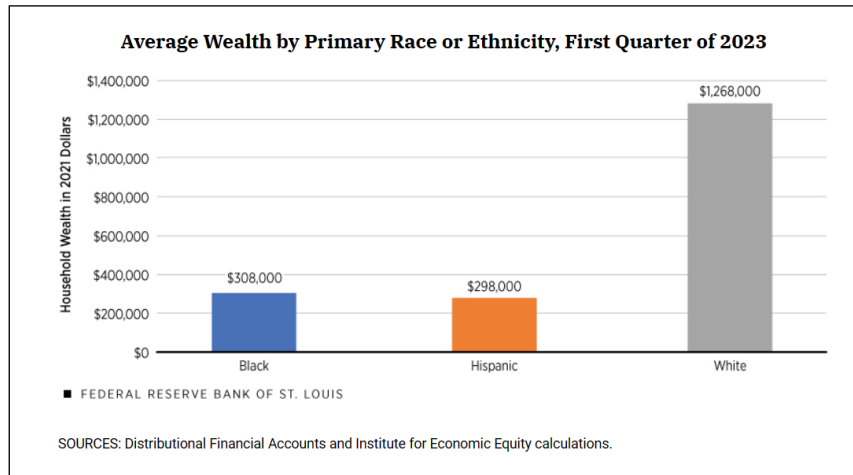


How Racist Policies Created and Maintain the Racial Wealth Gap



[The State of U.S. Wealth Inequality | St. Louis Fed \(stlouisfed.org\)](https://www.stlouisfed.org/publications/state-of-us-wealth-inequality)

This month, ARTI HUB correspondent Mikki Anaya examines the racial wealth gap in the U.S., and the reasons it has persisted from the beginnings of the country to the present. It is clear that the causes are not due to personal attributes and behavioral choices of people of color, but rather to a durable infrastructure of racist policies and laws.

The racial wealth gap remains deeply entrenched in 21st century America because public policies to promote racial economic equity have been allowed to sputter and die, have been reversed, and/or have been opposed by violence.

What is the path forward? ARTI Director and founding member Diana Dorn-Jones stresses access to credit and capital for home ownership as a generational stabilizing force, allowing wealth to accumulate in communities of color.

Early wealth in the U.S. was created for the colonizers on the backs of enslaved Africans and Indigenous people. (See: [How Slavery Became America's First Big Business](#), [European Colonizers Create Wealth Through Stolen Land and Stolen Labor 1600-1868](#) and [The Invasion of America](#)).

That “operating” model set the course for centuries of race-based, institutionalized, systemic inequities, causing and perpetuating the circumstances which manifest in disparities in wealth up to the present day. These disparities are measured as the “racial wealth gap”: defined as the disparity of cumulative assets across races and ethnicities.

In a July 31, 2023 report titled [The State of U.S. Wealth Inequality](#) the Federal Reserve Bank of St. Louis presented the following “Key Takeaways” for the first quarter of 2023:

- The top 10% of U.S. households by wealth had \$6.8 million on average. As a group, they held 69% of total household wealth
The bottom 50% of households by wealth had \$48,000 on average. As a group, they held only 2.4% of total household wealth
- Black families owned about 24 cents for every \$1 of white family wealth, on average
- Hispanic families owned about 23 cents for every \$1 of white family wealth, on average

How wealth was taken before it had the opportunity to grow

In the Black American community, efforts to build wealth were impeded even before the inception of the U.S., beginning with 246 years of chattel slavery followed by:

- Congressional mismanagement of the [Freedman's Savings Bank](#) which left 61,144 depositors with losses of nearly \$3 million in 1874
- The violent massacre decimating Tulsa's Greenwood District, known as [Black Wall Street](#) that thrived as the epicenter of African American business and culture in the early 20th century.
- Discriminatory policies throughout the 20th century including
 - The Jim Crow Era's [Black Codes](#) strictly limiting opportunity in many southern states
 - The [GI Bill](#)
 - The New Deal's [Fair Labor Standards Act Exemption](#) of domestic agricultural and service occupations, in which Black Americans and other Americans of color are disproportionately represented
 - Redlining and restrictive covenants (See: Rothstein, Richard, 2017. *The Color of Law: A Forgotten History of How Our Government Segregated America*)
 - Political disenfranchisement. The [Poll Tax](#)—which had to be paid to vote – was outlawed only as recently as 1964 with the passage of the 24th Amendment.
- More recently, the [Great Recession](#) of the mid-2000s, which caused high rates of unemployment, saw predatory, high-interest housing loans that targeted the Black community and other racial and ethnic minority groups, resulting in high rates of [foreclosure](#) in these communities.

Structural Factors

Many structural factors interact to keep in place the large disparity in the racial wealth gap. (See links in the "For Future Reading" section below for detailed discussion of these factors):

Discrimination

- Formal legal discrimination under U.S. law
- Systemic racism
- Discrimination as a result of U.S. societal attitudes and practices

Disparities in access to:

- Opportunities
- Means of support
- Resources

Inequality / Inequity

- Accumulated inequality
- Income inequity
- Differences in power and opportunity
- Only recent generations of wealth transfer

Diana Dorn-Jones, Executive Director and founding member of ARTI, stresses the stabilizing role of home ownership in eliminating the racial wealth gap:

“I’ve often stated the importance of access to credit and capital for the purposes of home ownership. Home ownership is essential in wealth accumulation that allows us to pass wealth to future generations, thereby breaking generational cycles of poverty among people of color.

“Closing the mortgage gap goes a long way in closing the wealth gap in this country.”

For further reading:

[The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide](#)

[The Racial Wealth Gap was Large in 1963 and Remains Large Today](#)

[Wealth of two nations: The US racial wealth gap, 1860-2020](#)

[The Social Structure of Mortgage Discrimination](#)