

CHAPTER 2

The Origins of the Racial Wealth and Income Gap

Our advocacy for policies that mend the gaps in income and wealth inequality would be incomplete if we did not examine the role of racism in our laws and its effects on our nation today. One striking result of racism in our policies is the racial wealth gap in our country.

The median wealth gap between Black and white families in the United States is significant – and still on the rise. In 2016, more than fifty years after the Civil Rights movement won the passage of the Civil Rights Act, white families had 10 times the wealth of Black families. [1] This massive difference in wealth is no accident, and it will continue if we don't actively work to dismantle these policies. That work begins by recognizing that generations of racist federal policies created and sustained the racial wealth gap.

By gaining an understanding about how federal policies strategically kept wealth and income from Black families and other families of color while funneling wealth to white families, we will begin to see how policies created this problem and how just, inclusive policies can fix it. In the pages ahead, we will study laws and programs that disproportionately benefitted white people – and harmed people of color – throughout our nation's history. These policies and their descriptions come from NETWORK's Racial Wealth and Income Gap workshop, which was created in collaboration with our partners Bread for the World (www.networkadvocates.org/RWIG).

The Difference between Wealth and Income

An obvious factor in financial well-being is a person or family's ability to preserve and accumulate wealth in the long term. Historically, this ability has been tied closely to race in the United States and we can see the long-term effects of that legacy in our

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Wealth and Income cont.

nation's racial wealth gap today. As racial disparities in income continue to persist in our nation, the racial wealth gap between Black and white families has worsened over the last few decades. The difference between wealth and income is important to grasp here.

Income refers to one's current earnings. Income contributes to the creation of wealth, but is not the same as wealth. **Wealth** is total assets accumulated over time (what you have) minus liabilities (what you owe).

Wealth has both a generative and a generational nature. Wealth helps to achieve larger financial gains, and therefore has the capacity to grow over time and pass along through generations. This makes it possible for people of color with high incomes today to still experience the racial wealth gap – because laws and society prohibited their ancestors from accumulating wealth and passing it on. For example, racist policies implemented throughout our nation's history that did not allow Black people to own property blocked access to the largest driver of wealth: homeownership.

By seeing these policies laid out, we hope that you will be able to gain insight into how the racial wealth and income gap came to be – from the very laws that created these divides. The following federal policies implemented throughout our nation's history legislated intentional lack of investment of Black families and communities. These policies created and perpetuated white supremacy in the very fabric of our nation's laws and governance, much of which is still present to this day. By shining a light on these policies over the next two weeks, we hope to reveal the compounded impact of these policies over time. Ultimately, we must undo the mindset of the traditional American Dream, that “if you work hard enough and play by the rules you will achieve success,” and recognize that our history and current laws means that narrative does not apply to everyone.

Using “Black” or “African-American” when talking about Race:

You may notice that we tend to use the word “Black” more commonly than “African-American” when describing a group of people in our writing. While African-American has been used to highlight the origin of people who were forcibly brought to the United States through the slave trade, in today’s society it is too narrow to encompass the experiences of all who are subject to structural disadvantages against Black people. Read more about this from the **Urban Institute** at www.urban.org/urban-wire/say-african-american-or-black-first-acknowledge-persistence-structural-racism.

Policies that Contributed to the Racial Wealth and Income Gap

1619–1860

SLAVE CODES, THE FUGITIVE SLAVE ACT, AND AMERICAN CHATTEL SLAVERY

Early on in our country’s history, the implementation of several state and federal legal measures (such as slave codes and the Fugitive Slave Act) created a difference between racialized groups. The slave codes established “servitude for natural life” for enslaved African people. This – 250+ years of labor of millions of enslaved African and Black people – was the foundation for the U.S. economy and the global force that it eventually became. On the eve of the Civil War, the value of enslaved Black people was estimated at \$3.6 billion (not scaled for modern inflation).

1865–1880

ANDREW JOHNSON’S LAND POLICIES AND SHARECROPPING

After the Civil War, only 30,000 Black people owned small plots of land, compared to 4 million who did not because of the 1865 federal policy that rescinded the promise of 40 acres of land for slaves. These 4 million Black people largely resorted to renting farmland from their previous slave owner in exchange for a “share” of their crop. This system of “sharecropping” tied farmers to their former owners because they were legally obligated to BUY all farming materials (usually at higher prices) and SELL their farming crop solely to them (usually at lower prices).

1865–1960s

LAND SEIZURES

Black people were legally at risk of having their land seized for nearly a 100-year period from 1865 to the 1960s, in part due to the sharecropping debt that many Black farmers found themselves in. Additionally, white landowners could arbitrarily declare that Black farmers or business owners

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Policies cont.

were in debt at any time, which would result in Black people losing their land. Black people could not contest these charges since they were legally unable to fight against white people in court.

1934**THE NATIONAL HOUSING ACT**

This policy guaranteed loans to white people and legally refused loans to Black people and anyone who chose to live near Black neighborhoods. This practice, known as “redlining,” targeted entire Black neighborhoods and labeled them “Grade D.” This made it nearly impossible for appraisers in the private sector to do business in these areas, because Black neighborhoods were considered “bad credit risks.” It was difficult, if not impossible, for Black prospective homeowners to purchase a home anywhere other than existing Black neighborhoods. This policy also sometimes resulted in Black people paying double or triple to buy a contract from a white person to pay the mortgage on a house that legally was not in their name. Meanwhile, Black people were making payments to secure their chances of being able to own their home, while still not receiving any equity on the payments toward that home.

1935**THE WAGNER ACT**

The Wagner Act, officially known as the National Labor Relations Act, is regarded as the most important piece of U.S. labor legislation in the 20th century. The main purpose of the Act was to establish the legal right for workers to join labor unions, organize, and use collective bargaining power with their employers. It helped millions of white workers enter the middle class for decades to come. However, the Wagner Act intentionally excluded agricultural and domestic workers from the right to unionize and allowed unions to exclude people of color, thus denying people of color ac-

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Words of Wisdom

“At the onset of the Civil War, our stolen bodies were worth four billion dollars, more than all of American industry, all of American railroads, workshops, and factories combined, and the prime product rendered by our stolen bodies—cotton—was America’s primary export.”

— Ta-Nehisi Coates,
*Between the World
and Me, 2015*

Policies cont.

cess to higher-wage jobs and union benefits like healthcare, retirement funds, and job security.

1935– present

THE SOCIAL SECURITY ACT

Although Social Security was meant to help those adversely affected by the Great Depression, and Black people were twice as likely to experience hunger or poverty during this time, 65% of Black people were ineligible to receive this income support. Social Security was designed in such a way that excluded farmworkers and domestic workers—who were predominantly Black—from receiving “old-age” and “unemployment” insurance. Farmworkers and domestic workers to this day are still excluded.

Looking Forward

These federal policies, from chattel slavery through to the present day, are just the beginning of how our laws created the racial wealth and income gap. Next week, we will continue examining the structural racism in the present day that keep Black families from opportunities for economic advancement, further exacerbating disparities in wealth and income along racial lines.

Sources

1. <https://www.americanprogress.org/issues/race/reports/2018/02/21/447051/systematic-inequality/#fn-447051-9>

Take Action

Be intentional about how you wield your economic power at any level. When purchasing goods or services, seek out Black-owned businesses to patronize. Exercise your economic activism!

We Pray

God, just and merciful, you alone are the Lord of Justice and Mercy.
We turn to you.

Throughout time, your children have cried out to you when seeking mercy amidst injustice. We know the movement of your hand as it calms the waters, steadies the step, and illumines the path through difficult journeys.

God, just and merciful, we turn to you.
Clear our vision, Lord.

Your son, Jesus of Nazareth, stood before a cross knowing the assault of lies, the weight of shackles, the sting of scourging, the absence of respect, the pangs of exhaustion, the judgment of unjust systems, the apathy of others.

God, just and merciful, we turn to you.
Encourage our hearts, Lord.

For generations, your children of color have stood before crosses in this land nurtured by their blood and tears. Their descendants know the assault of health disparities, the weight of redlining, the sting of hiring discrimination, the absence of fair housing, the pangs of rights denied, the judgment of unjust wages, the apathy of many.

God, just and merciful, we turn to you.
Guide our steps, Lord.

Our nation's original sin is a complex web of crosses built on the idols of racism and white privilege. Until this painful and shameful past is reconciled, tomorrow will be as today.

God, just and merciful, we turn to you.
Inspire our actions, Lord.

Dismantling these idols requires the change of hearts, minds, laws, and practices. May this arduous task be rooted in your justice and mercy.

God, just and merciful, we turn to you.
Heal our nation, Lord.

Amen.

Written by Leslye Colvin, NETWORK Board Member

Reflection Questions

1. Had you heard of any of these policies before? Were any new to you? What surprised you reading about these laws?
2. Do any of these policies play a role in your own family story? Did your ancestors benefit or miss opportunities for economic advancement?
3. How did each of the policies described serve to benefit white families?
4. Think about the racial wealth gap around you. What Black-owned businesses do you know in your community? Do you shop at stores or websites owned by people of color? Is the easiest example for you to think of a restaurant? What about other types of businesses? What is challenging about this thought exercise?

ADDITIONAL RESOURCES

Read

- “Wealth inequality has widened along racial, ethnic lines since end of Great Recession”
December 12, 2014
www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession

This report from the Pew Research Center summarizes how the housing and financial crises have continued to disproportionately impact people of color, even after economic recovery from the recession is well underway.

- “Extensive Data Shows Punishing Reach of Racism for Black Boys”
March 19, 2018
www.nytimes.com/interactive/2018/03/19/upshot/race-class-white-and-black-men.html

This *New York Times* article demonstrates the staggering discrepancy in income levels between Black men and white men who grew up in similar economic circumstances.

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Additional Resources cont.

- “What We Get Wrong About Closing the Racial Wealth Gap”

April 2018

www.socialequity.duke.edu/sites/socialequity.duke.edu/files/site-images/FINAL%20COMPLETE%20REPORT_.pdf

Duke University and the Insight Center for Community Economic Development published this report which provides statistics on how the racial wealth and income gap has developed, and will continue to develop based on present policies.

- “Mapping the Lasting Effects of Redlining”

March 20, 2015

www.citylab.com/equity/2015/03/mapping-the-lasting-effects-of-redlining/388333/

By combining old federal maps and recent Census data, it is easy to see how today’s poverty rates align with racist 1930s mortgaging policies.

- “A second look at Social Security’s racist origins”

June 3, 2013

www.washingtonpost.com/news/wonk/wp/2013/06/03/a-second-look-at-social-securitys-racist-origins

While competing interpretations of history disagree on whether or not Southern legislators voted for the Social Security Act of 1935 on the condition that it did not cover farmworkers and domestic workers, the effect of the legislation was that it excluded those categories, which represented two-thirds of Black workers in the South at the time.

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*Additional Resources cont.***Watch**

- 13th

September 30, 2016

www.washingtonpost.com/news/arts-and-entertainment/wp/2016/10/06/ava-duvernays-netflix-film-13th-reveals-how-mass-incarceration-is-an-extension-of-slavery/

**13th is available to watch with a Netflix subscription*

This full-length documentary directed by Ava DuVernay explores the intersection of race, justice, and mass incarceration in the United States. The film addresses many of the policies described in NETWORK’s **Racial Wealth and Income Gap** workshop.

- Explained: “The Racial Wealth and Income Gap”

May 23, 2018

www.vox.com/2018/5/23/17377084/racial-wealth-gap-explained-netflix

**Vox Explained is also available to watch with a Netflix subscription*

This 16 minute video examines how “past [racial] injustices breed present suffering” — especially when it comes to wealth.