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Here's How The Government Could Close The Staggering Racial Wealth Gap

The typical white household is almost 13 times richer than the typical black family.

02/22/2016 11:12 am ET

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MIKE GROLL/AP

Kaelyn Thompson lives paycheck to paycheck. She graduated at the top of her high school class and, despite the financial struggles of her parents, decided to attend college.

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"Not only did my mother make it clear that I had no choice, I also realized that I would never be able to make a good enough living to do more than just survive without a college degree," Thompson wrote in a [blog](#) for The Huffington Post. "Though my mother demanded I go to college, she and my stepfather really had no way of supporting me financially to help me get there. They had their hands full and were still living paycheck to paycheck so it was up to me to make it happen."

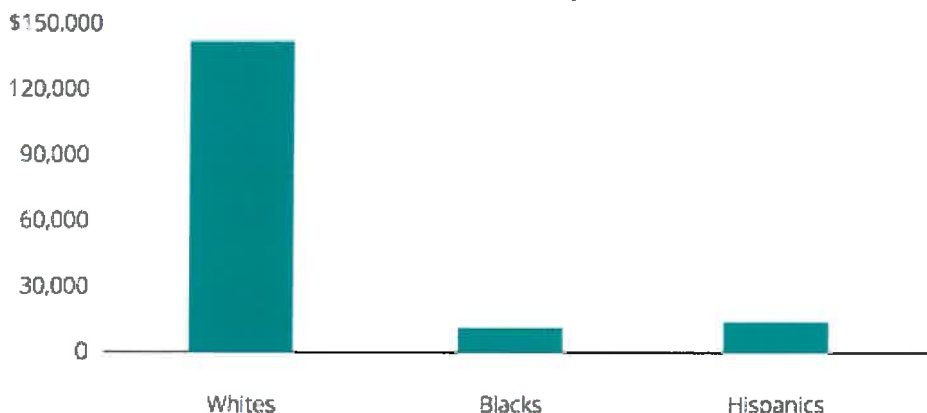
Making it happen required Thompson to take out loans she couldn't afford and work multiple jobs she couldn't juggle with classwork, which resulted in her having to take time off from school. Her credit score took a severe hit and, soon after, [payday loans](#) became the only way she could keep her lights on.

"Three years, two car repossessions, and one eviction later – after being laid off and pulling out a few too many payday loans so I won't go without lights -- and I AM STILL trying to just fucking finish school," she wrote.

Her misery contributes statistically to one of the most profound manifestations of systemic racism in the U.S.: the racial wealth gap.

In 2013, when the most recent federal survey was conducted, [the difference in net worth](#) between the typical black and white families was \$131,000 -- the highest it's been since 1989. The poorest black families are far, far poorer than the poorest white families: [25 percent](#) of black families had less than \$5 in savings compared to \$375 or less for the bottom quarter of white families.

The Massive Racial Wealth Gap



The Huffington Post

Source: Pew Research Center, Federal Reserve Survey of Consumer Finances

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This chart didn't fall from the sky. It was made by policies.

The racial wealth gap exists "largely as the result of policies that were put in place almost from the start of our country that benefited only portions of the population, not everyone," Beadsie Woo of the Annie E. Casey Foundation, a nonprofit that focuses on child welfare and economic opportunity, told HuffPost.

That's not an isolated or fringe view. "The U.S. racial wealth gap is ... driven by

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public policy decisions," a [recent study](#) from researchers at Brandeis University and the think tank Demos concluded.

Slavery is only the most obvious of dozens of laws that kept African-Americans from building wealth. Homestead programs before and after slavery was abolished benefitted only white Americans, Woo said. For decades, unions were legally allowed to exclude blacks from organized labor. "A more recent policy that excluded people," added Woo, "would be the benefits to veterans after WWII for qualifying for mortgages but also for post-secondary education."

Homeownership as a wealth creator was largely and intentionally limited to white Americans for decades through "redlining" rules, which segregated neighborhoods by race, and discriminatory lending. Homeownership for excluded Americans was the egalitarian dream of the post-2000 housing boom. Needless to say, it didn't work out. In the frenzy of the housing bubble in 2006, 47 percent of mortgages to Hispanics and 53 percent of mortgages to African-Americans were subprime, nearly double the rate for whites. Importantly, credit scores alone cannot explain this disparity.

The foreclosure crisis was racially tinged and erased huge sums of African-American wealth. Median black wealth was cut in half by the Great Recession, Richard Reeves and Edward Rodrigue of the [Brookings Institute noted](#).

So what can be done?

The biggest, and one of the longest standing, ideas to narrow the racial wealth gap is reparations. Ta-Nehisi Coates laid out the basis for such a policy in his essay "[The Case For Reparations](#)," winning praise and the title of [genius](#). But as Coates himself would probably readily admit, persuasion is back-breaking work: Only six percent of whites were in favor of cash payments to the descendants of enslaved Africans, according to a [June 2014 HuffPost/YouGov poll](#).

Eric G. Miller, a professor at Loyola Law School, told HuffPost that "targeted race-based distribution of resources are vital to break the cycle of racial subordination in this country."

"It's recognizing that class has racially specific aspects," he said. "So reparations is in part communication of the ways in which race-based subordination and domination is a part of the fabric."

Almost every policy is small-bore compared to reparations, but a recent proposal from the Annie E. Casey Foundation could narrow the racial wealth gap in an important way. The nonprofit suggests things like promoting already existing retirement programs anyone can use, expanding welfare programs and increasing funding for certain housing programs.

But the most significant policy proposed by the Casey Foundation is creating savings accounts for every child at birth, and letting family and friends contribute alongside targeted government deposits. If the accounts have \$60,000 by the time the kids are 18 to 34 year olds, the racial wealth gap is closed by as much as 80



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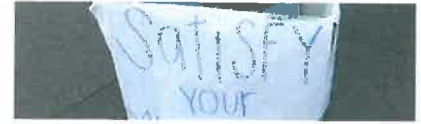
percent in that age group.

"It's a big, bold idea but even with more modest investments it still has an effect for families that would otherwise not be able to save," Woo said.

Closing the racial wealth gap among young people is incredibly important, Laura Sullivan, a senior research associate at the Brandeis University team that calculated the impact of the children's savings accounts, told HuffPost.

"Having wealth early in life provides opportunities," Sullivan said. "Whether it's a downpayment on a home or a college education. Wealth breeds and builds wealth."

In February, The Huffington Post is launching a podcast, hosted by Killer Mike, on Reconstruction. If you know anything about Reconstruction, you've probably been told that it was a brief moment of ill-advised revenge that the North took on the South just after the Civil War. But the real history of Reconstruction is one of great hope and promise mixed with tremendous violence. [Sign up here](#) to get an email when the podcast goes live.



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