

10 Legitimate Proposals That Could Finally Close America's Massive Racial Wealth Gap

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Stricter Enforcement of Housing Anti-Discrimination Laws

There are a plethora of ways Black would-be homeowners are discriminated against when trying to get mortgage loans or otherwise fund their efforts to purchase a home, a major gateway to attaining overall wealth. Critics believe stricter enforcement of anti-discrimination laws could help level the playing field and get more Black people to own a home. “Things like the mortgage interest tax deduction provide a high benefit to people who earn at the top of the income distribution, whereas those who earn at the bottom earn very little of that deduction, and that’s because it’s based on house values,” a senior policy analyst at Demos and co-author of

“The Racial Wealth Gap: Why Policy Matters” told *Forbes*.



Authorizing Fannie Mae and Freddie Mac to Help Homeowners in Financial Turmoil

Discriminatory practices by banks and other lenders leave Black people facing subprime mortgages far more often than their white counterparts. This ultimately forces them into financial turmoil as they try to pursue one of the key pieces of the puzzle to building their wealth. The authors of “The Racial Wealth Gap: Why Policy Matters” proposed that authorizing Fannie Mae and Freddie Mac to “modify mortgages in ways that make them more sustainable” could help decrease the size of the racial wealth gap.



Increase the Minimum Wage

While many economic experts agree that a \$15 minimum wage is a bit unreasonable, hiking the minimum wage up to about \$10 can lift many families out of poverty. According to a report from the restaurant workers' group ROC United, "Three and a half million people of color would be lifted out of poverty if Congress raised the minimum wage to \$10.10." Studies show that Black people are more likely to work minimum-wage jobs due to other racial disparities in the labor market. Giving them the chance to make a reasonable income at these jobs is the least the American government can do when it's their own discriminatory practices that forced so many of these workers into that position in the first place.



Providing More Funding for Black-Owned Businesses

Being a successful business owner has led many people to financial greatness, but all too often Black people are left struggling to fund entrepreneurial efforts because there is a lack of funding for their startups and businesses. “That same lack of access to capital and credit that made home ownership such a shaky prospect weighs down small business ownership among blacks and Latinos, too,” NPR noted of the racial disparities. A study from the Small Business Administration revealed that without any additional source of funding, many Black business owners are forced to use “personal wealth instead of credit to fund those businesses.” This can easily result in a financial disaster simply because discriminatory practices made it so much harder for them to get funding or approved for credit.

Reforming Policies That Help the Wealthy Save and Forget the Poor

For some reason, many of America's government policies that are aimed at helping Americans save money are disproportionately aimed at the wealthy. According to the Urban Institute, correcting this trend could be a major step toward solving the racial wealth gap. The institute suggests, "Reforming government policies that encourage savings but disproportionately benefit the already wealthy and families with high incomes, like the home mortgage interest deduction. Automatic savings vehicles also might help lower-income and lower-wealth families start saving."



Correct Tax Codes That Give Enormous Breaks to the Wealthy

When it comes time to handing out tax breaks, the government yet again focuses on the wealthy and leaves low-income families without many options to make ends meet. A report from Bloomberg Business revealed that in 2010 a loophole in the tax code allowed America's wealthiest to avoid a total \$100 billion in estate and gift taxes since 2000. It also revealed that while the country's richest 400 households took home more than 15 percent of all capital gains, an amount that soars beyond the \$300

million mark for each household, they still paid the same tax rate as a worker making roughly \$80,000 a year.



Addressing Educational Inequality in K-12 Schools

Having a strong educational background can be the key deciding factor in whether children will grow to become entrepreneurs or whether they will be trapped in a cycle of poverty. Unfortunately, Black children are often trapped in school districts with incredibly low funding and insufficient resources like outdated equipment and inexperienced teachers. The authors of “The Racial Wealth Gap: Why Policy Matters” suggest that addressing these inequalities in education at such an early stage can make a drastic difference in how Black people are able to compete in the labor market in the future.



Implement More Plans to Make College Affordable for Low-Income Students

The uneven distribution of wealth in the U.S. is cheating many Black students out of a chance to go to college simply because they can't afford it, even with the help of loans and scholarships. A report by *The Atlantic* explains that if more universities change the way they conduct business and focus on implementing more programs for low-income students, the racial wealth gap could slowly start to diminish. College graduates make far more money annually than their counterparts with only a high school degree. Giving more Black students the chance to earn that higher level of education is vital in pushing for wealth equality.



Taking Aim at Black Unemployment on All Fronts

There are two serious issues with current proposals to address Black unemployment — the efforts are scarce and they are typically one-dimensional. There are a plethora of factors driving unemployment in the Black community so the solution must also reflect that. Getting more Black people to thrive in the labor market and decreasing the staggering unemployment rates in the Black community can help push America toward economic equality. The National Urban League hopes to focus on “rebuilding and modernizing America” with “direct job creation, pathways back to work, youth employment, assistance for the long-term unemployed and investment in innovation,” the CEO of the Hampton Roads Urban League in Virginia explained. Other solutions to Black unemployment include eliminating credit checks in hiring and reforming background checks.



Reduce Teenage Pregnancy and Provide More Aid to Young Mothers

This is a topic rarely discussed when the topic of wealth inequality comes up, but a report by *Forbes* revealed that the silence about racial disparities in teenage pregnancy is disconcerting. Teenage single mothers are far more likely to be trapped in a cycle of poverty, and with Black girls having a harder time getting access to birth control when compared to their white counterparts, they are disproportionately left facing this reality, *Forbes*

explained. “Therefore, any discussion about how to close the enormous racial wealth gap in America must address the large discrepancy in teenage pregnancy rates between the races,” Real Clear Science added.

In 2000, the median earnings for Black females with a high school diploma and no college was \$20,000 less than the median earnings for Black females with a bachelor’s degree or higher, according to education lobby organization Alliance for Excellent Education. Because parenthood is the leading reason that teen girls drop out of high school, programs that help Black teen moms stay in school could help reduce the racial wealth gap.

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