

STILL A DREAM: OVER 500 YEARS TO BLACK ECONOMIC EQUALITY

Black Economic Inequality 60 Years After the March on Washington For Jobs and Freedom



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Key Findings

Black Americans have endured the unendurable for too long. 60 years after the famed March on Washington for Jobs and Freedom, where Dr. Martin Luther King, Jr., gave his landmark “I Have a Dream” speech, African Americans are on a path where it will take 500 more years to reach economic equality.

In a few areas, African Americans have made substantial socioeconomic advancements since the 1960s.

- In 1963, Black Americans had a stunningly high poverty rate of 51%, white poverty was 15%. By 2021, poverty rates had declined, with white poverty at 8% and Black poverty at 20%. Though this is a substantial decline, it still means almost one in 12 white Americans are in poverty and one in five Black Americans live in poverty.
- The rate of Black high school attainment has sharply increased over the past 60 years from 24.8% in 1962 to 90.1% in 2022. The Black-white education gap, as a result, has narrowed. However, there is still a substantial divide between Black college attainment (27.6%) and white college attainment (37.9%), but the college attainment advantage for whites in 2022 (1.7 times that of Black Americans) is substantially lower than the advantage whites had in 1962 (2.4 times that of Black Americans).
- Unemployment has been at historically low rates for African Americans over the last few years. Between 1974 and 1994, Black unemployment consistently remained in the double digits, with rates twice as high as those for white Americans. From 1994 to 2017, Black unemployment rates varied between 7% and 10%, occasionally spiking to nearly 17% during recessions. However, since 2018, Black unemployment has reached record lows of 5% and 6%, except during the 18-month recession caused by Covid-19.

Yet there has been minimal progress in most socioeconomic indicators. At this pace, it would still take centuries for African Americans to reach parity with white Americans.

- For every dollar of white family income, African Americans had 58 cents in 1967. In 2021 African Americans had 62 cents to the white household’s

dollar. With this same rate of progress, it would take Black households 513 years to reach income parity with white households.

- Median household income for African Americans has grown just 0.36% since the turn of the century and it is still lower today than the white median family income in 1963.
- In 1962, African Americans had 12 cents for every dollar of wealth of non-black Americans. By 2019, African Americans had 18 cents for every dollar of wealth of non-Black Americans. **At this rate it would take 780 years for Black wealth to equal non-Black wealth.**
- Black homeownership increased from 38% in 1960 to 44% in 2021, an increase of 6%. White homeownership has increased from 64% in 1960 to 74% in 2021, a 10% increase. **In over 60 years, there has not been a bridging of the Black-white homeownership divide.**

Recommendations:

There are a wide range of solutions necessary to narrow the racial economic divide. The five that we believe would make the most difference are:

- A push for full employment and guaranteed jobs;
- A massive land and homeownership program;
- A commitment to individual asset building;
- Policies to reduce dynastic concentrations of wealth and power; and,
- Targeted reparations.

The Economic Reality of African Americans in the 1960s

In the 1950s and 1960s, African Americans in the United States faced significant socioeconomic challenges. Overall, this two-decade stretch was considered to be a time of economic growth and prosperity for the country. It immediately followed the policies instituted by the New Deal where social programs and mass investment by the federal government helped create the great white American middle class in the 1940s and 1950s.

At the end of the Second World War, President Franklin D. Roosevelt signed into law the G.I. bill that expanded the white middle class. Approved and enacted in 1944, the G.I. Bill provided a range of benefits for eligible veterans returning from World War II. These benefits included low-cost mortgages, low-interest loans to start a business or farm, one year of unemployment compensation and dedicated payments of tuition fees plus living expenses so the recipient could attend high school, college, or a vocational school.

Four out of five men born in the United States during the 1920s served in the military. About half of them used the G.I. Bill to access education and training services. According to Ira Katznelson's book *When Affirmative Action Was White*, "by 1950, the federal government had spent more on schooling for veterans than expenditures for the Marshall Plan, which had successfully rebuilt Europe's devastated economic life after the war."¹

Along with public investment in higher education, the G.I. Bill also financed 40% of mortgages between 1946 and 1947.² However, many of these mortgages were only available to White veterans. According to Katznelson and Mettler, in 1947, only two of the more than 3,200 VA-guaranteed home loans in 13 Mississippi cities went to Black borrowers.³ Many of the 1.2 million Black veterans who had served during World War II were excluded from the benefits of the G.I. Bill.

In 1954, as the Supreme Court made its historic decision against segregation in *Brown v. Board of Education*, Black unemployment rates averaged 9.9%, compared to 5% for whites.⁴ In a 1950 sample taken in the South (where roughly 70% of Blacks resided), 10.3% of Black men held service jobs, compared to only 3.5% of white men.⁵ The same sample found that 16.3% of whites held white-collar jobs at the turn of the century, increasing to 29.1% by 1950. In the same timeframe, the rate of Black workers in white-collar occupations only increased from 2.7% to 5.5%. The data reveal that a majority of Black professionals in the South were found primarily in two occupations: teaching and preaching. Skilled blue-collar jobs offered upward

socioeconomic mobility, but even then, Blacks were underrepresented (6.7%) compared to whites (20%).

High levels of Black unemployment, exclusion from high-paying jobs, poor job mobility and systematic disenfranchisement of many African Americans prompted a large-scale march for political and economic justice. It was in this context that renowned labor leader A. Phillip Randolph revived his idea of a March on Washington for economic justice and racial equality.

In the early 1940s, Randolph began to organize thousands of Black workers in protest against racial discrimination at firms that had wartime contracts with the federal government. The threat of mass action prompted President Roosevelt to issue Executive Order 8802 in 1941. The order prohibited racial discrimination in defense industry workplaces and created the Fair Employment Practices Committee to ensure enforcement. However, all of this was effectively undone just a few years later with the conclusion of the war.⁶ Two decades later, Randolph partnered with Roy Wilkins, executive secretary of the NAACP, to begin organizing a march for Black jobs and the passage of civil rights legislation.

On August 28, 1963, the March on Washington for Jobs and Freedom called for Congress to pass the Civil Rights Bill, demanding fair wages and economic justice, voting rights, education, long overdue civil protections and an end to segregation. More than a quarter of a million people participated in the historic March on Washington for Jobs and Freedom.

African Americans saw substantial increases in their economic welfare thanks to the Black Freedom Movement of the 20th century in combination with the expansion of targeted poverty alleviation measures introduced by President Lyndon B. Johnson. In 1959, 55% of African Americans lived in poverty.⁷ In other words, more than half of African Americans lacked the financial resources and material essentials to meet their basic needs and have a dignified standard of living. This number substantially decreased after Johnson's State of the Union address in 1964, during which he declared an "unconditional war on poverty." Over the next five years, Congress passed legislation that would transform the US educational system, provide healthcare via Medicare and Medicaid, and expand social safety net programs such as housing subsidies, urban development programs, employment and training programs, food stamps and other welfare benefits. By 1969, the rate of African American poverty dropped to 32%. Whites similarly saw a decrease in poverty rates. A little more than 18% of whites lived in poverty in 1959, compared to 9.5% in 1969.⁸

As the Black Freedom Movement of the 1960s made national and international headlines, African Americans saw substantial economic growth. Between 1960 and 1969, African American median family income increased by 51% and Black unemployment substantially declined from 10% to 6%.⁹ The racial wealth divide also decreased during this time period. According to economist Ellora Derenoncourt, whites had eight times the wealth of Blacks in 1959. By 1968, Black wealth had increased by 60%, bridging the disparity to white wealth to six times that of Black Americans.¹⁰

During the height of the midcentury Black Freedom Struggle, when Black protestors endured imprisonment, state terrorism and the assassinations of African American leaders like Dr. Martin Luther King Jr., Malcolm X, Fred Hampton and many others, African Americans saw substantive political economic advances.

Despite this economic growth and material improvement, the disparity between whites and Blacks was still glaring. In 1967, the median income for African American families was only 59% of that of whites. When adjusted for inflation and represented in 2022 dollars, Black median family income was \$37,497 compared with \$63,333 for white families.

In terms of net worth, the wealth divide between African Americans and whites narrowed only slightly in the 1960s and remains substantial to this day. In 1968, Black wealth was \$14,476 compared to non-Black wealth at \$97,764. This sixfold difference has not changed.

How a Regressive Economy has Left Racial Equality a Distant Dream

It is important to situate the Black-white racial divide in the context of over four decades of growing income and wealth inequality affecting all segments of society.

Between the late 1970s until the present day, overall trends of income and wealth inequality have accelerated. Income inequality for all racial groups has ebbed and flowed over the last four decades while wealth and asset disparities have steadily widened. Many of the wage and wealth gains in the past twenty years have flowed upwards to not just the top 1% of households, but to the top 0.1% of households.¹¹

Income Inequality

Beginning in the 1970s, after more than three decades of growing equality, the income gap began to widen. Income growth for low- and middle-income households sharply slowed, while incomes for the highest income households increased rapidly.¹²

Wealth Concentration

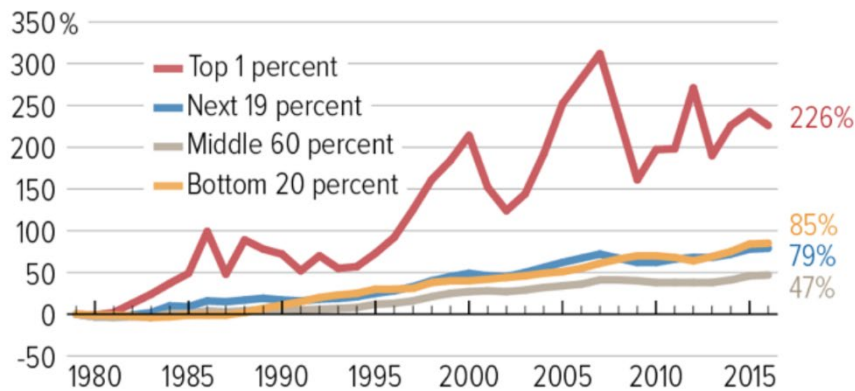
Based on 2019 Federal Reserve data, \$96.1 trillion in total US household wealth was distributed very unevenly among 129 million families. The top 10% of US households, roughly 12.9 million families, own 76% of all private wealth. The middle 40% owned 22% of all wealth. The bottom 50%, roughly 64.3 million families, hold a combined 1% of wealth.¹³

FIGURE 2



Income Gains at the Top Dwarf Those of Low- and Middle-Income Households

Percent change in income after transfers and taxes since 1979



Source: Congressional Budget Office

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These overall regressive economic trends have “supercharged” historic racial wealth disparities. In the thirty years after the Second World War, 1947 to 1977, overall income and wealth inequality reduced. During these decades, the disparity between Black and white wages began to narrow. Wealth indicators such as homeownership rates and median wealth started to also become less severe. If the post-war trajectory of rising wages and expanding middle class standards of living had continued, it is likely that racial disparities would have also declined. Instead, those positive trends slowed and then reversed beginning in the 1980s.

Ongoing Racial Economic Inequality

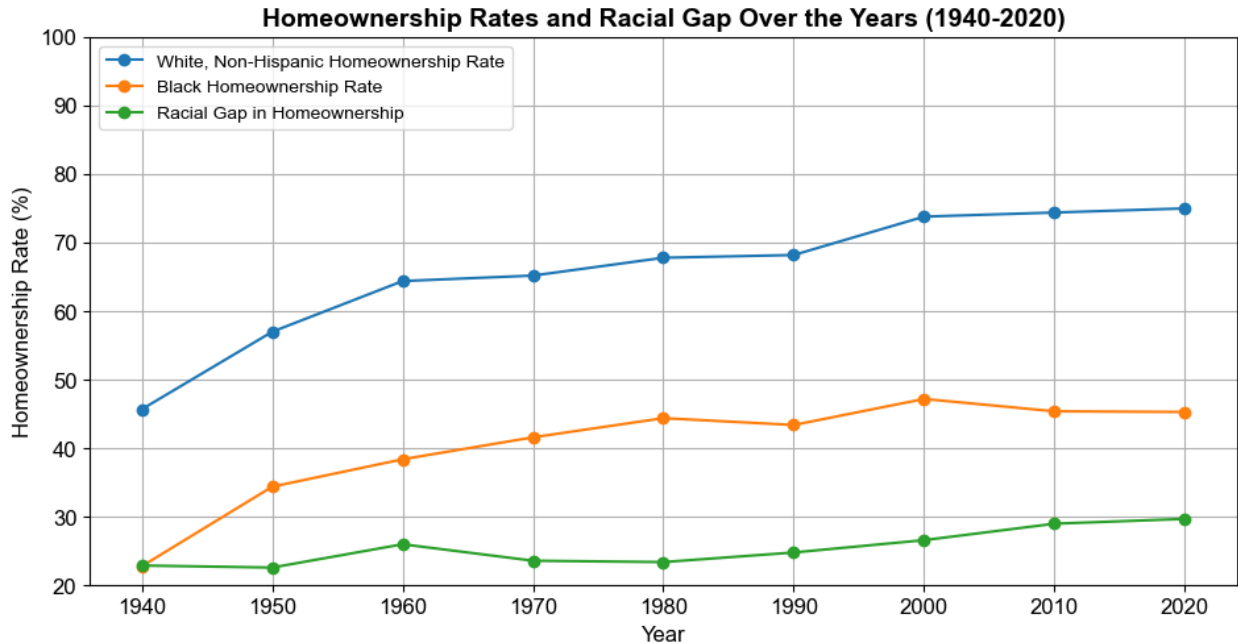
Housing Gap

Data from the US Census Bureau demonstrate two long and persistent trends: a slowly *expanding* gap in the rates of homeownership between whites and African Americans, and marginal gains in overall Black homeownership over the past sixty years. Examining this lack of significant progress reveals that racial equity goals are nowhere close to being achieved.

Perhaps the most shocking revelation is that Black gains in homeownership were more significant prior to the passage of the Fair Housing Act of 1968. The Black homeownership rate was 22.8% in 1940 and jumped 15.6 percentage points to 38.4% over the next twenty years, but it has ebbed and flowed ever since. The peak for Black homeownership was in 2004 at 49.1%, but 15 years later it had sharply declined by 7 percentage points.. As a result, the Black homeownership rate in 2019 (42.1%) was virtually identical to the rate in 1970 (41.6%). The historical pattern exhibits a lack of ownership stability since gains can easily be reversed thanks to the booms and busts of the real estate market. It confirms that a market-based strategy is not adequate in reducing homeownership inequality. Sustained government investment is required to increase Black homeownership and bridge the current gap. Black homeownership at the end of 2022 (45%) was slightly lower than the White homeownership rate in 1940 (45.7%). And Black renters continue to outnumber Black homeowners.¹⁴

The data highlights that structural barriers continue to persist for African Americans. The primary barriers are lower Black income and widespread asset poverty. Higher rates of mortgage denials, discrimination in housing value and the persistence of racial segregation deny Black households the ability to gain proprietorship of an asset known to be a source and builder of wealth. Correspondingly when Black households do become homeowners, their homes are often appraised at lesser value, thus diminishing returns on Black homeownership, the largest source of wealth for African Americans. A 2018 report published by the Brookings Institution demonstrated that homes in Black neighborhoods were considered to be worth 23% less than homes in white neighborhoods despite similarities in amenities, home quality and neighborhood quality.¹⁵ It provides further proof that our housing market as well as the economy as a whole reproduce outcomes that impede the economic prospects of African Americans.

When the first Housing Census was completed in 1940, the Black-white gap was 22.9%. It then increased 3.1 percentage points amid impressive homeownership gains for both groups by 1960, before beginning to slowly decline. The gap reached its second lowest point in 1980 at 23.4 percentage points. However, instead of continuing its descent, a process of regression begins, and we bear witness to a remarkable expansion of the Black-white gap. The gap currently sits at 29.4% -- worse today than in 1960.



Source: US Census Bureau
 Homeownership rates for 1940, 1950, 1960, 1970, 1980, and 1990 are from the report, "Tracking the American Dream. 50 Years of Housing History from the Census Bureau: 1940 to 1990" by F. John Devaney.
 Homeownership rates for 1994 to 2022 from US Census Bureau, Housing Vacancies and Homeownership (CPS/HVS), Annual Statistics for 2022.
 From 1994 onwards, White homeownership rate is White, not-Hispanic homeownership rate.

Failure to properly address the structural barriers to and the racial divides in homeownership will worsen inequality and deprive Black households of the opportunity to build a portfolio with assets that could provide them with financial security and a safety net.

Educational Attainment

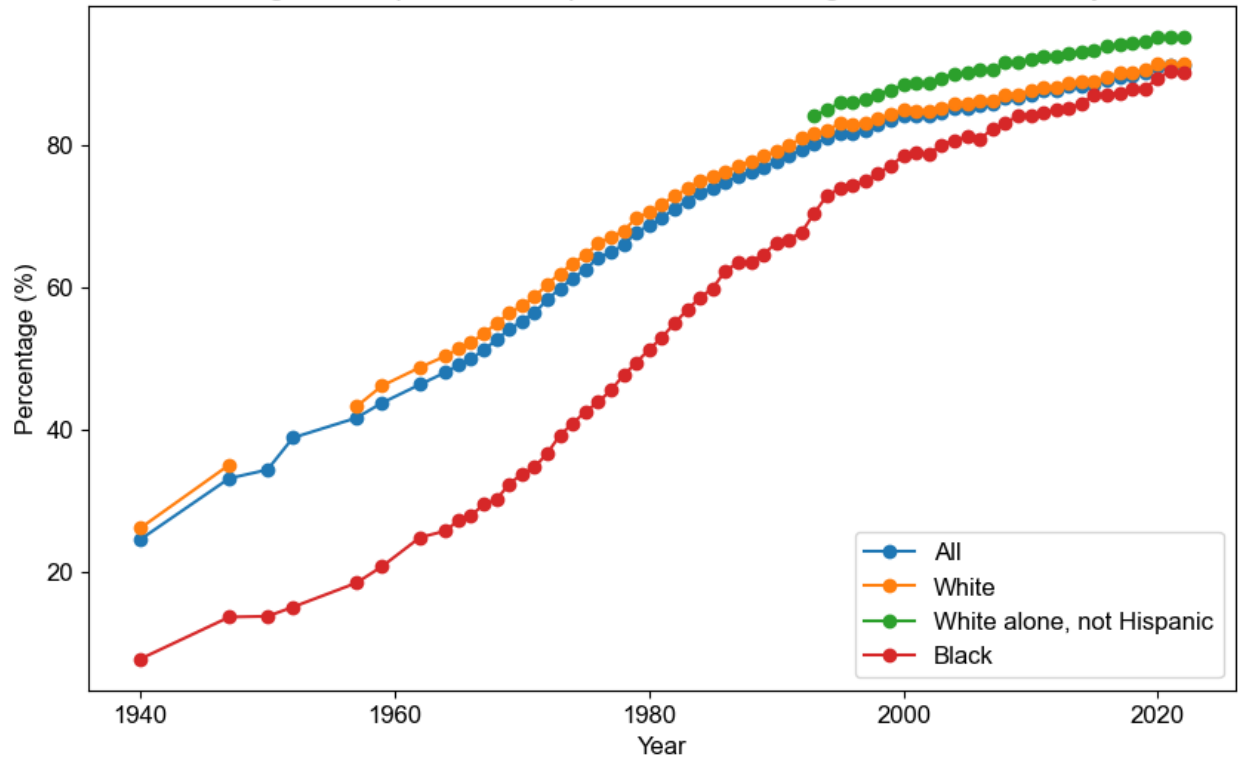
The March on Washington for Jobs and Freedom occurred less than ten years after the momentous *Brown v. Board of Education* Supreme Court decision that was supposed to end racial segregation in public schools. However, segregation remains a serious challenge nearly seven decades later.¹⁶ In light of the Supreme Court's most recent attack upon affirmative action as a tool to address racial inequality, it is

unclear if African Americans will be able to maintain or strengthen this level of advancement in higher education attainment.

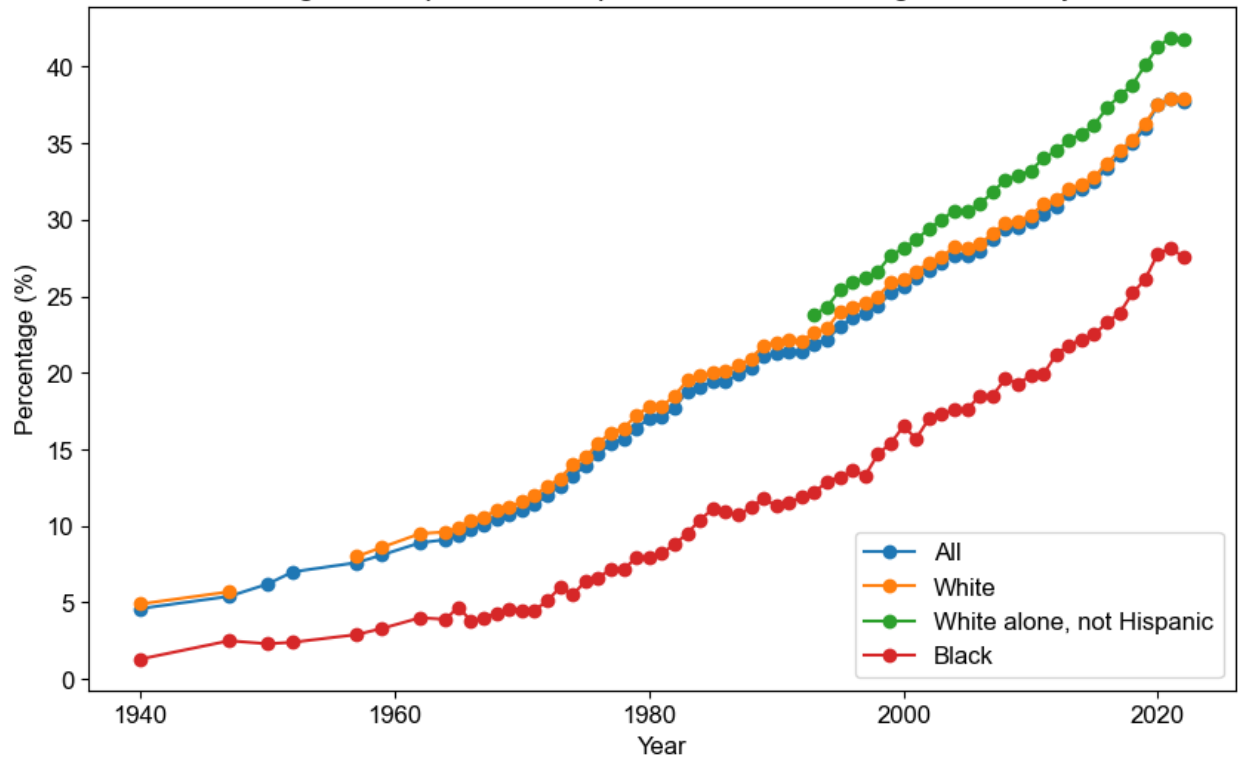
There has been an uninterrupted upward trajectory of the rate of individuals over the age of 25 who had completed four years of high school or more. In 1940, only 7.8% of African Americans had completed four years of high school. This number jumped to 24.8% in 1962 and 29.5% in 1967. High school attainment increased the most for African Americans and the nation as a whole in the 1970s. The current rate is 90.1%. The Black-White high school attainment gap also had a downward trajectory since the 1960s. It was 24.8 percentage points in 1962 and it is now one point compared to whites and five points compared to non-Hispanic whites in 2022.¹⁷

The percentage of African Americans over the age of 25 with a four-year university degree has also increased over the past 80 years. It was 1.3% in 1940, 4% in 1962 and did not cross the double-digit threshold until 1984. While this rate has more than tripled over the past 40 years — 27.6% as of 2022 — it is still well below the national rate of 37.7%. At the same time, the Black-white higher educational attainment divide has been closing. White college attainment (9.5%) was 2.4 times greater than that of African Americans (4%) in 1962 and has decreased to 1.4 times in 2022. White higher education attainment is currently 37.9% and Black college attainment is 27.6%.¹⁸

Percentage of People who Completed 4 Years of High School or more by Year



Percentage of People who Completed 4 Years of College or more by Year



Wealth

Statistics on the racial wealth divide before the 1983 Survey of Consumer Finances are challenging to find. The paper “Wealth of Two Nations: The U.S. Racial Wealth Gap, 1860-2020” provides estimates of Black/non-Black wealth divide since 1860.¹⁹ This paper estimates a wealth divide for African Americans in 1860 — when there was still legalized mass enslavement of African Americans — as being at 56 to 1. Ten years after the national abolition of Black enslavement, there would be the largest decline in the Black-white wealth divide, falling down to 23-to-one by 1870. By 1900, the paper estimated the Black wealth divide to be at 11-to-one and eight-to-one by 1960. By 1970, it had declined to six-to-one, where it has remained ever since.

The Consumer Survey of Finances provides a different ratio of the Black-white wealth divide, but it similarly shows a glacial rate of improvement in Black-white wealth inequality. Over the past four decades, the racial wealth divide has increased in total dollars according to analysis of these data by Edward N. Wolff.²⁰ The racial wealth divide in 1983 between Blacks and whites was \$100,000 and increased to \$151,000 in 2019. During the next 40 years, median Black wealth was never closer to white wealth than it was in 1983. The country is not on a path to bridge the racial wealth divide. In fact, using Wolff’s analysis, the Black-white wealth divide has increased. In 1983, Black Americans had 7% of the wealth of whites. In 2019, Black Americans had slightly lost ground, having only 6% of the wealth of whites. The 1860 to 2020 paper (cited above) is more optimistic on the prospect of closing the racial wealth divide. According to this analysis of 160 years, African Americans in 1962 (the year before the March on Washington for Jobs and Freedom) had 12 cents for every dollar of wealth of non-Black Americans. In 2019, African Americans had 18 cents for every dollar of wealth of non-Black Americans. **At this rate, this more optimistic analysis estimates it would take 780 years for Black wealth to equal non-Black wealth.**

Not only is the nation’s Black-white wealth divide on a steady path of maintaining economic apartheid, but the low level of Black wealth is also keeping most African Americans in asset poverty. Wolff estimates the median financial resources of African Americans to be at \$400 in 2019 compared to \$47,800 for white Americans. Median financial resources are an estimate of the wealth accessible to a household that does not require one to pull value out of an owned home or asset. This \$400 median means that most African Americans have to go into debt to cover an unexpected expense of \$500 or more. Though **African Americans have shown**

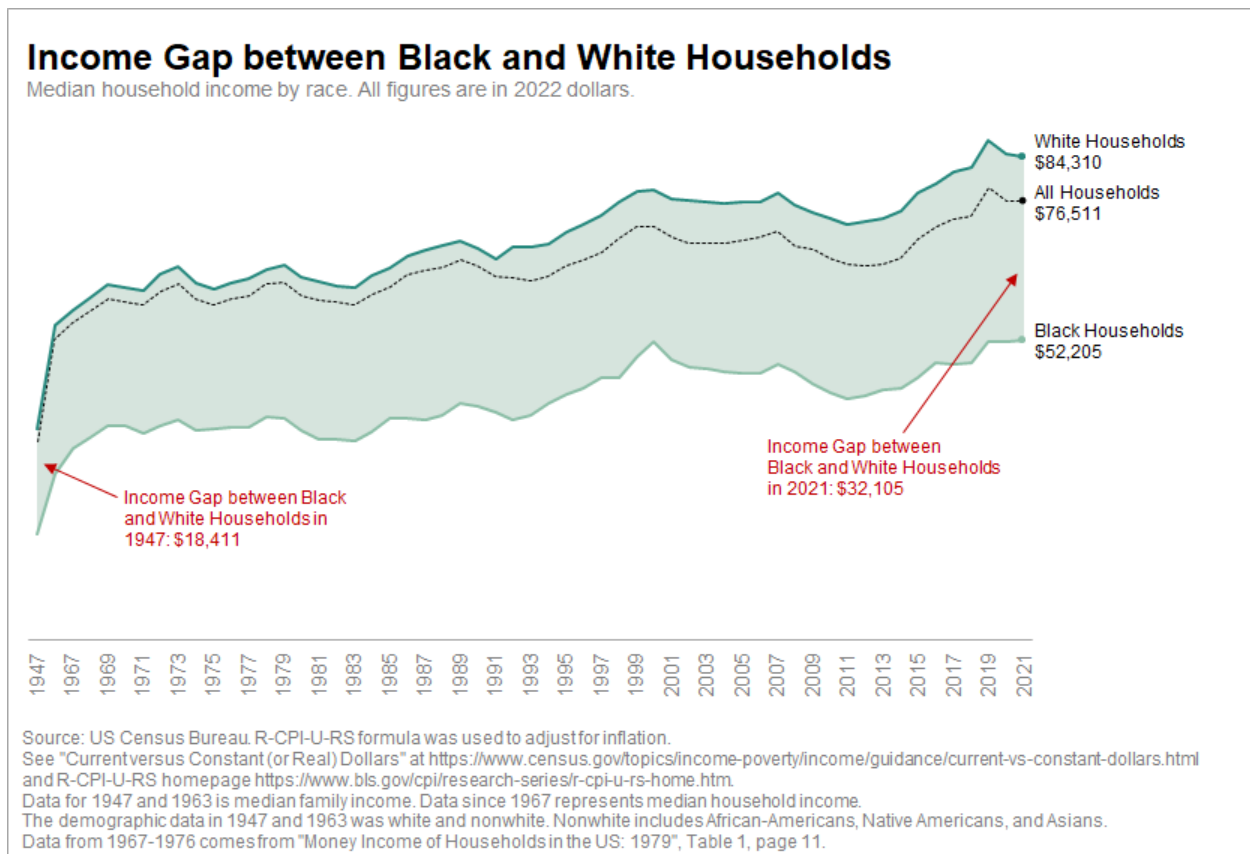
significant progress in getting out of income poverty, the majority still face the challenges of asset poverty.

To understand the real cost of racial discrimination in wealth building, the Brookings Institution looked at the share of national wealth that would be owned by Black households if they held a share in proportion to their portion of the population. Instead of total Black wealth of \$2.54 trillion, total Black wealth should be closer to \$12.68 trillion, representing a gap of \$10.14 trillion.²¹

Income

When comparing the median income of 1963 with 2021, we have to take into account that we are looking at two similar yet different datasets. The report published by the US Census Bureau in 1963 looks at median family income as opposed to median household income. This difference is important. The Bureau defines a family as a group of people who reside together and are related by means of birth, marriage or adoption. Meanwhile, a household can be a single individual or a group of people who occupy a housing unit.²² Furthermore, early Census surveys only had two demographic categories — white and nonwhite — while more recent reports include Black and Hispanic households.

Black families experienced impressive median income growth between 1947 to 1963. The median income grew 58% from \$18,411 to \$29,088 and it has continued to expand ever since. As of 2021, the median income of Black households sits at \$52,205 and — if we mix the separate family and household datasets — the Black median family/household income has increased by 79% over the past 60 years.



However, this does not mean progress was linear or that there weren't any setbacks. There have been three instances since the 1960s where the median income for Black households decreased for at least four straight years. For example, median income was \$38,567 in 1978, but it was \$34,871 by the end of 1983, a \$4,026 drop in 5 years. The other two instances occurred in the twenty-first century. The Black median household income fell \$5,526 between 2000 and 2005, from \$52,018 to \$46,492. It then tumbled another \$5,983 between 2007 and 2011, from \$48,125 to \$42,142. As a result, the median income for a Black household fell almost \$10,000 between 2000 and 2011, a 19% drop. Median household income for African Americans has only grown 0.36% since the turn of the century. Median Black household income today is lower than the white median family income was back in 1963, which was \$54,970 when adjusted for inflation. This demonstrates how recessions and economic crises have halted the income progress of African Americans.²³

Meanwhile, the Black-White family income gap was \$18,411 in 1947. It increased to \$25,882 in 1963, dropped slightly to \$24,044 in 1967, but as of 2021 stands at \$32,105, adjusted for inflation. It is curious to highlight that the income gap between Black and white households reached its peak in 2019 at \$35,157 -- the same year

that Black unemployment reached its lowest level since 1960 at 6.1%.²⁴ This demonstrates that Black workers are overrepresented in low-wage jobs.²⁵ The income dollar disparity has decreased these past two years, but nothing suggests that this downward pressure on the disparity is permanent or sustainable.

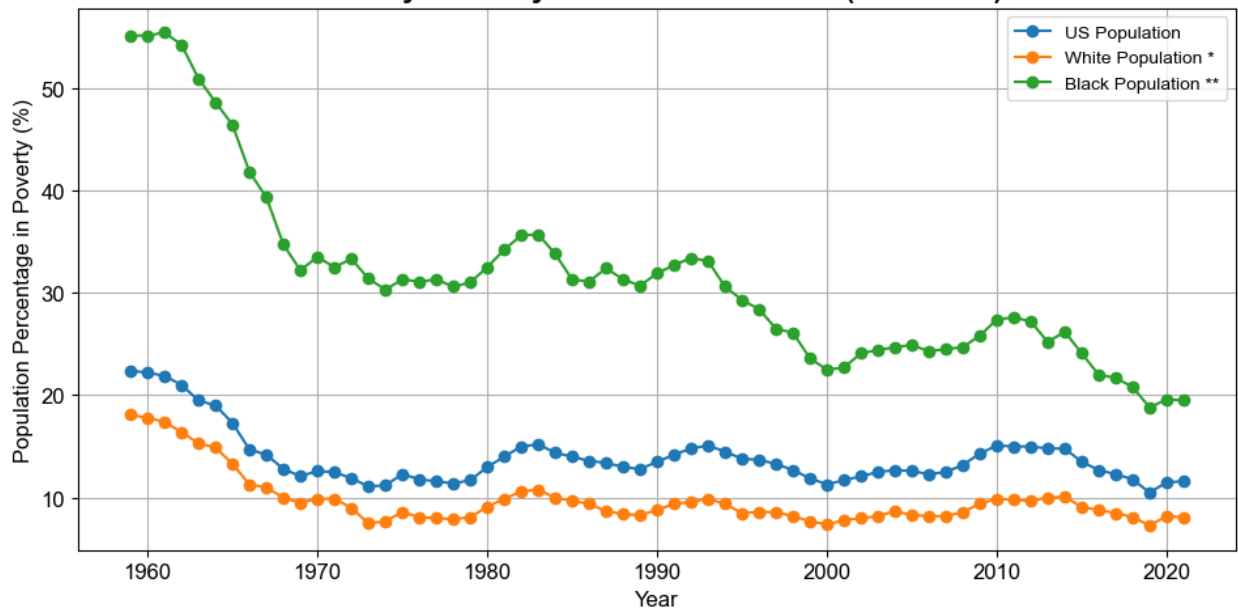
Even though the income dollar disparity has expanded since the 1960s, the ratio of Black income to white income has narrowed. Black families only had half the income of white families in 1947. That figure fell two percentage points by 1963. Household median income reduced an additional 6 points in 1967 before beginning to progress – but at an extremely slow pace. For every dollar of white family income in 1967, African Americans had 58 cents – only nominally below the 62 cents figure in 2021. **At this pace, it would take Blacks 513 years to get to white median household income.** In terms of wealth and income, at best it would take over 500 years for African Americans to reach economic equality with whites at the rate of advancement the nation has seen since the 1963 March on Washington for Jobs and Freedom.

The Economic Reality of African Americans in the Twenty-First Century

Compared to the political and economic progress of the 1960s, the 21st century has been much less fruitful, even as the country saw its first African American president and a national recognition of police brutality most known through Black Lives Matter protests. This stalling-out is seen in both workplace data and asset data.

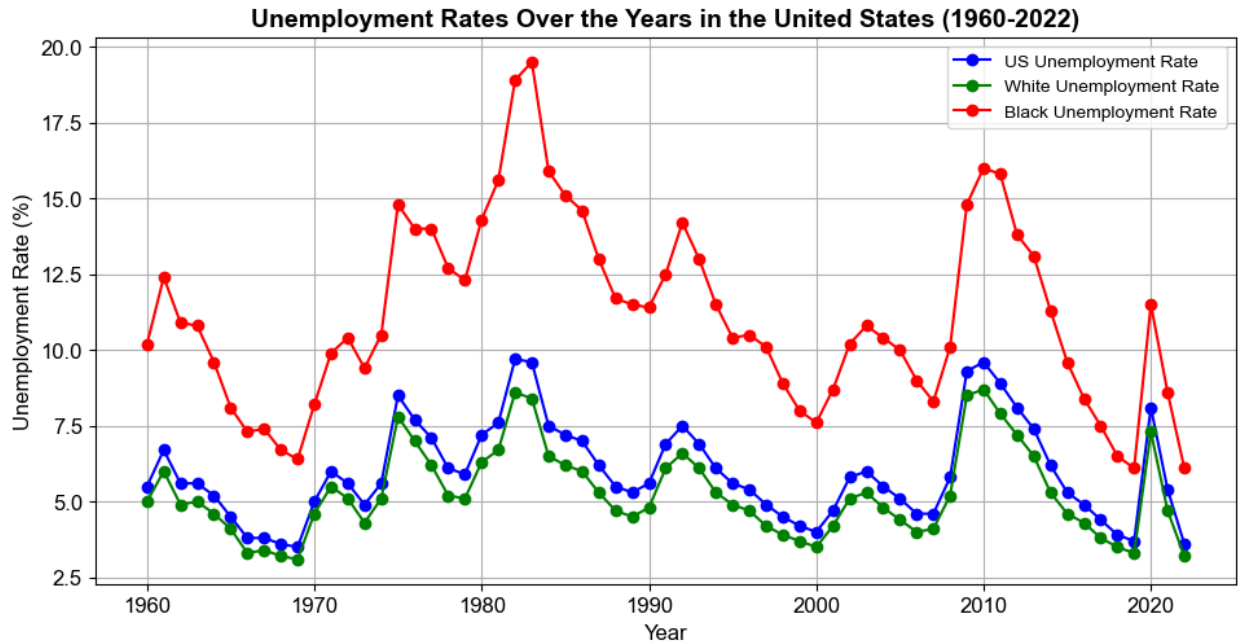
The African American poverty rate declined almost 25% during the 1960s. But poverty decline for African Americans has been much more minimal in the 21st century. From 2000 to 2021, there was only a 3% decline in Black poverty (from 22.5% to 19.5%). The overall poverty rate in the United States has actually slightly increased in the twenty-first century from 11.3% in 2000 to 11.6% in 2021.

Poverty Rates by Race Over the Years (1959-2021)



Source: US Census Bureau
 * From 1959 to 1972, the classification is listed as "White." From 1973 to 2001, the classification is listed as "White, Not-Hispanic." From 2002 to 2021, the classification is listed as "White Alone, Not-Hispanic."
 ** From 1959 and 1966 to 2001, the classification is listed as "Black." From 1960 to 1965, the classification is listed as "Nonwhite." Nonwhite groups include African-Americans, Native Americans, and others. From 2002 to 2021, the classification is listed as "Black Alone."

Job market metrics of equality have proved similarly stubborn since the turn of the century. African Americans had an average unemployment rate of about 9% over the last 10 years (2012 through 2021) with an unemployment rate high of 13.8% in 2012 and a low of 6.1% in 2019. This is not much different than the 1960s outside of having slightly higher unemployment rates. One area where there has been some progress is that the unemployment rate for African Americans is no longer two times that of whites -- but it is still nowhere near parity. The Black unemployment rate was 11.5% at the height of the Covid-19 recession in 2020, 1.6 times that of whites. While the unemployment rate dropped for both groups in 2021, the gap grew to where Black unemployment was 1.8 times that of whites. Since 2018, Black unemployment has reached record lows of 5% and 6%, except during the 18-month recession caused by Covid-19.



Source:
 Data from 1960 to 1971 is from the US Department of Labor and Bureau of Labor Statistics. The Black unemployment rate also encompasses other demographic groups during this period.
 Data from 1972 until the present is from the Federal Reserve Economic Data.

Solutions and Interventions

Depressed living standards for Negroes are not simply the consequences of neglect. Nor can they be explained by the myth of the Negro's innate incapacities, or by the more sophisticated rationalization of his acquired infirmities. They are a structural part of the economic system in the United States.

- Dr. Martin Luther King, Jr., 1968

The Freedom Budget of the 1960s and the Need for a Twenty-First Century Equity Budget

It was federal policy and national practice that created the racial wealth divide, and it will ultimately be federal policy and national practice that will solve this problem. Just as massive federal investment was necessary to develop the white American middle class, so too is it necessary for a massive federal investment to bridge racial economic inequality.

In 1967, Dr. Martin Luther King, Jr. wrote the foreword for the *Freedom Budget* — a far-reaching and ambitious social proposal created by economist Leon Keyserling and March on Washington organizer Bayard Rustin.²⁶ The *Freedom Budget* called for a massive investment in public works and infrastructure, training programs that

would upgrade skills and education, employment opportunity expansion, affordable public health services and raising the minimum wage to two dollars an hour — an amount equivalent to about the \$15 minimum wage that would not be implemented at the local level until 2013.

The mass investment in bridging racial economic inequality that was represented in the *Freedom Budget* is still needed today. During King’s famed speech at the March on Washington for Jobs and Freedom, he stated, “We refuse to believe there are insufficient funds in the great vaults of opportunity of this nation.” Today in 2023, we need to unlock the funds needed for a Twenty-First Century Freedom Budget. The following are the types of programs we think should be included in such a necessary plan.

Sixty years without substantially narrowing the Black-white wealth divide is policy failure. We advocate for an ecosystem of policy reforms that would substantially see an impact within one to two generations.

Full Employment and Guaranteed Jobs

Black and Latinx workers are twice as likely as white workers to be among the “working poor,” meaning they have a job, but that job doesn’t pay enough to cover basic living expenses and guarantee a dignified standard of living. Likewise, throughout the twenty-first century the Black-white unemployment ratio has regularly remained roughly two-to-one.

As Algernon Austin and Annabel Utz write, “This stable unemployment rate disparity means that no intervention to achieve equal employment opportunities for Black Americans has had any significant success in the past 60 years.”²⁷

What is needed is not just a full employment program, but more good jobs that pay a living wage for everyone who is able to work. A federal jobs guarantee would provide universal job coverage for all adults and eliminate involuntary unemployment. It would offer existing workers a viable alternative to jobs with low wages, inadequate benefits and undesirable working conditions. Moreover, the work would be used to create and improve our nation’s physical and human public infrastructure.

In the spirit of the Works Progress Administration, the US government could become an employer of last resort, through both direct employment projects and providing subsidies to all types of employers who hire workers. Research shows that wage subsidies can have a significant impact on employment and labor earnings.

To maximize the impact on reducing Black unemployment and narrow the racial earnings gap, the program should contain certain design features. The program should:

- Be funded and administered by the federal government;
- Provide technical assistance to the most economically disadvantaged communities;
- Provide longer term subsidies, as long as ten years, along with economic development support;
- Subsidize only net new jobs at prevailing wages;
- Include public agencies, nonprofit organizations and for-profit companies as eligible for wage subsidies; and,
- Target communities with persistently low prime-age employment.

Massive Land and Homeownership Program

Expanding access to land and home ownership is a critical intervention in reversing the multi-generational nature of the Black-white wealth divide. As our report has shown, the legacy of discrimination in mortgage lending, redlining, steering and appraisal differentials has thwarted progress. Each of these factors contributes to a cycle of perpetuating market failures that compounds racial wealth divisions.

Targeted Federal Housing Policies

Affordable housing remains out of reach for millions of families. A comprehensive approach like the American Housing and Economic Mobility Act is needed to ameliorate historical injustices in housing and address the current crisis. Perhaps the most direct way the bill works to reduce the racial wealth divide is by including a provision that provides down payment assistance to first-time homebuyers living in formerly redlined or officially segregated areas. Three out of four neighborhoods that were redlined are still low income, showing the long-term effect of this policy on cities across the country.²⁸ Safeguards would need to be considered to avoid the moral hazards of subsidizing unintended recipients gaming the policy and hastening displacement of intended recipients via gentrification.

We support the reintroduction of the American Housing and Economic Mobility Act in the 118th Congress. In addition to updating the Community Reinvestment Act (CRA) as applied to banks, this legislation would extend the provisions of the CRA to mortgage companies and require an assessment of their community development

lending, retail lending and commitment to community development services. Mirroring the 2019 and 2021 versions of the bill, it would include a \$445 billion investment over ten years in a national Housing Trust Fund which would finance over 2 million homes for low-income families, as well as billions of dollars for other housing supports. The racial wealth divide would be narrowed by targeted investments in down payment assistance.

Addressing the Appraisal Gap

There has been much conversation over the last year or two about appraisal bias that has focused on the prejudice of individual appraisers and the need to diversify the housing appraisal industry. Yet the Brookings Institution has found that appraiser bias accounts for about 20% of the devaluation of Black homes in majority Black neighborhoods.²⁹ The devaluation of Black homes in majority Black neighborhoods also is a serious challenge for affordable home development for African Americans. In many Black neighborhoods, the cost of rehabilitating homes is higher than the value of homes for that area. Federal and state legislation has emerged to deal with this issue.

Federal Appraisal Gap Legislation

Democratic Senator Ben Cardin of Maryland and Republican Senator Rob Portman of Ohio have introduced The Neighborhood Homes Investment Act.³⁰ This legislation would create a federal tax credit to cover the “appraisal gap” that is an obstacle to single family home development in low wealth communities. The tax credit is designed to overcome the gap between the cost of purchasing and renovating homes and the value of the sale price of homes in particular communities. This proposed bipartisan legislation could lead to the development of 500,000 homes and is targeted to those making less than 140% of the area median income and requires homeowners receiving these funds to stay in their home for five years or face a penalty. To have the strongest effect on the racial wealth divide, further targeting of low wealth communities of color is probably required.

Parity Homes, a Black-owned affordable home developer in Baltimore, initiated a conversation with Maryland State Senator Antonio Hayes about the challenges in producing affordable homeownership in Black neighborhoods that would not cause losses to a developer. Out of this conversation emerged the Appraisal Gap from Historic Redlining Financial Assistance Program.³¹ This Maryland legislation provides state subsidies to affordable housing developers in low-income census

tracts that occur in historically redlined neighborhoods and requires funding for an annual report on the level of funding for majority minority census tracts.

Luxury Transfer Taxes to Fund Affordable Housing

Tens of thousands of luxury housing units have been constructed in many cities, driven largely by wealthy investors looking to park capital in stable assets. This has had a disruptive impact on local housing markets, driving up land and construction costs and displacing low- and middle-income residents. A number of jurisdictions are implementing “mansion taxes” and luxury transfer taxes to both dampen the harmful impacts and generate revenue for affordable housing.³²

Individual Asset Building

Individual wealth inequalities should be addressed through bold multi-generational approaches. Individual asset accounts, sometimes called Baby Bonds when they are initiated at childhood, are an essential program to address historical injustices that undergird the current racial wealth divide. They could be administered in a manner that is universal but race conscious. To truly effect the deep multi-generational asset poverty seen in the African American community, baby bonds would need to be widespread throughout the community and have returns in the tens of thousands of dollars – money that would then be reinvested in wealth building opportunities.

Baby bonds are managed accounts set up at birth for children and endowed by the government with assets that will grow over time. These funds can be used when the child reaches adulthood for education, to purchase a home or to start a business.

One 2019 study found that a baby bond program has the potential to reduce the current Black-white wealth gap by more than tenfold. Another 2016 study found that had a baby bond program been initiated 40 years ago, the Latinx-white wealth divide would be closed by now and the Black-white wealth divide would have shrunk by 82% for young adult households.³³

Federal Baby Bond Proposals

Senator Cory Booker and US Representative Ayanna Pressley have introduced the American Opportunity Accounts Act, a federal baby bond program that would provide an initial \$1,000 for every US-born child, with additional amounts up to \$3,000 deposited for the lowest income children.

State Baby Bond Pilots

A number of jurisdictions are piloting baby bond projects, including the state of Connecticut and the District of Columbia. Other States that have either introduced baby bond legislation or are seriously considering it include California, Massachusetts, Maryland, North Carolina, New Jersey, Nevada, Washington, Wisconsin and Vermont.

Connecticut has some of the widest and most persistent racial wealth gaps in the country, motivating policy-makers and advocates in that state to design a far-reaching program. In Connecticut, starting in July 2023 every child born into poverty in the state will have an investment account set up for them when they turn 18 years old. Connecticut will now deposit \$3,200 into a trust in the name of each new baby born into a household eligible for Medicaid (known by the acronym HUSKY in the state, named for the popular state college mascot). Recipients will be able to redeem that capital between the ages of 18 and 30 if they remain Connecticut residents. The HUSKY bonds are projected to grow to between \$10,000 and \$24,000 in value, depending on when they are withdrawn. The funds will be tax-exempt to the beneficiaries and available for investments such as higher education or job training, homeownership and small business start-ups.³⁴

While not targeted racially, it will have an impact on reducing the racial asset divide. A focus on babies and children in poverty will ensure a disproportionately positive impact on Black and Latino communities who are overrepresented in poverty. To maximize the program's impact on the racial wealth divide, however, there needs to be a focus on households in asset poverty, not just income poverty.

Dynastic Concentration Distortions

It will be difficult to address the racial wealth divide without breaking up the concentration of wealth and power at the top. The growing concentration of wealth has translated to a growing concentration of economic and political power by the ultra-wealthy, those in the top one-tenth of one% (0.01%). This tiny group which controls a vast majority of the nation's private wealth is overwhelmingly white. This hyper-wealthy cohort has been the primary beneficiary of the past five decades of economic growth and of historically low tax rates. Significantly raising taxes on the ultra-wealthy serves both the intrinsic value of reducing the corrupting influence of plutocratic power, as well as the instrumental value of producing significant public revenue that can be invested in creating wealth building opportunities for those who have been blocked from generating wealth.

Another corrective action would be to eliminate the set of federal tax subsidies, estimated at over \$600 billion per year, that dramatically skew to the benefit of the ultra-wealthy and affluent. Shifting these tax expenditures toward wealth-building programs for people with low-levels of wealth, particularly those of color, would have a monumental impact in reducing the racial wealth divide and solving economic inequality more broadly.

Reparations and Universal Healthcare

Many of the solutions described here are universally targeted and broadly accessible to all low-wage and low-wealth households. Reparations solutions are directly targeted to African American households to repair historical and present-day wealth disparities. Communities across the nation are exploring what reparations might entail.

National Reparations Commission

The first step toward a national reparations policy would be for Congress to establish a national commission to examine the legacy of slavery and propose reparations and reconciliation programs funded by breaking up concentrated wealth in the United States.

San Francisco's Draft Reparations Plan

In San Francisco, median Black income is \$31,000 compared to \$116,000 for white households, and even more extreme gap compared to national disparities. The City of San Francisco has put forward a nonbinding draft Reparations Plan that allocates \$5 million to each eligible African American resident as reparations. For a local municipal government, that amount may not be financially feasible. But the plan underscores the gravity of the \$10 trillion racial wealth divide for African Americans.

San Francisco's draft plan serves as a model for a *comprehensive* federal strategy to address the Black-white racial wealth divide with its practical steps to address various asset categories that contribute to wealth accumulation or its erosion. For example, the draft plan recommends providing tax relief and incentives to help grow Black-owned enterprises, funds for state-level affirmative action programs and the formation of a community land trust for housing governed by Black residents to create a pool of permanently affordable housing. The plan also includes steps to stop

the *erosion* of Black wealth, including using land-use controls to reduce unhealthy establishments in Black communities and closing the school-to-prison pipeline, where police officers in schools send kids into the criminal justice system for routine disciplinary issues.³⁵ These types of programs along with a financial payment to Black families over a substantial period of time – such as \$20,000 a year for 20 years -- could finally move the nation past the racial division it was founded upon.³⁶

Local Restitution

Evanston, Illinois was one of the first communities to establish a reparations-inspired program. Funded by a tax on cannabis sales within the city, Evanston's local plan is to deploy funds for homeownership and home repair. In addition, religious education institutions such as the Virginia Theological Seminary and Princeton Theological Seminary promised to atone for their historic ties to slavery by setting up scholarships.

Federal Reparations Policies

Only the federal government has the financial capacity to undertake the broad and bold endeavors necessary to address the deep-rooted issue of white socioeconomic supremacy. The funding for reparations primarily comes from taxes and fees levied on the ultra-wealthy who have benefitted from windfall income and wealth gains, not ordinary working taxpayers. A national Reparations Trust Fund could be financed from a graduated tax on wealth and inherited assets, the closure of tax loopholes and penalties for high-end tax evasion.

Undoubtedly, repairing the racial wealth divide comes with a cost. However, failing to make these investments will prove even more costly. As we've seen for generations, that cost is borne by groups like African Americans and Native Americans, who've been placed at the bottom of the social order when it comes to income, wealth, homeownership, educational attainment, incarceration and health.

Reparations are not just an attempt to rectify history. They are a policy tool to address *present day divisions* and foster a better future.

Medicare for All

People of color accounted for more than half of the total 32 million nonelderly uninsured in 2016. Poor access to health care and poor health outcomes is

inextricably tied to race in the United States. The privatized healthcare system in the United States continues to leave behind millions of families despite progress made by the Affordable Care Act. This deeply unfair and immoral system leaves low-income and low-wealth people in the most vulnerable position. The number one cause of bankruptcy is an illness to oneself or a family member. Medicare for All removes the burden and stigma associated with finances at the point of the delivery of medical care. Medicare for All would guarantee high quality healthcare as a human right not a privilege.

Methodology

All data on median family income comes from the United States Census Bureau. We examined the Income of Families and Persons report of 1947 and from 1960 to 1999. Prior to 1967, the US Census Bureau identified only two demographic groups in their reports, white and non-white. The latter category included African Americans. As a result, we used non-white median family income as a proxy for Black family median income during those years. Median household data also comes from reports published by the US Census Bureau. We examined the Money Income of Households reports from 1967 to 2021. The “white, not Hispanic” category began to be used in median household income reports in 1992. All post-1992 references to White median household income data in this report represent data from “white, not Hispanic” households. All data points were converted into 2022 US dollars using the R-CPI-U-RS formula.

Data on the unemployment rate from 1960 to 1971 is from the “Handbook of Labor Statistics 1972” from the United States Department of Labor (see Table 60, page 128). Racial classification is listed as white and Black and other races, and the latter is used to represent the Black unemployment rate throughout the report. Unemployment data from 1972 to 2021 is from the Federal Reserve Economic Data (FRED).

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