the Educational Outcomes of Black Americans*, 63 *J. of Econ. Hist.* 145, 161-62, 164, 179 (2003), <https://www.cambridge.org/core/journals/journal-of-economic-history/article/closing-the-gap-or-widening-the-divide-the-effects-of-the-gi-bill-and-world-war-ii-on-the-educational-outcomes-of-black-americans/74DF938368F70F04EEE9C908B62E8A52>.
- 35 Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America*, at xi Preface (Liveright Pub. Corp., 1st ed. 2017).
- 36 163 U.S. 537, 550-51 (1896).
- 37 See *Allen v. Oklahoma City*, 175 Okla. 421, 52 P.2d 1054 (Okla. 1935); *Ex parte Lee*, 175 Okla. 426, 52 P.2d 1059 (Okla. 1935).
- 38 Rothstein, *supra* note 35, at 78, 81-82.
- 39 Thomas J. Sugrue, *From Jim Crow to Fair Housing*, in *The Fight for Fair Housing* 15 (Gregory D. Squires ed. 2018). In 1948, the U.S. Supreme Court held, in a case argued by LDF founder and future Supreme Court Justice Thurgood Marshall, that state enforcement of racially restrictive covenants violated the 14th Amendment. *Shelley v. Kraemer*, 334 U.S. 1, 20 (1948).
- 40 Nicholas Lemann, *The Promised Land: The Great Black Migration and How it Changed America* 12-14, 71-74, 156, 164, 172, 190-91 (Vintage Books ed. 1991); Kevin Boyle, *Arc of Justice: A Saga of Race, Civil Rights, and Murder in the Jazz Age* 78-80, 89-90, 95-99, 150-58 (Henry Holt & Co., 2004).
- 41 Sugrue, *supra* note 39, at 16.

42 *Id.*

43 Paul A. Jargowsky, The Century Found. & Rutgers Ctr. for Urban Res. and Educ., *Concentration of Poverty in the New Millennium: Changes in Prevalence, Composition, and Location of High Poverty Neighborhoods* 5 (2013), https://cure.camden.rutgers.edu/files/2013/12/Concentration_of_Poverty_in_the_New_Millennium.pdf.

44 See Baradaran, *supra* note 33, at 2, 4-5, 203-04, 260-61, 265, 275.

45 Douglas S. Massey & Jacob S. Rugh, *The Intersections of Race and Class: Zoning, Affordable Housing, and Segregation in U.S. Metropolitan Areas*, in *The Fight for Fair Housing*, *supra* note 39, at 245-46.

46 Laura Sullivan et al., Inst. on Assets and Social Policy at Brandeis University, *Not Only Unequal Paychecks: Occupational Segregation, Benefits, and the Racial Wealth Gap* (2019), https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/asset-integration/occupational-segregation-report_40219.pdf.

47 Sugrue, *supra* note 39, at 25.

48 See, e.g., Natalie Moore, *Contract Buying Robbed Black Families In Chicago of Billions*, WBEZ Chicago (May 30, 2019), <https://www.npr.org/local/309/2019/05/30/728122642/contract-buying-robbed-black-families-in-chicago-of-billions>.

49 See, e.g., Jill E. Evans, *Challenging the Racism in Environmental Racism: Redefining the Concept of Intent*, 40 Ariz. L. Rev. 1219, 1230 (1998); Jon C. Dubin, *From Junkyards to Gentrification: Explicating a Right to Protective Zoning in Low-Income Communities of Color*, 77 Minn. L. Rev. 739, 764-68 (1993), <https://scholarship.law.umn.edu/cgi/viewcontent.cgi?article=2682&context=mlr>.

50 Following the recession, the Department of Justice brought a number of enforcement actions against banks for the failure to provide credit services to predominantly minority neighborhoods. See, e.g., Complaint, *United States v. Eagle Bank and Trust Co. of Missouri*, No. 15-cv-1492 (E.D. Va. filed Sept. 29, 2015); Complaint, *United States v. Citizens Republic Bancorp, Inc.*, No. 11-cv-11976 (E.D. Mich. filed May 5, 2011).

51 Jacob S. Rugh & Douglas S. Massey, *Racial Segregation and the American Foreclosure Crisis*, 75 Am. Soc. Rev. 629, 629-51 (2010), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4193596/>.

52 See Complaint, *United States v. Wells Fargo Bank, N.A.*, 1:12-cv-01150 (D.D.C. filed Jul. 12, 2012); Complaint, *United States v. Countrywide Financial Corp.*, 11-cv-10540-PSGAJW (C.D. Cal. filed Dec. 21, 2011).

53 See, e.g., Complaint, *Wells Fargo*, *supra* note 52, at 1-2, 4-5.

54 Steil et al., *supra* note 13, at 761 (citations omitted).

55 *Id.* at 759, 760-61, 769; Rugh & Massey, *supra* note 51, at 629-651.

56 Linda Qiu, *Sanders: African-Americans lost half their wealth because of Wall Street collapse*, Politifact (Feb. 11, 2016), <https://www.politifact.com/truth-o-meter/statements/2016/feb/11/bernie-s/sanders-african-american-lost-half-their-wealth-be/>.

57 Emily Badger, *Whites Have Huge Wealth Edge Over Blacks (but Don't Know It)*, N.Y. Times (Sept. 18, 2017), <https://www.nytimes.com/interactive/2017/09/18/upshot/black-white-wealth-gap-perceptions.html>; Michael W. Kraus et al., *Americans misperceive racial economic equality*, 114 PNAS 10324-10331 (2017), <https://www.pnas.org/content/pnas/114/39/10324.full.pdf>.

58 Traub et al., *Asset Value*, *supra* note 10.

59 The NAACP Legal Defense and Educational Fund, Inc. supports the Commission to Study and Develop Reparation Proposals for African-Americans Act ([H.R. 40](#) and [S. 1083](#)). These bills were introduced in 2019 to establish a commission to study the effects of slavery in the United States and the subsequent actions taken by federal, state, and local governments to perpetuate economic and racial discrimination against African Americans. See Press Release, NAACP Legal Def. & Educ. Fund, Inc., *LDf Supports Commission on Reparations for African Americans* (Jun. 19, 2019), <https://www.naacpldf.org/press-release/ldf-supports-commission-on-reparations-for-african-americans/>.

60 Bruce Western & Vincent Schiraldi, *Want to Shrink Our Prison? Fix Probation and Parole*, The Crime Report (Jul. 20, 2017), <https://thecrimereport.org/2017/07/20/want-to-end-mass-incarceration-fix-probation-and-parole/>.

61 *How the U.S. Tax Code Drives Inequality—and What We Can Do to Fix It*, Prosperity Now (Apr. 20, 2017), <https://prosperitynow.org/blog/how-us-tax-code-drives-inequality-and-what-we-can-do-fix-it>; Chye-Ching Huang & Roderick Taylor, Ctr. on Budget & Pol'y Priorities, *How the Federal Tax Code Can Better Advance Racial Equity: 2017 Tax Law Took Step Backward* 2-4, 15-16, 25 (2019), <https://www.cbpp.org/research/federal-tax/how-the-federal-tax-code-can-better-advance-racial-equity>.

LDF

THURGOOD MARSHALL INSTITUTE

**www.naacpldf.org
212.965.2200**

©2019

The NAACP Legal Defense and Educational Fund, Inc.

For more information about LDF or to make a tax deductible contribution to support LDF's work, please visit: www.naacpldf.org or call 212.965.2200.

**To obtain a copy of the report, please contact:
LDF Communications Department,
40 Rector Street, 5th Floor New York, NY 10006.**

To download a copy, please visit: www.tminstituteldf.org.