In a Case Very Few Are Discussing the Supreme Court Could Hugely Increase the Racial Wealth Gap

When discussing race, the conservative argument is best expressed by the famous words of Chief Justice John Roberts: "The best way to stop discrimination on the basis of race is to stop discriminating on the basis of race." Translation: America has done bad things in its history, but those bad things are gone now, so we should move past those horrors and look forward.

Conservatives believe that if blacks and Latinos simply work hard, get a good education and earn a good income, historical racial wealth gaps will disappear. The problem is that this sentiment ignores the ways that race continues to affect Americans today. A new report from Demos and Brandeis University, "The Racial Wealth Gap: Why Policy Matters (http://www.demos.org/publication/racial-wealth-gap-why-policy-matters)," makes this point strongly. The report shows that focusing on education alone will do little to reduce racial wealth gaps for households at the median, and that the Supreme Court, through upcoming decisions, could soon make the wealth gap explode.
Wealth is the whole of an individual's accumulated assets, not the amount of money they make each year. As such, in his recent book, "The Son Also Rises," Gregory Clark finds that the residual benefits of wealth remain for 10 to 15 generations. To understand why that matters, consider the fact that Loretta Lynch, Obama's recent nomination for U.S. attorney general, is the great-great-granddaughter of a slave who escaped to freedom. (That's four generations). Consider also that most people on Social Security today went to segregated schools. (That's two generations.) If Clark is correct in his thesis, then the impacts of wealth built on the foundations of American slavery and segregation will continue to affect Lynch’s great-great-great grandchildren.

It is therefore unsurprising that addressing just one aspect of this disparity cannot solve racial wealth gaps. Demos/Brandeis find that equalizing graduation rates would reduce the wealth gap between blacks and whites by 1 percent, and between Latinos and whites by 3 percent at the median. Equalizing the distribution of income would only reduce the wealth gap by 11 percent for blacks and 9 percent for Latinos. Part of the durability of wealth gaps is the disproportionate benefits that whites still enjoy: They face less job market discrimination and are more likely to reap a big inheritance, for example. This means that the returns to education and income are generally higher for whites. But even after controlling for these returns, income and education can’t explain the entire wealth gap.

Because America's primary vehicle for wealth accumulation is our homes, much of the explanation of the racial wealth gap lies in unequal homeownership rates. According to the Brandeis/Demos analysis, equalizing homeownership would reduce the racial wealth gap by 31 percent for blacks and 28 percent for Latinos. This effect is muted because centuries of discrimination—including racial exclusion from neighborhoods where home values appreciate, redlining, and discriminatory lending practices—mean that people of color are segregated into relatively poor neighborhoods. Indeed, in 1969, civil rights activist John Lewis bought a three-bedroom house for $35,000 in Venetian Hills, Atlanta. He and his wife were the first black family in the middle-class neighborhood. In his book, "Walking with the Wind," he notes that, "within two years... the white owners began moving out." Had the value of his house simply kept up with inflation, it would be worth $222,881 today. But Zillow shows (http://www.zillow.com/venetian-hills-atlanta-ga/) that three-bedroom houses in Venetian Hills, Atlanta, are currently selling for around $65,000 to $100,000.
Systematic disinvestment in communities of color means that even when blacks and Latinos own their homes, they are worth far less than white homes. In addition, blacks and Latinos are targets of shady lending. They are more likely to be offered a subprime loan even if they are qualified to receive a better rate. In the wake of the financial crisis, big banks like Blackstone scooped up foreclosed homes and are now offering them to people of color to rent, further pulling wealth out of these communities to benefit rich whites.

The financial crisis had a disparate impact on people of color. A Center for Responsible Lending report examined the loans originated during the subprime boom (2005 to 2008), and found that blacks and Latinos were almost twice as likely to have foreclosed during the crisis. The New York Times reported that Wells Fargo “saw the black community as fertile ground for subprime mortgages, as working-class blacks were hungry to be a part of the nation’s home-owning mania.” They discovered that loan officers “pushed customers who could have qualified for prime loans into subprime mortgages” and “stated in an affidavit... that employees had referred to blacks as ‘mud people’ and to subprime lending as ‘ghetto loans.’”

These problems are troubling, but, as unlikely as it seems, things are about to get even worse. The Supreme Court is set to decide Texas Department of Housing and Community Affairs v. The Inclusive Communities Project, a landmark case challenging the disparate impact test, which allows a practice to be considered discriminatory if it disproportionately and negatively impacts communities of color, even if a discriminatory intent can’t be proven.

The case involves an excellent example of why disparate impact is so important: Nearly all of the tax credits that the Texas Department of Housing and Community Affairs had approved were in predominantly non-white neighborhoods. At the same time, the department disproportionately denied the claims in white neighborhoods. A federal judge decided regardless of racial intent, the result had a “disparate impact” and
increased neighborhood segregation. As Nikole Hannah-Jones has extensively documented, disparate impact has been crucial in holding banks accountable. For instance, the Justice Department used it to settle with Bank of America for $335 million after it was discovered that a mortgage company purchased by BoA had been pushing blacks and Latinos into subprime loans when a similar white borrower would have qualified for a prime loan. Because there was no official policy that required blacks and Latinos to get worse loans, the case would not have been won but for the disparate-impact statute.

The Supreme Court has already decimated the Voting Rights Act, opening the door for onerous restrictions on voting. They upheld a law banning affirmative action at state universities and have already crushed integration efforts at K-12 schools. Worryingly, as Demos Senior Fellow Ian Haney López told ProPublica, “It is unusual for the Court to agree to hear a case when the law is clearly settled. It’s even more unusual to agree to hear the issue three years in a row.” Given the importance of neighborhood poverty to upward mobility and wealth building, this case had the potential to be the most destructive, dramatically curtailing opportunity and making the wealth gap into a chasm. As Patrick Sharkey notes, “Neighborhood poverty alone accounts for a greater portion of the black-white downward mobility gap than the effects of parental education, occupation, labor force participation, and a range of other family characteristics combined.”

Demos and Brandeis suggest policies to boost homeownership, like better enforcement of anti-discrimination laws, lowering the cap on the mortgage interest deduction so blacks and Latinos can benefit and authorizing Fannie Mae and Freddie Mac to allow homeowners to modify their loans. In addition, America needs to systematically invest in poor neighborhoods. Equalizing public school education funds for poor and nonwhite schools would increase home prices in poor neighborhoods. In addition, a baby bond program would directly reduce wealth gaps by giving children money that could be used for a down payment on a house or an investment in their education. What’s clear is that we cannot simply hope that wealth gaps will disappear. These gaps were created by racially biased federal policies and need to be remedied by public policy as well. Government created the white middle class in the 1950s; now it’s time to create a black and Latino middle class. The Supreme Court, with its supposedly race-neutral philosophy, will only make it more difficult to close racial wealth gaps.

*Catherine Ruetschlin is a Senior Policy Analyst at Demos and co-author of the report “The Racial Wealth Gap: Why Policy Matters.”* 

*Follow Sean McElwee on Twitter:* www.twitter.com/SeanMcElwee

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Conversations

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Michael Curtis · Top Commenter
Where are the asians? We need to get the minorities to finish school so they can find a job, when you look at school drop out rates they reflect the income distribution, this isn't about race. Almost NINETY PERCENT of black families are SINGLE PARENT. Blacks and "hispanics" far exceed the school drop out rates and THAT is why they make less, WHY? Parenting, like it or not good parents mostly make good children who mostly make a lot more money. This isn't about RACE income distribution, this is about teaching BAD parents to do a better job. Any Riots in Utah when the black officer shot the unarmed white criminal? nope, how many guesses will it take you to figure out why?

Reply  Like · 109  Follow Post  May 1 at 5:42pm

Eric Shortz · Top Commenter  Tax/Accounting at Rosemont Realty
Are you having difficulty distinguishing between wealth and income? Perhaps someone could explain it to you and then, you could post your comment on an article which addresses income inequality.

Reply  Like · 13  May 1 at 5:49pm

Richard Brandlon · Top Commenter
How many rich people have EVER been shot by police? How many bankers spent a day in jail? How many CEOs had to serve time for what their corporations did? Your argument is simplistic.

Reply  Like · 27  May 1 at 5:50pm

Daniel Cordova · Top Commenter

http://www.huffingtonpost.com/sean-mcelwee/the-supreme-court-and-the_5_b_7153208.html
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Why?

Income years?

Winners, pro-athletes, etc. will pay money for.

Entrepreneurship...by taking a risk on a product to service one thinks others will actually use.

Claims wealth is created by a good job?

A lot of strawmen, mis-characterizations, false premises.

Bob Schmidt

Reply

Next.

Certain lottery winners are a prime example...millionaires one year, broke the next.

Ways that certain groups waste their money worse than others. Athletes and business owners...businesses and other opportunities created to allow them to get ahead.

That withstanding, well, that formula seems to have worked pretty well for the Asians and the Jews.

Roger Martin

Reply

"Conservatives believe that if blacks and Latinos simply work hard, get a good education and earn a good income, historical racial wealth gaps will disappear"...

Well, that formula seems to have worked pretty well for the Asians and the Jews. That withstanding, the wealth gap still won't disappear, there will always be ways that certain groups waste their money worse than others. Athletes and certain lottery winners are a prime example...millionaires one year, broke the next.

Matthew Iyamu

Reply

Please let know which neighborhoods are you talking about-white neighborhood?

Ken Duble

Follow

Top Commenter

Dallas, Texas

The government authored the GI Bill, the FHA, the VA and the Interstate Highway Act, all in the years after WWII. At the close of WWII, most soldiers weren't high school graduates.

Carmen Ortiz

Top Commenter

Get real, most white American are worse off than me and my children. The government is fooling you. The white middle class is on the way of the Dodo bird, in case you don't know what kind of bird that is, don't worry it is EXTINCT. White American have been fooled into believing it's the others, by ridiculous charts that don't exclude people like Bill Gates and Buffet when pretending white are doing so well. Most of the jobs sent to India, before they started importing people from India to take jobs here in the US, were jobs of the WHITE middle class and they still are getting the white middle class jobs. Note: India falls under ASIAN.

Roger Martin

Top Commenter

"Conservatives believe that if blacks and Latinos simply work hard, get a good education and earn a good income, historical racial wealth gaps will disappear"..

Well, that formula seems to have worked pretty well for the Asians and the Jews. That withstanding, the wealth gap still won't disappear, there will always be ways that certain groups waste their money worse than others. Athletes and certain lottery winners are a prime example...millionaires one year, broke the next.

Lonnie Burstein

Top Commenter

Los Angeles, California

Jews aren't a race my friend.

Doug Chipman

Top Commenter

University of Colorado Boulder

Lonnie Burstein I'm fairly certain he was talking about groups of people who have been targeted in a negative way (Jews have been a few times) and somehow came out of it without looking for a free ride.

Anne Supik

Jews and Asians have the advantage of not being black.

Bob Schmidt

Top Commenter

A lot of strawmen, mis-characterizations, false premises. For example, who claims wealth is created by a good job? Nobody I know. Wealth is created by entrepreneurship...by taking a risk on a product to service one thinks others will pay money for. For example, look at lottery winners, jackpot trial award winners, pro-athletes, etc. What percent of them create wealth from their good income years? And how do they do it? How many return to near-poverty and

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Reply
outcomes, just watch.

different culture, different values and different ethics. And there will be different outcomes, just watch.

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the people who can afford them. Thanks to greed, the America of yesterday is now about money. Justice, health and education go to "Anything for a buck" is the American motto. The American Dream, which used to be about freedom, is now about money. Justice, health and education go to minorities is to shame white people. who do not stick around.

"Progressive" media.

So basically, justify your reasons for being racist, got it.

John, I think you are correct. Latinos will make tremendous gains, I already see it happening. 15 years ago, Latinos were the workers for (mostly white) contractors. Today, many latinos own contracting companies. They are going to do well. It takes a couple of generations for it to completely happen, but it will.

Tanzia Waggoner Actually you are the racist. Instead of sitting down and admitting blacks have a cultural problem and doing something about it you say everybody white is racist and putting you down. You have a black president, a black supreme court guy, a black women Attorney general, plus millions more blacks that have gotten somewhere in life. They have one thing in common the rioting thugs in Ferguson do not. They value education and working hard to make their dream come true. Why not work on spreading that culture instead of whining.

John Amsberg It depends where those Hispanics are from and if they're mestizo or not. Many "White" Americans are mestizo, only they're Anglo and Native American rather than Spanish and Native American.

American.

why it is almost like White people make up 76.3% of the population in the US

Hispanics are white, whose ancestors came from Spain and Portugal. Mexicans, central American people and south American people are latino

Mark Weaver The white race in the America is in decline and the fact that you refuse to address fatherlessness in the black community as having much more of a negative impact on black Americans simply means you do not want to solve the problem. Still don't think condoms are important in the black community? Despite being only 13% of the US population, black Americans account for 47% of all known HIV and AIDS cases in the United States. But let's just ignore that fact and demand that all white people apologize for being white, that will make everything better. See Michael, the real racism against blacks comes from you, not me.

Tanisha Waggoner You have one thing in common the rioting thugs in Ferguson do not. They value education and working hard to make their dream come true. Why not work on spreading that culture instead of whining.

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The people who can afford them thanks to greed, are moving to places they'd
dead.

Stephen Paulsen  Top Commenter

Um, the American Dream has ALWAYS been that those who work hard can
achieve success and enjoy the freedoms that are afforded by that
success. Your idea is that of a socialist democracy, where everyone is
equally miserable. Nice try though!

Reply  Like  11  Follow Post  May 1 at 5:48pm

Oscar Sylvan  Top Commenter  Schenectady, New York

Stephen Paulsen Most of Western Europe has what you might call
"socialist democracy" and they seem to be doing OK healthwise as
well as education, with a lower income gap between the 1%ers and
their middle class. Google the stats and you'll find out that we're no
longer in the top 10 in education, health, quality of life, etc. The high
quality of life enjoyed by US 1%ers, enhanced by their big tax cuts,
hasn't trickled down to the 99% hoi polloi like the GOP continues to
fantasize.

Reply  Like  1  May 1 at 9:24pm

Melvin Belk  Top Commenter

Much of Western Europe's economies are on the verge of collapse due
to their socialist ways. Greece will lead the way and pull the rest down
with them.

Reply  Like  May 2 at 11:24am