

# The Racial Wealth Gap: Why America Should Discuss Reparations

Written by Cliff (Ubba) Kodero

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<https://www.e-ir.info/2024/03/20/the-racial-wealth-gap-why-america-should-discuss-reparations/>

CLIFF (UBBA) KODERO, MAR 20 2024

The United States grapples with a significant problem: the racial wealth gap. Yet attributing this to one factor can be misleading. However, the legacy of slavery and discrimination is an essential factor that remains unaddressed. Centuries of exclusion of wealth-building opportunities created the racial wealth gap. A comprehensive approach is needed, including reparations, policy changes, and a collective shift toward fairness.

To start, we must understand who has been affected the most. African American or Black people living in the United States are a diverse group with different classes and ethnic backgrounds. Some distinctions include African American descendants of enslaved people, recent immigrants from Africa and the Caribbean, mixed-race individuals, and other class and socio-economic groups. Therefore, simplifying this complex issue by asking for a single cause of income inequality between Blacks and Whites is not adequate. For instance, some groups who are classified as Black are wealthier than the average American, such as those who classify themselves as Nigerian Americans. Yet, America has often dichotomized racial relations on White and Black spectrums and derived statistical data on racial wealth inequality from this binary standpoint.

Some of the causes of income inequality in the U.S. include the historical exclusion of African Americans and other people of color from paths of advancement such as education and homeownership. These exclusionary acts lead to an economic head start and other advantages for White Americans over Non-Whites. Until 1863, American Blacks were enslaved and, therefore, were unable to partake in economic activity and shape their destiny. However, this does not mean they did not participate in wealth creation. It was just not their wealth that they created. Slavery was followed by Jim Crow segregation in the South, where most Black people lived. Jim Crow was an apartheid-like regime in which Black people did not have the freedom to pursue their potential and set up economic growth paths with the rest of America. African Americans only got a reprieve since the Civil Rights Act in 1964. Since then, there has been an attempt to undo many historical legacies of economic exclusion. Yet the structural challenges that existed over time had not been fixed. Some constraints, such as redlining, resistance to integrated schools, and limited access to some professional settings, have held back Black people.

The lack of inclusivity in institutions that shape the economic trajectory of families, which are then passed to the next generation, negatively or positively explains the racial wealth gap. This explanation differs from a simple explanation of hard work and individual choices. Such explanations over-glorify personal achievements. This line of thought argues that if Black people changed their ways, they would realize economic prosperity. Unfortunately, the data does not suggest this to be true. Since the signing into law of the Civil Rights Act, millions of Black people have joined the middle class. However, challenges limit access to good public education, including factors such as neighborhood and school districts, fatherlessness, and college affordability. The more open and inclusive institutions we have, the more opportunities for many are created. This wealth or know-how is then passed on to the next generation.

The racial wealth gap in America is an intersectional issue connected to other social indicators of low income, such as limited access to healthcare, higher education, and homeownership. For example, in 2017, the Federal Bank of Minneapolis research revealed that the average American overestimated progress in racial and economic disparity. Follow-up research showed that the median Black household has less than 11 percent of the wealth of a White

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family.

There are several ways that states can tackle income inequality in general and racial gaps in wealth. I will start with what the United States has done so far. The first was the belief in trickle-down economics. It was the idea that a free market would lift everyone since there would be more income from increased economic growth. Instead, trickle-down exposed the Black community to the risk of a financial and economic meltdown. As a result, the 2007 financial crisis affected people of color disproportionately compared to other racial groups, furthering racial income inequality.

A second attempt at curbing racial wealth inequality was through affirmative action. In 1961, President John F. Kennedy issued an executive order requiring that government contractors “take affirmative action to ensure that applicants are employed and that employees are treated during employment, without regard to their race, creed, color, or national origin” (Executive Order 10925). Affirmative action has implied a set of intentional policy procedures designed to eliminate unlawful discrimination among applicants, remedying the results of prior discrimination and preventing such discrimination in the future. It can be applied to increase diversity in educational programs or the representation of various ethnicities in the workplace. In America, affirmative action attempts to remedy discrimination against color, race, creed, and national origin. Affirmative action programs have allowed disadvantaged people opportunities they would never have had because of the level playing field. However, it has faced significant attacks from attempts to roll back progress in ending facets of racial discrimination.

While progress on inequality and the racial wealth gap has proven difficult, reducing inequality over time and creating a more evenly distributed society regarding income is possible. Bridging the racial inequality gap can be broadly categorized into two groups.

The first is political solutions that require political action and generate consensus. The political efforts should aim to make a more inclusive political system that seeks to capture more people and is adaptable to the changing needs of society. These policies require a great deal of political consensus and an awareness that excessive racial income disparity is not sustainable. Political solutions could be a form of reparations or distributive payments to historically marginalized communities. Reparation payments are broadly recognized as compensation given for abuse or injury. In principle, they acknowledge the obligation of the state, individual, or company to repair the consequences of violations they committed or failed to protect. The first recorded form of governmental reparation happened when slavery was outlawed in the British Empire in 1833. To remedy the losses of former enslavers, the British exchequer paid £20 million. Adjusted to today’s value, it amounts to £300 billion. There was no money paid to the formerly enslaved.

Rashawn Ray and Andre Perry’s article, “Why we need reparations for Black Americans,” published in the Brookings Institute Policy 2020, argued for reparations as an issue not only of correcting income inequality but of justice. The American Declaration of Independence focused on “life, liberty, and the pursuit of happiness.” Yet these tenets of what it means to be American have not been accessible to many people of color, not because of their doings but because of governmental and societal impediments. The American Dream, another staple of public consciousness in this country, articulates the aspirational values of most Americans and includes homeownership, starting a family, owning a business, and creating a family safety net for generations have been out of reach for Black Americans. Ray and Perry not only poke holes at these social prescriptions of success but also suggest that they make a valid argument for corrective policies that should include reparations payments.

Their argument is based on a historical precedence. Native Americans received compensation from the U.S. federal government for egregious atrocities and loss of land. Japanese Americans received \$1.5 billion as payment for illegal internment during the Second World War. Jewish victims of the Holocaust received reparation payments through the Marshall Plan. Additionally, the West German governments paid reparations to Jewish Holocaust survivors. Black Americans are the only group in American society whose attempts at getting paid for atrocities committed against them have been continually dishonored. The case for reparations requires more than economic reasoning. It is also a case of justice and fairness.

Yet the attempt at correcting the historical injustice emanating from slavery is not new in American discourse. In the

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antebellum South, the U.S. Federal government signed Field Order 15, which allocated confiscated Confederate land to freed Black families. Black families would also receive 40 acres and a mule. However, President Abraham Lincoln's assassination halted this plan. Lincoln's successor, Andrew Johnson, returned the confiscated southerner's lands. In Washington, D.C., former slave owners were paid for their lost property.

In the U.S., some cities have taken the lead in correcting income inequality. Evanston, Illinois, a suburb of Chicago, became the first city to pay reparations to its Black residents. The city council voted to distribute \$ 400,000 to eligible Black households. Each qualifying family would receive \$25,000 for home repairs or a down payment for a new property. The program is funded through donations and revenues from a 3 percent increase in sales of recreational marijuana. The city plans to spend over \$10 million over the next ten years. In 2020, 11 major cities in the U.S. said they would run tests or experiments on how to execute reparation payments for their Black residents. These cities include Los Angeles, Denver, St. Louis, MO, and Kansas City. This is happening in much smaller cities such as Tullahassee, Oklahoma.

It is not only reparation payments that can fix income inequality. Cities must expand housing opportunities, create jobs, reengineer policing, increase educational opportunities, and encourage financial literacy. YouTuber Johnny Harris partnered with *The New York Times* and produced a video, *Blue States, You're the Problem*. In the commentary, Harris and NYT's Binyamin Appelbaum argue that Democrats are the problem in moving progressive policies that could lift folks out of poverty and reduce income inequality. In states where Democrats hold all levers of power, New York, California, and Illinois, income inequality is the highest. These states also have stringent zoning codes that do not allow for low-income housing, which condemns low-income students to lousy school districts. Harris argues that liberals have a hypocrisy problem that promotes performative acts of progressive agenda without actual policies, which they detest when it affects their pockets, children or the value of their homes. Therefore, reducing segregation in housing will require more than reparation payments; it will require a change of mindset and a reckoning of collective good.

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## About the author:

Cliff (Ubba) Kodero holds a Ph.D. in International Relations with a focus on African affairs from Florida International University. He is currently a Visiting Professor of Political Economy at the College of Idaho. Ubba also runs a Pan-African YouTube Show *The Ubba Kodero show*, where he discusses African Affairs.