



Select Committee on Economic Disparity and Fairness in Growth
U.S. House of Representatives

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Memorandum

To: Members, Select Committee on Economic Disparity and Fairness in Growth
From: Select Committee Majority Staff
Subject: January 20, 2022, Select Committee Hearing entitled, “Race, Ethnicity, and the Economy: How Improving Economic Opportunity Benefits All.”

The Select Committee on Economic Disparity and Fairness in Growth will hold a hearing entitled “Race, Ethnicity, and the Economy: How Improving Economic Opportunity Benefits All” on January 20, 2022, at 11:00 AM ET in 2167 Rayburn House Office Building, Washington, DC. There will be one panel with the following witnesses:

- **Dr. Valerie Wilson**, Director of the Program on Race, Ethnicity, and the Economy (Economic Policy Institute)
- **Dr. Darrick Hamilton**, Henry Cohen Professor of Economics and Urban Policy; Founding Director of the Institute for the Study of Race, Power and Political Economy (New School)
- **Ms. Janet Murguía**, President and Chief Executive Officer (UnidosUS)
- **Dr. Jamie Riley**, Director of Race and Justice (National Association for the Advancement of Colored People)
- **Mr. Ian Rowe**, Senior Fellow (American Enterprise Institute)

Introduction to Racial and Ethnic Disparities in the American Economy

Communities of color tend to experience worse economic outcomes than their white counterparts. Race and ethnicity prove to be powerful predictors of educational attainment, labor market outcomes, lifetime earnings, economic mobility, and even life expectancy—a fact that is antithetical to the idea of the American Dream. Many of these inequities remain even when taking age, education, occupation, and industry into account. Starting at birth, ramifications from historic discriminatory and exclusionary policies and societal racism and xenophobia inhibit communities of color from achieving their full economic potential, negatively impacting everyone in the United States.

The United States as a nation was founded on the idea that all are created equal, but our country has never fully lived up to this simple yet extraordinary principle. The US government has often recognized past injustices it committed and worked to remedy them. Yet the fact that race and ethnicity are still such powerful predictors of success in the United States is one of the greatest moral imperatives of our time. The government has made much progress, particularly over the past century, to end longstanding economic disparities, but there is still much to be done to fully live up to the framework laid out in the US Constitution.

Generations-long disparities in economic mobility, income, and wealth create massive costs for the overall US economy. One study found that if racial, ethnic, and gender inequities in the economy were eliminated in 2019, the US could have created an extra \$2.6 trillion—or 14%—in gross domestic product

(GDP) that year.¹ The cumulative gains of racial, ethnic, and gender equality between 1990 and 2019 would total \$70.8 trillion in 2019 dollars.

Given the growing share of the nonwhite population, the gains from equitable labor market outcomes—and costs of inaction—will increase over time. The cumulative economic gains of racial and ethnic equity over the 10-year period starting in 2020 would total \$10.8 trillion in 2019 dollars.² The Federal Reserve Bank of San Francisco notes that with “considerable pressure weighing on US economic potential in coming decades, eliminating disparities in labor market opportunities and outcomes will be critical to producing faster growth and maintaining global competitiveness.”³

The American Dream: Disparities in Intergenerational Economic Mobility

The social compact of the American Dream says anyone in the United States, regardless of how or where they were born, can improve their economic status and leave a better future for the next generation. But the legacies of past injustices and discrimination facing Americans of color today have massive implications for continuing economic disparities in future generations, thwarting their ability to pursue the American Dream. African Americans, Hispanic Americans, and Native Americans have substantially lower rates of upward mobility and higher rates of downward mobility than non-Hispanic white Americans, a phenomenon that has led to persistent economic disparities across generations.⁴

Concretely, 11% of white children with parents in the bottom fifth of the income distribution (as measured against the incomes of parents of other children in the same birth cohort) rise to the top fifth, whereas only 2.5% of Black children do.⁵ Similarly, 41% of white children with parents in the top fifth of the income distribution remain there, compared to only 18% of Black children. Overall, the average Black child born between 1978 and 1983 will settle in the 35th household income percentile in adulthood, while the average white child born in the same cohort will settle around the 56th percentile.⁶ Notably, parental marital status, education, and wealth have negligible power in explaining the Black-white income gap at all levels of income. Nor does geography play an equalizing role; even when controlling for parents’ income, Black boys have lower adult incomes than their white counterparts in 99% of Census tracts.⁷

Hispanics tend to have rates of intergenerational mobility closer to those of non-Hispanic white Americans, particularly among low-income groups. As a result, Hispanics are narrowing—but not wholly closing—the mobility gap with non-Hispanic whites. Fully closing it relies on the assumption that rates of intergenerational mobility will improve for Hispanics. Asian Americans tend to have higher rates of intergenerational mobility than white Americans, but this is partially due to the lower levels of income earned by first-generation Asian immigrants; Asian children whose mothers were born in the US have outcomes similar to those of white children.⁸

¹ Shelby R. Buckman, Laura Y. Chio, Mary C. Daly, Lily M. Seitelman. “The Economic Gains from Equity.” Federal Reserve Bank of San Francisco. April 2021. Available at <https://www.frbsf.org/economic-research/publications/working-papers/2021/11/>.

² Ibid.

³ Ibid.

⁴ Raj Chetty, Nathaniel Hendren, Maggie R. Jones, Sonya R. Porter. “Race and Economic Opportunity in the United States: An Intergenerational Perspective.” National Bureau of Economic Research. Revised December 2019. Available at <https://www.nber.org/papers/w24441>.

⁵ Ibid.

⁶ Ibid.

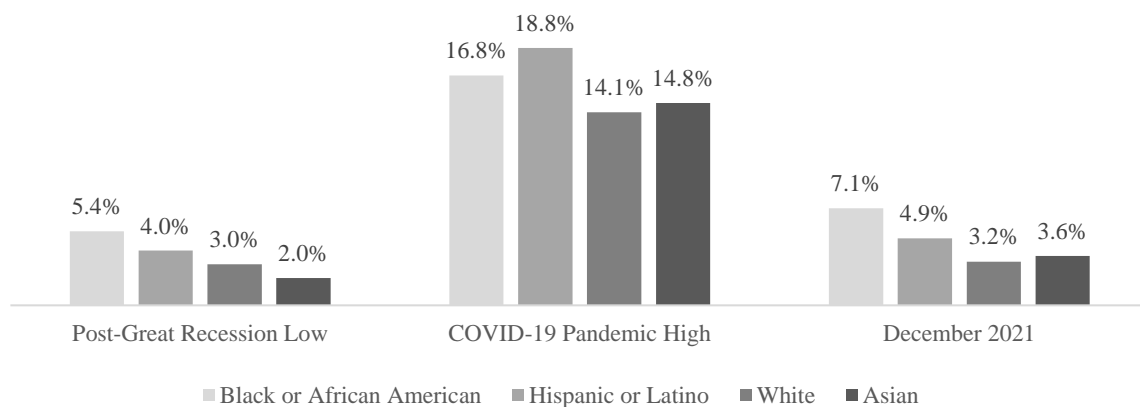
⁷ Ibid.

⁸ Ibid.

Economic Disparities: Education, Work, and Wealth

The COVID-19 pandemic and resulting recession have exposed and exacerbated the current extent of the racial and ethnic disparities in the US. Black, Hispanic, and Native Americans have died from COVID-19 at rates of 1.9, 2.1 and 2.2 times that of white Americans, respectively.⁹ Women of color—who are more likely to be both frontline workers as well as caretakers—were, and continue to be, disproportionately harmed by the lingering effects of the pandemic.¹⁰ As the US continues its economic recovery, these disparate harms will serve as reminders of the barriers that have harmed and continue to harm people of color. Figure 1 outlines recent significant unemployment rate disparities.

Figure 1. Unemployment Rates by Race and Ethnicity



Source: Bureau of Labor Statistics.

When employed, Black and Latino Americans consistently earn less than their white counterparts, as seen in Figure 2, and these disparities remain regardless of age, education, occupation, and skill set.¹¹ For example, in 2016, white workers between the ages of 25 and 34 earned a higher median wage than their Black and Hispanic counterparts at every education level. White workers in this age group who completed high school earned 26%, 17%, and 20% more than Black, Hispanic, and Asian workers with the same education.¹² As educational attainment increases, the earnings gap between white workers and workers of color narrows, but it does not disappear; the earnings gap for those with a master's degree or higher shrinks to 2.4% between white and Black workers and to 9.6% between white and Hispanic workers.¹³ Figure 3 indicates the logical consequence of lower median household income: significantly higher poverty rates for Black and Latino families relative to their white counterparts.

⁹ Centers for Disease Control and Prevention. "Hospitalization and Death by Race/Ethnicity." Updated November 22, 2021. Available at <https://www.cdc.gov/coronavirus/2019-ncov/covid-data/investigations-discovery/hospitalization-death-by-race-ethnicity.html>.

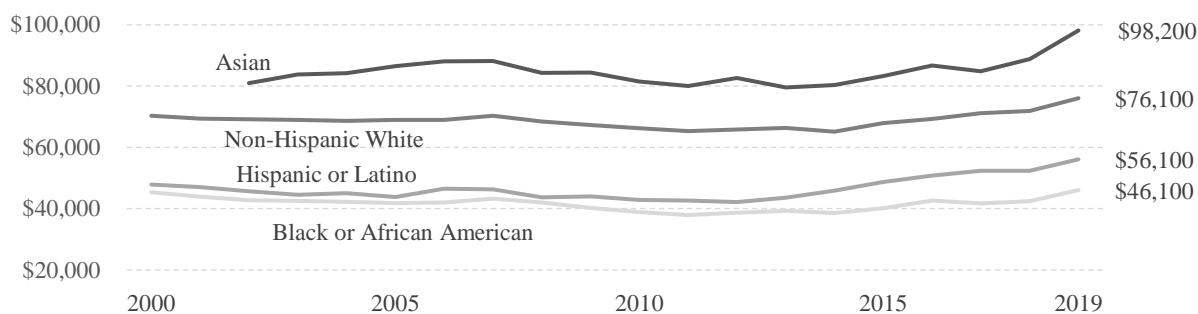
¹⁰ Jocelyn Frye. "On the Frontlines at Work and at Home: The Disproportionate Economic Effects of the Coronavirus Pandemic on Women of Color." Center for American Progress. April 23, 2020. Available at <https://www.americanprogress.org/article/frontlines-work-home/>

¹¹ Kate Bahn, Kathryn Zickuhr. "The wage divide for Black and Latinx workers goes deeper than a 'skills' gap or requiring more credentials." Washington Center for Equitable Growth. February 4, 2021. Available at <https://equitablegrowth.org/the-wage-divide-for-black-and-latinx-workers-goes-deeper-than-a-skills-gap-or-requiring-more-credentials/>

¹² National Center for Education Statistics. "Indicator 30: Earnings and Employment." Last Updated February 2019. Available at https://nces.ed.gov/programs/raceindicators/indicator_RFD.asp#info.

¹³ Ibid.

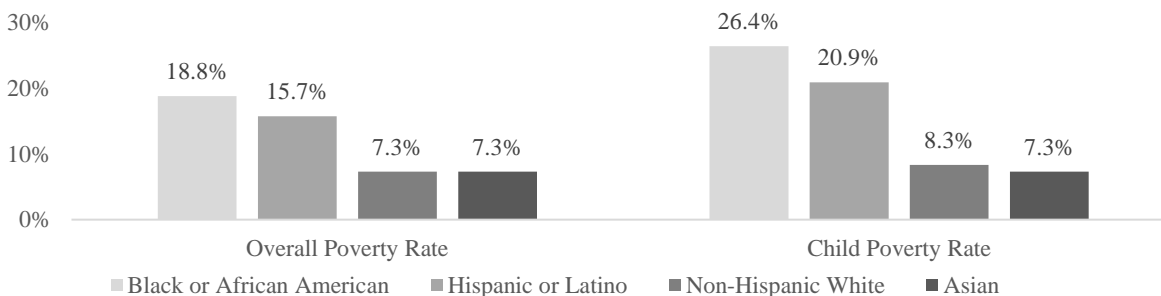
Figure 2. Real Median Household Income by Race and Ethnicity



Source: Economic Policy Institute.

Lower median incomes lead to lower average home ownership rates and savings, contributing to wealth gaps and lower intergenerational mobility. 73% of white families own homes, compared to just 40% of Black families and 47% of Hispanic families.¹⁴ Further, in 2020, homes owned by Black and Latino Americans have lower average values than those owned by white Americans: 16% lower for Black Americans and 10% lower for Latinos, relative to their white counterparts.¹⁵ Since building home equity accounts for a large portion of lower- and middle-class wealth creation, the disparities in home value and home ownership contribute to the racial wealth gap.¹⁶ In 2019, the median white family owned about \$184,000 in family wealth, compared to just \$23,000 for the median Black family and \$38,000 for the median Hispanic family.¹⁷ This gap persists at all age levels and is especially stark in early adulthood.¹⁸ The approximate 8:1 ratio between mean white family wealth and mean Black family wealth has remained roughly constant since first measured in 1962.¹⁹

Figure 3. Poverty Rates by Race and Ethnicity, 2019



Source: US Census Bureau. Available at <https://www.census.gov/data/datasets/time-series/demo/cps/cps-asec.html>.

¹⁴ Andrew Haughwout, Donghoon Lee, Jelle Scally, Wilbert van der Klaauw. “Inequality in U.S. Homeownership Rates by Race and Ethnicity.” Federal Reserve Bank of New York. July 8, 2020. Available at <https://libertystreeteconomics.newyorkfed.org/2020/07/inequality-in-us-homeownership-rates-by-race-and-ethnicity/>.

¹⁵ Treh Manhertz. “Home Value Disparities Between Races Are Shrinking but Remain Very Wide.” Zillow Research. December 19, 2020. Available at <https://www.zillow.com/research/home-values-by-race-2020-28478/>.

¹⁶ Juliana Menasche Horowitz, Ruth Igielnik, Rakesh Kochhar. “Most Americans Say There Is Too Much Economic Inequality in the U.S., but Fewer Than Half Call It a Top Priority.” Pew Research Center. January 9, 2020. Available at <https://www.pewresearch.org/social-trends/2020/01/09/most-americans-say-there-is-too-much-economic-inequality-in-the-u-s-but-fewer-than-half-call-it-a-top-priority/>.

¹⁷ Ana Hernandez Kent, Lowell Ricketts. “Wealth Gaps between White, Black, and Hispanic Families in 2019.” Federal Reserve Bank of St. Louis. January 5, 2021. Available at <https://www.stlouisfed.org/on-the-economy/2021/january/wealth-gaps-white-black-hispanic-families-2019>.

¹⁸ Ibid.

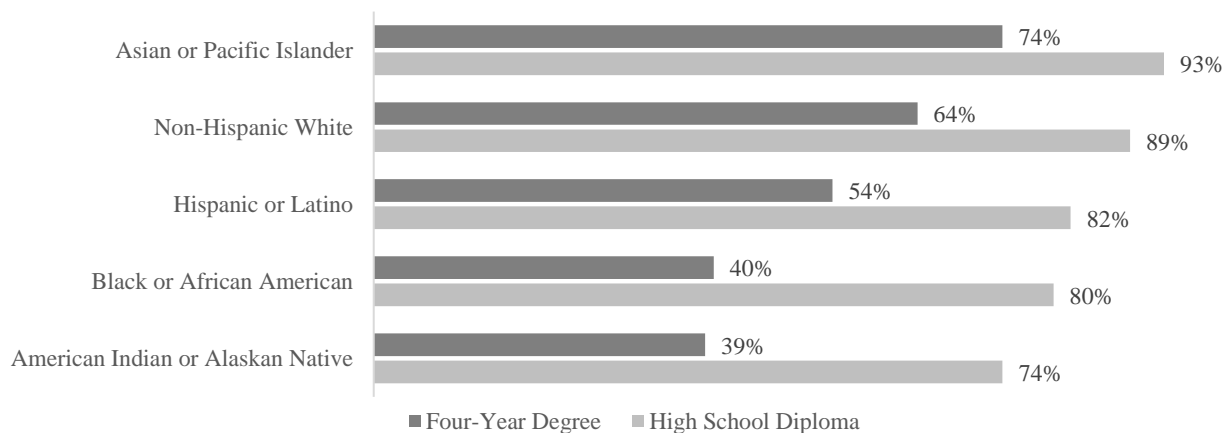
¹⁹ Dionissi Aliprantis, Daniel Carroll. “What is Behind the Persistence of the Racial Wealth Gap?” Federal Reserve Bank of Cleveland. February 28, 2019. Available at <https://www.clevelandfed.org/newsroom-and-events/publications/economic-commentary/2019-economic-commentaries/ec-201903-what-is-behind-the-persistence-of-the-racial-wealth-gap.aspx>.

Educational Disparities a Key Contributor to Economic Disparities

White children are more likely than children of color to attend schools with adequate funding, which contributes to racial and ethnic disparities in average test scores and graduation rates.²⁰ School districts with student populations that are at least 75% white in 2016 received \$23 billion more in funding than school districts that were at least 75% nonwhite, despite serving similar numbers of students—a per pupil difference of \$2,200, or 17%.²¹ The divide becomes more pronounced when income level is considered. 74% of predominantly nonwhite districts have at least one-fifth of their student populations living in poverty, compared to only 19% of mostly white districts.²²

Historical evidence in the US shows that school funding is directly linked to student performance. A series of court-ordered public-school funding reforms among roughly half of all US states between 1971 and 2010 demonstrated that a 10% increase in per-pupil spending for each of the 12 years of public schooling resulted in better economic outcomes: roughly 4 more months of complete schooling, 7% higher wages, and a 3.2 percentage-point reduction in the annual incidence of adult poverty.²³ Seven years after reforms, the highest poverty districts in reform states saw increases in per-pupil spending of roughly 12% and subsequent graduation rate increases between 6.8% and 12%.²⁴ These funding disparities help explain the disparities in high school and college completion rates as seen in Figure 4.

Figure 4. High School and College Graduation Rates by Race and Ethnicity



Note: High school rates are for 2018-19 school year. College rates refer to the within-6 year rates for 2010 cohort.
Source: National Center for Education Statistics.

Historical policies point to why funding rates vary by race and ethnicity. Public-school funding formulas vary by state, but local property taxes alone accounted for 37% of total revenues.²⁵ Given the average white-owned home is priced higher than the average Black- or Latino-owned home, school districts with large minority populations receive far less funding per pupil than those with large white populations.²⁶

²⁰ C. Kirabo Jackson. “Does School Spending Matter? The New Literature on an Old Question.” National Bureau of Economic Research. December 2018. Available at <https://www.nber.org/papers/w25368>.

²¹ EdBuild. “\$23 Billion.” February 2019. Available at <https://edbuild.org/content/23-billion>.

²² Ibid.

²³ C. Kirabo Jackson. “Does School Spending Matter? The New Literature on an Old Question.” National Bureau of Economic Research. December 2018. Available at <https://www.nber.org/papers/w25368>.

²⁴ Ibid.

²⁵ Ibid.

²⁶ Treh Manhertz. “Home Value Disparities Between Races Are Shrinking but Remain Very Wide.” Zillow Research. December 19, 2020. Available at <https://www.zillow.com/research/home-values-by-race-2020-28478/>.

Historical Antecedents of Disparities

Past government actions significantly factor into current income and employment disparities. While not a complete delineation of prior discriminatory and exclusionary policies factoring into those disparities, the following actions significantly contributed.

Slavery and its Aftermath

The legacies of slavery and historical discrimination have inflicted massive costs on African American descendants of enslaved people. Some estimates put the total cost of the period of slavery on African Americans in the US between \$12 trillion and \$13 trillion in 2018 dollars.²⁷ This does not include the cost of colonial slavery, lost economic opportunity, or pain and suffering. Costs of other discriminatory actions would only increase this sum.

Even after the Emancipation Proclamation legally ended slavery, African Americans were subjected to various forms of forced labor, including debt peonage and sharecropping. One review of local courthouse documents in various Southern states notes that “[t]he laws passed to intimidate black men away from political participation were enforced by sending dissidents into slave mines or forced labor camps;” and “[t]he judges and sheriffs who sold convicts to giant corporate prison mines also leased even larger numbers of African Americans to local farmers and allowed their neighbors and political supporters to acquire still more black laborers directly from their courtrooms.”²⁸

Nor did all occupations become available to liberated Black Americans. Federal officials within the Freedman’s Bureau, which was established by the federal government to aid the formerly enslaved, often encouraged Black Americans to remain in the South and contract with the families that previously enslaved them.²⁹ Following Reconstruction, state and local governments enacted Jim Crow laws to codify the second-class social and economic status of African Americans; some states fined African Americans for working in occupations outside agriculture.³⁰ The legacies of these legal forms of occupational segregation, or the overrepresentation or underrepresentation of certain demographics in occupations, continue to shape the job market to this day.³¹

Seizure of Land and Property

Historical examples of government injustices do not end with African Americans. When the US expanded its territory in the 1800s, federal policy promoted the settlement of lands home to hundreds of thousands of Native Americans.³² With a foundation of Indian removal in place, subsequent administrations enacted the Homestead Act of 1862, a land redistribution policy that further repossessed ancestral Native American lands and gave it to settlers, and the Dawes Act of 1887, which ended any safeguards held in

²⁷ Thomas Craemer, Trevor Smith, Brianna Harrison, Trevor Logan, Wesley Bellamy, William Darity, Jr. “Wealth Implications of Slavery and Racial Discrimination for African American Descendants of the Enslaved”. *The Review of Black Political Economy*. June 19, 2020. Available at <https://scholars.duke.edu/display/pub1448828>.

²⁸ Douglas A. Blackmon. *Slavery by Another Name: The Re-Enslavement of Black Americans from the Civil War to World War II*. Anchor Books. 2008.

²⁹ Danyelle Solomon, Conor Maxwell, Abril Castro. “Systematic Inequality and Economic Opportunity.” *Center for American Progress*. August 7, 2019. Available at <https://www.americanprogress.org/article/systematic-inequality-economic-opportunity/>.

³⁰ *Ibid.*

³¹ *Ibid.*

³² “1823: Supreme Court Rules American Indians do not own land.” *National Institutes of Health, Native Voices*. Available at <https://www.nlm.nih.gov/nativevoices/timeline/271.html>

place to help Native Americans retain their land.^{33, 34} In total, Native land holdings plunged from 138 million acres to 48 million acres by the end of allotment in 1934. Poverty on Native American reservations today is often attributed to these actions, as the land left for Native Americans lacks “natural resources, fertile soil, and economic opportunities,” and “limits on the ability to transfer these [land] rights” prohibits effective economic development.³⁵

Another often-overlooked instance of land dispossession occurred immediately after the Mexican American War. With the signing of the Treaty of Guadalupe Hidalgo, Mexico ceded territory that included parts of the Southwest.³⁶ Under the agreement, most Mexicans in these areas became US citizens and were guaranteed safety and property rights, “as if the property belonged to citizens of the U.S. according to the principles of the Constitution.”³⁷ These rights weren’t reliably enforced in practice, and many Mexican American landowners—particularly women landowners—were denied the property rights guaranteed to them under the Treaty of Guadalupe Hidalgo.³⁸

Embedding Discrimination into Policy

Disparate homeownership rates can also be partially traced to the legacies of past government actions. Beginning in the 1930s, the Home Owners’ Loan Corporation (HOLC), a New Deal-sponsored corporation tasked with assisting homeowners at risk of mortgage default, drew maps for over 200 American cities to rate the “relative riskiness of lending across neighborhoods.” This practice known as “redlining,” considered non-housing characteristics of neighborhoods such as racial, ethnic, and immigrant composition as negative attributes.³⁹

These HOLC maps greatly influenced the development of urban neighborhoods through reduction in credit access and subsequent disinvestment.⁴⁰ With banks unwilling to make loans for mortgages in neighborhoods considered “risky,” Black veterans and their families were often unable to benefit from the intergenerational wealth benefits of homeownership.⁴¹ While explicit redlining was banned in 1968, its legacies remain today. 74% of the neighborhoods given the lowest rating by the HOLC roughly 80 years ago are low-to-moderate income today, and 64% are now minority neighborhoods.⁴² Further, the creation of racially concentrated neighborhoods continues to affect public education: school districts located in previously redlined neighborhoods have less district per-pupil total revenues, larger shares of nonwhite

³³ Ibid.

³⁴ “The Dawes Act.” National Park Service, History and Culture in the Badlands. July 9, 2021. Available at <https://www.nps.gov/articles/000/dawes-act.htm>

³⁵ Christian Dippel, Dustin Frye, Bryan Leonard. “Property Rights Without Transfer Rights: A Study of Indian Land Allotment.” UCLA Anderson. July 10, 2020. Available at https://www.anderson.ucla.edu/faculty_pages/christian.dippel/dawesLand_.pdf

³⁶ National Archives. “The Treaty of Guadalupe Hidalgo.” Last Reviewed June 2, 2021. Available at <https://www.archives.gov/education/lessons/guadalupe-hidalgo#background>.

³⁷ “Immigration and Relocation in U.S. History.” Library of Congress. Available at <https://www.loc.gov/classroom-materials/immigration/mexican/land-loss-in-trying-times/>

³⁸ Karen R. Roybal. “Archives of Dispossession: Recovering the Testimonies of Mexican American Herederos, 1948 – 1960.” The University of North Carolina Press. 2017. Available at <https://uncpress.org/book/9781469633824/archives-of-dispossession/>.

³⁹ Daniel Aaronson, Daniel Hartley, Bhashkar Mazumder. “The Effect of the 1930s HOLC ‘Redlining’ Maps.” American Economic Association. November 2021. Available at <https://www.aeaweb.org/articles?id=10.1257/pol.20190414>.

⁴⁰ Ibid.

⁴¹ Jung Hyun Choi. “Breaking Down the Black-White Homeownership Gap.” Urban Institute. February 21, 2020. Available at <https://www.urban.org/urban-wire/breaking-down-black-white-homeownership-gap>

⁴² Bruce Mitchell, Juan Franco. “HOLC ‘Redlining’ Maps: The Persistent Structure of Segregation And Economic Inequality.” National Community Reinvestment Coalition. March 20, 2018. Available at <https://ncrc.org/holc/>.

student bodies, and worse average test scores relative to neighborhoods that were not.^{43, 44}

The Fair Labor Standards Act (FLSA) of 1938 is another example of discriminatory policy that perpetuated racial economic disparities. In order to secure Congressional passage, the FLSA intentionally excluded a minimum wage and maximum working hours for agricultural and domestic employees, a disproportionate share of whom were Black.⁴⁵ As a result of these exclusions, nearly half of all Black men, Mexican-American men, and Native American men and women, as well as significant numbers of Asian Americans, were excluded from Social Security and unemployment insurance.⁴⁶ It was not until 1966 and 1974 that FLSA benefits were extended to agricultural and domestic workers, respectively.⁴⁷

Even today under the National Labor Relations Act, agricultural and domestic workers are still not classified as “employees” and are therefore denied the federally protected right to organize and bargain collectively.⁴⁸ And while the original intent of such exclusions was to deprive Black workers from economic advancement, Latinos now make up a majority of agricultural workers, while 52% of domestic workers are women of Black, Hispanic, or Asian American or Pacific Islander descent.^{49, 50}

In 1944, the Servicemen’s Readjustment Act, commonly known as the GI Bill, was signed to provide financial subsidies for higher education and homeownership to over 16 million World War II veterans.⁵¹ In certain areas, particularly the Jim Crow South, predominately white Veterans Affairs (VA) officers discouraged Black veterans from attending four-year colleges and steered them to non-degree programs, limiting lifetime earnings.⁵² Just as access to education under the GI Bill delineated along racial lines, so did the ability to buy a home. White veterans were able to utilize the guaranteed housing loans to purchase homes in non-redlined neighborhoods. In contrast Black veterans were often unable to access the housing provisions due to racist views presented by local VA administrators.⁵³

⁴³ Dylan Lukes, Christopher Cleveland. “The Lingering Legacy of Redlining on School Funding, Diversity, and Performance.” Annenberg Institute, Brown University. November 2021. Available at <https://www.edworkingpapers.com/ai21-363>.

⁴⁴ Orfield, Gary; Frankenberg, Erica; Ee, Jongyeon; Ayscue, Jennifer. B; “Harming Our Common Future: American’s Segregated Schools 65 Years After Brown.” UCLA, The Civil Rights Project. May 10, 2019. Available at <https://civilrightsproject.ucla.edu/research/k-12-education/integration-and-diversity/harming-our-common-future-americas-segregated-schools-65-years-after-brown>

⁴⁵ Juan F. Perea. “The Echoes of Slavery: Recognizing the Racist Origins of the Agricultural and Domestic Worker Exclusion from the National Labor Relations Act.” Ohio State Law Journal. 2011. Available at <https://kb.osu.edu/handle/1811/71439>.

⁴⁶ Rebecca Dixon. “From Excluded to Essential: Tracing the Racist Exclusion of Farmworkers, Domestic Workers, and Tipped Workers from the Fair Labor Standards Act.” National Employment Law Project. May 3, 2021. Available at <https://s27147.pcdn.co/wp-content/uploads/NELP-Testimony-FLSA-May-2021.pdf>.

⁴⁷ Wage and Hour Division. “History.” U.S. Department of Labor. Available at <https://www.dol.gov/agencies/whd/about/history>.

⁴⁸ Juan F. Perea. “The Echoes of Slavery: Recognizing the Racist Origins of the Agricultural and Domestic Worker Exclusion from the National Labor Relations Act.” Ohio State Law Journal. 2011. Available at <https://kb.osu.edu/handle/1811/71439>.

⁴⁹ Economic Research Service. “Farm Labor.” US Department of Agriculture. Last updated August 18, 2021. Available at <https://www.ers.usda.gov/topics/farm-economy/farm-labor/>.

⁵⁰ Julia Wolfe, Jori Kandra, Lora Engdahl, Heidi Shierholz. “Domestic workers chartbook.” Economic Policy Institute. May 14, 2020. Available at <https://www.epi.org/publication/domestic-workers-chartbook-a-comprehensive-look-at-the-demographics-wages-benefits-and-poverty-rates-of-the-professionals-who-care-for-our-family-members-and-clean-our-homes/>.

⁵¹ Aaron Morrison and Kat Stafford. “Veterans Day Legislation Targets GI Bill Racial Inequities.” AP News. November 11, 2021. Available at <https://apnews.com/article/lifestyle-business-veterans-affairs-world-war-ii-discrimination-b2d02e6030ef44e798d4e2d4165ae13e>

⁵² Sarah E. Turner and John Bound. “Closing the Gap or Widening the Divide: The Effects of the G.I. Bill and World War II on the Educational Outcomes of Black Americans.” National Bureau of Economic Research. July 2002. Available at <https://www.nber.org/papers/w9044>

⁵³ David Callahan. “How the GI Bill Left Out African Americans.” Demos. Available at <https://www.demos.org/blog/how-gi-bill-left-out-african-americans>

According to a review of its own history, the Department of Labor failed to uphold antidiscrimination laws until the 1960s and 1970s.⁵⁴ Notably, in the 1950s, the Division of Negro Labor became defunct, and “the discussion of antidiscrimination programs nearly disappeared from the annual reports of the Secretary of Labor.” The report also notes that despite having authority over hiring practices, the Department of Labor could not halt discrimination at the local level. Especially in the South, US Employment Service administrators colluded with white building trade unionists, contractors, and local politicians to prevent Black Americans from working on federally financed construction projects. Moreover, local administrators of federal relief programs hired white workers before Black workers, assigned Black workers to the least-skilled jobs, implemented interracial wage differentials for the same jobs, and often failed to hire Black Americans altogether.

Disproportionate Incarceration Rates

The mass incarceration of African Americans and Latinos and the over-policing of their neighborhoods have also perpetuated economic disparities. Law enforcement tends to interact with different neighborhoods based on residents’ race and ethnicity. Research has indicated that race and ethnicity of neighborhood residents can influence local law enforcement practices, finding that police are more likely to provide services in response to requests for assistance in whiter, more affluent neighborhoods.⁵⁵ In poorer communities with larger nonwhite populations, law enforcement is more likely to focus on investigatory stops and preventative measures.⁵⁶

As a result, Black and Latino Americans are incarcerated in state prisons at rates 4.8 times and 1.3 times higher than white Americans.⁵⁷ Moreover, socioeconomically similar people of different races and ethnicities experience different lifelong outcomes from criminal convictions. White people who were imprisoned as young adults can expect to lose an average of \$267,000 in lifetime earnings, compared to \$358,900 for Black people and \$511,500 for Latino people.⁵⁸ The US misdemeanor system has been shown to racially profile residents of low-income communities of color through practices such as racial profiling and “stop and frisk,” which can impose financial costs and lost income on Americans of color.⁵⁹

These disparate rates of incarceration do not necessarily reflect disparate rates of criminal activity. For example, white and Black Americans report using marijuana at nearly equal rates, but Black Americans are 3.7 times more likely than white Americans to be arrested for possession of marijuana.⁶⁰

⁵⁴ Eileen Boris, Michael Honey. “Gender, race, and the policies of the Labor Department.” *Monthly Labor Review*. February 1988. Available at <https://www.bls.gov/opub/mlr/1988/article/gender-race-and-the-policies-of-the-labor-department.htm>.

⁵⁵ Robin Smyton. “How Racial Segregation and Policing Intersect in America.” *Tufts Now*. June 17, 2020. Available at <https://now.tufts.edu/articles/how-racial-segregation-and-policing-intersect-america>.

⁵⁶ *Ibid*.

⁵⁷ Ashley Nellis. “The Color of Justice: Racial and Ethnic Disparity in State Prisons.” *The Sentencing Project*. October 13, 2021. Available at <https://www.sentencingproject.org/publications/color-of-justice-racial-and-ethnic-disparity-in-state-prisons/>.

⁵⁸ Terri-Ann Craigie, Ames Grawert, Cameron Kimble, Joseph E. Stiglitz. “Conviction, Imprisonment, and Lost Earnings: How Involvement with the Criminal Justice System Deepens Inequality.” September 15, 2020. Available at <https://www.brennancenter.org/our-work/research-reports/conviction-imprisonment-and-lost-earnings-how-involvement-criminal>.

⁵⁹ Tim Lau. “The Misdemeanor System Reinforces Economic Inequality.” *Brennan Center for Justice*. October 6, 2020. Available at <https://www.brennancenter.org/our-work/analysis-opinion/misdemeanor-system-reinforces-economic-inequality>.

⁶⁰ American Civil Liberties Union. “The War on Marijuana in Black and White.” June 2013. Available at <https://www.aclu.org/report/report-war-marijuana-black-and-white?redirect=criminal-law-reform/war-marijuana-black-and-white>.

Long-Term Progress in Reducing Disparities

Americans of color today are much better off in absolute terms, and in some cases relative terms, than they were during the Civil Rights era, yet they are still disadvantaged in many ways compared to their white peers. The share of Black Americans aged 25 to 29 who have graduated high school has increased from roughly 50% in 1968 to over 90%—an improvement that has nearly closed the gap with white Americans.⁶¹ African Americans are similarly twice as likely to graduate college than they were in 1968, but the relative graduation rate compared to white Americans remains unchanged to 1968. The Black unemployment rate remains roughly twice that of white workers—a relationship that has held steady since 1968. Hourly wages for Black workers have increased at a rate of roughly 0.6% per year since 1986, compared to 0.2% per year for white workers, who started at a much higher initial wage.⁶² This has led to a modest narrowing of the earnings gap over the past five decades.

Moreover, poverty rates for African Americans have declined much more quickly compared to those of white Americans, dropping from 35% to 21%, but this rate is still more than double that of white Americans.⁶³ Black families have increased their wealth nearly sixfold since 1968, yet this is due in large part to the remarkably low levels of wealth held by the average Black family then. Despite white family wealth increasing nearly threefold over this period, the average Black family has only 10% of the wealth of the average white family. Incarceration rates have increased for both Black and white Americans since 1968, but the increase has been starker for the former.⁶⁴ In 1968, African Americans were 5.4 times more likely to be in prison than their white peers; that ratio now stands at 6.4. Finally, the life expectancy gap between white and Black Americans decreased from 11.5 years to 7.5 years over the same time period.⁶⁵

Today, the American middle class, defined as the middle 60% of Americans, is more diverse than it has ever been. In 1979, 9% of the middle class was Black, and 5% was Hispanic.⁶⁶ In 2019, those figures stood at 12% and 18%, respectively. These figures more closely match the diversity of the US overall, though racial and ethnic disparities remain even within the middle class. Yet it is important to note that the narrowing of these gaps was not inevitable. Through targeted programs to achieve parity and correct some historical harms, the federal government was able to make meaningful progress in addressing racial and ethnic disparities, with varying degrees of success.

Solutions to Remedy Racial and Ethnic Economic Disparities

Past and contemporary proposed strategies to reduce economic disparities by race and ethnicity can either explicitly target race and ethnicity or more broadly support and uplift low-wage workers and low-income households, a disproportionate share of whom are Americans of color. There have been notable policies in the past that were immediately followed by significant reductions in disparities by race; there have also been periods when progress on closing gaps has stalled. In the 1950s, Americans of all races were supportive of government income supports and even guaranteed work, but the onset of the civil rights movement and legislation of the early 1960s led to a political shift toward smaller government in the

⁶¹ Janelle Jones, John Schmitt, Valerie Wilson. "50 Years after the Kerner Commission." Economic Policy Institute. February 26, 2018. Available at <https://www.epi.org/publication/50-years-after-the-kenner-commission/>.

⁶² Ibid.

⁶³ Ibid.

⁶⁴ Ibid.

⁶⁵ Ibid.

⁶⁶ Christopher Pulliam, Richard V. Reeves, Ariel Gelrud Shiro. "The middle class is already racially diverse." Brookings. October 30, 2020. Available at <https://www.brookings.edu/blog/up-front/2020/10/30/the-middle-class-is-already-rationally-diverse/>.

1980s.⁶⁷ Public support for policies to assist low-income households more broadly subsequently began to separate along racial lines.⁶⁸

Civil Rights Era Legislation

The civil rights era led to a host of policies that significantly improved the ways in which communities of color were able to engage with and participate in society and the economy. Through the Civil Rights Act of 1964, the federal government outlawed discrimination in public accommodations—including public schools—and federally funded programs on the basis of race or color.⁶⁹ Title IV of the Act, which enforced the desegregation of public schools, had long-term positive effects in reducing racial economic disparity.⁷⁰ By reassigning Black students to different schools within the same districts, Black children with 12 years of exposure of enrollment in integrated schools experienced per-pupil spending 23% higher than Black students in the same districts prior to desegregation.⁷¹

As a result, Black students who attended 12 years of school in integrated districts were able to fully close the high school educational attainment gap with their white peers. Moreover, compared to the Black students who graduated prior to court-ordered district integration, Black students who attended integrated schools were significantly more likely to graduate high school, scored better on the SAT, received higher wages in adulthood, were less likely to be incarcerated in adulthood, and had fewer health problems, all without negatively altering outcomes for white students.⁷²

Broad-Based Strategies to Remedy Economic Disparities

Due to the fact that communities of color on average experience higher rates of poverty and earn less than their white counterparts, many policy strategies designed to increase economic opportunities for low-income families and low-wage workers more broadly can reduce disparities by race and ethnicity, even without explicit targeting.

1966 Expansion of Fair Labor Standards Act: The 1966 amendments to the Fair Labor Standards Act extended minimum wage protections to sectors of the economy that had been previously exempt, including agriculture, nursing homes, laundries, hotels, restaurants, schools, and hospitals—all of which employ disproportionately high shares of Black workers.⁷³ As a result, from the late 1960s to the mid-1970s, the overall racial earnings gap was substantively reduced—and the gaps within the newly-covered industries were essentially eliminated. The minimum wage expansion alone explains more than 20% of the reduction in the racial earnings gap during this period—comparable in magnitude to the impact of school desegregation.⁷⁴ The minimum wage expansion also boosted the wages of Black workers without adverse effects on their employment status, such that the racial gap in total household income was reduced and the overall economic status of Black households improved.

⁶⁷ Heather McGhee. *The Sum of Us: What Racism Costs Everyone and How We Can Prosper Together*. One World Books. 2021.

⁶⁸ Ibid.

⁶⁹ Office of the Assistant Secretary for Administration & Management. “Legal Highlight: The Civil Rights Act of 1964.” U.S. Department of Labor. Available at <https://www.dol.gov/agencies/oasam/civil-rights-center/statutes/civil-rights-act-of-1964#:~:text=The%20Civil%20Rights%20Act%20of%201964%20prohibits%20discrimination%20on%20the,religion%2C%20sex%20or%20national%20origin.&text=The%20Act%20prohibited%20discrimination%20in,and%20the%20desegregation%20of%20schools>.

⁷⁰ Rucker C. Johnson. “Long-run Impacts of School Desegregation & School Quality on Adult Attainments.” National Bureau of Economic Research. September 2015. Available at <https://www.nber.org/papers/w16664>.

⁷¹ Ibid.

⁷² Ibid.

⁷³ Ellora Derenoncourt, Claire Montialoux. “Minimum Wages and Racial Inequality.” UC Berkeley Opportunity Lab. December 2019. Available at <http://www.olab.berkeley.edu/in-brief-derenoncourt-montialoux>.

⁷⁴ Ibid.

Raising the Minimum Wage: While the expansion of the Fair Labor Standards Act in 1960s substantially reduced wage gaps between workers of color and white workers, the ongoing overrepresentation of the former in low-paying jobs suggests that raising the federal minimum wage could go further to reduce racial economic disparity. The federal minimum wage has remained at \$7.25 an hour since 2009, the longest period without a minimum wage increase since the policy's creation in 1938.⁷⁵ Currently, 21 states still utilize the federal minimum wage as the state's minimum wage.⁷⁶ Raising the minimum wage to \$15 per hour would have outsized benefits for workers of color, since they are overrepresented in the US workforce that makes under \$15 an hour.⁷⁷ As of 2016, roughly 54% of African American and 60% of Latino workers were paid less than \$15 an hour, compared to just 36% of white workers.⁷⁸

Raising the minimum wage to \$15 an hour for all workers would lead towards greater economic equity for Black and Latino workers, due to the fact that these groups of workers are “more likely to work at or below the current federal minimum wage of \$7.25 an hour.”^{79, 80} If the minimum wage rose to \$15 per hour, 31% of Black workers and 26% of Hispanic workers would see pay increases.⁸¹ A federal change would also have a more significant benefit for workers in Southern states, as the highest proportion of “hourly paid worker earning at or below the federal minimum wage were in the South.”⁸²

Notably, the Biden Administration increased the minimum wage for federal contractors to \$15 an hour via Executive Order.⁸³ One analysis estimates that 390,000 low-wage federal contractors, roughly half being Black or Hispanic, will see a pay raise due to this order; further, raising the minimum wage for these workers could cause other firms in the local labor market to raise wages to recruit talent.⁸⁴

Earned Income Tax Credit (EITC): The Earned Income Tax Credit (EITC) since its creation in 1975 has been shown to encourage work, particularly among low wage-earning single mothers, and lift working families out of poverty.⁸⁵ Research has shown that the children of EITC beneficiaries “perform better in school, are more likely to attend college, and have higher wages as adults.”⁸⁶ Notably, “Black families disproportionately live in ZIP codes with high rates of poverty and high rates of EITC claims.”⁸⁷ Such

⁷⁵ Lathrop Yannet. “Raises from Coast to Coast in 2022.” National Employment Law Project. December 2021. Available at <https://s27147.pcdn.co/wp-content/uploads/Raises-From-Coast-to-Coast-in-2022-report.pdf>.

⁷⁶ United States Department of Labor, “State Minimum Wage Laws.” Updated January 1, 2022. Available at <https://www.dol.gov/agencies/whd/minimum-wage/state>.

⁷⁷ Laura Huizar, and Tsedee Gebreselassie. “What a \$15 Minimum Wage Means For Women and Workers of Color.” National Employment Law Project. December 2016. Available at <https://www.nelp.org/publication/what-a-15-minimum-wage-means-for-women-and-workers-of-color/>.

⁷⁸ Ibid.

⁷⁹ Kyle K. Moore. “We need a vaccine for false narratives about racial disparities.” Economic Policy Institute. April 12, 2021. Available at <https://www.epi.org/blog/we-need-a-vaccine-for-false-narratives-about-racial-disparities-taking-statistics-with-a-dose-of-history-and-context-will-bolster-economic-and-racial-justice-for-black-workers/>.

⁸⁰ Ellora Derenoncourt, Claire Montialoux, Kate Bahn. “Why minimum wages are a crucial tool for achieving racial justice in the U.S. labor market.” Washington Center for Equitable Growth. October 29, 2020. Available at <https://equitablegrowth.org/why-minimum-wages-are-a-critical-tool-for-achieving-racial-justice-in-the-u-s-labor-market/>.

⁸¹ David Cooper, Zane Mokhiber, Ben Zipperer. “Raising the federal minimum wage to \$15 by 2025 would lift the pay of 32 million workers.” March 9, 2021. Available at <https://files.epi.org/pdf/221010.pdf>.

⁸² U.S. Bureau of Labor Statistics. “Characteristics of minimum wage workers, 2020.” February 2021. Available at <https://www.bls.gov/opub/reports/minimum-wage/2020/home.htm>.

⁸³ The White House. “FACT SHEET: Biden-Harris Administration Issues and Executive Order to Raise the Minimum Wage to \$15 for Federal Contractors.” April 27, 2021. Available at <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/27/fact-sheet-biden-harris-administration-issues-an-executive-order-to-raise-the-minimum-wage-to-15-for-federal-contractors/>.

⁸⁴ Ibid.

⁸⁵ Benjamin H. Harris and Lucie Parker. “EITC Claiming Across Zip Codes.” Tax Policy Center. December 2, 2014. Available at <https://www.brookings.edu/wp-content/uploads/2016/06/eitcclaimingacrosszipcodesharris.pdf>.

⁸⁶ Ibid.

⁸⁷ Ibid.

findings are why some scholars have suggested strengthening the EITC as an avenue to reduce racial economic disparity.⁸⁸ Two ways that have been suggested to strengthen the EITC include giving the full benefit of the credit to those without dependents and allowing families to access portions of the credit throughout the year.⁸⁹

The Affordable Care Act (ACA): Since the Affordable Care Act went into effect, insurance coverage has increased substantially for all racial and ethnic groups.⁹⁰ The ACA is also associated with a reduction in racial and ethnic economic disparity.⁹¹ A review of 65 academic studies found that the ACA's Medicaid expansion narrowed racial and ethnic disparities in health care coverage and reduced the gap between Black and white individuals' ability to afford care.

Deferred Action for Childhood Arrivals (DACA) Policy: President Barack Obama's 2012 Executive Order, which allowed the children of immigrants who arrived in the country without documentation to obtain legal status to work and attend school, has had positive economic effects for the US.⁹² One report found that the "program increases education, employment, and wages of DACA recipients," which in turn boost tax revenues and overall economic output.⁹³ There was no evidence that DACA hurt low-wage American-citizen workers; rather, the program appears to have boost their wages and employment. Overall DACA enrolled and eligible immigrants contribute roughly \$2 billion each year in state and local taxes, and DACA eligible workers contribute \$1.4 billion in federal taxes, \$2 billion in Social Security taxes, and \$470 million in Medicare each year.⁹⁴

Child Tax Credit (CTC): More recently, by both increasing the Child Tax Credit (CTC) and making it fully refundable, the 2021 American Rescue Plan decreased Black childhood poverty from 20% to 10% and Hispanic childhood poverty from 24% to 15%.⁹⁵ It also narrowed the white-Black and white-Hispanic childhood poverty gaps by 7 and 6 percentage points, respectively.⁹⁶ This expansion was included in the House of Representatives version of the Build Back Better Act.⁹⁷

Legal Limitations to Implementing Race-Specific Policies

While some argue the most efficient way to remedy race and ethnic economic disparities is with direct payments, targeting payments at particular racial groups has faced legal challenges in the US, especially

⁸⁸ Dedrick Asante-Muhammad, Chuck Collins, Josh Hoxie, Emanuel Nieves. "The Road to Zero Wealth: How the Racial Wealth Divide is Hollowing Out America's Middle Class." Prosperity Now. Institute for Policy Studies. September 2017. Available at https://prosperitynow.org/files/PDFs/road_to_zero_wealth.pdf.

⁸⁹ Ibid.

⁹⁰ Thomas C. Buchmueller and Helen G. Levy. "The ACA's Impact on Racial and Ethnic Disparities in Health Insurance Coverage and Access to Care." Health Affairs. March 2020. Available at <https://doi.org/10.1377/hlthaff.2019.01394>.

⁹¹ Madeline Guth, Rachel Garfield, Robin Rudowitz. "The Effects of Medicaid Expansion under the ACA: Updated Findings from a Literature Review." Kaiser Family Foundation. March 2020. Available at <https://www.kff.org/medicaid/report/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review/>.

⁹² Ike Brannon, M. Kevin McGee. "No, DACA Doesn't Harm Americans." Cato Institute. Winter 2021/2022. Available at <https://www.cato.org/regulation/winter-2021/2022/no-daca-doesnt-harm-americans>.

⁹³ Ibid.

⁹⁴ The Democrats of the Committee on Small Business. "Economic Impact of DACA: Spotlight on Small Business." February 2018. Available at <https://smallbusiness.house.gov/sites/democrats.smallbusiness.house.gov/files/documents/economic%20impact%20of%20daca%20report.pdf>.

⁹⁵ Gregory Acs, Kevin Werner. "How a Permanent Expansion of the Child Tax Credit Could Affect Poverty." Urban Institute. July 29, 2021. Available at <https://www.urban.org/research/publication/how-permanent-expansion-child-tax-credit-could-affect-poverty>.

⁹⁶ Ibid.

⁹⁷ Rep. John A. Yarmuth (KY-3). "H.R.5376 – Build Back Better Act." 117th Congress (2021 – 2022). November 19, 2021. Available at <https://www.congress.gov/bill/117th-congress/house-bill/5376/actions>.

at the federal level.⁹⁸ The 2020 American Rescue Plan Act (ARPA) sought to provide debt-relief to each “socially disadvantaged farmer or rancher,” which was used as a proxy for farmers or ranchers of non-white descent.⁹⁹ White farmers brought forward a class action “alleging the debt relief program violated equal protection,” as it excluded them on account of race, which potentially violated the Fourteenth Amendment’s Equal Protection Clause.¹⁰⁰

Similarly, the Small Business Administration (SBA) had three adverse rulings against it in the US District Courts for the Eastern District of Tennessee and the Northern District of Texas in 2021. The lawsuits brought against the SBA were in response to provisions in its Restaurant Revitalization Fund—which was part of the ARP—that allowed only restaurants owned by women, veterans, and “socially and economically disadvantaged” individuals to apply during the first 21 days of the program.¹⁰¹

The Supreme Court has in several instances challenged the legality of racial and ethnic criteria in government programs. In *Regents of the University of California v. Bakke*, the Supreme Court found that the UC Davis School of Medicine violated the Equal Protection Clause by instituting “quotas” for underrepresented minorities but stated that “affirmative action” was constitutional in certain cases.¹⁰² The Supreme Court likewise determined in *City of Richmond v. J.A. Croson Co.* and *Adarand Constructors, Inc. v. Peña* that federal, state, and local programs that use racial classifications for awarding government contracts must meet “strict scrutiny.”^{103, 104}

Payments to specifically targeted groups, however, can be considered by the federal government as long as they are to “remedy past and present discrimination by a state actor against such groups.”¹⁰⁵ For example, President Reagan signed the Civil Liberties Act, providing Japanese American survivors of internment camps and their heirs with a formal apology and an optional \$20,000 in restitution for their unjust internment and loss of property during World War II.¹⁰⁶

Current Proposals to Remedy Economic Disparities

Baby Bonds: During the past decade, “baby bonds,” or trust accounts created for every newborn in the US, have gained traction as a potential avenue to narrow economic disparities.¹⁰⁷ Sponsored by US Senator Cory Booker, the American Opportunity Accounts Act would create federally funded savings

⁹⁸ Daren Gregorian. “Judge orders temporary halt to \$4B federal loan relief program for farmers of color.” NBC News. June 11, 2021. Available at <https://www.nbcnews.com/politics/politics-news/judge-orders-temporary-halt-4b-federal-loan-relief-program-farmers-n1270512>; Reiley, Laura. “Federal judge halts Black farmer’s debt-relief program in new legal blow.” The Washington Post. June 23, 2021. Available at <https://www.washingtonpost.com/business/2021/06/23/black-farmers-debt-relief-preliminary-injunction/>.

⁹⁹ Christine J. Black, April J. Anderson. “The American Rescue Plan Act: Equal Protection Challenges.” July 29, 2021. Congressional Research Services. Available at <https://crsreports.congress.gov/product/pdf/LSB/LSB10631>.

¹⁰⁰ *Ibid.*

¹⁰¹ US Small Business Administration. “Lender Updates: Boise and Seattle District Offices.” June 15, 2021. Available at https://www.sba.gov/sites/default/files/articles/Lender_RT_06_15_2021_-_JB.pdf.

¹⁰² Oyez. “Regents of the University of California v. Bakke.” Available at www.oyez.org/cases/1979/76-811.

¹⁰³ Oyez. “City of Richmond v. J.A. Croson Company.” Available at <https://www.oyez.org/cases/1988/87-998>.

¹⁰⁴ Oyez. “Adarand Constructors, Inc. v. Peña.” Available at <https://www.oyez.org/cases/1994/93-1841>.

¹⁰⁵ Christine J. Black, April J. Anderson. “The American Rescue Plan Act: Equal Protection Challenges.” July 29, 2021. Congressional Research Services. Available at <https://crsreports.congress.gov/product/pdf/LSB/LSB10631>.

¹⁰⁶ Rep. Jackson Lee (TX-18). “H.R.40 – Commission to Study and Develop Reparation Proposals for African Americans Act.” 117th Congress (2021 – 2022). April 14, 2021. Available at <https://www.congress.gov/bill/117th-congress/house-bill/40>.

¹⁰⁷ William Darity, A. Kirsten Mullen. “William Darity and A. Kirsten Mullen on direct payments to close the racial-wealth gap.” The Economist. May 18, 2021. Available at <https://www.economist.com/by-invitation/2021/05/18/william-darity-and-a-kirsten-mullen-on-direct-payments-to-close-the-racial-wealth-gap>.

accounts of \$1,000 for every American child at birth and contribute up to \$2,000—depending on family income—per year until the age of 18.¹⁰⁸

On July 1st, 2021, Connecticut started investing \$50 million annually in its own “baby bonds” program, which allocates \$3,200 into a trust for each child whose birth is covered by HUSKY, the state’s Medicaid program.¹⁰⁹ Accounts could grow to as large as \$11,000 by age 18.¹¹⁰ Once accessed, money from trusts can only be used to “fund education, a down payment on a Connecticut home, an investment in an entrepreneurial pursuit of Connecticut business, or as a contribution toward retirement savings.”¹¹¹ In Connecticut, money from “baby bonds” accounts will not be considered as an asset when calculating financial aid at a public educational institution.

GI Bill Benefits Restoration: US House Majority Whip Jim Clyburn and Representative Seth Moulton introduced the Sgt. Isaac Woodard, Jr. and Sgt. Joseph H. Maddox GI Bill Restoration Act of 2021, which would restore benefits of the original GI Bill to Black veterans of World War II who never received them due to discriminatory implementation.¹¹² Black WWII veterans received in total only 40% of the value of benefits for white veterans, which in 2020 dollars amounts to a difference of \$170,000 per veteran.¹¹³

Reparations: Lawmakers in the 117th Congress have also introduced “H.R.40 – Commission to Study and Develop Reparation Proposals for African Americans Act,” a version of a bill that has been introduced in every Congressional session by Members of the Congressional Black Caucus since the 101st Congress in 1989. International peers have set a precedent for formal payments for historical actions, including Germany for the Holocaust and South Africa for apartheid.¹¹⁴ The Commission would study and evaluate the complex administrative and legal questions surrounding the possibility of federal reparations for the descendants of enslaved African Americans.

Absent federal action, some US localities have moved forward with isolated, small-scale reparations programs. The city council of Evanston, Illinois approved the Local Reparations Restorative Housing Program, meant to rectify “discriminatory housing policies and practices and inaction on the city’s part” stemming from zoning ordinances in place between 1919 and 1969 through grants of up to \$25,000 for select uses, including a down payment on a home or select home repairs.¹¹⁵

State and Local Funding from the American Rescue Plan Act: States and localities have begun using American Rescue Plan to advance policies on their own. Indiana State Representative Robin Shackelford

¹⁰⁸ Sen. Cory Booker (NJ). “S.222 – American Opportunity Accounts Act.” 117th Congress (2021 – 2022). February 4, 2021. Available at <https://www.congress.gov/bill/117th-congress/senate-bill/222/text?q=%7B%22search%22%3A%5B%22S.+10%22%5D%7D&r=68&s=1>.

¹⁰⁹ Patrick Skahill. “State Launches Ambitious ‘Baby Bonds’ Program Targeted At Closing Racial Wealth Gap.” Connecticut Public Radio. July 6, 2021. Available at <https://www.ctpublic.org/news/2021-07-06/state-launches-ambitious-baby-bonds-program-targeted-at-closing-racial-wealth-gap>.

¹¹⁰ Ibid.

¹¹¹ State of Connecticut Treasurer’s Office. “CT Baby Bonds: Investing in Connecticut’s Future with CT Baby Bonds.” Nd. Available at <https://portal.ct.gov/OTT/Debt-Management/CT-Baby-Bonds>.

¹¹² Office of the House Majority Whip. “Clyburn, Moulton Introduce Landmark Legislation to Provide Black WWII Veterans, Descendants, Full GI Bill Benefits; Warnock to Introduce in Senate.” November 11, 2021. Available at <https://www.majoritywhip.gov/media-center/press-releases/clyburn-moulton-introduce-landmark-legislation-provide-black-wwii>.

¹¹³ Tatjana Meschede, Maya Eden, Sakshi Jain, Branden Miles, Mariela Martinez, Sylvia Stewart, Jon Jacob, Maria Madison. “Preliminary Results from our G.I. Bill Study.” Brandeis Institute for Economic and Racial Equity. November 2021. Available at <https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/gi-bill-report.pdf>.

¹¹⁴ William Darity Jr., A. Kirsten Mullen. “Resurrecting the Promise of 40 Acres: The Imperative of Reparations for Black Americans.” Roosevelt Institute. June 4, 2020. Available at <https://rooseveltinstitute.org/publications/resurrecting-the-promise-of-40-acres-the-imperative-of-reparations-for-black-americans/>.

¹¹⁵ City of Evanston. “Evanston Local Reparations.” Available at <https://www.cityofevanston.org/government/city-council/reparations>.

recently introduced HB 1164 to support minority-owned small businesses, proposing to use federal COVID-19 relief funds to provide investment and programmatic support, technical assistance, and mentorship to minority-owned businesses and create an African American-owned community development financial institution.¹¹⁶ This proposal would address racial and ethnic disparities, support local communities, and help Indiana’s economy grow.

Biden Administration’s Executive Order on Racial Equity: From a holistic perspective, President Biden signed the “Executive Order On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government” in January 2021,¹¹⁷ requiring engagement with underserved communities and commissioning reviews of how federal policy contributes to racial and ethnic disparities and allocates federal resources to advance fairness in opportunity.¹¹⁸

The Biden Administration set a government-wide goal of increasing the share of federal contractors to small, disadvantaged businesses, including those owned by people of color, by 50% by fiscal year 2025, meaning an increase of \$100 billion to those firms over a 5-year period.¹¹⁹ Additionally, the Administration provided \$32 billion specifically to Tribal communities and Native Americans in the American Rescue Plan and \$13 billion in direct investment in Tribal communities through the Infrastructure Investment and Jobs Act.^{120, 121}

¹¹⁶ Indiana House Democratic Caucus. “State Rep. Robin Shackelford announces 2022 legislative agenda.” January 5, 2022. Available at <https://indianahousedemocrats.org/news-media/state-rep.-robin-shackelford-announces-2022-legislative-agenda>.

¹¹⁷ The White House Briefing Room. “Executive Order ON Advancing Racial Equity and Support for Underserved Communities Through the Federal Government.” The White House – Joseph Biden. January 20, 2021. Available at <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-advancing-racial-equity-and-support-for-underserved-communities-through-the-federal-government/>.

¹¹⁸ Ibid.

¹¹⁹ White House Briefing Room. “FACT SHEET: Biden-Harris Administration Announce Reforms to Increase Equity and Level the Playing Field for Underserved Small Business Owners.” The White House. December 2, 2021. Available at <https://www.whitehouse.gov/briefing-room/statements-releases/2021/12/02/fact-sheet-biden-harris-administration-announces-reforms-to-increase-equity-and-level-the-playing-field-for-underserved-small-business-owners/>.

¹²⁰ Democratic Policy & Communications Committee. “American Rescue Plan Supports Native American Communities.” Available at <https://www.democrats.senate.gov/imo/media/doc/DPCC%20ARP%20Support%20for%20Native%20American%20Communities%20Report1.pdf>.

¹²¹ White House Briefing Room. “FACT SHEET: President Biden’s Bipartisan Infrastructure Law Advances Economic and Public Health Opportunities for Tribal Communities.” The White House. November 18, 2021. Available at White House Briefing Room. “FACT SHEET: Biden-Harris Administration Announce Reforms to Increase Equity and Level the Playing Field for Underserved Small Business Owners.” The White House. December 2, 2021. Available at <https://www.whitehouse.gov/briefing-room/statements-releases/2021/12/02/fact-sheet-biden-harris-administration-announces-reforms-to-increase-equity-and-level-the-playing-field-for-underserved-small-business-owners/>.