

# **White Supremacy is the Pre-existing Condition:** Eight Solutions to Ensure Economic Recovery Reduces the Racial Wealth Divide

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Institute for  
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**INEQUALITY** ORG  
AN INSTITUTE FOR POLICY STUDIES PROJECT

**NCRC**  
National Community Reinvestment Coalition

## PREFACE

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The **Institute for Policy Studies** ([www.IPS-dc.org](http://www.IPS-dc.org)) is a multi-issue research center that has been conducting path-breaking research on inequality for more than 20 years.

The **IPS Program on Inequality and the Common Good** was founded in 2006 to draw attention to the growing dangers of concentrated wealth and power, and to advocate policies and practices to reverse extreme inequalities in income, wealth and opportunity.

The **Inequality.org** website (<http://inequality.org/>) provides an online portal into all things related to the income and wealth gaps that divide us, in the United States and throughout the world. **Subscribe to our weekly newsletter at Inequality.org or follow us on Twitter and Facebook: @inequalityorg**

The **National Community Reinvestment Coalition** ([www.ncrc.org](http://www.ncrc.org)) was formed in 1990 by national, regional and local organizations to increase the flow of private capital into traditionally underserved communities. NCRC has grown into an association of more than 600 community-based organizations that promote access to basic banking services, affordable housing, entrepreneurship, job creation and vibrant communities for America's working families.

#### **Previous Reports on the Racial Wealth Divide:**

- *"Ten Solutions to Bridge the Racial Wealth Divide,"* April 2019. <https://ips-dc.org/report-racial-wealth-divide-solutions/>
- *"Dreams Deferred: How Enriching the 1% Widens the Racial Wealth Divide,"* January 2019. <https://ips-dc.org/racial-wealth-divide-2019/>
- *"The Road to Zero Wealth: How the Racial Wealth Divide is Hollowing Out America's Middle Class,"* September 11, 2017. <https://ips-dc.org/report-the-road-to-zero-wealth/>
- *"The Ever-Growing Gap: Without Change, African American and Latino Wealth Families Won't Match White Wealth for Centuries,"* August 2016. <https://ips-dc.org/report-ever-growing-gap/>

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## Preface by Darrick Hamilton

Our unjust racial divide in wealth is an inheritance that began with chattel slavery, when blacks were literally the capital assets for a white landowning plantation class. The injustice did not end with Emancipation; racist systems of exploitation and extraction continued onto sharecropping, “whitecapping,” Jim Crow, and the exclusion of blacks from the New Deal and postwar policies that built an asset-based white middle class. These injustices live on in dramatic wealth disparities that are awaiting repair.

It noteworthy that, in the 2020 Democratic Party Presidential primary, there was near consensus support for HR40 -- a first step towards reparations, ordinarily initiated by the late Rep. John Conyers and now championed by Rep. Sheila Jackson on the house side, and Sen. Cory Booker on the senate side.

As we pointed out in our previous report, that I co-authored, *“Ten Solutions to Bridge the Racial Wealth Divide,”* the racial wealth divide is rooted in structural policy, not individual action.<sup>1</sup> Government action, and inaction, has brought us to this point today. The solutions we point to seek to leverage public policy to address this structural inequality and shift government interventions towards bridging, rather than expanding racial economic inequality.

This report is timely. The job losses associated with the COVID-19 pandemic rival that of the Great Depression. If we fail to act or if we act with timidity, there will be unnecessary suffering and Blacks, and other economically marginalized groups, will bear the brunt. Overcoming these challenges require bold, transformative action. The responses to the last Great Recession were too tepid and wealth disparity, including the racial wealth divide, substantially worsened.

We can do better. Inequality and despair do not have to be our destiny. We can promote our *shared* prosperity and create a better world. This reports presents eight solutions that provide the underpinnings of a new social contract that does just that.

## Executive Summary

White Supremacy is the pre-existing condition that consistently brings disproportionate harm to communities of color, particularly Blacks. White Supremacy, a political-economy based on the disenfranchisement of people of color and concentrating wealth among the white population, is the foundation and on-going pre-existing condition that brings disproportionate harm to communities of color in crisis after crisis from Katrina to COVID. The existing inequalities of income, wealth, and opportunity continue to shape the impact and response to our national health crisis.

**The Color of Covid-19.** Racial wealth disparities have colored the U.S. impact and mortality resulting from Covid-19. The racial asset gap exposes a multi-generational fault line that is a predictor of life and death. The pandemic is having a disproportionately harmful impact to Black, Brown, and Native populations who have fewer opportunities for testing, working from home, and receiving public assistance benefits. Preliminary research also indicates higher mortality rates for people of color.

### **The Concentration of Wealth and the Racial Wealth Divide:**

The concentration of wealth supercharges the existing racial wealth divide, leading to these lopsided juxtapositions:

- The U.S. spends an estimated \$729 billion a year to assist with individual wealth building. Yet these expenditures go mostly to those with the most wealth. For example 90 percent of the \$90 billion available through tax-related housing assistance went to households with income over \$100,000, while those earning \$50,000 received roughly 1 percent of these benefits.
- In the 12 weeks between March 18 and June 11, the combined wealth of all U.S. billionaires increased by more than \$637 billion, the equivalent of more than 13 percent of all Black wealth.
- U.S. billionaires together have \$3.581 trillion in wealth, more than the entire Latino population combined, which has \$3.49 trillion. In other words, 640 billionaires have as much wealth as 59 million Latinos.
- Total U.S. billionaire wealth is equal to three-quarters of all Black wealth combined, which is \$4.68 trillion.

- The top 12 U.S. billionaires have a combined wealth of \$921 billion, which is equivalent to all the home equity wealth of the entire Black population, over 17 million households.
- The top 70 U.S. billionaires together hold \$1.9 trillion, the equivalent to the home equity wealth of all Black and Latino households combined.

**Learning from the Failed Response to the 2008 Financial Crash and the Great Recession.** The U.S. government response to the last major crisis worsened the racial wealth divide by funneling bailout and stimulus money primarily into large corporations and financial firms. We are doomed to repeat the mistakes of the 2008 recovery unless we bring an intentional commitment to racial equity in the design of economic stimulus and subsequent recovery measures.

## **Eight Solutions To Close the Divide**

What follows are eight solutions that are timely and workable in the midst of the pandemic. While not a complete list, these measures would go a long way toward closing the racial wealth divide. This section is divided into Phase One: Emergency Measures, Phase Two: Emerging from Recession, and Phase Three: Interrupting Inequality.

### **Phase One: Emergency Measures**

**1. Improved Racial Data Collection as Part of Emergency Investments.** We need to understand the full racial dimensions of the pandemic and its economic consequences. Congress should mandate dramatically increased federal, state, and regional data collection of racial and ethnic data, both in terms of health impacts as well as the application of stimulus and other economic programs. Data collection should expand to under-analyzed groups such as Native Americans and Asian Americans. The national asset scorecard for communities of color could serve as an example.

**2. Racial Equity Audits of Crisis Relief and Recovery Policies.** Congress should conduct a “Racial Wealth Audit” of each stimulus bill and economic recovery proposal to understand its impact on the racial wealth divide. The measure should answer the question: did this policy reduce the racial wealth divide or make it more pronounced? For example, will the Paycheck Protection Program (PPP) reduce the racial wealth divide or worsen it? Did universal stimulus checks narrow the gap or widen it? By putting in place the asset collection measures described above and an analytical framework, we can improve upon past mistakes.

**3. Income Support that Expands to Guaranteed Income.** The U.S. should have a system of emergency income support that transitions to a Guaranteed Income. A guaranteed income set above the poverty line would provide households with income security, especially in times of crisis. It could also provide the minimum decency floor for low-wage workers, serving as a supplement to ensure an adequate livelihood.

**4. Postal Banking.** Congress should strengthen the U.S. Postal Service and expand its mandate to provide financial services to the millions of U.S. households that are unbanked or poorly served by the for-profit banking sector. This would reduce exposure to predatory lenders, especially in communities of color where an estimated 47 percent of Black and 42 percent of Latino households are unbanked or under-banked. This expansion of financial services will also provide a more effective means to transmit investments to underbanked households.

### Phase Two: Emerging from Recession

**5. Medicare for All –Delinking Universal Health Care from a Job.** Congress should move quickly to expand universal health care through Medicare for All. The racial disparities in Covid-19 mortality dramatize the moral necessity to have a system that boosts overall health equity and wellness. The Covid-19 economic and health crisis has shown once again that healthcare should not be tied to employment and should be an asset for all Americans.

**6. Expanding Inclusive Housing and Ownership.** Congress should reverse four decades of federal policy retreat to expand the supply of decent affordable rental housing and reverse the slide in homeownership, a critical component of wealth-building.

**7. Federal Jobs Guarantee with Living Wage.** Like the Works Project Administration (WPA) during the Great Depression, a Federal Jobs Guarantee gives people the opportunity to access a job, with government as employer of last resort. An emergency guaranteed job could be deployed during local and regional disasters as a means of mobilizing much-needed labor to assist with reconstruction, public health infrastructure and a transition to a green economy.



8. **Baby Bonds.** Congress should address the multi-generational racial wealth divide by creating a baby bond program. Every newborn would be provided with an account endowed and managed by the federal government with funds that can be accessed in adulthood for wealth-building investments such as homeownership, enterprise start-ups, and higher education without debt.

### **Phase Three: Interrupting Inequality**

The eight policy solutions proposed above would dramatically diminish the racial wealth divide and move toward greater equity in wealth and assets. Congress shouldn't wait until they've raised new revenue to implement this new social contract. But they should consider the tax policy reforms below that would reduce the destructive concentrations of wealth and power that supercharge the racial economic divide and raise revenue for investments to reduce racial and economic inequalities.

**Reverse Upside Down Tax Subsidies.** Redirect \$729 billion in annual subsidies for wealth building that mostly flow to the wealthiest households. Direct resources to those who have been excluded from historical wealth-building government programs and other low-wealth, asset-poor households.

**Millionaire Surtax.** Ensure that several trillion in recovery revenue comes from a targeted tax on the ultra-rich, who have seen the greatest gains over the last several decades. A 10 percent millionaire surtax on the top 0.2 percent, those with incomes over \$2 million, could generate an estimated \$636 billion over 10 years.

**Financial Transaction Tax.** Policymakers should institute a small financial transaction tax on trades of stocks and derivatives. One FTT proposal would generate as much as \$777 billion over 10 years.

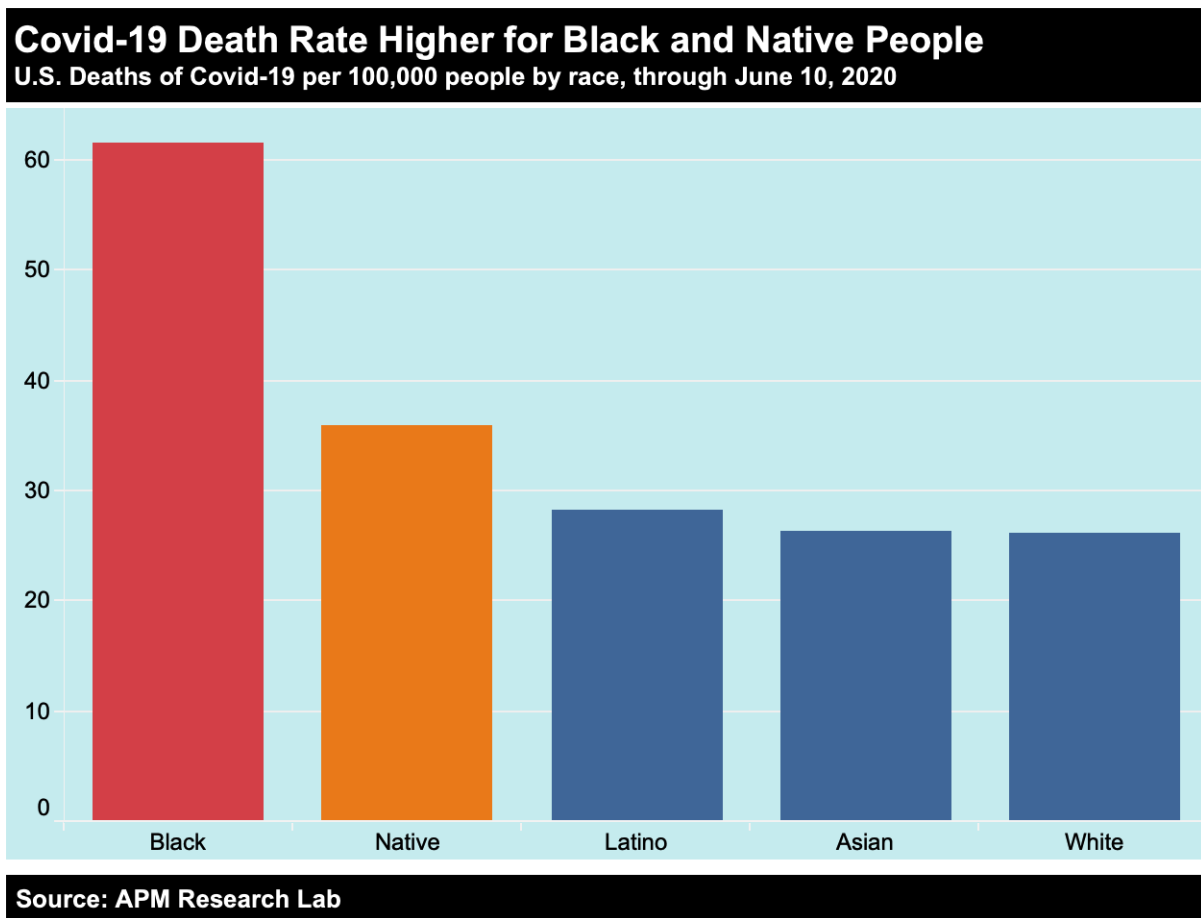
**Progressive Estate Tax and Wealth Tax.** Congress should pass a series of estate tax reforms to boost rates on billionaire inheritances and plug up loopholes and ban trusts that wealthy families use to hide and perpetuate wealth dynasties. Congress should levy an annual wealth tax, similar to those proposed by Senator Elizabeth Warren and Senator Bernie Sanders. The Sanders proposal starts with an annual 1 percent tax on wealth over \$32 million with rates increasing to 8 percent on wealth over \$10 billion.

**Shut Down the Hidden Wealth System.** An estimated \$21 trillion in wealth is hidden in offshore tax havens, shell companies, and trusts. Congress must use legislation, trade negotiations, and international sanctions to require greater corporate transparency, eliminate tax dodges, and provide greater resources for tax enforcement.

## Introduction: The Color of Covid-19

The racial wealth divide is a “pre-existing” condition that has worsened the severe health and economic impacts of the Covid-19 crisis on communities of color.

Nationally, Black Americans have had Covid-19 mortality rates that are more than twice as high as other races. For each 100,000 Americans (of their respective group), about 61.6 Blacks have died from the coronavirus, compared to 36 percent Native, 26.3 Asians, 28.2 Latino, and 26.2 Whites, as of June 10, 2020, according to APM Research Lab.<sup>2</sup>



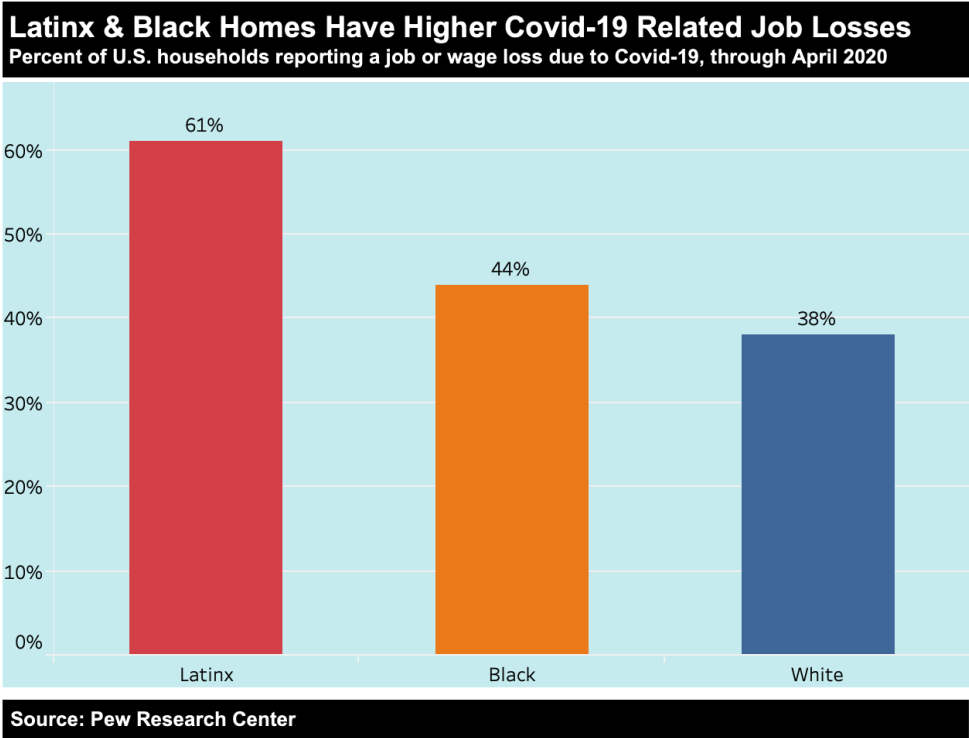
Another study found that the risk of death from Covid-19 for Black Americans was 3.57 times higher than for white Americans, based on numbers from the 28 states that sufficiently reported race data. For Latino Americans, the death risk was 1.88 times higher than for whites.<sup>3</sup>

In certain areas of the country, the disparities are even more extreme. In four states, Black Americans account for three times more deaths than their share of the population. The one-fifth of U.S. counties that are majority Black account for more than half of both cases and deaths nationally. In Milwaukee County, Wisconsin, Black residents make up approximately one-quarter of the population, but account for nearly three-quarters of the county's Covid-19 deaths.<sup>4</sup>

One reason the burden is falling heavily on Black and Brown workers is their overrepresentation in occupations with high risks of potential virus exposure. About 37.7 percent of Black workers are employed in essential industries compared to 26.9 percent of whites. Black workers are 40 percent more likely than whites to work in hospitals.<sup>5</sup>

Another reason for the disparate impact on health is the racial disparity in telework. While 29.9 percent of white workers have the option to work from home, just 16.2 percent of Latino workers and 19.7 percent of Black workers have that option, meaning Black and Latino workers are more likely to have to put themselves at risk for Covid-19 during their commutes and in their workplace.<sup>6</sup>

Preliminary data also indicate racial gaps in access to testing. For example, in Dallas, 22 testing sites are located in predominantly white neighborhoods compared to 7 sites in communities of color.<sup>7</sup>



Although many people of color are doing essential work, overall they have suffered greater job and income losses. Sixty-one percent of Latino households and 44 percent of Black households have had a job or wage loss due to the pandemic, compared to 38 percent of White households, according to the Pew Research Center.<sup>8</sup>

Racial disparities also show up in who is receiving income supports. While 33.2 percent of white unemployed workers receive Unemployment Insurance, just 23.8 percent of Black unemployed workers receive UI.<sup>9</sup>

Although it will be many months until we have a full national picture of the pandemic, the crisis is clearly taking its heaviest toll on people of color. An equitable and just recovery will require bold government action based on lessons from failed policy responses after the country's last major economic crisis.

## **The Racial Wealth Divide**

As Covid-19 slammed into households across the country, the racial wealth divide was a pre-existing condition. As with other crises, from Hurricane Katrina to the Great Recession, it is making a bad situation even worse for people of color.

Wealth is a measure of total assets minus liabilities, or debt. It is the leading economic indicator of a family's ability to overcome unexpected financial challenges. It is often the difference between whether a financial setback like a job loss or a medical emergency becomes a temporary economic challenge or leaves a family in financial ruin. Wealth provides the collateral security to attain financial stability, take risks, and acquire additional wealth, as well as the resources to make intergenerational transfers that seed financial stability and mobility for future generations.

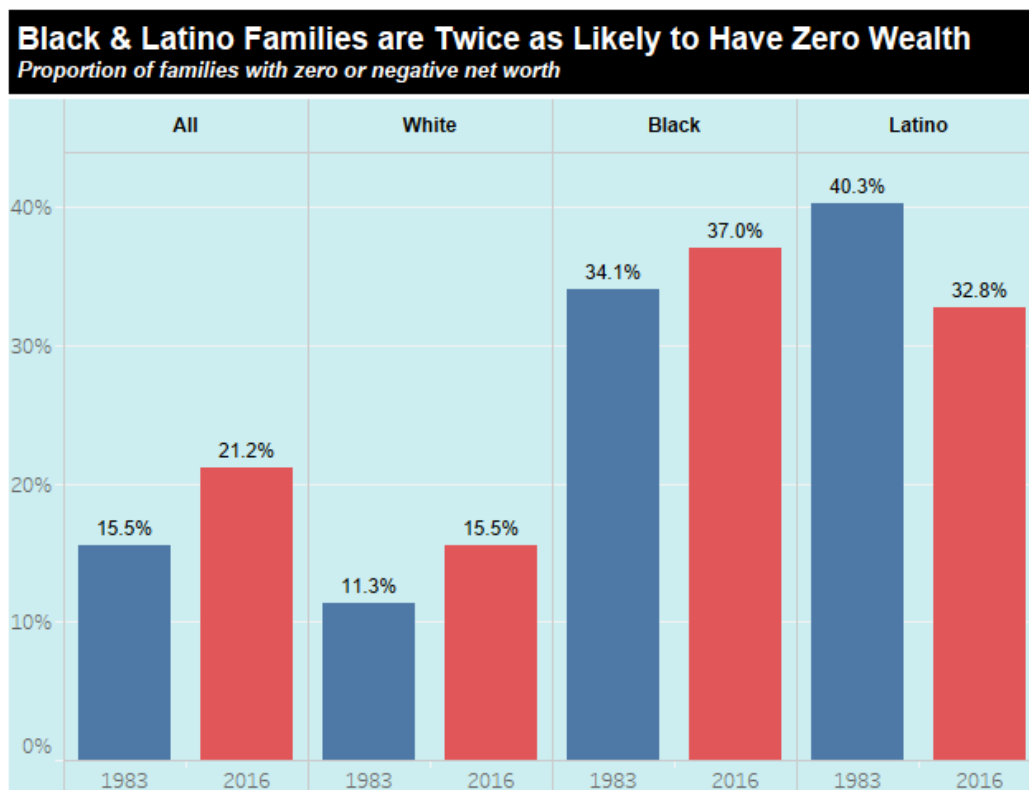
This fall of 2020, the Federal Reserve will release its 2019 Survey of Consumer Finance that will update data on racial wealth trends. In the meantime, we have updated previous report findings with 2020 dollars and analyzed the Fed's Distribution of Financial Accounts.

Our 2019 report, "Ten Solutions to Bridge the Racial Wealth Divide," provides stark data on the size of America's racial wealth divide, based on the 2016 Survey of Consumer Finance data.<sup>10</sup> We found that racial wealth inequality increased by more than \$40,000 from 1983 to 2016. In 1983, white median wealth was \$110,160, while Black wealth was \$7,323, and Latino wealth was \$4,289. By 2016, white median wealth had

increased by \$36,000 to \$146,984, while Latino median wealth increased by only a couple thousand to \$6,591. Black wealth declined by about \$4,000, to a mere \$3,557. Note that these statistics exclude durable goods.<sup>11</sup>

Throughout this 33-year period, typical Blacks and Latinos never got close to accumulating middle-class level wealth, a level that provides economic security and opportunity. Our 2017 report, *The Road to Zero Wealth: How the Racial Wealth Divide is Hollowing Out America's Middle Class*, estimated middle-class wealth as ranging from \$68,000 to \$200,000.<sup>12</sup> The report also noted that about 72 percent of Blacks and Latinos had not reached middle-class wealth, while about 60 percent of whites had attained middle-class wealth or higher.

Between 1983 and 2016, the median Black family saw their wealth drop by more than half after adjusting for inflation. The median white households, on the other hand, saw their wealth jump by a third. The median Latino family saw their wealth rise marginally and has yet to top \$10,000.



Even in “normal” times, most U.S. households have serious liquidity challenges. Financial planners suggest that households set aside three to six months of expenses in

accessible savings to protect against an unexpected income disruption. A Fed Reserve study found that in 2018 only 61 percent of U.S. families, faced with an unexpected \$400 expense such as a car repair, would be able to cover that expense with cash or an equivalent. In other words, even before the crisis, nearly 40 percent of Americans lacked sufficient funds to cover an emergency.<sup>13</sup>

The share of households of color with zero or “negative” wealth, meaning their debts exceed the value of their assets, is much higher than the share of white households. Thirty-seven percent of Black families and 33 percent of Latino families have zero or negative wealth, compared to just 15.5 percent of white families. Black Americans have a homeownership rate of just 44 percent, compared to a white homeownership rate over 70 percent.

During the current crisis, these racial wealth divides are exacerbating racial disparities in health and income impacts. People of color, with less savings on average than whites, will have a harder time covering the cost of basic needs if they experience loss of income.<sup>14</sup> With significantly lower homeownership rates, people of color are more likely to be struggling to pay the rent on reduced family incomes.

## **The Concentration of Wealth and the Racial Wealth Divide**

This growing racial wealth divide has occurred at a time when wealth has shifted largely into the hands of the very wealthy. Since the early 1980s, the number of households with \$10 million or more skyrocketed by 856 percent. The richest 0.1 percent have seen their wealth jump 133 percent.

The growing concentration of wealth has super-charged the already existing economic and racial divides. During the pandemic, we are witnessing both surging stock markets and rising billionaire assets, as documented in our recent report, *Billionaire Bonanza 2020: Wealth Windfalls, Tumbling Taxes & Pandemic Profiteering*.<sup>15</sup> As the Federal Reserve reported during the week of June 10<sup>th</sup>, more than \$6.5 trillion in household wealth vanished during the first three months of this year as the pandemic tightened its hold on the global economy. We can imagine this wealth loss disproportionately hit Black, Brown and Native households the hardest.

“This is the biggest economic shock in the U.S. and in the world, really, in living memory,” Fed Chair Jerome H. Powell said on June 10<sup>th</sup>. “We went from the lowest level of unemployment in 50 years to the highest level in close to 90 years, and we did it in two months.”<sup>16</sup>

Here are several powerful facts that dramatize the staggering gap between the billionaire class and the wealth of households of color:

- The total wealth of 640 US billionaires on June 11, 2020, was \$3.581 trillion, an increase of almost 20 percent over the total of \$3.111 trillion in US billionaire wealth in the spring of 2019, as measured by the *Forbes* Global Billionaire survey.<sup>17</sup>
- Between March 18 and June 11, the combined wealth of all US billionaires increased by more than \$637 billion, more than 13 percent of all pre-pandemic Black wealth, in about 12 weeks.<sup>18</sup>
- As of June 11<sup>th</sup>, US billionaires have more wealth combined, \$3.581 trillion, than the entire Latino population combined, which was \$3.49 trillion prior to the pandemic. In other words, 640 billionaires have as much wealth as 59 million Latinos.
- Total US billionaire wealth is equal to 76 percent of all Black wealth combined, \$4.68 trillion.
- The combined wealth of the top 12 US billionaires of \$921 billion is equivalent to the value of home equity wealth of the entire Black population prior to the pandemic, over 17 million households.
- The combined wealth of the top 70 US billionaires of \$1.9 trillion is equivalent to the home equity wealth of all Black and Latino households combined, prior to the pandemic.

## Massive Racial Wealth Gaps Remain

Attributes of wealth by race in America

	All	White	Black	Hispanic
Mean Wealth w/Durable Goods	\$718,783	\$942,730	\$135,983	\$178,511
Median Wealth, w/o Durable Goods	\$84,088	\$151,272	\$3,661	\$6,783
Population %	100.0%	76.5%	13.4%	18.3%
Total Wealth w/Durable Goods	\$111.44 trillion	\$95.62 trillion	\$4.68 trillion	\$3.49 trillion
Total Wealth w/o Durable Goods	\$105.69 trillion	\$91.18 trillion	\$4.18 trillion	\$3.14 trillion

Source: Institute for Policy Studies analysis of most recent Federal Reserve & U.S. Census data as of June 2020.

*A summary of racial wealth data, in 2020 dollars, from prior to the Pandemic.*

### Combined Wealth of Racial Groups

The total wealth of 17.1 million Black households is \$4.68 trillion,<sup>19</sup> representing over 41 million people, or 13.4 percent of the U.S. population.<sup>20</sup> The total wealth of 17.7 million Latino households is \$3.49 trillion, representing 19.7 million people, or 18.3 percent of the population. The total wealth of 100 million white households is \$95.62 trillion, representing 236 million people, or 76.5 percent of the population.

## Lessons from the Great Recession

One major reason the racial wealth divide was so wide at the onset of the Covid-19 crisis is the disastrous effect of the 2008 financial crash on people of color and the failure of the policy response. Instead of prioritizing the people most harmed by the crisis,



policymakers rushed to bail out big Wall Street banks and pursue a trickle-down approach that prolonged the Great Recession.

In the current economic crisis, policymakers have the opportunity to learn lessons from this not-so-distant past and prioritize the populations most affected by the spread of the coronavirus, particularly people of color.

The 2008 crisis slashed the wealth of all American households, but unlike their billionaire counterparts, median household wealth has yet to fully recover to their pre-crash levels.

The most recent Federal Reserve data show that by 2016, only the top 20 percent of the population had recovered the net worth they had prior to 2007. For most Americans, the last decade has been a “wealthless recovery.”<sup>21</sup>

The crash hit Black and Latino households especially hard. Between 2007 and 2010, Black wealth suffered a 33 percent decline.<sup>22</sup> After several decades of rising homeownership, Latino households experienced a 47 percent decline in net home equity.<sup>23</sup>

In response to the 2008 crash, the federal government handed out more than \$1 trillion to save banks and other large corporations, benefiting their overwhelmingly white top executives and shareholders. Many of these businesses are now more valuable than they were then. The nearly 10 million homeowners who lost their homes to foreclosures got next to nothing. The Obama administration did push through a modest stimulus package in 2009, but a wave of drastic Republican budget-slashing after the 2010 election delayed the economic recovery.

For people of color, the recovery was particularly slow and painful. If they had any wealth at all after the crash, it tended to be mostly in the form of home equity, which regained value slowly. White wealth was more diversified in other financial assets, including stock investments, which were quicker to rebound.

The failed trickle-down theory behind the 2008 crash response was repeated in the Republican tax cuts of 2017. A recent study by Prosperity Now and Institute on Taxation and Economic Policy and another by the Roosevelt Institute look at how racial disparity, including the racial wealth divide, will grow as a result of the Tax Cuts and Jobs Act of 2017, commonly known as the Trump tax cuts.<sup>24,25</sup>

The Prosperity Now study found that “Of the nearly \$275 billion within the Tax Cuts and Jobs Act in 2018, \$218 billion (80 percent) goes to white households” and “on average, white households will receive \$2,020 in cuts, while Latino households will receive \$970 and black households will receive \$840.” This is because the tax package heavily skewed towards high-income households who are mostly white. White households in the top 1 percent of earners received \$143 a day from the tax cuts while middle-class households earning between \$40,000 and \$110,000 received just \$2.75 a day.

Thus far the nation’s response to the Covid-19 crisis has continued to follow the failed trickle-down theory. While Congress has approved some aid for the poor and working class, undocumented immigrants and many others in need are largely excluded. Meanwhile, the Federal Reserve is authorized to channel trillions in assistance to boost Wall Street and large corporations, with no conditions attached to prevent layoffs or restrain executive pay. These Federal Reserve dollars are inflating the wealth holdings of those at the top.

The country must stop advancing trillion-dollar packages that disproportionately benefit large businesses and the wealthy in ways that will only further widen the racial wealth divide.

## **8 Solutions to Ensure the Economic Recovery Reduces the Racial Wealth Divide**

Policymakers must commit to closing the racial wealth divide as a priority and promoting racial justice more generally. As we have argued in previous studies, it is in the interests of everyone that the economy does not further polarize along racial wealth fault lines and further erode middle-class standards of living for households of color.

What follows are eight workable solutions to the long-standing racial disparities that have grown even larger as a result of the pandemic. This section is divided into Phase One: Emergency Measures, Phase Two: Emerging from Recession, and Phase Three: Paying for Policies.

### **Phase One: Emergency Measures**

#### **1. Improved Racial Data Collection as Part of Emergency Investments**

We cannot begin to propose solutions if we don’t have the data to identify the problems. In our 2019 report on the racial wealth divide, we identified several

shortcomings in U.S. collection of racial and ethnic data. While we are able to derive useful data from sources like the Survey of Income and Program Participation (SIPP), the Panel Study of Income Dynamics (PSID), the National Longitudinal Youth Survey (NLYS), and the Survey of Consumer Finances (SCF), these datasets are broad in scope and limited in details.<sup>26</sup>

Most of these sources cover only a handful of the largest racial demographics (usually Black, Latino, and white) while neglecting smaller but equally important groups like Native Americans and Asian Americans. State and regional data is also lacking, which often leaves researchers and policymakers with no choice but to equate the experiences of, for example, Latino Americans in Florida with those of Latino Americans in California. Projects like the National Asset Scorecard for Communities of Color (NASCC) have made progress addressing the lack of specific racial and ethnic data in several communities around the country, but federal surveys like those administered by the U.S. Census Bureau have yet to improve their practices. If we intend to find effective solutions to the racial wealth divide, we should start with improving our data collection methods.

Nothing makes the case for that improvement better than the Covid-19 crisis. According to the Kaiser Family Foundation, race and ethnicity was “missing or unspecified for nearly two-thirds (65 percent) of the CDC reported cases” of coronavirus as of April 20, 2020.<sup>27</sup> The foundation also noted in April that there was a lack of sufficient data to analyze the impact of Covid-19 on Native American, Alaska Native, and Native Hawaiian and other Pacific Islander populations.

Improving data collection on race and ethnicity in the U.S. is an essential step in addressing the Covid-19 crisis with solutions that work for all Americans, not just white Americans. It should be immediately implemented and applied to recovery investment programs.

## **2. A Racial Equity Audit as Part of Stimulus Oversight and Policy Development**

Just as a construction project must file an “environmental impact statement” to understand the impact of a project on the natural world, we should require racial equity impact audits on major public policies, administered by the Congressional Budget Office. The measure should enable us to answer the question: did this policy reduce the racial wealth divide or make it more pronounced?

Oversight bodies should conduct racial equity audits of the various stimulus programs and future proposed policies. For example, will the Paycheck Protection Program (PPP) reduce the racial wealth divide or worsen it? Did universal stimulus checks narrow the

gap or widen it? Are corporations receiving emergency aid using the money to reward overwhelmingly white executives and shareholders or to prevent layoffs for low-wage workers who are disproportionately people of color? We currently don't know the answers to these questions. By putting in place the asset collection measures described above and an analytical framework, we can improve upon past mistakes.

The Racial Wealth Audit developed by the Institute on Assets and Social Policy (IASP) at Brandeis University in partnership with Demos offers a framework for developing effective policies to address the racial wealth divide.<sup>28</sup> The Audit compares median Black and white families and median Latino and white families and predicts the degree to which the racial wealth gap would decrease if a particular aspect of wealth-building were equalized. The Racial Wealth audit has been applied to analysis of homeownership programs, student debt relief, and other policy initiatives. The takeaway is not that we should cease efforts in any particular area; the audit process, simply shows that some approaches may not be the most effective way to address the racial wealth divide and that our resources would be more effective in other, perhaps less intuitive, areas.

Tools like the Racial Wealth Audit help to focus our conversations and efforts on the things that actually work instead of dwelling on the things that we think may or should work. There is no one size fits all approach or tool to evaluate all policies or even divine their impact on the racial wealth divide.

Another resource is the Racial Equity Toolkit, developed by Julie Nelson, Senior Vice President at *Race Forward* and her colleagues at the Government Alliance on Racial Equity (GARE). This tool has been already been widely implemented in Seattle, WA and other cities as a way to understand the impact and potential unintended consequences of legislation on the racial wealth divide.<sup>29</sup>

A similar policy analysis currently exists for Congress to assess how legislation that adjusts revenue or spending contributes to the national debt. Bills proposed by Congress are scored and an objective impact statement is included in the legislation for lawmakers and the public to understand how new laws will make the national debt go up or down.

Unfortunately, scoring related to the national debt is a limited functional barometer of the public benefit of legislation. Nevertheless, there is no reason a similar framework could not be utilized to gauge the impact of legislation on the racial wealth divide.

Recommendation: Both Congress and state legislatures adopt a racial equity and stratification lens framework into formal policy analysis through the Congressional Budget Office (CBO) or appropriate state budget offices.

### **3. Income Support that Expands to Guaranteed Income**

As noted earlier, 61 percent of Latino households and 44 percent of Black households have had a job or wage loss due to the pandemic, compared to 38 percent of White households. These losses are not only devastating to families of color; they also harm the entire country by undercutting the consumption that drives the overall economy. During the Great Recession, U.S. unemployment peaked at 10 percent, significantly lower than current rates, with dramatic negative repercussions for the U.S. and global economy.

The U.S. should have a system of emergency income support that transitions to a guaranteed income system during times of stability. When unemployment rises above a certain level, say 6 percent, a \$2,000 a month per household guaranteed income should kick in to prevent a deep economic downturn. A version of guaranteed income, sometimes referred to as universal basic income (UBI), has been supported by many economists and other experts from across the political spectrum.

These programs respond to the failure of the modern labor market — since long before the current crisis — to provide adequate income and employment security for the majority of workers. For the past several decades, wages have not kept pace with productivity and economic growth.<sup>30</sup> As a result, workers are now living more precarious lives and working longer hours or multiple low-wage or temporary jobs — euphemized as the gig economy — just to meet their basic necessities.

A guaranteed income set above the poverty line would provide households with income security, especially in times of crisis.<sup>31</sup> But a guaranteed income doesn't simply offer an economic floor, it also empowers workers by increasing their bargaining power. With the cushion of a guaranteed income, workers are in a better position to refuse to take jobs if working conditions are poor, hours are unfavorable, or wages are too low.

This is especially relevant for our current moment. Many workers feel unsafe reopening different sectors of the economy, and their refusal to go back to work can result in the termination of their employment.<sup>32</sup> The threat of a job loss during a pandemic coerces

workers to choose between risking their health and lives or jeopardizing their livelihoods. It is a lose-lose situation for essential workers who do not have the privilege of working from home — many of whom are disproportionately Black, Hispanic, low-wage, and female.<sup>33</sup>

With a worker's material existence essentially guaranteed by a basic income, they can choose whether it is safe to go back to work. Employers will be incentivized not to open the economy prematurely and to provide the necessary equipment to ensure worker safety. Non-exploitative voluntary agreements could truly transform the labor market.

A guaranteed income also encourages entrepreneurship since it reduces the risks associated with starting your own business. As a result, people would have the means to engage in work they find meaningful without risking their household savings. Lastly, a guaranteed income addresses gender inequities. A basic income will remunerate work devalued by the market such as the unpaid caring for children and elders and domestic work disproportionately done by women.<sup>34</sup>

Perhaps the most well-known and longest-lasting guaranteed income program in the United States is the Alaska Permanent Fund (APF). The APF is essentially a social wealth fund established by Republican Governor Jay Hammond in 1976 after voters approved an amendment to the Alaskan Constitution allowing for its creation. By 1982, the fund began to distribute an annual dividend to its residents.

The Alaska state government deposits at least 25 percent of annual oil and gas royalties into the APF, which is then invested in a diversified portfolio of interest-earning assets.<sup>35</sup> The APF had a value of \$66.3 billion and a return of 6.32 percent in 2019.<sup>36</sup> While the dividend payments fluctuate from year to year, depending on the performance of the fossil fuel industry, for the past two years the payments have been approximately \$1,600 per resident. One study found that the program has reduced poverty by 20 percent in the state.<sup>37</sup>

Another universal basic income pilot program is currently underway in Stockton, California. Democratic Mayor Michael Tubbs introduced an 18-month trial distributing a monthly and unconditional \$500 cash payment to 125 individuals who are currently earning at or less than \$46,000 a year in February 2019. Due to the COVID crisis, the trial has been extended from the end of August 2020 to January 2021 and the full impact of the program will be assessed and studied soon.<sup>38</sup> Preliminary results thus far indicate that 60 percent of the cash was spent on food, utilities, and motor vehicle expenses

(repairs and gasoline).<sup>39</sup> It will be interesting to see how the UBI program buttressed income security for participants in the context of Covid-19.

#### **4. Postal Banking**

Long before the current crisis, the U.S. financial system had largely abandoned low-income communities of color. Blacks and Latino are much more likely than other Americans to be “unbanked,” meaning they don't have a bank account, or “underbanked,” meaning they have to supplement their bank account with alternatives, such as predatory payday loans and expensive check cashing services. According to the FDIC, Black households are five times more likely and Latino households are four times more likely than white households to be unbanked or underbanked.<sup>40</sup>

One solution is to restore and expand the financial services of the U.S. Postal Service, known as “postal banking.” The Postal Service was one of the first federal agencies to racially integrate and has long been a reliable source of middle-class jobs with benefits for Black workers, who make up more than 27 percent of the total postal workforce. Expanding postal financial services would help meet the needs of low-income people of color who have been left behind by traditional banking and boost revenue for this public service at a time when it is suffering from the economic costs of the crisis.

One version of postal banking is free, digital “FedAccounts,” which would allow every American to receive money (like their unemployment and stimulus checks), make payments, and take out cash without any fees or minimum balance requirements.<sup>41</sup> These individual accounts would offer the same low interest rates that the Federal Reserve already offers to banks. They would also be accessible through the post office everywhere, including rural and low-income communities where traditional banks are largely absent. Postal banks could also issue small short-term loans.

Senator Sherrod Brown (D-OH) attempted to attach a FedAccounts proposal to the CARES Act. While it did not make it into this legislation, efforts are building to support FedAccounts.

Postal banking is not a new idea; the USPS already processes money orders. And from 1910 to 1966, the Postal Savings System offered a government-backed banking option for the nation’s poor who could not afford the fees and minimum balance requirements of traditional banks.<sup>42</sup> It was not meant to be profitable; it was meant to serve the unbanked and offer more Americans the chance to save their money and build up their wealth.<sup>42</sup>

It worked. According to the USPS, at the height of its popularity in 1947 the Postal Savings System held almost \$3.4 billion in savings.<sup>43</sup> The Postal Savings System was a preferred banking choice through WWII owing to its familiarity as an institution, convenience and accessibility across the country, and favorable interest rates.<sup>42,43</sup> It remained competitive until the 1960s, when traditional banks in the post-war economy caught up with interest rates and other protections offered by the Postal Savings System.<sup>43</sup>

The USPS stopped banking in 1966, but there is ample reason to bring back a postal banking system today. While traditional banks have a long history of systematically excluding Black Americans from their financial services,<sup>44</sup> the USPS has a Universal Service Obligation that ensures equal access to its services across the country. Postal banking would reach Americans who are typically neglected by private banks, especially in rural and inner-city communities, and allow them to access the financial services that help sustain and grow wealth.

This includes vital access to credit and lending that frees the unbanked from the debt grip of predatory payday lenders. Where payday lenders offer loans with interest rates as high as 500 percent, a postal banking system could offer small dollar loans at a much lower interest rate.<sup>45</sup> This allows more money to circulate in the local economies of low-income communities instead of disappearing into the void of payday lenders who don't care if local economies starve.<sup>45</sup>

More importantly in the midst of our current health and economic crisis, banking with a local postal bank would offer a way to cash an unemployment or stimulus check without paying the fees imposed by check cashing services. That means that the 8.4 million unbanked and the 24.2 million underbanked households in the U.S. — almost all of whom qualified for the stimulus checks issued under the CARES Act — would have more money left over to keep their families fed and housed through the Covid-19 crisis.<sup>46</sup> That's a good thing for anyone, banked or unbanked, who's serious about stopping the spread of Covid-19 and saving lives, because the populations that are economically vulnerable to this crisis are also the most exposed to the virus.

The USPS is a familiar and trustworthy institution to many with the unique ability to reach Americans that are considered too unprofitable for traditional banks to serve — the same Americans who are most vulnerable to the health and economic devastations of Covid-19. As long as the Covid-19 crisis continues, there is still every opportunity, and every need, to reinstate postal banking.



## Phase Two: Emerging from Recession

### 5. Medicare for All –Universal Health Care Delinked from Employment

For communities of color, universal healthcare is more essential now than ever, as these communities are facing higher Covid-19 infection and death rates. At the same time, Black, Brown and Native people are less likely to have health insurance than white Americans. People of color make up 43 percent of Americans under 65 (the Medicare age threshold), but over half of the uninsured in that age category.<sup>47</sup> With unemployment claims surging and the majority of insured Americans getting their coverage through an employer,<sup>47</sup> the rate of uninsured Americans has increased. Three groups saw spikes in unemployment in April 2020 that were much greater than the average reported: women (15.5 percent), Black Americans (16.7 percent), and Latino Americans (18.9 percent). This suggests that women of color are at particular risk of being uninsured during the Covid-19 crisis. And anyone thinking of seeking out new insurance coverage through the marketplace is likely to face roadblocks: to date (May 13), only 12 states have opened special enrollment periods for the healthcare marketplace,<sup>48</sup> leaving many Americans stranded.

Even those with insurance face challenges. Despite promises from the Trump administration that insurers will waive fees associated with Covid-19 care, the exact parameters of this policy are hazy.<sup>49</sup> The rules about what can and cannot be waived are vague if not nonexistent,<sup>49</sup> and many states have suggested guidelines for insurers rather than establishing enforceable rules.<sup>50</sup> An April 22 report from NBC News found that patients were still receiving bills for Covid-19 testing and treatment.<sup>50</sup> It is unsurprising, therefore, that a recent Gallup poll finds that 9 percent of all American adults and 14 percent of non-white American adults who suspect they may have Covid-19 said they would avoid treatment due to concerns about the cost of care.<sup>51</sup>

But we didn't need a pandemic to tell us that Black, Brown and Native people are underserved by our hyper-privatized healthcare system. A prime example of this is the country's dismal record on maternal mortality rates among women of color. According to a joint report from ProPublica and NPR, CDC statistics show that Black women are 243 percent more likely to die due to complications from pregnancy or childbirth than white women.<sup>52</sup> Many factors are at play here: ProPublica and NPR note that women of color face compounding racism and sexism in our healthcare system, which has a well-documented tendency to dismiss the concerns of people of color and women when they say they are feeling unwell.<sup>52</sup> Black women are also "more likely to be uninsured

outside of pregnancy, when Medicaid kicks in, and thus more likely to start prenatal care later and to lose coverage in the postpartum period,” leaving them vulnerable to complications that can develop long before and long after childbirth, according to ProPublica and NPR.<sup>52</sup>

No one should struggle to access affordable healthcare in the country that leads the world on the *Forbes* list with 640 billionaires.<sup>53</sup> We do not yet know how many lives we have lost or will lose to Covid-19 because sick Americans tried to ride out their illness at home to save money, but we can bet those lives will be disproportionately Black and Hispanic and female. For those who do seek treatment and recover, there are likely many hospital bills and battles with insurance companies in their futures. We need universal healthcare like Senator Bernie Sanders’ (I-VT) Medicare for All proposal, which would guarantee quality healthcare for all Americans as a basic human right regardless of race, class, or gender. Neither money nor insurance should dictate a person’s chances of surviving any medical emergency, global pandemic or otherwise. Medicare for All would save Americans more than just money; it would save time, stress, worry, and most importantly, lives.

## **6. Expanding Inclusive Housing and Ownership**

While raising wages and income are obviously important in the immediate term, so too is addressing the drastic shortage of affordable housing and expanding homeownership as a wealth-building program. Immediate emergency measures must address the crisis of evictions and foreclosures. But longer term efforts should be focused on maintaining homeownership as a pillar of economic stability and a foundation for wealth-building.

As noted earlier, there is a huge gap in homeownership between Black and White Americans. Low-income people of color also face tremendous hardship finding affordable rental units. There is not a single state in the country where a full-time minimum wage worker making the federal minimum wage of \$7.25 per hour could afford to rent a two-bedroom apartment.<sup>54</sup> Furthermore, there is not a single state with an adequate supply of affordable rental housing for low-income renters.<sup>55</sup>

After four decades of retreat from federal housing policy, it is time for a comprehensive housing program that eliminates homelessness, addresses the shortage of quality rental housing, and provides a stable pathway to homeownership, especially for those historically excluded from past federal homeownership subsidy programs.

During the 2020 presidential campaign, Senator Elizabeth Warren put forward a comprehensive program, “the American Housing and Economic Mobility Act.”<sup>56</sup> Among the bill’s many components is a \$445 billion investment over ten years in the Housing Trust Fund, which would provide up to 2.17 million homes for low-income families. It also includes several billion dollars for a variety of other housing supports and expands on the Fair Housing Act housing discrimination ban.

This legislation would directly reduce the racial wealth divide by including a provision that provides down payment assistance to first-time homebuyers living in formerly redlined or officially segregated areas. Three out of four neighborhoods that were redlined remain predominantly low income, reflecting the multi-generational and long-term impact of these destructive practices on cities.<sup>57</sup>

Safeguards are required to avoid the moral hazards of subsidizing unintended recipients gaming the policy by moving to formerly redlined areas and hastening displacement of intended recipients via gentrification. Nonetheless, the bill is a bold step intended to address some of the legacies of housing discrimination. The bill also strengthens the Community Reinvestment Act by forcing financial institutions to serve creditworthy families in communities they’ve historically ignored.<sup>58</sup>

Investing in affordable housing does not mean just the development of new housing, but also shifting the tax incentives that currently prioritize wealthy homeowners over low-income renters and first-time home buyers. This is especially true for the Mortgage Interest Deduction, which mostly benefits high-income families instead of those who need housing assistance the most. A study from the Institute on Assets and Social Policy (IASP) & the National Low-Income Housing Coalition found that Black families received just 6 percent and Latino families just 7 percent of total benefits from the mortgage interest deduction, less than half their share of the U.S. population. “This amounts to an estimated \$4.8 billion in lost housing investments for black families and \$4.1 billion dollars directed away from Latino families,” the report finds, “relative to a more equitable distribution of benefits.”<sup>59</sup> The report’s authors propose converting the mortgage interest deduction into a refundable credit as well as introducing a renter’s tax credit to help renters save for a future home.

## **7. Federal Jobs Guarantee with Living Wage**

As the economy recovers and unemployment declines, a system of guaranteed employment would strengthen all Americans’ attachment to the labor market and

provide opportunities to receive a salary for contributing to society. It would also provide labor for needed community efforts that the private market fails to support.

In conjunction with basic income support, a federal job guarantee should remain in place so the nation can avoid the chaos of trying to develop last-minute government mechanisms to get funds out to individuals. A basic guaranteed income could be deployed locally during natural disasters, such as in the aftermath of a hurricane or flood, to provide timely assistance. Similarly, an infrastructure of guaranteed employment would provide a pool of workers to help with post-disaster reconstruction.

By providing a public option for work, a Federal Jobs Guarantee gives people the opportunity to access stable jobs. While the funding would come from the federal government, local and state authorities would administer the program for direct employment. It is, by its very nature, a cyclical program — growing and shrinking depending on the state of the economy.<sup>60</sup> A worker laid off or unable to find employment during a recession can opt into the jobs guarantee, but once there is a recovery, they can seek employment in the private sector.

In our current moment, a Federal Jobs Guarantee would ensure that the economic recovery that follows the Covid-19 pandemic is not only resilient, but inclusive: everyone — regardless of race, class, or gender — would have access to a living wage, benefits, and dignified work in projects that better address the needs of their communities, especially in rural communities and communities of color.<sup>61</sup> This approach would greatly differ from the Great Recession where policymakers rescued Wall Street but left homeowners and low-wealth households to fend for themselves as employment rates took nearly ten years to recover to pre-recession levels.<sup>62</sup>

In the past few years, prominent congressional Democrats Alexandria Ocasio-Cortez, Elizabeth Warren, Cory Booker, Jeff Merkley, and Kirsten Gillibrand, and Bernie Sanders, have voiced their support for a Federal Jobs Guarantee. Senator Booker co-sponsored a bill that would approve a three-year pilot program where jobs are guaranteed in 15 local areas.<sup>63</sup>

Depending on the plan, the program could cost anywhere between \$378 billion to \$543 billion a year, the latter figure equaling 3 percent of US GDP.<sup>64</sup> Similar to guaranteed income, Darrick Hamilton and his colleagues assert that savings will be generated through the reduction or elimination of redundant programs.<sup>65</sup>

## 8. Baby Bonds

To properly address and close the racial wealth divide and emerge from the current crisis with an equitable recovery, it is essential for legislators to advance policies that support and promote the building of assets for Blacks, Latinos, and other people of color. This is very important for the following two reasons. First, federal policy, especially in the last forty years, tends to favor households that already possess wealth, thereby exacerbating inequality by funneling resources upwards to a smaller segment of families. And second, the ownership of assets provides some liquidity to individuals and households whenever there is a loss of income due to convulsions in the economy.

A powerful initiative proposed to build wealth and close the racial wealth gap — and one that has gained traction in the mainstream press thanks to Democratic Senator Cory Booker — is the Baby Bond program, and studied and promoted by report lead author Darrick Hamilton in his recent study, *A Birthright to Capital*.<sup>66</sup> The proposal is straightforward: every newborn will be provided with an account endowed and managed by the federal government. The child will have access to the account once he or she enters adulthood, but on the condition that the funds will be used to potentially enhance or expand their asset portfolio. For example, the earnings from a baby bond account can be used as startup capital for a business, as a down payment on a house, or as payment for a university education. While the program in its orientation is universal, the primary beneficiaries will be asset poor households, which include a disproportionate number of families who are Black and Hispanic.

In December of 2018, Senator Booker introduced his version of the Baby Bond program by sponsoring the American Opportunity Accounts Act.<sup>67</sup> Booker's plan would transfer \$1,000 into a newborn's American Opportunity (AO) account with a maximum annual contribution of \$2,000. There are, of course, income requirements to the annual contributions. Families at or below the federal poverty line will receive the maximum contribution while families 500 percent above the federal poverty line will not be given a deposit. Booker estimates that his program would cost \$60 billion a year, which is only 0.3 percent of GDP, or just 8.74 percent of the military budget.<sup>68</sup> Further, he plans to finance his Baby Bond program by modifying the estate tax rate and gift tax rules by reinstating them to their 2009 levels.<sup>69</sup> This is significant because it directly tackles inequality by redistributing some of the wealth concentrated at the top towards the building of assets for low-income and low-wealth families.

Other Baby Bond programs differ on the margins — for example, requirements for the annual contribution are based on household wealth as opposed to income — but the framework remains the same.

An analysis of the potential impact of Baby Bonds by researcher Naomi Zewde provides a hint of how it can reverse the racial wealth gap. According to her study, the current median net worth of young whites is \$46,000. This is nearly sixteen times higher than that of young Black Americans, who have a median net worth of \$2,900. With the implementation of a Baby Bond program, this gap is significantly reduced. The median net worth for young whites would now be \$79,159 and \$57,845 for Black Americans. Not only has wealth for both young whites and Black Americans increased significantly, but the disparity between the two has decreased from a factor of 15.9 down to 1.4.<sup>70</sup>

### **Phase Three: Interrupting Inequality**

Even after the current crisis ebbs, policymakers should not lock themselves into “pay-as-you-go” restrictions that require every dime of new spending to be offset immediately by new revenue or spending cuts. The eight solutions detailed in this report would have significant long-term economic benefits to U.S. society — and they’re the right thing to do. Over time, however, there will be pressure to raise revenue to help cover the costs of policies aimed at narrowing the racial wealth divide. The following revenue raisers are prime examples of ways to raise significant funds while also advancing progress towards greater equity.

#### **Upside Down Tax Subsidies**

The largest wealth building subsidies in the U.S. are through the tax code, largely in the form of “tax expenditures” and tax reductions to provide incentives for wealth building. But these subsidies are completely “upside down,” as the wealthier the household, the greater the benefit.

The U.S. spends an estimated \$729 billion a year to assist with individual wealth building. This takes the form of helping families purchase homes, save and invest, build retirement savings, and go to college.<sup>71</sup> This is more than the budgets of every Cabinet-level agency except the Department of Defense.

A powerful example of the inequities of an upside down tax subsidy is the Home Mortgage Interest Deduction, which is aimed at expanding homeownership. In 2015, the federal government spent \$51 billion on federal housing assistance programs, which was a little less than half of what was spent through the tax code to support homeownership during the same year through the Mortgage Interest Deduction and the Property Tax Deduction (\$90 billion).<sup>72</sup> Although both programs support families in their efforts to secure a roof over the heads, families earning over \$100,000 received more than 90 percent of the \$90 billion available through tax-related housing assistance, while those earning \$50,000 received roughly 1 percent of these benefits. In other words, despite the shared goal of boosting housing opportunities for Americans, this wealth-building tax program enables the already affluent to become even more wealthy.

At the root of these “upside down” subsidies is the design flaw that the majority of the most expensive wealth building tax benefits, such as the Home Mortgage Interest Deduction, are available only to tax filers who itemize their deductions. According to recent research by the Urban Institute, high-income earners are overwhelmingly more likely to itemize their deductions than lower-income filers. In fact, as of 2014 (the most recent year data is available by the IRS) more than 80 percent of tax filers earning \$100,000 - \$499,000 itemized their deductions, while 92 percent earning \$500,000 did the same. By comparison, only 22 percent of those earning \$30,000 - \$49,000 itemized their deductions, while just 7 percent of those earning less than \$30,000 itemized theirs. Under the 2017 tax reform, the standard deduction was doubled, further shrinking the number of those who itemize deductions and take advantage of these wealth building tax subsidies.

We propose reversing these upside down subsidies to direct resources to those who have been excluded from historical wealth-building government programs and other low-wealth, asset-poor households. This includes financing the eight solutions described in this report.

## **Taxing the Top**

There are many possible ways to reduce concentrations of wealth and pay for these investments in closing the racial economic divide. Here are several key options, though not a comprehensive list.

**Millionaire Surtax.** Congress should signal to the wider public that the first several trillion dollars of revenue raised to invest in closing the racial wealth divide will come

from the billionaires and richest 0.2 percent of taxpayers — those Americans who have seen the most enormous gains over the last several decades. Middle- and working-class families, many of whom have yet to recover from the 2008 economic meltdown, should be held harmless from additional tax liabilities until the richest households have paid their fair share.

A wealth tax might be attractive as an emergency measure, but enacting a new tax regime on assets would be challenging in the short term. Using the existing income tax system, Congress could immediately levy a 10 percent millionaire surtax on the top 0.2 percent, those with incomes over \$2 million. Unlike income tax rate hikes on wages and salaries, the surtax would apply equally to income from investment returns. Though only affecting the richest 0.2 percent of Americans, a millionaires surtax would raise an estimated \$635 billion over 10 years and hit the very wealthy who garner substantial revenue from capital gains — that is, from owning assets, rather than just working for a wage.<sup>73</sup> The Millionaire Surtax (S. 2809, HR. 5043) was introduced in Congress in 2019 by Senator Chris Van Hollen (D-MD) and Senator Sherrod Brown (D-OH) and Representative Don Beyer (D-VA).

**Financial Transaction Tax.** Policymakers should institute a financial transaction tax (FTT), which is a modest sales tax on Wall Street trades. Even with a low rate, an FTT could raise substantial revenue because the broad base of financial transactions is substantial.<sup>74</sup> The tax has the added benefit of curbing high frequency trading, which adds little value to the real economy. The Congressional Budget Office estimates that a tax of 0.1 percent on each Wall Street trade could generate \$777 billion over 10 years.<sup>75</sup>

**A Progressive Estate Tax.** Congress should pass a series of estate tax reforms such as those introduced by Senator Bernie Sanders that would levy a top rate of 77 percent on inheritances over \$1 billion. The Sanders bill, the “For the 99.8% Act,” would also plug up loopholes and ban trusts that wealthy families use to hide and perpetuate wealth dynasties.<sup>76</sup> U.S. Representative Jimmy Gomez has introduced a companion bill in the House.<sup>77</sup>

**Wealth Tax.** Sen. Elizabeth Warren has proposed a 2 percent annual tax on household wealth over \$50 million and a 3 percent rate on wealth over \$1 billion.<sup>78</sup> These ideas have broad public support, including among Republican voters who recognize we are living in a second Gilded Age of wealth inequality.<sup>79</sup> Senator Bernie Sanders introduced a wealth tax proposal with a 1 percent annual tax on wealth starting at \$32 million that increase with multiple brackets to an 8 percent rate on wealth over \$10 billion.<sup>80</sup>



**Tax Excessive CEO Pay.** CEOs at the 500 largest U.S. corporations include just four African Americans. This reform would crack down on the excessive pay at the overwhelmingly white top of the U.S. corporate ladder while encouraging companies to lift up pay at the bottom. Under pending legislation, corporations with large CEO-median worker pay gaps would pay higher tax rates, beginning with 0.5 percentage points on corporations with pay ratios of 50 to 1 and rising to 5 percentage points on firms with ratios above 500 to 1.

**Shut Down the Hidden Wealth System.** For any of these tax policies to be effective, Congress must shut down the international wealth hiding apparatus by using legislation, trade negotiations, and international sanctions to require greater corporate transparency, eliminate tax dodges, and provide greater resources for tax enforcement.

As much as \$21 trillion in wealth is now sitting hidden in offshore tax havens, shell companies, and trusts. Congress should crack down on capital flight and wealth hiding. A good start would be to pass the Corporate Transparency Act (HR 2513) and require the disclosure of beneficial ownership of corporations and limited liability companies, key tools in the wealth hiding toolbox.

## Conclusion

We are living in an intense moment in history — a time when major public policy failures and social inequality are revealing themselves after being obscured by a seemingly strong economy.

Over the last few years, record low levels of unemployment and a booming stock market led many people to ignore the still weak levels of household wealth, the precariousness of public infrastructure, and the overall socio-economic fragility of most Americans.

Many analysts failed to recognize that though “the economy” had technically been in recovery for nearly 10 years, most Americans have less wealth now than they did before the Great Recession.

The coronavirus crisis and the ongoing plague of racial injustice, mass incarceration, and police brutality is now laying those failures bare.

“It’s important we realize how this virus hasn’t just created new problems, but poured gasoline on the crises we’ve long had,” Rep. Alexandria Ocasio-Cortez recently

explained. “It’s okay if you didn’t see the extreme urgency” of these crises before, she added. “But I hope you don’t unsee them later.”

The old saying of “an ounce of prevention is worth a pound of cure” is more relevant than ever as the country goes into repair mode from a nationwide shelter in place order and rebellions against racist policy. Essential to bringing forth a true economic recovery and social healing is building a public infrastructure that bridges the racial wealth divide.

This needed investment has long been recognized — from Franklin D. Roosevelt’s call for an [Economic Bill of Rights](#) to the civil rights movement’s [1967 Freedom Budget](#). Through this investment in eradicating the American Pre-condition of the racial wealth divide we will create a new nation — one that for the first time is ready to take on future challenges as a united nation with a broad racially inclusive middle class rather than a divided country where many Americans are consistently on the precipice of economic collapse.

### **Notes on Methodology**

Some of the wealth measurements used in this report exclude “durable goods” to provide a more meaningful measure of wealth as platform for economic stability. The value of durable goods, such as cars and appliances, diminish quickly after their initial purchase and are not as important as home equity, pension funds, and financial assets in gauging family economic well-being. We largely focus on median wealth figures rather than mean, or average. Because of the high concentration of wealth held by an extremely small proportion of overwhelmingly white families, the mean or average racial difference between Blacks and whites is much larger in magnitude than the median and not representative of typical Black-white difference.

Research on the total asset by race come from the Federal Reserves Distribution of Financial Accounts, Fourth Quarter 2019.<sup>81</sup>

## End Notes

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