



12 Key Federal Policies that Have Contributed to the U.S. Racial Wealth and Income Gap

The median wealth gap between Black families and white families in the United States is ever expanding. As of 2019, white families have 8 times the median wealth of Black families, which may be a conservative estimate.¹ This massive difference in wealth is not accidental, but instead due to years of racist policies and intentional disinvestment from the Black community.

NETWORK has identified 12 policies as key contributors to the Racial Wealth and Income Gap.

POLICY 1: Slave Codes, the Fugitive Slave Act, and American Chattel Slavery (1619-1865)

The U.S. slave codes, developed from the 1640's to the 1860's, created "servitude for natural life" for enslaved Black people, resulting in 250 years of forced labor that was the foundation of the U.S. economy and the global force that it eventually became. On the eve of the Civil War, enslaved Black people were valued at an estimated \$3.6 billion (not scaled for modern inflation).

POLICY 2: Andrew Johnson's Land Policies and Sharecropping (1865-1880)

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Black people owned small plots of land, compared to 4 million who did not because of the 1865 federal policy that rescinded the promise of 40 acres of land for formerly enslaved people. These 4 million Black people largely resorted to renting the farm land of their previous slave owners in exchange for a "share" of their crop. This system of "sharecropping" tied farmers to their former slave owners because they were legally obligated to BUY all farming materials (usually at higher prices) and SELL their farming crop solely to their former slave owners (usually at lower prices).

POLICY 3: Land Seizures (1865-1960s)

Black people were legally at risk of having their land seized from 1865 to the 1960's, in part due to the sharecropping debt that many Black farmers found themselves in. In addition, white landowners could arbitrarily declare that Black farmers or business owners were in debt at any time, which could result in Black people losing their land. Black people often could not fight these charges since they were legally unable to take white people to court.

POLICY 4: The National Housing Act of 1934

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 also identified them as "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."

¹ Urban Institute calculations from the 1962 Survey of Financial Characteristics of Consumers (December 31), the 1963 Survey of Changes in Family Finances, and the 1983–2019 Surveys of Consumer Finances.

POLICY 4 (cont.): The National Housing Act of 1934 pt. 2

This policy also resulted in Black people turning to "contract lending" as a primary means of buying a home, since they were locked out of the traditional housing market. Under the predatory system of "contract lending", Black buyers would make payments directly to white sellers with the promise of receiving the deed to the property once it was entirely paid, oftentimes at double or triple the price. Meanwhile, Black buyers would not receive any equity on the payments towards that home and had few or no legal protections, leaving them vulnerable to eviction and losing their investment.

POLICY 5: The Wagner Act of 1935

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

POLICY 6: The Social Security Act (1935- Present)

Although African Americans made up 11.3 percent of the labor force in 1930, they made up 23 percent of the workers who were not covered when Social Security was enacted (DeWitt 2010). 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 many domestic workers are still excluded to this day.

POLICY 7: The Fair Labor Standards Act of 1938

This was enacted to help bolster the economy out of the Great Depression, but excluded a number of tip-based professions predominantly held by Black workers-- including servers, shoe shiners, domestic workers, and Pullman porters --from the first minimum-wage protections. Even though both the Black unemployment and poverty rates were twice that of white people during the Great Depression, the very policies meant to alleviate economic strain were often withheld from the Black community, making it harder to build wealth in the future.

POLICY 8: The G.I. Bill of 1944

This was enacted to help World War II veterans adjust to civilian life by providing low-cost home mortgages, low-interest business loans, tuition assistance, and unemployment compensation. Unfortunately, many of the benefits distributed were withheld from Black service members.

POLICY 9: Brown vs. Board of Education of Topeka(1954 to Present Day)

In 1954, the Supreme Court overturned the "separate but equal" doctrine, ending legal racial segregation in educational facilities. However, today's American schools are more racially segregated today than they have been in the past four decades. Academic success is less probable in predominately low-income Black neighborhoods, since Black students are seven times more likely to live in areas of concentrated poverty, and attend underfunded, understaffed, and overcrowded schools. According to a 2019 EdBuild study, "nonwhite school districts get \$23 billion less than white districts, despite serving the same number of students". This leaves many Black students with limited education and little choice but to work minimum-wage jobs, with little room for economic advancement.

POLICY 10: Federal-Aid Highway Act of 1956

Over the course of three decades, 48,000 miles of highways and roads were built in an attempt to connect smaller towns and rural areas to cities for the purposes of commerce and jobs. However, these new highways led to the destruction of many predominantly Black and other minority neighborhoods in the name of urban renewal. Additionally, the Highway Act created and dramatically expanded suburbs, which resulted in "white flight" from urban centers.

POLICY 11: Subprime Loans (1970s to Present Day)

Starting in the 1970's and continuing today, the private sector issued subprime loans almost exclusively to Black families, regardless of income, credit score, or financial history. As a result, Black families continue to pay more money for homes of the same value as their white counterparts, causing rates of foreclosure among Black families to increase.

POLICY 12: The War on Drugs (1971 to Present Day)

The War on Drugs exacerbated the racial wealth gap with practices that targeted Black and brown communities. Although rates of drug use and selling are similar across racial lines, Black men are up to 10 times as likely to be stopped, searched, arrested, prosecuted, convicted and incarcerated for drug law violations than white men. The lifelong penalties from having a drug conviction have prohibited millions from voting, gaining employment at good-paying jobs, and accessing public assistance amongst a multitude of other cultural and institutional consequences.

****This handout is a part of a larger workshop that NETWORK provides in order to educate about the Racial Wealth and Income Gap. If you are interested in scheduling a presentation, please reach out to info@networklobby.org***