

RACIAL WEALTH GAP

Learning
Simulation

Policy Packet



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LETTER FROM THE DESIGNER:

Thank you for participating in the Racial Wealth Gap Learning Simulation. We hope the simulation helped you understand how federal policies have created and sustained the gaps in wealth, income, and hunger between white and black Americans, and by extension, the systemic racial discrimination that all communities of color confront. This packet provides more context and analysis for each of the 13 policies featured in the simulation. Each policy section also includes additional resources that you can use to delve more deeply into an individual policy.

As you may have noticed during the simulation, each policy has implications for other policies implemented during the same time period or later. For example, Jim Crow laws determined where African Americans worked and lived, which subsequently limited their ability to work in occupations that received Social Security protections. See policy 5. In addition, most colleges would not accept black students, which prevented black veterans of World War II from benefiting equally under the G.I. bill. See policy 7. Remember, these are just two examples. There are many other places where various policies connect with each other. This helps explain why the structure of racial inequality cannot be dismantled piecemeal—it will require a holistic and comprehensive approach. Also, we must ensure that policy improvements do not have unintended consequences that create, sustain, or worsen inequality.

We also want to note that these 13 policies have had significant impacts, but they are not the only ones that helped create and sustain the enormous difference in wealth between white and black families that you saw firsthand in the simulation. One policy that was not featured is access to, and equitable quality of, health care—and therefore racial disparities in health. However, some of the factors that help determine a person's health, such as income, housing, and neighborhood, were mentioned. Other such policy areas are access to transportation and asset-building policies outside of homeownership—for example, inequitable access to capital, credit, and resources for business development, as well as predatory lending in low-income neighborhoods.

As such, we recognize that the racial hunger, income, and wealth divides are very complex issues with multiple layers. We hope that the simulation and this companion policy packet can act as a good first step and be a catalyst for you to understand the symptoms of structural inequality that you see in your daily life, encouraging you to act! Adopting a racial equity lens in your own families, workplaces, and communities, as well as in the policies you advocate, can lead to much more effective efforts to end hunger in the United States and narrow the racial wealth gap.



A handwritten signature in blue ink that reads "Marlysa D. Gamblin".

Marlysa D. Gamblin
Domestic Advisor, Bread for the World Institute

FREQUENTLY ASKED QUESTIONS

1. What is the difference between wealth and income, and what is their relation to hunger?

Net wealth is the total assets one has minus total debt. This includes savings from income, home equity, 401K investments, stocks or bonds, equity from businesses, and much more. Generally, when we think of wealth in this context, we're thinking of net worth—the total amount of your net assets.

The simulation results are a 13:1 ratio in money to symbolize the difference between the *median* net worth of white households (\$141,900) and of black households (\$11,000) in the United States.¹ In other words, the median net worth captures the household at the middle of the wealth spectrum for each racial group (i.e., a typical household). Half of the households have more than the median, and half have less.

Average net worth, on the other hand, combines the assets of the wealthiest and lowest-earning households. The *average* net worth of white households is \$656,000, while the average net worth of African American households is \$85,000—an eight-fold difference.² This demonstrates that the *average* black wealth is just 13 percent of the *average* white wealth.

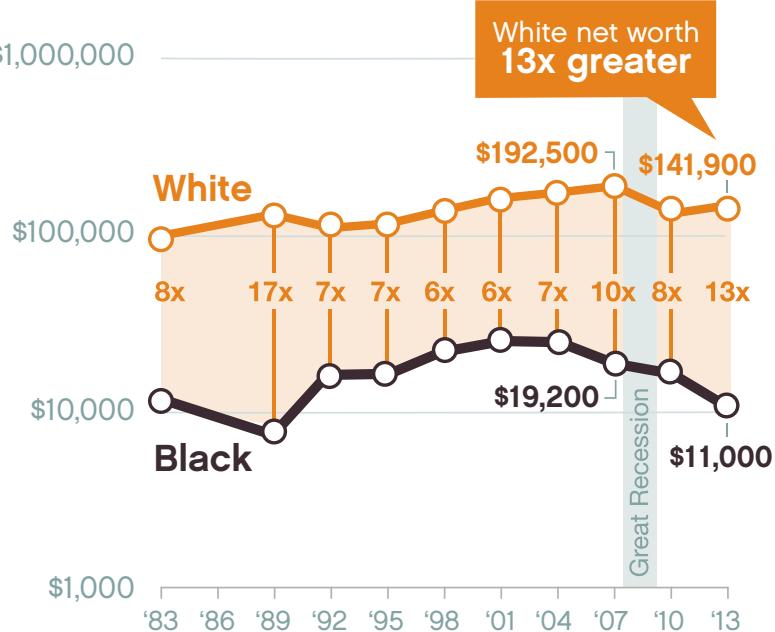
Note: The simulation uses the median net worth instead of the average because the median more accurately captures the situation of a typical household. (The results are not skewed by enormously wealthy households, for example). The \$141,900 versus \$11,000 figures show a 13:1 wealth ratio and tell us that the median net worth of black households is only 7.8 percent that of white households.

Income, of course, contributes to building wealth. There are two types of income—active and passive. Active income is generated by working, while passive income comes from the return, or profit, on investments such as mutual funds, stock options, or other assets (such as renting out a second home).

More income presumably means more opportunity to save money, purchase assets, and pay off debts—leading to an increase in net wealth. Conversely, the lower one's income, the less ability one has to purchase assets and build net worth.

Racial, Ethnic Wealth Gaps Have Grown Since Great Recession

Median net worth of households, in 2013 dollars



Notes: Blacks and whites include only non-Latinos. Latinos are of any race. Chart scale is logarithmic; each gridline is ten times greater than the gridline below it. Great Recession began Dec. '07 and ended June '09.

Source: <http://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/>

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The more income and inherited assets one has, the more wealth one accumulates—reducing the risk of becoming food insecure. Similarly, the less wealth one has, the higher the probability that a family will experience hunger.

We see this is particularly true for the lowest earners in our country. In the simulation, half of the participants with a black racial identity card ended up with zero money cards, representing the difference in wealth between them and their white counterparts near the poverty line. Among the lowest earners, white households have a median net worth of \$18,000, while black families have a median net wealth near zero.³ The figure for white households is most likely due to wealth by way of inheritance, such as a house or land. The lack of wealth among African American households living near the poverty line contributes to their higher likelihood of experiencing deep and consistent levels of food insecurity relative to their white counterparts.

2. How are poverty and hunger measured?

The poverty level is the percentage of people living on less than a defined amount of income. The amount varies based on how many people are living in a particular household. The most common example is for a family of two adults and two children. For this family, an income of less than about \$25,000 per year is considered below the poverty line.⁴

Food insecurity, according to the U.S. Department of Agriculture (USDA), means that a person or household does not have regular, reliable access to the food needed for good health. Food insecurity is tied to poverty, since it is usually the result of either not having a nutrient-rich diet, or eating less and skipping meals because of lack of enough money for food.⁵ Bread for the World considers food insecurity to be hunger.

3. What are some of the themes that run throughout the simulation?

Here are some of the most prominent themes and concepts:

- *the pervasiveness of unequal treatment* under government policies, institutions, and social practices
- *the role of intergenerational inheritance* of land, money, homes, businesses, etc.
- *the role of federal policies in creating or denying wealth-building opportunities*
- *acquisition or denial of land* (including policies that provided or withheld land, and laws or practices that seized land)
- *lack of equitable access to capital/credit*
- *unpaid, underpaid, or exploitative labor*
- *job segregation and its effects*
- *the relationships among the government, private, and civil sectors* that sustain and exacerbate structural racism
- *consistent lack of implementation of race-conscious policies and a racial equity lens* and
- *persistent lack of enforcement of civil rights laws*, resulting in the continuation of segregation and discrimination despite the laws.

We hope you can identify and discuss additional themes as well!

4. What is racial equity?

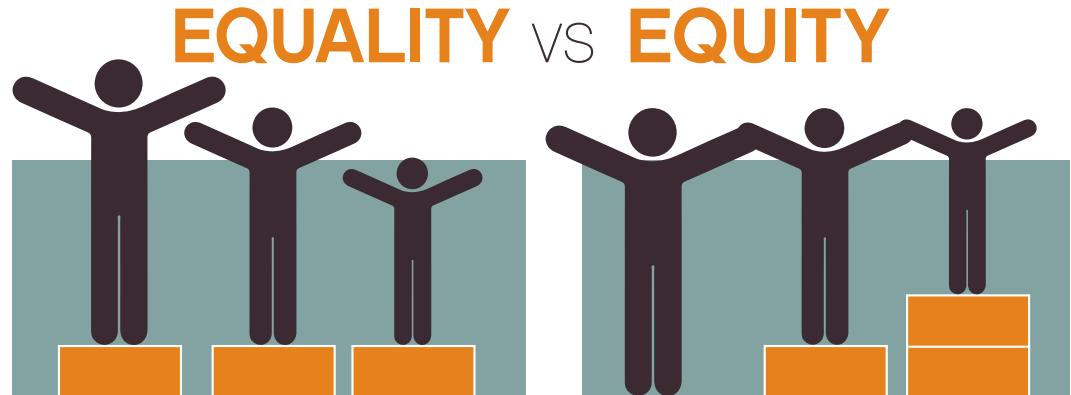
Racial equity, according to Race Forward, a national racial justice organization, is “the systematic fair treatment of people of all races that results in equitable opportunities and outcomes for everyone.”

In short, it is the condition that would be achieved if one’s racial identity no longer predicted the opportunities and barriers that one experiences, according to the Center for the Study of Social Policy. In terms of hunger, racial equity would be achieved if one’s racial identity no longer predicted one’s risk of experiencing hunger.

Racial equity is different from racial inequality. Racial equality refers to having equal access and opportunities, but *these do not necessarily result in equal outcomes.* See the figure below:

Since racial equity includes equal outcomes, by definition, we also achieve racial equality by achieving racial equity.

To achieve racial equity, we must support policies, practices, attitudes, and actions that produce *equitable access, opportunities, treatment, and outcomes*



Source: <https://www.washingtongrantmakers.org/racial-equity>

for all. In the figure above, the people with additional barriers received targeted support that resulted in an equitable outcome.

5. Why is there so much emphasis—four policy cards—on home ownership and land?

The ability to own land that eventually yields a return on investment, or a home that increases in value, are significant components of building wealth in our country. Research shows that, although they are not isolated factors, land ownership and homeownership have played important roles in shaping the racial hunger, income, and wealth divides we see today. As seen in the simulation, this is primarily because of the long history of unequal and unfair distribution of the financial capital needed to purchase land or a home.

You may have realized that the simulation features four policy cards on land and homeownership. This is because one effective way of narrowing the black-white wealth divide includes equalizing homeownership rates and returns on home equity.

The effectiveness of this strategy is backed by research on the effects of attaining equity in homeownership. For example, a 2015 joint study by the Institute for Assets and Social Policy at Brandeis University and DEMOS found that equalizing black-white homeownership rates would reduce the racial wealth divide by 31 percent.⁵ In addition, the study found that equalizing the return on homeownership between African American and white households (i.e., home equity)

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would reduce the racial wealth gap by another 16 percent, meaning a cumulative reduction of the black-white wealth divide of almost 50 percent.⁶

Accomplishing this would, of course, require thoughtful policies. Because savings/wealth are essential for homeownership,³ implementing policies that empower more African Americans to equitably attain wealth, and also equitably and affordably access homeownership,³ would position our country to equalize homeownership rates. In other words, the United States would need targeted policies that take into account the current racial difference in wealth and enable African Americans to accumulate the wealth needed to make a down payment on a home (i.e., targeted financial capital or endowments).³

After purchasing a home, the ability to build additional wealth through equity is important. Equitable outcomes are contingent on equitable property values and appreciation of property values for homes in non-white neighborhoods and for non-white homeowners. Policies and practices that support these outcomes are essential. These policies, in turn, could reduce the racial wealth gap by half, as described above in the joint study done in 2015.

6. Why didn't the simulation include some of the policies that have empowered the African American community?

The goal of the simulation is to sum up *why* there is a racial wealth divide. There are multiple policies that have contributed to the disparities in wealth between whites and African Americans, as well as other communities of color. We have included 13 that have had some of the greatest impacts in creating what we now see today. As mentioned, there are many others. One example is inequitable treatment in the healthcare system.

One of the reasons these 13 policies were so significant in depriving the black community of the opportunity to build wealth, and in directly stripping wealth from the African American community and other communities of color, is that they were reinforced by state- and local-level practices and culture—nationwide and in virtually all sectors. The federal government also consistently enforced these policies, and it did so through multiple channels. For example, Social Security unemployment and old age insurance, featured on page 6, excluded African American workers through policy, *but also through practice*. Employers fired African Americans first during the Great Depression as a consequence of the culture and practices of Jim Crow. And even as the depression continued, the federal government did not amend any of its policies to extend unemployment insurance to the many African Americans who had been excluded.

These pervasive and interconnected laws, policies, and practices were in effect for more than 200 years. As one might expect, their impacts cannot be undone with just one signature policy, or even a group of select few signature policies. Rather, to see transformative change, we must adapt our policies, practices, and culture in ways that, from the very beginning and throughout, assume the opposite approach from the one that created the problem. In other words, in order to counter the racial inequity that African Americans and other communities of color have suffered in U.S. history, we need to embed racial equity at every level and in every corner of our society.

Unfortunately, policies aimed at empowering the black community, and other communities of color, have had less impact than harmful policies for just this reason. They are too often

done in **isolation**. As mentioned earlier, another large part of the problem is **lack of consistent enforcement** once a law has been passed or a court decision has been made.

For example, the Supreme Court ruled in 1954 on the case *Brown v. Board of Education*, the major decision that desegregated schools. But it wasn't until more than two decades later, in 1977, that all schools were formally desegregated. This compromised the intent of *Brown v. Board* for equal educational opportunities for all students. There were many forms of non-enforcement. One was the fact that many segregated schools continued to receive federal funding, and so had no financial incentive to integrate. As explained on page 13 of this policy packet, the IRS played a significant role by continuing to allow segregated institutions, including schools, to claim tax-exempt status. Another type of non-enforcement was the discrimination in hiring that prevented black teachers from working in white or integrated schools, as well as the general environment of discrimination, hostility, and even violence that confronted black students who tried to enroll in white schools. This was the case even after 1964, when discrimination was legally barred as a result of the efforts of the civil rights movement. Even when schools were officially desegregated, two decades after the court case, lack of enforcement prevented schools from becoming fully integrated as *Brown v Board* had intended.

Lack of enforcement has also sharply diminished the impact of the Fair Housing Act, which made it illegal to discriminate against people or "steer" them to housing in particular neighborhoods based on race. In theory, this legislation should be helping to reduce the racial wealth gap. But its success so far has been mainly in theory because it has never been adequately enforced. Even the achievements of the early civil rights movement—notably the Civil Rights Act of 1964, the Voting Rights Act of 1965, and the Civil Rights Act of 1968—have had a limited impact because of lack of enforcement. This was true particularly in the early years of the legislation, but illegal practices continue today as well, as we can see in the simulation's policies 12 (employment discrimination) and 13 (voting discrimination).

"...another large part of the problem is lack of consistent enforcement once a law has been passed..."

This is not to say that these are not good and necessary steps in the right direction. They certainly are. But it is to say that we need proper oversight, adequate funding, and consistent enforcement to realize the intended impacts of policies that promote equity. At the same time, we need policies that serve to remedy racial equity, at every level of government and within every economic and social sector. Without a combination of investing and adequately enforcing policies such as these, while also implementing a racial equity lens across sectors, our country's legacy of racial inequality will still persist.

7. How can I bring this simulation back to my community, church, school, or organization?

The simulation can be held in many settings, including but not limited to Bible study classes, community groups, schools, staff in various work settings, or even home. You may download the simulation materials at [bread.org\simulation](http://bread.org/simulation). Please watch the facilitator's video and read

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the facilitator's guide to learn more about what has helped others present the simulation most effectively.

For larger group settings, particularly for more than 50 people, please contact Bread for the World to see if the organizer in your area is available or to request that another Bread for the World representative be present.

¹ "Wealth inequality has widened along racial, ethnic lines since end of Great Recession." Pew Research Center. December 2014. <http://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/>

² "The Ever-Growing Gap: Without Change, African American and Latino Families Won't Match White Wealth For Centuries." Prosperity Now. August 2016. https://www.ipspdc.org/wp-content/uploads/2016/08/The-Ever-Growing-Gap-CFED_IPS-Final-2.pdf

³ What we Get Wrong About Closing the Racial Wealth Gap. Samuel DuBois Cook Center on Social Equity, Duke University. Insight Center for Community Economic Development. April 2018. https://socialequity.duke.edu/sites/socialequity.duke.edu/files/site-images/FINAL%20COMPLETE%20REPORT_.pdf

⁴ U.S. Federal Poverty Guidelines Used to Determine Financial Eligibility for Certain Federal Programs. Department of Health and Human Services. <https://aspe.hhs.gov/poverty-guidelines>

⁵ Definition of Food Security. U.S. Department of Agriculture. Economic Research Service. <https://www.ers.usda.gov/topics/food-nutrition-assistance/food-security-in-the-us/definitions-of-food-security.aspx>

⁶ The Racial Wealth Gap: Why Policy Matters. Institute for Assets and Social Policy, Brandeis University and DEMOS. 2015. http://www.demos.org/sites/default/files/publications/RacialWealthGap_2.pdf

POLICY 1: ANDREW JOHNSON'S LAND POLICIES

What were Johnson's land policies?

The southern economy was damaged by both the physical destruction of the Civil War and the sudden lack of free labor with the abolition of slavery.¹ Conflict eventually arose among many white landowners, who tried to reestablish a labor force with freed blacks who were seeking economic independence.^{1,3}

Only 30,000 African Americans owned small plots of land.² Although President Andrew Johnson originally promised 40 acres of land to each former slave who fought in the Civil War, he reversed this in the summer of 1865² by ordering all land under federal control to be returned to its previous owners, the white slaveowners. This left 4 million African Americans without land.²

This group of 4 million landless people had no choice but to rent the farmland of their previous masters. Compounding the problem, there was no formal credit system at the time. Currency was in short supply and the southern banking system had been destroyed.^{1,3} It was therefore not possible for people to rent land and pay for materials in cash.³ Instead, in what became known as "sharecropping," landless African American farmers gave a "share" of their crops to the landowner.³

Sharecropping tied farmers to their former master because they were legally obligated to rent land from this landowner; buy all farming materials, such as seeds and fertilizer, from him (usually at higher prices); and sell their farming crops solely to him (usually at lower prices). This created a cycle where, to secure a loan for the current planting season, farmers had to use their anticipated future crop as collateral.³ They were stuck in this continual cycle of debt.³

Often, to repay loans, families were forced to grow cash crops, such as cotton, that had a higher value than food crops. But this meant that farmers had to plant less food for their families³ and/or borrow even more money from the landowner to purchase seeds to grow enough food. Thus, the



farmers stayed in perpetual debt and food insecurity. Slavery under the law had ended. But slavery perpetuated itself as an economic bondage that tied African Americans to their former master's land.³

How did Johnson's land policies affect today's racial hunger, income, and wealth gaps?

Rescinding the 40-acre promise to recently freed slaves who had fought for their country prevented them from becoming fully independent from their former masters. They were legally free, but they were prevented from becoming financially free. If the 4 million people forced into sharecropping had owned their land, they could have started earning income and eventually would have been able to put aside assets for the future. But sharecropping's continual debt cycle made it nearly impossible to get enough to eat, let alone earn money. Sharecropping continued for three generations. These families were often hungry and/or poorly nourished, far more likely to live in poverty than white people, and far less able to accumulate wealth.

Where can I get more information and sources?

1. O'Brien Wagner, Nancy. "Slavery by Another Name: History Background." PBS. Twin Cities Public Television, Inc, 2012. https://bento.cdn.pbs.org/hostedbento-prod/filer_public/SBAN/Images/Classrooms/Slavery%20by%20Another%20Name%20History%20Background_Final.pdf
2. History Channel. "Sharecropping." *History.com*. A E Networks, 2010. <http://www.history.com/topics/black-history/sharecropping>
3. Douglas-Bowers, Devon. "Debt Slavery: The Forgotten History of Sharecropping." Hampton Institute (2013). <http://www.hamptoninstitution.org/sharecropping.html#.WrQdN-zwZpg>

POLICY 2: LAND SEIZURES (1865-PRESENT DAY)

What happened?

As the post-slavery decades passed, some farmers succeeded in breaking out of the sharecropping cycle and buying land. Between 1870 and 1910, more than a million African Americans became farmers¹ on their own land.

One of the most significant problems when legal slavery ended, however, was that blacks were still at risk of having their land seized—with or without a pretext or stated reason. White landowners could arbitrarily accuse black farmers or business owners of being in debt and take their land or property. Blacks often could not fight these allegations since they were legally barred from bringing whites to court. Properties taken from African Americans might include a 40-acre farm, general store, or modest house.⁶ These losses were devastating to families struggling to overcome the legacy of slavery, sharecropping, and hunger, because landownership was, then as now, the key to building economic security and passing property and other assets down to the next generation.

Some property seizures were intended to terrorize African Americans. Black farmers who prospered were particularly vulnerable to violence⁷—beatings, killings, destruction of homes—and theft of property, whether money or land.

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Eminent domain—a provision in the Fifth Amendment to the U.S. Constitution—also contributed to the loss of land owned by African Americans.³ Eminent domain allows local governments to take a private property for “public use,” a term whose definition was later broadened to include economic redevelopment.³ Theoretically, it impacts all racial groups equally, but in practice, the use of eminent domain has disproportionately impacted low-income communities of color.³ In fact, eminent domain displaces African Americans at five times the rate of their representation in the nation’s population.³ In the District of Columbia alone, the use of eminent domain displaced more than 5,000 low-income African Americans before 1954.³ Between 1949 and 1973, governments used eminent domain to secure space for 2,532 projects in about 100 cities, displacing one million people nationwide—70 percent of them African American.³

While many families that owned their homes were financially compensated to move from their properties, the compensation rarely covered their full losses.³ African American families who rented their homes were not compensated, and they were rarely connected to affordable housing options when they were forced to move.⁷ In short, eminent domain not only displaced many African American families (both renters and owners), but also left many financially worse off than before and increased their levels of food insecurity.

Since the early 1900s, there has been an enormous decline in black farm ownership. Of course, over the same period, farmers of every racial group were shifting away from agriculture as a way of earning a living. But African Americans lost their farms at higher rates than whites,^{1, 2} sometimes due to illegal or unfair actions by creditors. For example, in the 1950s and 1960s, a Mississippi Chevrolet dealer acquired hundreds of acres of land from black farmers by unfairly foreclosing on small loans for farm equipment and pickup trucks.⁶ In addition, between 1983 and 1997, the U.S. Department of Agriculture (USDA) practiced racial discrimination by disproportionately denying farm loans and assistance to African Americans. This contributed to higher rates of foreclosure among black farmers.¹

Beginning more recently and continuing today, black farmers have also faced the effects of globalization, technology, racially inequitable lending policies, and corporate farm buyouts.⁴ The result has been that between the early 1900s and the present, African American farm ownership levels have decreased disproportionately. In 1920, African American farmers were 14 percent of all U.S. farmers⁴ and owned a total of 15 million acres. Today, less than 1 percent of the nation’s farmers are African American,^{6, 5} and blacks own and operate less than 2 percent of the farmland they did in 1920.¹

How has land seizure added to the racial hunger, income, and wealth gaps?

Seizure of the land they owned deprived African Americans of their main source of wealth, making it far more difficult to pass assets along to their children and grandchildren. Today, African American parents as a group are not able to give their children nearly as much financial support as white parents are—whether this means investing in a costly asset such as a college education or a home purchase, leaving behind an estate with resources, or both.

The African American community continues to suffer economically from unconscionable actions that targeted earlier generations. Just one example is a report that 406 black landowners lost more

than 24,000 acres^{6, 8} to seizure by force or threats. Today, this land and the wealth it generates belong to corporations⁶ or white communities.

Researchers have not compiled comprehensive estimates of how much land seizure has cost the African American community over the generations. But this fairly small sample of 406 African Americans who were victims of land seizure lost an amount estimated in the tens of millions of dollars in today's economy. This shows that the impact of land seizures nationwide—whether legally sanctioned or merely tolerated by law enforcement—must be enormous. They are a significant cause of today's racial wealth gap.

Where can I find supporting data?

1. Christian, Colmore, et al. *African-American Land Loss and Sustainable Forestry in the Southeast: An Analysis of the Issues, Opportunities, and Gaps*. Vol. 51. Ser. 6. Journal of Extension. Extension Journal, Inc, 2013. <https://www.joe.org/joe/2013december/a2.php>
2. Zabawa, Robert. "The Black farmer and land in south-central Alabama: Strategies to preserve a scarce resource." *Human Ecology* 19.1 (1991): 61-81.
3. "The Civil Rights Implications of Eminent Domain Abuse." U.S. Commission on Civil Rights. Briefing Report June 2014. http://www.usccr.gov/pubs/FINAL_FY14_Eminent-Domain-Report.pdf
4. Banks, Vera. Black Farmers and Their Farms. United States Department of Agriculture. Economic Research Service. Rural Development Research Report Number 59. <https://naldc.nal.usda.gov/naldc/download.xhtml?id=AGE86929124&content=PDF>
5. Census of Agriculture Highlights: Black Farmers. United States Department of Agriculture. National Agricultural Statistics Service. https://www.agcensus.usda.gov/Publications/2012/Online_Resources/Highlights/Black_Farmers/Highlights_Black_Farmers.pdf
6. "Land Taken From Blacks Through Trickery, Violence and Murder." Investigative Report. Associated Press. 2006. <http://nuweb9.neu.edu/civilrights/wp-content/uploads/AP-Investigation-Article.pdf>
7. Briefing on Eminent Domain. U.S. Commission on Civil Rights. August 2011. <http://www.usccr.gov/calendar/trnscrip/08-12-11ccr1.pdf>
8. Coates, Ta-Nehisi. The Case for Reparations. June 2014. <https://www.theatlantic.com/magazine/archive/2014/06/the-case-for-reparations/361631/>

How did we get these numbers?

On Policy Card 2, we share the example of African Americans' loss of 24,000 acres of land. This loss took place in 13 southern states and border states in the years between the Civil War and the early 20th century. This land is estimated to be worth tens of millions of dollars today. The example comes from a report, published by the Associated Press not long after it happened, of 406 black landowners losing their land due to violence, threats, and manipulation. It does not include the millions of additional acres lost in other regions or because of other policies or actions.

For more information, go to: <http://nuweb9.neu.edu/civilrights/wp-content/uploads/AP-Investigation-Article.pdf>

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POLICY 3: THE NATIONAL HOUSING ACT OF 1934, PART 1

What is the National Housing Act of 1934?

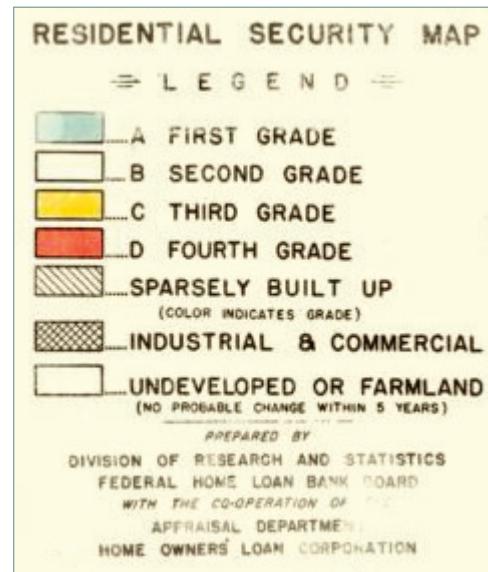
The National Housing Act of 1934 established a new government agency, the Federal Housing Administration (FHA), to regulate interest rates and mortgage terms after the banking crisis of the 1930s.¹ Through the newly created FHA, the federal government began to insure mortgages issued by qualified lenders, thereby providing mortgage lenders with protection from default.¹ To guide lending decisions, the Federal Housing Authority prepared “neighborhood security maps” that were based largely on the racial, ethnic, and economic status of residents.^{2, 4} This system assessed the risk of default based on the racial composition of the community, with English, German, Scotch, Irish, and Scandinavian people ranked highest and “Negroes” and “Mexicans” ranked lowest. By creating underwriting guidelines that favored white, homogenous neighborhoods, one effect of the National Housing Act was to establish a separate and unequal home lending and financial system.³

Because federally backed mortgages were rarely available to residents of neighborhoods that were “transitional,” racially mixed, or majority people of color, lenders began “redlining” those neighborhoods.⁴ They literally circled areas on a map whose residents were people of color to indicate that mortgage lending would not be available.^{2, 5} Redlining meant that creditworthy applicants who would otherwise be eligible for a loan were denied mortgage loans because of the location of the property.

Entire African American neighborhoods were redlined and/or identified as “Grade D.”^{1, 5} It was nearly impossible for appraisers in the private sector to do business in these areas since their residents were considered bad credit risks and usually ineligible for FHA-backed loans.^{2, 4}

How does inequality in access to home loans contribute to the racial hunger, income, and wealth gaps?

As mentioned in policy 2, homeownership is the primary way for American families of modest means to build wealth. African Americans have been denied equitable access to mortgage loans, and therefore homeownership, for roughly the past four generations. Areas with a low rate of homeownership have fewer assets, equity, and resources. Consequently, African American neighborhoods are far more likely than white neighborhoods to have areas of concentrated poverty, meaning that a sizeable proportion of residents live below the poverty line.



Source: Rothstein, Richard. *“The Color of Law: A Forgotten History of How Our Government Segregated America.”* 2017.

Where can I find supporting data?

1. “1934: Federal Housing Administration Created.” Fair Housing Center of Greater Boston.
2. Surgue, Thomas J. *Sweet Land of Liberty: The Forgotten Struggle for Civil Rights in the North*. Random House Publishing Group.
3. Gotham, Kevin Fox. “Racialization and the State: The Housing Act of 1934 and the Creation of the Federal Housing Administration.” *Sociological Perspectives*, vol. 43, no. 2, 2000, pp. 291-317. <http://journals.sagepub.com/doi/pdf/10.2307/1389798>
4. Rothstein, Richard. “The Color of Law: A Forgotten History of How Our Government Segregated America.” 2017.

POLICY 4: THE NATIONAL HOUSING ACT OF 1934, PART 2

How did the National Housing Act lead to predatory mortgage contracts that added to the wealth gap?

As mentioned in policy 3, African Americans were typically ineligible for FHA-backed home mortgage loans.^{1,5} Between 1934 and 1962, the federal government insured \$120 billion in home loans. More than 98 percent of the loans were made to whites and only 2 percent to African Americans.^{2,5}

As a result, many African Americans resorted to “contract lending.” Under this system, real estate speculators bought homes in neighborhoods on the outskirts of white communities with the intention of selling housing contracts to black residents.³ The speculators were largely white since whites were far more likely to be approved for an FHA-backed mortgage. African Americans who signed housing contracts were required to make payments on the house, and once payments were complete, the house would be signed over to the black resident as the legal owner.

The white speculators, realizing that African Americans had few options if they wanted to buy a home, often charged inflated amounts for houses. Black families sometimes paid as much as double or even triple the amount the speculator had paid for the house. From the 1930s to the 1960s, contract lending was, in many cities, the primary means by which even middle-class or well-off African Americans could buy homes.

How did contract lending exacerbate today's racial hunger, income, and wealth gaps?

Under the terms of a contract loan, the purchaser had no equity in the home until all installment payments had been made. If a purchaser was unable to make a payment

Did you know that...

The IRS did not penalize segregated institutions until 1970? Seventeen years after *Brown v Board of Education*, with efforts to desegregate neighborhoods well under way, the IRS was still granting tax exempt status to white-only academies, community organizations, and churches. Favorable IRS treatment of segregated facilities helped reinforce segregation in housing. As we have discussed, segregated neighborhoods whose residents were people of color had higher levels of hunger and poverty.⁴

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or pay for required repairs, the family could be quickly evicted and forced to forfeit all previous payments.³ In many cases, the real estate speculator then went on to make the same agreement, on the same house, with another family hoping to buy a home. If the second purchaser also missed any payments, this family too could be evicted and their previous payments pocketed by the speculator.

Predatory contract lending in the form of housing contracts lasted for two generations. It stripped wealth from African Americans through both inflated house prices and monthly mortgages, and months or years of lost equity if families ever missed an installment payment.

The Center for Urban Research and Learning at Loyola University calculated that African Americans in Chicago, for example, lost more than \$500,000 in costs associated with mortgage contracts from 1940 to 1970.^{3, 4} Adjusted for inflation, this would be about \$3.2 million in 2018 dollars. Since other U.S. cities followed the same practices, it is safe to say that African Americans lost hundreds of millions of dollars across the nation because of contract lending—money that could instead have been used to build economic security in the African American community.

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POLICY 5: THE SOCIAL SECURITY ACT (1935)

What was the effect of the Social Security Act of 1935?

The Social Security Act, enacted in 1935, was intended to provide a safety net for workers, particularly those suffering during the Great Depression. However, the newly-created Social Security system excluded farmworkers and domestic workers—who were predominantly black, Latino, and Asian—from receiving both old age and unemployment insurance.^{1,3}

As a result, 65 percent of African Americans were ineligible for Social Security unemployment insurance at the time the law went into effect,³ even though African Americans and other people of color were twice as likely as whites to face hunger or poverty during the Great Depression.^{4,}⁶ The unemployment rate among African Americans was also twice as high as the national average.^{4,6} Among female-headed households, black women were twice as likely as white women

to be unemployed. In the north, unemployment rates were as much as 80 percent higher for blacks than whites.⁵ When national unemployment during the Depression is disaggregated by gender, unemployment for black men ranged from one-third higher to double that of white men,⁶ and black women were between two and four times as likely to be unemployed than white women.⁶

As this data indicates, the Great Depression affected virtually all Americans but African Americans were hit hardest. African Americans were among the first to lose their jobs as the economy shrank.^{2,6} As early as 1932, approximately half of blacks were out of work.² In some northern cities, whites called for blacks to be fired from any job if any whites were out of work.² Many African American women were forced to take full-time domestic jobs for almost no pay—only \$5 per day in some cities⁴—because they were not eligible for Social Security. Their only alternative was to remain unemployed and have no income at all. About 20 million Americans turned to public and private relief agencies for assistance during the Great Depression,⁴ but this number would have been higher if everyone in need had been eligible for help.

Most jobs held by African Americans were also excluded from Social Security old age insurance benefits.

Having spent most or all their working lives in jobs with extraordinarily low wages,^{1,2} African American seniors had little or no savings when they reached the point where they could no longer work. Without Social Security benefits or savings, they had no means of support at all except the little their grown children could afford to give them.

How did the Social Security Act contribute to the racial hunger, income, and wealth gaps?

African Americans were more likely to be unemployed during the Great Depression, but far less likely to receive support from unemployment insurance. They were paid less for their work than whites, but were largely ineligible for Social Security old age benefits when they got older and could no longer work. Most African Americans were barely able to get by during the Great Depression, whether they were seniors, working-age adults, or children, and had no savings to leave later generations.

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African Americans were among the first to be fired and the first to be evicted. The photo above (Jan 1939) is titled, "Evicted sharecroppers along Highway 60, New Madrid County, Missouri."

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POLICY 6: THE FAIR LABOR STANDARDS ACT OF 1938

What is the Fair Labor Standards Act?

The Fair Labor Standards Act (FLSA) of 1938, a significant piece of New Deal legislation, established a national minimum wage and a maximum work week and prohibited most employment of children under 16.¹

However, the passage of the FLSA was secured at a price. Although the bill was originally intended to help strengthen the economy and put an end to the Great Depression, various groups of workers were excluded as the bill proceeded through the legislative process. These included domestic workers, who were disproportionately African American women.² In 1939, 60 percent of African American women were domestic workers.² In addition, workers in a number of tip-based professions were excluded, including servers, shoe shiners, and Pullman porters, who were primarily African American.² Agricultural workers were also excluded, and they were disproportionately African American men—in 1939, 41 percent of black men were employed as farmworkers.² Thus, many of the lowest-paid workers did not have access to the country's first-ever minimum wage and work protections.

Even though both the unemployment and poverty rates of the African American community were twice the rate of whites during the Great Depression,³ the very policies meant to alleviate economic strain often did not benefit the black community, making it harder to make ends meet and, of course, harder to build wealth for the future.

Eventually, lack of protections such as the minimum wage and maximum work hours would become part of the motivation for the March on Washington for Jobs and Freedom of 1963² and the Poor People's Campaign in 1968.⁴ Because many African American workers were intentionally excluded from workforce legislation that helped white workers, they were left with limited earning potential and employment opportunities.

How does exclusion from worker protections and the minimum wage contribute to the racial hunger, income, and wealth gaps?

Excluding the occupations that employed so many African American workers from workforce protections and the minimum wage further widened racial hunger, income, and wealth disparities—gaps that were already very large because of earlier policies and the Great Depression.

Today, women and people of color are still disproportionately concentrated in the 10 lowest-paid occupations in the country, and many of these jobs are still excluded from workplace protections because they are considered tip-based or domestic. Moreover, more than two-thirds of *all* workers in low-wage jobs are disproportionately women of color⁵—far more than their share of the total U.S. population. People working in tip-based jobs can legally be paid as little as \$2.13 an hour.⁶ Clearly, this is not nearly enough to support a single person, let alone a family, with a work week of 40 or 50 hours. In fact, even a person paid the standard minimum wage of \$7.25 an hour would need to work more than 133 hours a week⁷ to earn \$50,000—the income level that many researchers believe would support a family of four.⁸ This is because numerous studies have found that a family needs an income of at least twice the poverty level to meet its basic needs.⁸

Perhaps needless to say, since African Americans have worked, and still work, disproportionately in jobs that did not benefit from the Fair Labor Standards Act, they are far more likely to face hunger than a “typical” worker. Overall, African American households have a hunger rate twice as high,⁹ and African American households headed by a single woman have a hunger rate three times as high,¹⁰ as the overall hunger rate in the United States.

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POLICY 7: THE G.I. BILL OF 1944

What was the G.I. bill?

The G.I. Bill, formally known as the Servicemen’s Readjustment Act of 1944, provided military veterans returning from World War II with many benefits,¹ including low-cost mortgages, high school or vocational education, college tuition and living expenses, unemployment insurance, and low-interest loans for veterans to start businesses. Although the G.I. Bill was considered a success, African American veterans were denied many of its benefits.¹ This has contributed to many of the ongoing challenges in the African American community, including earning enough to support a family, putting food on the table, and saving for the future.²

The difference between the G.I. Bill and some of the earlier policies we have seen is that the G.I. Bill did not *explicitly* exclude African American veterans. Rather, the legislation, by failing to take into account the effects of existing discriminatory laws and policies, significantly reduced the degree to which African American veterans were able to share in its benefits. The racial disparities in the benefits provided under the G.I. Bill could most likely have been reduced if it had specifically included provisions that *all* veterans were eligible to participate fully and equitably. In the absence of such provisions, discriminatory laws applied to African American veterans, the same as to other African Americans.

For example, the G.I. Bill provided low-cost government-backed loans. But in the 1940s, African Americans remained ineligible for federally-backed loans under the Fair Housing Act, and banks would generally refuse to make mortgage loans in “Grade D” (primarily African American) neighborhoods. See policies 3 and 4. In addition, African Americans were effectively excluded from the suburbs by a combination of deed covenants and informal racism.^{1, 2}

The ability of (white) veterans to use government-guaranteed mortgage loans was a pillar of the G.I. Bill. It enabled many to buy homes in the country’s fast-growing suburbs. The values of these homes also increased significantly over the next few decades. This created vast new household wealth for whites during the postwar era—laying a foundation for the American middle class.²

Other discriminatory laws and practices also had the effect of reducing or eliminating benefits for African Americans under the G.I. Bill. Among the most significant were the Jim Crow segregation laws. The G.I. Bill contained provisions for unemployment insurance and benefits to help pay for higher education, but Jim Crow laws prevented their fair implementation.^{3, 4}

The Veterans Administration (VA), whose purpose is to represent and serve the interests of military veterans, did not do so in the case of African American veterans. Instead, the agency participated in discrimination. For example, the VA helped prevent black veterans from obtaining unemployment benefits.⁴ Black veterans were often offered substantially lower wages than their white counterparts for the same work. But when these veterans took complaints about job and wage discrimination to the VA, the VA would terminate the unemployment insurance of those who were appealing to it, rather than investigating the discrimination.⁴ This made it nearly impossible for black veterans to refuse to work for unfair wages. At the same time, VA attorneys testified on behalf of many white military veterans to help them regain the same job, at the same pay, as they had before going off to war.⁵

Segregated educational institutions also prevented veterans from receiving benefits they were due under the G.I. Bill. From 1940 until as recently as 1980, it was much more difficult for black veterans to get a higher education than it was for white veterans. This was true nationwide, but particularly in the south.³ In the 1940s, white colleges in both the north and south were largely closed to blacks.⁴ African American veterans' main options were Historically Black College or Universities (HBCUs). But all these schools were extremely overcrowded, with many applicants on waitlists. Black colleges were forced to deny admission altogether to nearly 20,000 black veterans.⁴

In addition to Jim Crow discrimination at the universities, the VA also discriminated against African American veterans seeking higher education. When applying for tuition benefits under the G.I. Bill, black veterans were often steered toward vocational training instead of university courses.⁴ In some cases, VA job counselors explicitly told black applicants that they needed no further education.⁴

A 1947 study found that of the 1,700 veterans employed by the VA, only seven were African American, despite the fact that one-third of all southern veterans at the time were African American.⁴ Perhaps a more diverse VA would have adopted more inclusive policies and fought for the rights of *all* veterans.

How did unequal benefits under the G.I. Bill contribute to the racial hunger, income, and wealth gaps?

The G.I. Bill is credited with creating the American middle class by opening homeownership and higher education to millions of World War II veterans. Today's middle class would be larger and much more diverse—and the racial wealth gap would be narrower—if veterans regardless of race had benefited from the legislation. The rate of food insecurity among African Americans would most likely be significantly lower, since an inclusive G.I. Bill would have enabled the World War II generation to buy homes, develop businesses, and earn college degrees.

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Did you know that...

The denial of GI benefits to many African American veterans is a good example of how we should look at policy today. On the surface, “race-neutral” policy considers all people “equal under the law.” However, the GI Bill is an example of why policies need to take into account structural inequality and discrimination—to ensure that the way a policy is implemented does not have a disproportionate impact on a group such as African Americans. We still have forms of structural discrimination today, which is one reason it is so important to apply a racial equity lens to each policy.

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POLICY 8: THE IMPACT OF “SEPARATE BUT EQUAL”

How was “separate but equal” established and dismantled?

Both the concept and the phrase “separate but equal” came from an 1896 court decision, *Plessy v. Ferguson*, which held that it was constitutional for railway companies to provide “separate but equal” services for their customers.¹ It validated the “Jim Crow” laws that southern states had begun to enact starting in the late 1870s. This legal racial segregation separated African Americans from whites in schools, housing, jobs, and public gathering places.²

During the first half of the 20th century, African American children in the south attended segregated public schools that were allocated less funding per pupil than those for white children. These schools were “separate” but not “equal.”

Segregated schools made it easy for states to heavily favor white students in the allocation of school funding.¹⁰ Black schools received far less financial support,¹⁰ and many schools had poor-quality books and buildings.¹⁰ In addition, by 1900, black children went to schools that had “basic” curriculums, which reflected the jobs available to black people at the time.³ In other words, black children were

taught primarily the skills that would funnel them into the same jobs that their parents had been segregated into,³ such as farm labor, domestic work, and other service jobs.

Did you know that...

Desegregating schools also resulted in the firing of many middle-class black teachers, since they experienced hiring discrimination in the newly integrated system. This increased the likelihood of hunger among black teachers.

Carolina, white students in rural areas received between five and 11 times the funding per student allocated to African American students.³

Finally, in 1954, the Supreme Court decision *Brown v. Board of Education* reversed *Plessy v. Ferguson*,⁴ ruling that school segregation was unconstitutional.

While *Brown* was decided more than 60 years ago, students of color often still lack equal access to educational opportunities.⁵ This is frequently because school funding is tied to the local property tax base,⁵ which is lower in most African American neighborhoods and other neighborhoods of color. As explained in policies 3 and 4, housing and mortgage lending laws and policies lowered the property values in African American neighborhoods.

It is disheartening that schools are more racially segregated today than at any point in the last four decades. This is because neighborhoods (and therefore taxpayers) have become increasingly segregated. The average white student attends schools where 77 percent of the student enrollment is white.⁶ Whites are now the most isolated of all racial groups.⁶ There is currently a gap of up to \$733 between what is spent per student per school year in schools with predominantly white students⁷ compared to schools with predominantly black students.

How did we get these numbers?

Based on data from the U.S. Department of Education, The Center for American Progress calculated that the difference in per-pupil spending in schools serving 90 percent nonwhite students compared to 90 percent white schools is \$733—the highest gap between races found in per-pupil spending.

Source: <https://cdn.americanprogress.org/wp-content/uploads/2012/08/UnequalEducation-1.pdf>

How do school segregation and spending disparities affect the racial hunger, income, and wealth gaps?

In a rapidly changing information-based economy, education is more important than ever to students' later ability to compete for jobs that will support a family. The failure to end "separate but equal" in practice, rather than only in law, has caused today's cycle of under-investment in many students of color. Higher school spending is associated with a significantly lower risk of students' facing hunger and poverty as adults. An increase of 20 percent in annual per-pupil spending for low-income students can lead to a lower risk of hunger and poverty.⁹ Every 20 percent spending increase adds to the likelihood that students will complete an additional year of education, earn 25 percent more, and have a 20 percent lower chance of living in poverty as an adult.⁹

Nationally, high-poverty districts spend 15.6 percent less per student than low-poverty districts.⁸ Schools with fewer resources are more likely to be overcrowded, and lower pay may mean difficulty in hiring and retaining the most qualified teachers.

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POLICY 9: SUBPRIME LOANS (1970s TO PRESENT DAY)

What are subprime loans and their impact?

Subprime loans are loans that carry higher interest rates than prime loans, which are more desirable since their interest rates are lower.⁹ Often, subprime loans are the only loans that people considered at higher risk of defaulting can qualify for. These "high risk" borrowers generally have low incomes and/or poor or limited credit records. Borrowers with subprime loans ultimately pay more for their homes, since they pay higher interest rates throughout the mortgage period.¹ The higher monthly interest rate also increases the risk of foreclosure.⁸

Starting in the 1970s, most African Americans were steered to subprime loans—including those with higher incomes, good credit, and/or a significant financial history.^{1,4,5} African Americans were and are at higher risk of foreclosure because they are more likely to have subprime loans. This meant that African Americans lost disproportionately more wealth when the housing market collapsed.^{2,4,5,6}

Many studies have shown that African Americans are more likely than whites with similar financial profiles to be turned down for a mortgage. One well-known study was published by the Boston Fed, conducted in 1990. The results showed that if two mortgage applicants, one white and one a person of color, had identical financial qualifications, the person of color was 60 percent more likely to be rejected.¹ As mentioned in the simulation and earlier in this policy

packet, homeownership is the primary way that most Americans build assets and wealth, but people of color are far less likely to own a home, largely because of inequitable practices such as discrimination in mortgage approval rates.

The fact that African Americans were largely limited to subprime mortgages effectively stripped income and wealth from black communities during the past two to three generations. Today, African Americans are 105 percent more likely to have subprime loans and other high-cost home mortgages, *even after controlling for credit score and other key factors.*⁷

Reverse redlining—meaning that subprime loans were concentrated in the same areas where redlining generally excluded prime loans—also affected people of color disproportionately. It is not surprising that more subprime loans were being made at the same time as African Americans were facing discrimination when applying for prime mortgages. The U.S. Department of Housing and Urban Development estimates that subprime lending rose from \$20 billion in 1993 to \$150 billion in 1998.² In 2000, the amounts were still increasing. Subprime lenders were making between six and 12 times as many loans to African Americans and other groups of color in 2000 as they were in the mid-1990s.² African Americans were five times as likely as their white counterparts to be offered only a subprime loan.⁵

“Old inequality helped make the new inequality possible... the new inequality in home mortgage lending [subprime loans] is part of a much larger phenomenon²...”

Issuing subprime loans almost solely to people of color is a recent form of inequality born of older forms of discrimination. The U.S. Department of Housing and Urban Development and the U.S. Department of the Treasury reported that as of 2000, “borrowers in black neighborhoods [were] five times as likely to refinance in the subprime market than borrowers in white neighborhoods.”¹⁰ This was the case even *after* controlling for income.¹⁰ And when different income brackets were compared, the report found that upper-income African American homeowners were twice as likely as white homeowners in low-income neighborhoods to have a subprime loan.¹⁰ This reinforces how subprime loans were made disproportionately to people of color based on discrimination; loan approval had little to do with income bracket, wealth, or ability to pay.^{9, 10}

One of the worst financial losses suffered by the African American community came during the 2008 housing crisis. When the housing market collapsed, 240,000 African Americans lost their homes.⁶ High-income African Americans were 80 percent more likely to lose their homes than high-income whites, because they were far more likely to have subprime loans.⁶

Perhaps most striking is that the housing crisis resulted in one of the largest wealth transfers in recent history, one from African Americans to whites. This, of course, increased the racial wealth gap. A 2013 report from the National Association of Real Estate Brokers, and analysis from the Pew Research Center, both provide evidence that African Americans lost more than half of their median wealth.^{3, 4} African American borrowers were 76 percent more likely to lose their home to foreclosure than white borrowers.⁶

As we saw in several earlier policies, legal and societal discrimination were both in force during the first half of the 20th century. While racially-based mortgage discrimination was technically illegal after

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the passage of the Federal Fair Housing Act in 1968 and the Equal Credit Opportunity Act in 1974,¹ lack of enforcement of these laws allowed African Americans and other people of color to be steered almost exclusively to subprime mortgages, or denied mortgages altogether. Consequently, racial discrimination in housing policy was, and still is, a contributing factor to the higher rates of hunger and lower amounts of wealth in many communities of color today.

How do subprime loans contribute to the racial hunger, income, and wealth gaps?

Did you know that...

For a good portion of the 20th century, the National Association of Real Estate Boards prohibited its members from introducing people of color into white neighborhoods?¹

Being approved disproportionately for subprime rather than prime loans meant that African Americans paid a higher percentage of their income toward their mortgages than their white counterparts, leaving them less money for food, savings, and other needs. Subprime loans devastated African American communities and eroded wealth that had been accumulating. Many gains that had been made were eliminated.⁹

Where can I find these data sources?

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POLICY 10: THE “WAR ON DRUGS” (1971 TO PRESENT DAY)

What has been the impact of the “War on Drugs”?

Our country’s state prison population has grown by more than 700 percent since the 1970s.¹ Many people are in jail or prison because of harsh laws and minimum sentencing requirements for drug offenses.² The so-called War on Drugs, first launched in 1971 by the Nixon administration, had profoundly different impacts on different racial groups. The people imprisoned, particularly for drug offenses, come disproportionately from the African American community and other communities of color. Today, about 12 states have prison populations that are more than half African American.⁴ Mass incarceration costs taxpayers up to \$182 billion each year.⁷

In the 1980s, the Reagan administration enforced the laws of the War on Drugs in harsher ways that caused a significant increase in incarceration for nonviolent drug crimes.² These actions sharply increased racial disparities in prisons—and we still see their effects today. In 1986, Congress passed the Anti-Drug Abuse Act, which set mandatory minimum prison sentences for specific drug offenses in ways that affected African Americans far more than other groups. This was an example of a law that can appear neutral on the surface—the penalties are the same for a particular offense regardless of race—but in fact affects some groups far more than others.

For instance, laws against possession of cocaine have had a disparate racial impact. Possession of 5 grams of crack cocaine, a form of the drug used largely by African Americans, carried a long sentence. But possession of cocaine in powder form, a form used more often by whites, was prosecuted only for more than 500 grams.² A far harsher penalty for one form of the same drug than

Did you know that...

Mass incarceration costs taxpayers between \$140 billion and \$180 billion a year? This number includes nearly \$32,000 per person in incarceration costs, plus the costs of providing health care, providing foster care for the children of people who are incarcerated, and transporting inmates.

Sources:

“Annual Determination of Average Cost of Incarceration.” *Federal Register*. Bureau of Prisons, Justice. <https://www.federalregister.gov/documents/2016/07/19/2016-17040/annual-determination-of-average-cost-of-incarceration>

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another—and for just 1 percent of the amount—meant that African Americans convicted of possessing cocaine were disproportionately sentenced to incarceration and subjected to mandatory minimum sentences. This disparity is consistent with national-level data showing that blacks are more likely to be incarcerated, and for longer periods, than whites convicted of the same offense.³

How did we get these numbers?

Policy Card 10 reports that low-income communities have lost \$11 billion to lower property values caused by the return of large numbers of people from jail or prison. This was calculated by the George Warren Brown School of Social Work's Institute for Advancing Social Justice. Since this calculation is based on formerly incarcerated persons returning to areas of concentrated poverty, and we know from other research that African Americans are up to 10 times as likely to be incarcerated as their white counterparts, we say that lower income communities of color have lost up to \$11 billion in property depreciation.

Source: <https://advancingjustice.wustl.edu/SiteCollectionDocuments/The%20Economic%20Burden%20of%20Incarceration%20in%20the%20US.pdf>

Racial profiling and targeting also contribute to higher incarceration rates in communities of color.² People of color were and are arrested on suspicion of drug possession at higher rates than whites.² Data shows that between 1995 and 2005, African Americans comprised about 13 percent of drug users, which is comparable to their representation in the U.S. population, but African Americans were 36 percent of those arrested for drug use and 46 percent of those convicted.⁵ This effectively means that African Americans are arrested for drug possession at three times the rate they should be and convicted at four times the rate they should be.

On the other hand, a study conducted by the Sentencing Project found that white drivers in Ferguson were far less likely to be pulled over than black drivers (7 percent compared with 12 percent) but, when searched, were more likely to be carrying contraband.⁶ There was a 34 percent chance that the

white drivers who were stopped were in possession of an illegal substance.⁶ In this case, whites driving in Ferguson would be 5 times less likely to be searched at the rate that they should be.⁶

How does the War on Drugs affect the racial hunger, income, and wealth gaps?

Incarceration directly *and indirectly* influences income and wealth. Being incarcerated means significant financial costs, including losing the income from a job and not being able to keep up with bills. People are often expected to pay court fees and fines once they are released. The longer-term effects of even a short jail sentence are particularly troubling. Prospective employers view people returning from jail or prison with suspicion. In one study, 75 percent of those returning reported that finding employment post-incarceration is difficult or nearly impossible. Returnees who find jobs are usually very poorly paid. One in five people returning from prison or jail earns less than \$7,600 a year,⁹ which puts them and their families in “deep poverty,” a formal term meaning that they live on less than half of a poverty level income.

When a family member is incarcerated, households lose the person’s income, which often puts an immediate economic strain on the family. Two in three families report not being able to pay for basic needs such as food and shelter once a family member is incarcerated.⁸ In addition, families with an imprisoned family member owe an average of \$13,000 in fines and fees—more than half the annual income of a household living at the poverty level, currently about \$25,000 for a family of four.⁸



In addition to the immediate economic strain, incarceration of a family member raises long-term financial barriers for the whole family. Many go into debt, lowering not only their disposable income but their credit scores. The latter can damage their ability to build wealth even long after their family member is released, because without good credit, it is nearly impossible to borrow money to buy a house or start a business.

Incarceration also has consequences that indirectly impact a family's ability to fight hunger in the future. Children with an incarcerated parent or parents are three times as likely to experience health conditions, including depression and anxiety, and they are also more likely to develop speech and cognitive delays.⁷ Any health problem or developmental delay makes it harder for a child to succeed in school, and later to graduate from high school and get a job that pays a livable wage. This can reinforce the cycle of hunger and poverty for the next generation.

African Americans are up to 10 times as likely⁴ to be stopped, arrested, or sentenced for drug-related offenses than their white counterparts, yet the evidence that is available suggests that both communities use and sell drugs at the same rates. African American families are therefore more likely to become poor and/or food insecure when a breadwinner or other earner is incarcerated. Going into debt at higher rates because of racial targeting and over-policing, of course, reduces the amount of wealth that African American households are able to build and widens the racial hunger, income, and wealth gaps.

How did we get these numbers?

Policy 10 states that African American are up to 10 times as likely to be incarcerated for drug offenses. We base this on a study showing that in 12 states, blacks are 10 times as likely as whites to be incarcerated for marijuana possession. This is one of the highest disparities found, so, for accuracy, we say that blacks are "up to" 10 times as likely as whites to be incarcerated for the same offense.

Source: The Color of Justice: Racial and Ethnic Disparity in State Prisons. The Sentencing Project. <https://www.sentencingproject.org/wp-content/uploads/2016/06/The-Color-of-Justice-Racial-and-Ethnic-Disparity-in-State-Prisons.pdf>

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POLICY 11: LIFE AFTER INCARCERATION (PRESENT DAY)

What are the impacts of past incarceration?

When people are released from jail or prison, they are hoping for a second chance. After all, they have complied with court orders and “done their time.” Some may be on court-supervised parole or probation, but all are returning to their communities.

There are, however, many legal restrictions on formerly incarcerated people. These restrictions are known as “collateral consequences” and apply to people with a criminal record.¹ There are 48,000 consequences at the federal, state and local levels and restrict what people with criminal records can legally do.¹² Nearly 70 percent of collateral consequences are employment restrictions, regardless of the relevance to the crime committed.¹ Their existence indicates that society does not see formerly incarcerated people as having a truly clean slate.

In some states, people returning from jail or prison, also referred to as returning citizens, do not regain the right to vote when they are released.¹¹ In fact, one in every 13 voting-age African Americans has lost the right to vote.¹⁰ This is four times the rate for all other Americans.¹⁰ Some of these bans are temporary—returnees are allowed to vote after a certain period of time, or once they have satisfied all court conditions such as probation periods. Other states—for example, Florida, Kentucky, and Iowa—maintain a lifetime ban on this fundamental civil right.¹¹ We have seen in this simulation that people returning from incarceration are disproportionately African American. We have also seen that for many decades, African Americans as a group were prevented from voting. Laws prohibiting returning citizens from voting disproportionately suppress the votes of African Americans and other people of color who are far more likely to be policed, arrested, and sentenced. Read more about voting in policy 13.

Not all collateral consequences are a matter of law. Some are the *absence* of law.⁵ Many employment applications across the country require applicants to answer “yes” or “no” to the question of whether they have ever been convicted of a crime. In many cases, checking “yes” automatically disqualifies them from further consideration. The person’s ability to do the job and the relevance of his or her offense is not considered. Sometimes disqualification is not mandated but is left up to individual employers, whose attitudes may lead them to disregard anyone with a conviction, including the majority of returnees whose past offense would not interfere with their ability to do the job. The requirement to “check the box” will pose a significant barrier for formerly incarcerated people seeking work for as long as it remains legal.

Another example of collateral consequences is a blanket policy prohibiting all returning citizens from entering a particular profession. For example, returning citizens cannot become barbers in many states because they are seen as not meeting a requirement that barbers^{1,12} have “good moral character.”

Returning citizens have significantly lower incomes because employers either will not hire them or do not pay competitively. One study conducted by the Ella Baker Center for Human Rights found that 75 percent of returning citizens reported that finding employment post-incarceration is difficult or nearly impossible.³ Among those who find a job, one in five earns less than \$7,600 per year.⁴

With little cash and few prospects for getting a good job quickly, most people recently released from incarceration are desperately in need of a social safety net. Yet another collateral consequence, however, is the partial or complete disqualification from receiving SNAP benefits² (the Supplemental Nutrition Assistance Program, formerly food stamps) in 34 states. Not having access to SNAP and other supports helps explain why 91 percent of people returning from jail or prison report being food-insecure, according to a study done by the National Institutes of Health.⁶

As we have seen in the simulation and earlier policies, African Americans are far more likely to be incarcerated than whites convicted of the same offense⁸—just one example of how people of color are disproportionately impacted by the U.S. police and criminal justice systems. Black families, particularly children, are up to 10 times as likely to face hardship because of a family member’s incarceration or criminal record. Mass incarceration and collateral consequences help explain why African Americans are far more likely to experience hunger and poverty than whites.

How do post-incarceration restrictions relate to the racial hunger, income, and wealth gaps?

When people are released, they are likely to be denied a second chance when seeking employment and housing—preventing them from providing for themselves and their families. Since African Americans are frequently racially profiled and are more likely to be arrested, sentenced, and incarcerated,⁸ they are also more likely to have a family member who is a returning citizen, and therefore to face these obstacles.

With 600,000 people being released from prison every year,⁹ and 11 million people cycling in and out of our jails,⁹ collateral consequences not only make it harder for families and communities to avoid hunger—they affect the entire country as well. The United States will not be able to end hunger and poverty as long as returning citizens face the difficulties they do today.

Did you know that...

U.S. poverty would have dropped by 20 percent between 1980 and 2004, if not for mass incarceration? Moreover, since African Americans are up to 10 times as likely as whites to be incarcerated, it is safe to say that the rate of poverty in the African American community would be more sensitive to changes in incarceration than total U.S. poverty, and therefore could have dropped by far more than 20 percent?

Source: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1348049

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POLICY 12: EMPLOYMENT DISCRIMINATION (PRESENT DAY)

What is the history of employment discrimination?

Following the abolition of slavery, African Americans were still not legally protected from employment discrimination. Fast forward to the Civil Rights Act of 1964, which did in fact prohibit employment discrimination based on race, color, and other characteristics. This legislation is often considered one of the signature achievements of the 1960s civil rights movement. Unfortunately, there is overwhelming evidence that employment discrimination based on race continues.



Evidence of employment discrimination can be found at all educational levels and in all job sectors. African Americans are twice as likely not to receive a call back after they complete job applications or interviews.¹ In studies over the past 30 years, academic researchers have found that employers are more than twice as likely to call applicants whose names on resumes suggest they are white for interviews than they are people whose resumes suggest that they are black.² A field study by the National Bureau of Economic Research,¹ for example, sent out resumes that listed the same qualifications but different names. The study found significant discrimination against African Americans. Resumes with names that “sounded white” received 50 percent more callbacks for interviews than resumes with names that sounded African American. Resumes listing higher qualifications increased callbacks by 30 percent for people with white names, but did not improve results much for African Americans.

Other studies have measured the level of discrimination in in-person interviews when the employer finds that an applicant is black or appears to be black. Researchers conclude that both conscious and unconscious bias come into play. An unconscious bias means simply that biases influence employers’ decisions even though they do not realize that they are favoring one racial group at the expense of another.

When controlling for age, education, urban location, and occupation, black male high school graduates are 70 percent more likely to experience involuntary unemployment than white males with similar characteristics.⁶

Employment discrimination goes beyond trying to get the job in the first place; it also occurs in advancement, promotion, and retention decisions. They are less likely to become managers, which widens the salary gap and ultimately the wealth gap between their families and comparable white families. According to the National Institutes of Health, one-third of African Americans report being passed over for a promotion because of their racial background.² In addition, a 2018 report from Pew Research Center found that 62 percent of African Americans in STEM fields experienced discrimination at work. Examples that employees gave included being treated as if they were incompetent, being passed up for a promotion, and earning less for the same work.²

Another form of employment discrimination also relates to money—paying people different wages depending on their race. African Americans earn nearly 25 percent less on average compared to whites. The gap between the hourly pay of blacks and whites has grown from \$3.55/hour in 1979 to \$6.73/hour in 2016.³ Black workers can lose at least \$600,000 over the course of a career to racial pay discrimination, according to conservative estimates by Bread for the World Institute.

How did we get these numbers?

To get our estimate of \$600,000, we multiplied the pay gap of \$6.73 an hour by 40 hours a week and then by 52 weeks a year. The result is that employment discrimination based on race costs about \$14,000 in lost wages per year. Assuming for this example that people work for 43 years, will give us a figure a little more than \$600,000. The number is likely to be higher than this; we are giving a conservative estimate. Nonetheless, it shows the impact of pay disparities on the ability to accumulate wealth over time.

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How does employment discrimination contribute to the racial hunger, income, and wealth gaps?

Being less likely to be recruited, hired, given a fair starting wage, or promoted prevents African American workers from advancing and earning to their potential. Racial discrimination also makes African Americans more vulnerable to unemployment as well as being under-employed or having little choice but to accept lower salary offers.

Older Americans of color are likely to have earned lower wages for their entire careers because of racial bias in the workplace—preventing many from saving enough for retirement.⁴ The average savings of African Americans and Latinos who are nearing retirement is \$30,000, only one-fourth the average \$120,000 that whites in the same age group have.⁵ This increases the likelihood of African Americans facing food insecurity and/or unmet healthcare needs as they get older.

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POLICY 13: VOTING RESTRICTIONS (1890 TO PRESENT)

How has protection of voting rights changed over the decades?

Voting restrictions based on racial discrimination have a long history in the United States and have played a significant role in the ability or inability of people to exercise the right to vote and influence policy decisions.

Unlike their enslaved counterparts, free African American men could vote in some places throughout the north before 1800.¹ But the growing need to justify slavery during this time intensified discrimination against free blacks. This included the gradual loss of their voting rights. New Jersey, for example, rescinded free blacks' right to vote in 1807.¹ In 1821, New York removed the requirement that white men own property to qualify to vote, but maintained this requirement for black men¹—reducing the proportion of voters who were African American.

Eventually, in 1857, the Supreme Court decision in *Dred Scott* held that no African American, free or slave, could claim U.S. citizenship. This created an additional barrier to voting.³

After the Civil War, ratification of the 14th and 15th Amendments to the Constitution guaranteed blacks the right to equal protection under the law and, for black men, the right to vote.² Shortly afterward, the first African Americans were elected to the U.S. House of Representatives and the Senate. Between 1869 and 1883, 16 African Americans served in the U.S. Congress,³ and almost 2,000 African Americans held public office at state and local levels.⁵

But this increase in political representation met harsh backlash. During the Reconstruction period, at least 35 African American elected officials were murdered,⁴ and the 1875 Civil Rights Act, which banned discrimination based on race, was overturned by the U.S. Supreme Court in 1883.^{2,6} As early as 1890, blacks faced organized campaigns to prevent them from voting.² Some of the tactics looked as though they could be legal ("literacy tests," poll taxes), while others were crimes (intimidation, violence including lynching).²

Unfortunately, ratification was not an automatic guarantee for black men to exercise their right to vote. Among states that did ratify the 15th amendment, many implemented restrictions making it difficult for black men to exercise this right. Many southern state governments made passing a so-called literacy test a requirement of voting. The motivation, which was to prevent African Americans from voting, was disguised by calling it a "test." In practice, whites were generally exempted from literacy tests—for example, if they could prove their grandfather was not a slave (the

Did you know that...

Six states that joined the union did not ratify the 15th Amendment at the time they became part of the United States. In fact, some states, including Oregon and California, waited until 1959 and 1962, respectively.

Sources:

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phrase “the grandfather clause” originated here) or even if a poll official considered them to have “good moral behavior.”² African Americans were required to take the tests, but they were written in such a way that prospective voters rarely if ever passed. Poll taxes were devised as a financial barrier to voting, since the poorest citizens, disproportionately African Americans, could not afford to pay them. Southern states also used intimidation to prevent African Americans from voting, as well as outright violence—most notably, lynching.

In 1965, passage of the Voting Rights Act made efforts to prevent voting illegal.² But as we know, the law did not immediately change attitudes and behavior. Voter suppression at the polls and campaigns to discourage voter turnout were still significant problems. So was violence, against both civil rights workers and would-be voters.

As early as 1792, some states amended their constitutions to disenfranchise people convicted of crimes. Some state documents stated explicitly that the purpose was to “establish white supremacy.”⁷ In 1985, the U.S. Supreme Court ruled that disenfranchising people convicted of crimes was legal as long as there was no intent of racial discrimination.⁷ This means that for the practice to be declared unconstitutional, advocates must prove that the *intent* (not just the actual result) was racial discrimination. Today, since African Americans are disproportionately affected by mass incarceration (as discussed in policies 10 and 11), they are also disproportionately impacted by laws that deny people returning from incarceration the right to vote, either for a period of years or for life. Most states have voting prohibitions of some kind,⁸ often applied to groups such as people on parole, people on probation, people with felony convictions, and/or people with specific felony convictions. Maine and Vermont are the only two states whose returning citizens never lose their right to vote.⁸

In 2013, the Supreme Court overturned a key provision of the Voting Rights Act of 1965.⁹ The provision articulated a means of exercising more oversight over states identified as having racially discriminatory voting policies.⁹ According to the Brennan Center for Justice, 23 states have adopted new voter suppression laws since 2010. These include, for example, making it harder to register to vote, reducing the number of early voting days and hours, and making it harder for people returning from incarceration to have their voting rights restored.¹⁰ The impact of these laws falls disproportionately on communities of color.

In addition, 34 states now have “Voter ID” laws¹¹ that require voters to have government-issued identification. The remaining 16 states use other methods to verify the identity of voters.¹¹ Studies show that as many as 11 percent of eligible voters do not have a government-issued photo ID.¹² It is more difficult for African Americans to obtain these—one in four face barriers, compared with one in 10 whites.¹² Barriers include, for example, having to pay up to \$150 for an acceptable copy of a birth certificate and Social Security card, travel costs since people are usually required to return to the county where they were born to obtain these documents, and time taken off from work. These barriers are often higher for people living in rural communities, because they need to travel longer distances to facilities that might have limited operating hours.

How does voter suppression add to the racial hunger, income, and wealth gaps?

After the 1875 Civil Rights Act was rescinded, many African Americans were prevented from voting for representatives and policies that would have helped end hunger and poverty in

their communities. Voter suppression is a major reason for the passage of laws and policies that discriminate against African Americans, such as “separate but equal”. This was particularly evident in areas that had a majority African American population, but very few African American voters.

If African Americans had not suffered disenfranchisement, it would have been much less likely that legalized discrimination against blacks in the workforce, school, financial systems, and other institutions would have been allowed to continue. As we saw in the simulation, several forms of discrimination contribute significantly to greater hunger and lower incomes in the African American community. Undermining efforts that are meant to end discrimination in voting enables the wealth gap to further expand.

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