

Race, Wealth, and America's Legacy of Systemic Racism:
Pursuing Economic Equity Through Policy Initiatives

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90-714: Policy and Politics in American Institutions

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April 13, 2024

Introduction

The disparities in wealth, social capital, and economic opportunity experienced by Black Americans in the United States are not accidental, but rather deeply entrenched outcomes of intentionally racist policies and practices that have persisted throughout the nation's history. By examining the roots of systemic racism, housing discrimination, and mass incarceration, which have resulted in a tremendous wealth gap between Black and White Americans, the United States can take steps toward equality by addressing discriminatory policies that persist in yielding unequal outcomes.

The first section of this report outlines the roots of inequality in America with a particular focus on the ideas of the founding fathers and the underpinnings of white supremacy in politics. The second section delves deeper into a particular example of the devastating effects of institutionalized racism: the Tulsa Race Massacre. The third section analyzes systemic hurdles to prosperity in America, with a particular focus on how mass incarceration and homeownership disparities perpetuate the wealth gap in America. The final section covers criminal justice reform policies that alleviate post-incarceration hurdles hindering economic opportunities for formerly incarcerated individuals. It also assesses how strict tax evasion regulations can fund reparations that have the potential to eliminate the wealth gap.

America's Racist Legacy: Tracing the Roots of Inequality Today

The racial economic disparities in the United States persist not as a failure of policy, but as a direct result of intentionally racially prejudiced policies since its inception. While it may be tempting to believe deliberate policies aimed at disadvantaging African Americans ended after the Civil Rights Movement, it could not be further from the truth. Not only does this corruption persist, but the effects of blatant, discriminatory policies have been compounding since the

establishment of the United States. Take it directly from John Ehrlichman, Assistant to the President for Domestic Affairs under President Richard Nixon, who admitted to journalist Dan Baum:

You want to know what this [war on drugs] was really all about? The Nixon campaign in 1968, and the Nixon White House after that, had two enemies: the antiwar left and black people... We knew we couldn't make it illegal to be either against the war or black, but by getting the public to associate the hippies with marijuana and blacks with heroin, and then criminalizing both heavily, we could disrupt those communities. We could arrest their leaders, raid their homes, break up their meetings, and vilify them night after night on the evening news. Did we know we were lying about the drugs? Of course we did.¹

To understand how blatant racism and discrimination persist to be written into the law today, it is important to look back on what principles the United States was founded upon. Thomas Jefferson may have written in the Declaration of Independence that “all men are created equal,” but he only meant white men. In Notes on the State of Virginia in 1788, he wrote, “The blacks...are inferior to the whites in the endowments both of body and mind.”² If freed, Jefferson believed African Americans should “be removed from the reach of mixture,” and colonized outside of North America.³ While Americans are brought up believing the United States was founded on freedom, it was founded on the idea of white freedom.

In 1857, the Dred Scott Decision relied on the beliefs of the founding fathers. The court ruled that African Americans “were not intended to be included, under the word ‘citizens’ in the Constitution.”⁴ This decision also stated that any act of Congress prohibiting a citizen from holding and owning a slave was void, as “the right of property in a slave is distinctly and expressly affirmed in the Constitution.”⁵ This ruling was only accepted by the southern half of the country. In response, Abraham Lincoln, who wished to limit the expansion of slavery, was elected in 1860. The first state to secede from the Union after his election, South Carolina, wrote

in their Declaration of Causes: “Those [Union] States...have denied the rights of property established in fifteen of the States and recognized by the Constitution; they have denounced as sinful the institution of slavery.”⁶

Following the Civil War and the abolition of slavery in 1865, the US grappled with how to integrate former slaves into society and political life. As President Johnson showed leniency, many southern states enacted “black codes” which exploited the prohibition of slavery in all circumstances “except as punishment for a crime.”⁷ These codes criminalized “activities that would make it easy to imprison African Americans.”⁸ Although Black Americans gained the right to citizenship and the right to vote during this period, Reconstruction was short-lived. The surge of Jim Crow laws legalizing racial segregation lasted for about 100 years. These laws were specifically designed to “marginalize African Americans by denying them the right to vote, hold jobs, get an education, or other opportunities.”⁹

These foundations of American society paved the way for pervasive white supremacy in American culture and politics. President Woodrow Wilson infamously screened a racist propaganda film at the White House in 1915, an adaptation of Thomas Dixon’s *The Clansman*, which glorified the Ku Klux Klan (KKK).¹⁰ This movie is largely attributed to inspiring the resurgence of the KKK, who fought violently against African American rights during Reconstruction.¹¹ The KKK was not on the fringes of American society, rather, was referred to by historian David Chalmers as having “nationwide political power” in the 1920s.¹² Incidents of racial terrorism and lynching persisted in American culture, backed by an estimated 75 House members taking seats with KKK assistance in this period.¹³

The Tulsa Race Massacre Hindered Intergenerational Wealth in Black Communities

The Tulsa Massacre in 1921 was a racist incident that disrupted the wealth trajectory of the Black community. The affluent Greenwood neighborhood of Tulsa, Oklahoma, known as Black Wall Street, was a prosperous business district.¹⁴ On May 31st, 2021, it was set on fire by a white mob. This incident was ignited after a Black man, Dick Rowland, was accused of harassing a White woman. In an attack that lasted 2-days, about 300 Black residents were killed, and 1,300 homes and businesses were burned and looted.¹⁵ The Tulsa Massacre led to \$1.8 million in property loss, \$27 million in damages when adjusting for inflation.¹⁶ Homeownership is an asset that builds wealth, often passed down through generations. The destruction of these properties negatively impacted the future of the children of the Greenwood district.

The criminal acts by the white mob were never punished by the law. Survivors of this massacre were not compensated for their losses. In September 2021, Lessie Randle 109 years old, Viola Fletcher 109 years old, and Hughes Van Ellis 102 years old, filed a lawsuit against the State of Oklahoma, the City of Tulsa, and the National Guard to seek reparations.¹⁷ These survivors were about 2-6 years old when they witnessed the tragedy that destroyed their community. In July 2023, the case was dismissed by an Oklahoma district court. An appeal was filed immediately and shortly the Oklahoma Supreme Court agreed to hear the case. In August 2023 and April 2024, the Oklahoma Supreme Court held hearings to consider if the appeal would be sent back to a district court for a trial. Obtaining justice has been a race against time; Mr. Ellis passed away Oct. 2023.¹⁸

This incident was a violent attack on Black economic prosperity. It had lasting repercussions for those directly impacted and the wider Black community at large. It impacted intergenerational wealth, families lost their assets, homes, and businesses that were tied to their livelihood. Many families lost their head of household, putting them at a greater disadvantage.

This incident also sent a message to the rest of the Black community—their prosperity made them a target for white supremacists. A Brookings study found that of the 20,000 businesses located in Tulsa today only 1.25% are Black owned.¹⁹

Hurdles to Prosperity: Mass Incarceration, Redlining, and the Wealth Gap

Systemic Racism in Politics & Economic Impacts of Mass Incarceration

Systemic racism continues to manifest in American society, perpetuating the wealth gap and further entrenching inequality. Roy Wilkins, a prominent civil rights activist and former executive director of the NAACP, accused then-President Richard Nixon in 1972 of “[attempting] to turn back the clock, to get the whole country into a spirit of repeal of all the civil rights measures that have been enacted—at least to weaken them so much that they won’t amount to anything.”²⁰ Despite major steps forward for the Civil Rights Movement, white supremacy in politics persisted by disguising itself. White House chief of staff H. R. Haldeman wrote in his diary that Nixon “emphasized that you have to face the fact that the whole problem is really the blacks. The key is to devise a system that recognized this while not appearing to.”²¹

Nixon campaigned on the idea of restoring law and order in 1968, a phrase that has been described as “a way to talk about race without talking about race.”²² As Gloria Marquez, an executive board member for a branch of the NAACP, put it, “Nixon’s appeal for law and order has a special meaning when he uses it...he is trying to get the support of the white backlash people from around the country.”²³ In comparison to his running-mates, Nixon was viewed as “a soothing candidate who promised tough, but measured, action.”²⁴ However, Nixon ended up delivering something more akin to the “black codes” enacted in the late 19th century.

African Americans were overtly targeted by racist “black codes” after emancipation and are more discretely, but still openly, targeted by the War on Drugs until today. As revealed by Nixon’s advisor, the War on Drugs was explicitly crafted to target African American communities, under the guise of drug enforcement to disrupt and dismantle social movements and communities of color.²⁵ While Black Americans have had higher rates of incarceration than their White counterparts since the 1950s, as shown in Figure 1, this number skyrocketed from 1980-2000. While it has been declining, the incarceration rate per 100,000 population for Black Americans is still outrageously out of proportion with the rest of America.

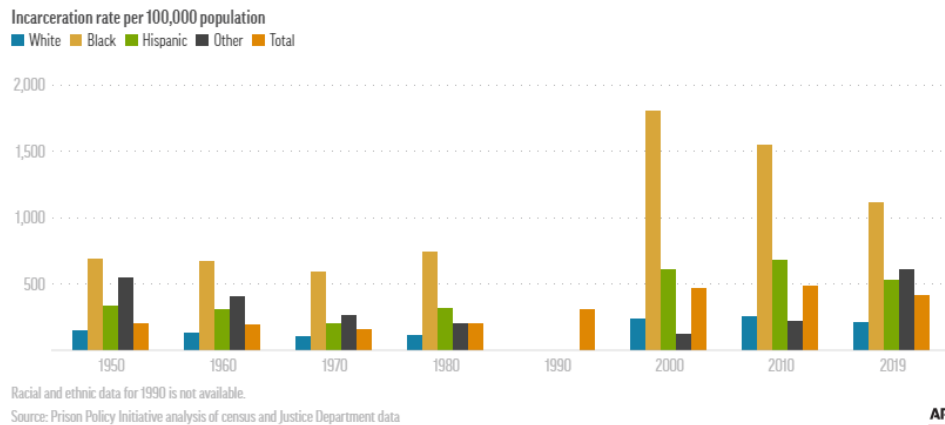


Figure 1. Morrison, Aaron, *Drug war’s toll on Black Americans* (New York, AP News: 2021),

<https://apnews.com/article/war-on-drugs-75e61c224de3a394235df80de7d70b70>

The impacts of incarceration are pervasive and further entrench racial disparities in wealth in American society. White and Black Americans already have a gap in wealth accumulation without incarceration, however, when you bring incarceration into the mix, it is even more staggering. Figure 2 displays this gap, which shows that even White men who have been incarcerated have more wealth accumulation than Black men who have never been incarcerated. This is caused by a myriad of systemic barriers Black Americans face which is then compounded by incarceration. While public benefits are aimed at alleviating poverty, denial of

access to public benefits for formerly incarcerated individuals exacerbates their hardships.²⁶

Formerly incarcerated individuals also can lose the right to vote, are ineligible for certain types of employment/have difficulty finding a job, and can be unable to live in public housing.²⁷

Additionally, they “are eight times less likely to complete college than the general public,” furthering disparities in social capital.²⁸

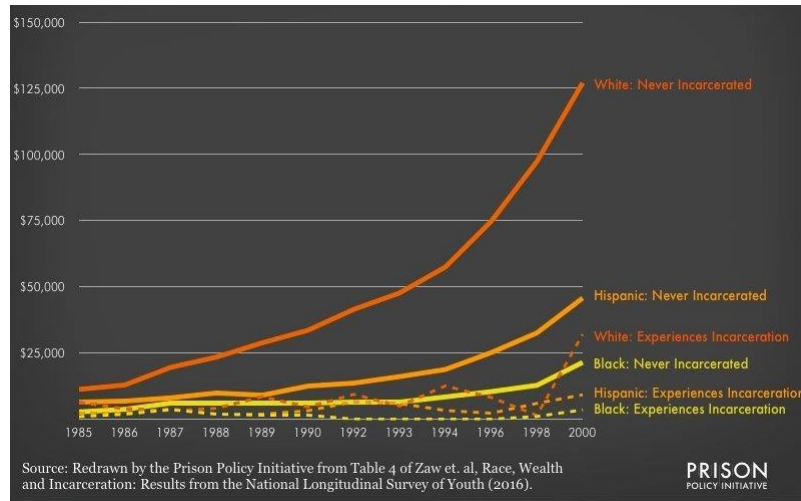


Figure 2. Booker, Meredith, *Wealth accumulation and incarceration by race & ethnicity in men* (Prison Policy Initiative: 2016), <https://www.prisonpolicy.org/blog/2016/04/26/wealth/>.

Redlining and its Economic Impacts Perpetuating the Wealth Gap

While the New Deal was instrumental in pulling the US out of the Great Depression, it also played a significant role in institutionalizing racial segregation and inequality. It popularized redlining, a discriminatory practice whereby services or loans were denied to people based on their race or ethnicity.²⁹ By eliminating predominantly Black neighborhoods from eligibility for the homeownership programs, profound economic impacts on Black Americans were realized and perpetuated the racial wealth gap in the US.³⁰ This type of discrimination was legal until the Civil Rights Movement. Although it was outlawed, dramatic housing disparities persist due to “inconsistent enforcement, the lingering impacts of past discriminatory housing policy,

...implicit bias, and predatory lending.”³¹ In 2023, approximately 46% of Black Americans owned their homes, in comparison to approximately 75% of White households.³²

The average sales price of a house has soared from \$100,500 in 1985 to \$492,300 in 2023, an increase of almost 400%.³³ White Americans are more likely to own their homes, extending the wealth gap. To avoid higher capital gains taxes and transfer intergenerational wealth, it is commonplace to gift homes to children instead of inheriting the property via a trust. This is because the capital gains tax on a gifted home is based on the original purchase value of the home, while when it is inherited via a trust, it is calculated on the difference between the sale price and the home's worth.³⁴ This loophole presents a lucrative way for the rich to transfer wealth while evading taxes, further driving the wealth gap.

Pursuing Economic Equity Through Racially Focused Policy Initiatives

Federal and state governments can address the wealth gap through different avenues. Discriminatory practices that affect wealth building in the US include the education system, criminal justice system, and homeownership and employment practices. Policies can address root causes to make systems equitable. This should be coupled with policies that aim to quickly close the wealth gap through reparations that consider the inequitable systems that Black communities navigate. Racial inequities require racially targeted solutions.³⁵

Reforming the Prison System

Serving a sentence in the United States has several economic repercussions for formerly incarcerated individuals and their families. States have begun to enact policies that address discriminatory laws that disparately incarcerate the Black community at higher rates. Criminal

justice reform policies should both target the root causes of high incarceration rates and increase support services that put formerly incarcerated people at a disadvantage after their sentence.

Finding employment post-incarceration can be difficult due to employers inquiring about past convictions on job applications. To address practices that disproportionately affect justice-impacted populations, grassroots organizations pushed the Ban the Box policy. This policy seeks to provide formerly incarcerated people with a fair chance at employment by removing criminal history questions from job applications. Employers are still able to run background checks. The policy delays criminal background checks to allow formerly incarcerated people to first be considered for their qualifications and skills. Currently, 37 US States have an iteration of the Ban the Box policy, to support employment opportunities for formerly incarcerated people and help reduce recidivism.³⁶

Re-entry into society has many obstacles. State governments in partnership with correctional institutions can support re-entry by facilitating enrollment in health insurance and welfare programs and obtaining government-issued IDs before release. These are crucial human service programs that can affect one's ability to secure and hold employment. Further, states can make re-entry a smoother process by reforming and strengthening halfway houses. Finding housing and having the ability to pay the first month's rent is not feasible for an individual recently released. Providing state-sponsored housing for a period after release can positively affect the reduction of recidivism.³⁷

As policies aimed at decreasing high incarceration rates are enacted, the state must assess re-entry services. By determining points where support and changes are needed, the state can facilitate a more successful re-entry for incarcerated people.

The Ultra-Millionaire Tax Act

Enacting regulations that more effectively combat tax evasion can support the federal government in funding services that address the wealth gap. The Ultra-Millionaire Tax reintroduced by Senator Warren, Jaypal, and Boyle has the potential to close that gap. The tax would target net worths of \$50 million to 1 billion, by setting an annual tax of 2%.³⁸ There would be an additional 1% surtax (3% overall) on net worths above \$1 billion.³⁹ The government is forgoing money by not implementing a strong anti-tax evasion measure. This tax act has the potential to raise \$3 trillion over 10 years.⁴⁰

Studies on reparations for African Americans determined that it would cost \$1.5 trillion to close 50% of the wealth gap.⁴¹ To eliminate the wealth gap, it would cost 3 trillion, the amount that the Ultra Million Tax Act could raise after 10 years.⁴² In comparison, closing 30% of the wealth gap in a neutral race-based policy would cost \$9.6 trillion.⁴³ Ultimately closing the racial wealth gap will require a significant, racially targeted intervention.

Conclusion

Slavery, segregation, and discriminatory state and federal policies hinder the rate of economic prosperity for Black families and communities. Discriminatory practices are structural to U.S. government systems. Racist homeownership and criminal justice systems heavily impact opportunities for wealth-building for Black Americans. Addressing the systemic racism embedded within American institutions requires a comprehensive approach that acknowledges historical injustices and actively works to dismantle disparities. By implementing policy initiatives such as criminal justice reform and targeted taxation measures the United States can begin to rectify past injustices.

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