



Race-Neutral or Race-Fair?

An Analysis of Facially Neutral Federal Policies and
Their Impact on the Wealth Gap



Introduction to the Racial Wealth Gap

- What is wealth?
- What is the racial wealth gap?
- How has the racial wealth gap developed?

The Concept of Generational Wealth

- refers to any kind of asset that families pass down to their children or grandchildren.
 - The inheritance can be in the form of cash, investment funds, stocks and bonds, properties, or even businesses
- White families receive much larger inheritances on average than black families
- Inheritances and other intergenerational transfers “account for more of the racial wealth gap than any other demographic and socioeconomic indicators”

How Has the Racial Wealth Gap Developed?

- Can be traced back to the nation's inception
 - 246 years of chattel slavery
- Congressional Mismanagement of the Freedman's Savings Bank
- Years of violence against Black and other minority communities
- Discriminatory policies, such as the Jim Crow era



Facially Neutral Federal Policies

- GI Bill
 - The New Deal
 - Modern Issues
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GI Bill

- Credited with helping low-income veterans with the opportunity for economic mobility and helping to build the country's middle class
 - Helped millions of returning veterans continue in higher education and buy homes
 - BUT black veterans were denied many of the benefits that the GI Bill provided to their white counterparts
 - Left administration decisions at a local level, which allowed discrimination towards black veterans
 - Weren't able to make use of the housing provisions of the GI Bill because banks generally wouldn't make loans for mortgages in "black" neighborhoods
- Although it was "colorblind" legislation, the way the program was administered shows a true picture of how "colorblind" legislation can be discriminatory

The New Deal

- The New Deal is widely held to be a “social revolution” that “raised the entire nation to a plateau social well-being”
- Social Security Act of 1935
 - Covered workers paid into the scheme and were guaranteed payment for retirement, disability, or the death of the family’s breadwinner
 - BUT it only applied to half of the jobs in the economy at the time it was enacted
 - Those left out included farm and domestic works, positions filled primarily by people of color
 - 65% of African Americans fell outside the reach of the program, and in the South that number went as high as 80%
 - This exclusion last until 1950 and by that time, a majority of black Americans were economically behind their white counterpart

The New Deal (cont.)

- Labor Regulations/Standards
 - Including the National Labor Relations Act and the Fair Labor Standards Act
 - This coverage again left out a large portion of minority communities because it excluded domestic workers and agricultural laborers
 - Discriminatory practices at a local level
 - Minority workers assigned to the least-skilled jobs

The New Deal (cont.)

- Housing
 - National Housing Act
 - Provided home financing but operated under the premise that loaning money to racial minorities involved excessive risk
 - Essentially subsidized segregation and encouraged the movement of the White population into suburbs while minorities were forced to remain in declining urban areas
 - Federal Housing Administration/Fair Housing Act
 - Today, black home ownership is not any higher than it was in the 60's despite the passage of the 1968 Fair Housing Act
 - Rather than enforce the FHA and ensure that blacks had equal access to the same mortgages that helped the white homeownership rate get as high as it did, the Housing and Urban Development Act of 1968 was passed, including Section 235 Program that let lower-income people get subsidized mortgage
 - This program was not the saving grace that low-income minority communities needed
 - Filled with fraud and abuse from real estate personnel and neighborhoods ended up with blocks of vacant and foreclosed homes owned by the FHA

Modern Issues

- Discrimination in lending still exists through
 - Redlining
 - Housing Projects
 - Contract Buying
 - Blockbusting
 - Predatory Lending



Possible Solutions to Narrow the Gap

- Increasing Intergenerational Wealth through Homeownership
- Equal Opportunity to Education
- Alternative Education Opportunities for Aspiring Minority Entrepreneurs

Increasing Intergenerational Wealth through Homeownership

- Homeownership is the greatest source of wealth in the United States, and minorities have been systematically excluded from opportunities to secure homeownership status
- So how do we do this?
 - Expanding access to homeownership would be one of the best strategies to change the status quo and make strides in narrowing the racial wealth gap
Replacing mortgage interest and real estate tax deduction and use the savings from that to create a Public Home Purchase Fund, which would support first-time homebuyers
 - Congress must also reform foreclosure law and increase public policy around lending
 - **BABY BONDS**

Baby Bonds

- Children's Development Accounts
 - These bonds could eliminate 70 to 80 percent of the wealth gap
- Create endowed trusts for children at birth
- Eligibility would be determined on the WEALTH of a family, not income
 - the budget for the program would be less than ten percent of the non-war spending budget for the Department of Defense. There are about four million babies born each year in the United States. If the average trust is set at 20,000 dollars per child and three-quarters of all newborns are made eligible for the program, the baby bond program would cost about 60 billion per annum → ONLY 2.2 percent of Federal expenditures
 - The benefitting child would have access to the account at 18, but only for "asset-enhancing events"

Equal Opportunity to Education

- The most universally accepted pathway for upward economic mobility in the US is via education and training
- Evidence shows that widening gaps in wealth and opportunity have a profound impact on educational achievement and closing opportunity gaps has not been a priority in the educational policy agenda
- Change the structure so that each school district gets an equal amount, rather than more wealthy school districts getting more funding
 - The funding gap for schools is largely the result of the reliance on property taxes as a primary source of funding for schools

Alternative Education Opportunities for Aspiring Minority Entrepreneurs

- Encouraging access to social capital
- Increasing entrepreneurship education and increasing access to innovation
- A key strategy would be to make incubators and accelerators more inclusive
- BUT a better approach would be to address all needs simultaneously
 - Duplicate or expand the Ascend 2020 Initiative, which was developed by the University of Washington Foster School of Business Consulting and Business Development Center and launched in 2017