The racial wealth gap in the United States is stark.
The median white household has $111,145 in wealth holdings, compared to $7,113 for the median black household and $8,348 for the median Latino household, according to a recent study called The Racial Wealth Gap: Why Policy Matters (http://www.demos.org/sites/default/files/publications/RacialWealthGap_1.pdf).

The report outlines how homeownership, education (http://www.forbes.com/education/) and the labor market have all contributed to the wealth gap (/companies/gap/) with blacks and Hispanics being less able to buy homes, build wealth with them, buy homes in good school districts, access higher education and so on. (To read more in-depth how these factors all contribute to the racial wealth gap, see the related article (http://www.forbes.com/sites/laurashin/2015/03/26/the-racial-wealth-gap-why-a-typical-white-household-has-16-times-the-wealth-of-a-black-one/).)

The two organizations that co-authored the study, Demos (http://www.demos.org/), a public policy (http://www.forbes.com/law/) organization promoting democracy and equality, and the Institute on Assets and Social Policy (http://iasp.brandeis.edu/), say these wealth disparities are rooted in historic injustices and that public policies continue to “fuel and exacerbate” them.
“The racial wealth gap is reinforced by federal policies that largely operate to increase wealth for those who already possess significant assets,” wrote the authors, noting that more than half of the $400 billion in annual federal asset-building subsidies, such as those promoting homeownership, retirement savings, economic investment and access to college, flow to the wealthiest 5% of taxpaying households. The bottom 60% of taxpayers receive only 4% of these benefits.

“The last time we really committed to solving problems of racial equity was the 1960s and so many aspects of that equity haven’t budged in the time since, because we haven’t really focused our public efforts on addressing things like the family income gap between black and white families and the racial wealth gap,” says Catherine Ruetschlin, senior policy analyst at Demos and a co-author of the report. “When we’re not focusing on them as problems to be solved, ... we pass through legislation that sounds fair on its face but in effect creates bigger rewards for people who already have wealth than people who do not.”
The report used data from the U.S. Census Bureau Survey of Income and Program Participation (http://www.census.gov/sipp/) and included 10 public policy proposals to address these disparities, as outlined below.

**Homeownership**

When it comes to homeownership, black and Latinos are less likely to own homes and more likely to have homes of lower equity and live in neighborhoods with lower home values. The inequalities stem from lingering effects of practices like redlining (outlawed in 1968), in which entire black neighborhoods were marked as bad credit risks to discourage lending in them, as well as continuing discrimination today in which mortgages for households of color are underwritten by higher interest rates.

Ruetschlin says that one program not mentioned in the report, North Carolina’s Community Advantage Program (http://csrl.sph.unc.edu/csrl/selfhelp), could be a good model for helping reduce the part of the racial wealth gap stemming from homeownership. The program expanded access to homeownership particularly among low-income families of color by requiring lower down payments.

“It’s really that initial wealth holding that gives you access to a downpayment for a home,” she says. “A 10% downpayment for a family that, for generations, had building policies working against them is going to be at a greater disadvantage than those who have been able to build wealth over time like a young white couple who gets a portion of their down payment from their parents.”

The authors propose:

1. **Stricter enforcement of housing anti-discrimination laws:**

   “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,” says Ruetschlin.
Additionally, studies show that black and Latino homebuyers still face obstacles (http://www.urban.org/publications/412837.html) to purchasing homes in predominantly white neighborhoods.

2. Authorizing Fannie Mae (/companies/fannie-mae/) and Freddie Mac (/companies/freddie-mac/) to reduce mortgage principal and make other loan modifications for struggling homeowners.

Because black and Latino homeowners are more likely than white homeowners to have been steered toward subprime mortgages and have homes at risk of foreclosure, the authors propose allowing these institutions to modify mortgages in ways that make them more sustainable.

3. Leaving the cap on the mortgage interest tax deduction.

Because typical black and Latino homeowners have homes of lesser value than typical white homeowners, they also benefit less from the tax deduction. Capping the deduction at 28% for households earning more than $250,000 could help decrease the racial wealth gap, especially if the additional tax revenues were put toward foreclosure prevention programs or first-time homebuyer’s assistance programs, which are more likely to benefit black and Latino households.

Education

The authors write that the disparities in education begin with the policy decision not to invest in universal preschool. “We know that early childhood education produces some of the greatest benefits to the economy in terms of productivity, health and skill-building,” says Ruetschlin.

The gap continues on from there, as residential segregation leaves many black and Latino families in areas with low-quality schools. After the initial efforts to integrate public education in the wake of the Brown v. Board of Education Supreme Court decision in 1954, school segregation has increased (http://civilrightsproject.ucla.edu/research/k-12-education/integration-and-diversity/brown-at-60-great-progress-a-long-retreat-and-an-uncertain-future), and black and Latino students have been increasingly attending the same schools.
The authors propose:

1. **Investing in universal, high-quality preschool education.**

   This could help black and Latino students enter K-12 education more prepared.

2. **Making K-12 education funding more equitable.**

   Black and Latino students are more likely to attend schools that are under-funded and staffed by less experienced teachers, leaving them less well-prepared for college than their white peers.

3. **Recommitting to racially integrated schools, colleges and universities.**

   The authors advocate policies that promote racially and ethnically integrated schools.

4. **Establishing an affordable college compact.**

   The authors propose that state governments invest in public higher education to help ensure black and Latino students can attend college without needing to take on debt. They also say the federal government could offer education matching grants to states that maintain per-student minimum funding levels.

**Labor Markets**

Employment discrimination, geographic barriers to jobs and disparate social capital result in different outcomes for whites vs. blacks and Latinos in the labor market. Not only do black and Latino families have lower incomes than white ones, but they see less of a wealth return on their income due to less access to employer-provided benefits such as health coverage, a retirement plan or paid time off.

For example, “What access through your job or other asset-building networks do you have to take that dollar and put it into something that will really grow value over time?” says Ruetschlin, citing not only
having a pension or 401(k) at work, but having one that charges low fees.

The authors propose:

1. Establishing a direct federal job creation program.

They suggest creating a federal hiring program to create jobs for demographics with a high unemployment rate, such as black teenagers. Such a program could produce goods and services for public benefit, such as maintaining and upgrading infrastructure and providing child and elder care.

2. Raising the minimum wage.

Because black and Latino workers are more likely to work in minimum wage jobs, raising the threshold would benefit that demographic the most.

3. Making it easier for workers to form unions.

Black and Latino workers have higher unionization rates than white works, and see greater wage benefits as a restful of union membership. Making it easier for workers to unionize could help boost their pay and benefits.

