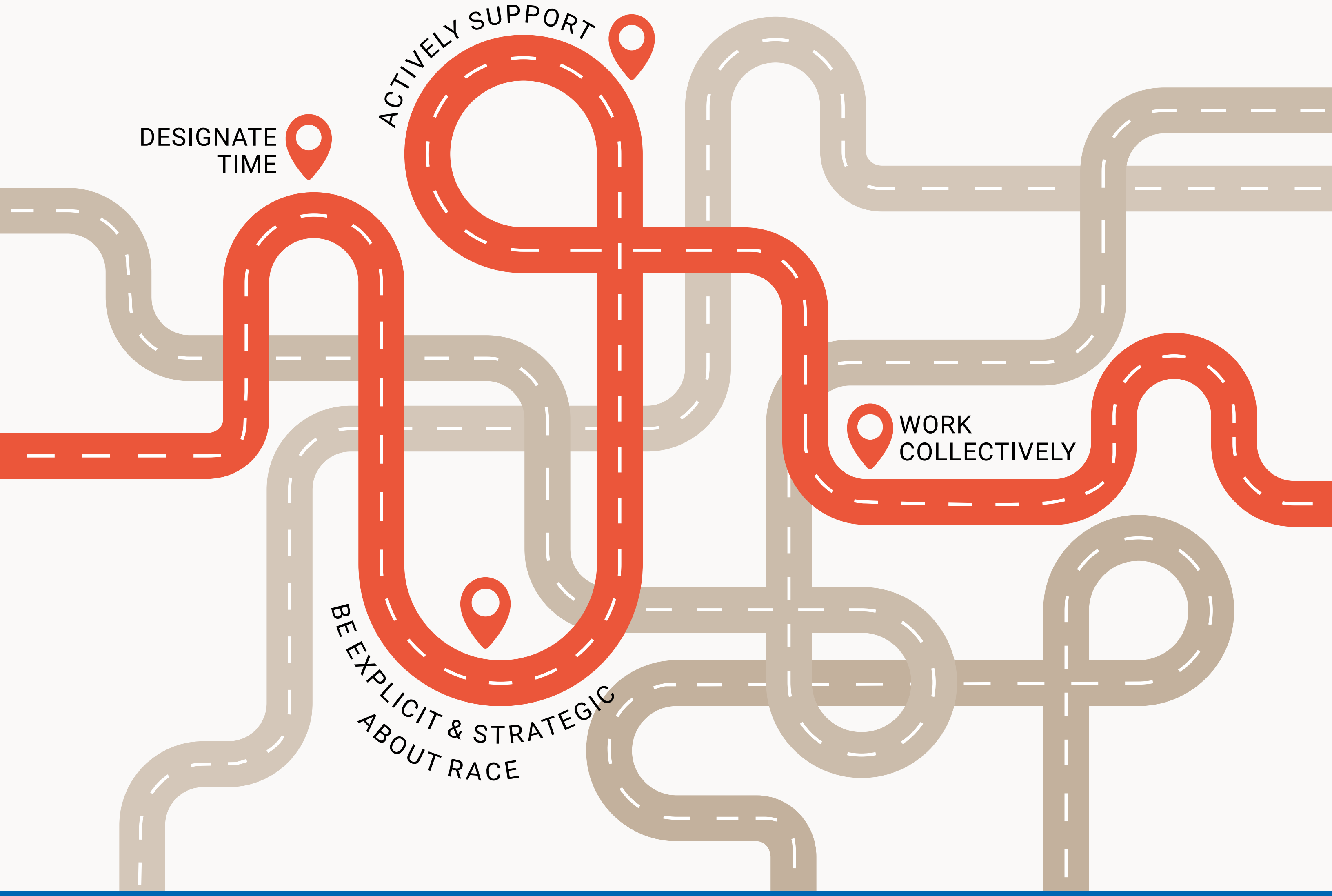
Making the Case: How Racism Contributes to Economic Injustice

The collective prosperity of America depends on guaranteeing dignity, health, and economic security to all. This principle is inextricably linked to the economic well-being of those members of multifaceted communities of color who compose the growing majority of our nation. While people of color will soon become the majority of our population,[1] they do not share equitably in our nation's financial wealth.



Equitable wealth building requires both opportunity or access and the disposable income to build assets through savings, homeownership, business ownership, retirement, and more. Additionally, equitable wealth building requires that everyone has the opportunity to achieve financial well-being wherein they can fully meet current and ongoing financial obligations, feel secure in their financial future, and be able to make choices that allow them to enjoy life.[2] Increased wealth reflects economic security and the flexibility to respond to bumps or unexpected challenges, even without an economic crisis.

The comparative wealth data, often referred to as wealth gaps, make clear that for persons of color, economic security and opportunity are not attainable because of systemic inequality. Currently, Black and Latinx adults are almost twice as likely as White adults to struggle to pay regular household expenses, much less to save, invest, and build wealth.[3] For Asian and Pacific Islander individuals, the aggregate wealth data (comparable to White households) belie the racial economic inequities actually experienced by many,[4] and, at about 9% of national average, Indigenous persons have one of the highest asset poverty rates, which offers little opportunity to grow wealth.[5]

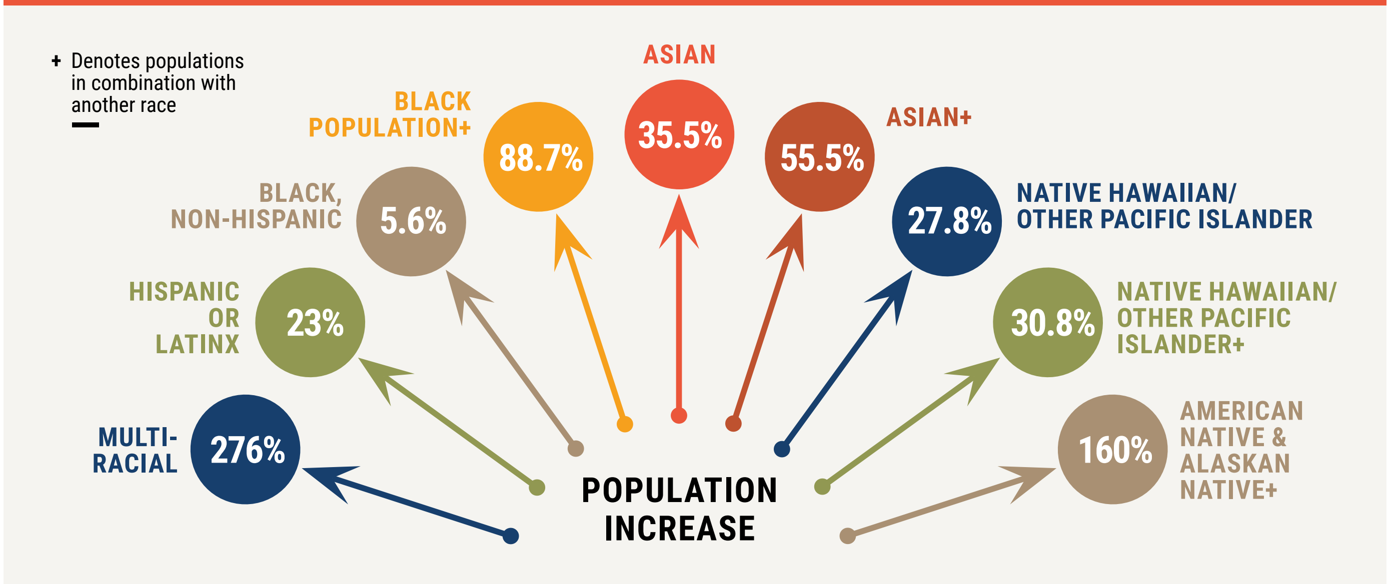
As asset funders who care about our collective prosperity, we must do our part to secure economic justice for and with people of color who have been systematically excluded from wealth building. We do this by explicitly and strategically increasing the amount of philanthropic resources directed at closing the racial wealth gap and work collectively to move the systemic and social drivers that build stability and wealth for people of color.

THE RACIAL WEALTH GAPS ARE IMMENSE AND WILL CONTINUE TO EXPAND

People of color are quickly becoming the majority of the nation's population; their families include most of the children who will ultimately compose America's workers, consumers, savers, taxpayers, contributors to Social Security, and potential homeowners. That being the case, the collective economic prosperity of all Americans, including White Americans, depends on the economic security and prosperity afforded to all people of color.

2020 Census data[6] showed that although the White, non-Hispanic population remained the largest racial group in the U.S, with 204.3 million people, it had declined by 8.6% since 2010.

The 2020 Census reported these populations increased between 2010 and 2020



While people of color counted together are quickly becoming the majority of our population, the racial wealth[8] gap across the groups continues to grow.

> **By 2050, the White population is projected to be less than 50% of the total population, with a majority of White people being over the age of 65.[7]**

In 2019, the U.S. led the world in the growth of financial assets, with per capita wealth growing more than 13% to $245,000.[9] However, the distribution of wealth in the U.S. was more unequal than in any other country.[10]

U.S. national wealth does not reach all people equally, especially when disaggregated by race and ethnicity. According to the Federal Reserve's 2019 Survey of Consumer Finances (SCF), White families had the highest average of family wealth at $983,400. Black families' average wealth was $142,500, meaning that Black families had 12 cents of wealth for every dollar owned by the average White American household. Latinx families' average wealth was $165,500, meaning that Latinx families had 19 cents of wealth for every dollar owned by the average White American household.

For other communities of color, quantifying the racial wealth gap is more complex and often is invisible. The Federal Reserve Board's 2019 SCF aggregated all the remaining non-White people — including Asian, Native American, Alaska Native, Native Hawaiian, Pacific Islander, other races, and all respondents reporting more than one racial identification — into "other or multiple races." This diverse group, although economically diverse and holding greater wealth than Black and Latinx families, still had collectively lower wealth than White families.[11] In effect, by combining all other people of color, distinct groups become invisible to analysis or investments to change the economic injustice.

Additionally, because the U.S. Census Bureau characterizes all Southwest Asian-North Africans as White, researchers and organizations do not have data for these racial identities, thus rendering invisible how the racial wealth gap manifests within these ethnic subpopulations and making it more difficult to understand and address the needs of these people and their communities.

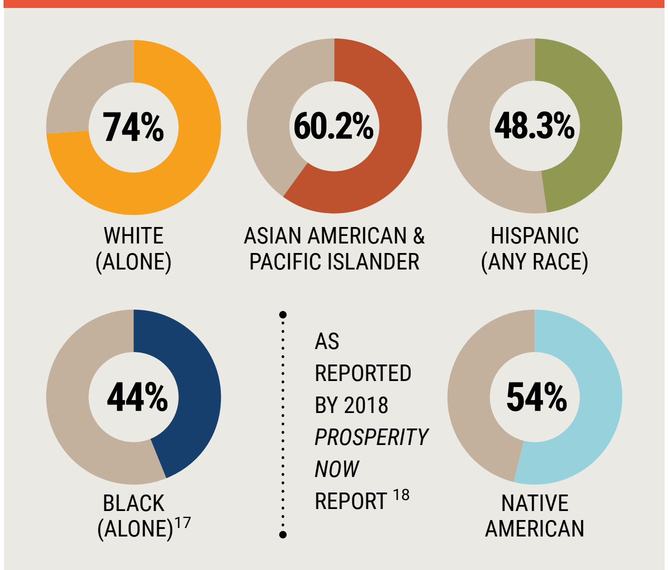
Limited and outdated data also hinder our ability to see and then address underinvestment in Native American people and communities. The most recent household wealth data for the typical Native American household from 2000, however, show that they had approximately 8 cents of wealth for every dollar owned by the average White American household.[12]

Additionally, quantifying the racial wealth gap for Native Americans is complex because of how wealth is defined by some Native people. Unlike mainstream White economists and institutions, Native people are more likely to identify education and family as assets and also to identify communal assets such as natural resources, environment, land — with land being communally owned and, more accurately, stewarded.[13] Understanding the differences among the Native American people, tribes, and nations and their approach to wealth and its distribution among members, the economic circumstances of each nation, and the economic position of those not in recognized tribes or Native nations makes addressing the wealth gap not readily reflected in the bleak wealth data.

In regard to the Asian American population, there is tremendous cultural, ethnic, and class diversity lost in how we aggregate data. Asian American people are the most economically divided racial group in the U.S. While, in comparison to White people, segments of the Asian American and Pacific Islander populations have accumulated a large amount of wealth, some segments of Asian Americans have little or no wealth.[14] Aggregated Census data among Asian Americans and Pacific Islanders make it difficult to understand the long-term financial security and wealth of specific Asian American and Pacific Islander populations.[15] Additionally, economic circumstances vary widely among Asian immigrants — some arrive in the U.S. as refugees or asylum seekers, others to seek economic opportunity, and still others are recruited for technology or other high-pay and/or high-skill positions. Aggregated data reporting masks the needs of the Asian Americans and Pacific Islander populations most impacted by systemic inequality and poverty.[16]

Racial wealth disparity extends to all aspects of wealth, with the homeownership gap being one of the largest drivers of wealth inequality.

CENSUS BUREAU REPORTED HOMEOWNERSHIP RATES FOR THE 3RD QUARTER OF 2021



Moreover, the wealth gap extends into the area of retirement savings. In 2019, the Federal Reserve's Survey of Consumer Finances found that only 35% of those in Black households and 26% of Latinx households owned retirement accounts, compared to 57% of White households.[19]

People of color are an essential part of our future as a prosperous nation, so it is imperative that we change social drivers and systemic barriers that contribute to these thoroughly documented racial wealth gaps.

RACIAL JUSTICE DEMANDS ECONOMIC JUSTICE

Our nation's profound wealth was extracted from "the creation of a 'racial hierarchy' justifying the theft of Indigenous land, the enslavement of African and Indigenous people."[20] This manufactured racial inequality has been preserved over the decades by explicit laws, policies, intentional exclusions, racial violence and economic exploitation, and public and private wealth stripping. Philanthropic investments are needed to address root causes of inequality and upend the status quo whereby public and private policy continue to determine who struggles to survive and who thrives in the U.S.

In our 2021 brief, *From Relief to Resilience: Reimagining Reinvestments,* we outlined how people of color, both historically and currently, have been and are being disadvantaged and harmed by intentional race-based practices and racist policies, including colonization, slavery, legal and de facto segregation, redlining, employment and housing discrimination, and wealth stripping. Black people have endured slavery, Jim Crow laws, peonage law abuse, federal redlining, and anti-Blackness and overt discrimination across all sectors. Indigenous people have contended with land theft, government-ordered dislocation, family separation, denial of culture, and genocide. Latinx populations have been exploited through low-income but essential work without rights, exclusion from education, housing, and other opportunities by language or status. Indigenous people, and many Latinx and Asian people, have undergone forced migration and assimilation enforced by U.S. foreign and domestic policies. In contrast, White people have been given ample opportunities to build wealth through policies such as the Homestead Acts, the Homeowners' Loan Corporation, employer-provided pensions, and the GI Bill.[21] Those advantages continue to be preserved in land size acquired, businesses that were supported, tax policy, professional and employment networks, lending risk assessment, Social Security benefit computations, and a host of other supposedly "race-neutral" factors.

Most recently, COVID-19 has thrown these deep inequities into stark relief. The many essential workers forced to the front lines belong to the service sector, which employs one in four workers and is predominantly composed of women and Black, Latinx, and Asian people. Between low pay, high risk, and often inadequate or unavailable employer-provided health benefits, the COVID-19 pandemic has made urgent and irrefutable the fact that women, immigrants, and Black, Indigenous, Latinx, Asian and Pacific Islander, and Southwest Asian and North African people suffer disproportionately as a result of systemic inequity while also being essential to making our country run and thrive.

Those who are engaged with philanthropy have the opportunity to step up and intentionally uproot past and present systemic injustices, to change the narrative, invest in systemic change, test new tools, and increase opportunity equity.

WHEN PEOPLE OF COLOR WIN, WE ALL WIN

Over the last two decades, the national economy would have been $16 trillion greater had it not been constrained by racialized systemic exclusions of the economic capacity of Black people alone. If the Black racial inequality gaps — which include the wage gap, access to housing credit, higher education, and fair lending — were corrected today, $5 trillion would be added to the economy over the next five years.[22]

We must recognize that a commitment to racial justice is not a winner-take-all scenario in which people of color win and White people lose. The policy framework of scarcity does not need to guide our actions and investments to continue to deprive us of an equitable economy; instead, we need to actively support and realize the potential of growth. We, as a sector, can lead and work from a place of abundance by understanding that the economy is not fixed, but grows. Moreover, we must realize that solidarity across race results in better lives for everyone, since replacing a "zero-sum" formula with one of "cross-racial solidarity" unlocks a "Solidarity Dividend," from higher wages to cleaner air, through collective action.[23]

Addressing the results and damage of the systemic barriers to equity, whether the result of racism, implicit bias, or legacy effects of history, will also be necessary, but it alone is not sufficient.

Philanthropy can begin the long work of dismantling inequitable internal and external policies, creating strength-based systems and tools, embracing culturally responsive approaches, creating opportunity through capital, challenging seemingly neutral risk assessments, and reinventing how economic security and assets are built.

MAKING THE CASE

Reflection Questions

Addressing these questions will help create a baseline for your current context and journey as you move through the primer.

- **What becomes possible when we make collective prosperity central to our grantmaking?**
- **What will it take to designate ample time in our internal meetings for racial and economic justice-focused strategies, goal setting, and reflection?**
- **What will it take to explicitly and intentionally fund work that seeks to dismantle systems that perpetuate racial and economic injustice?**
- **What will it take to explicitly and intentionally fund work that seeks to dismantle systems that cause the racial wealth gap?**
- **What will it take to fund systems that sustain opportunities for people of color to build wealth?**

Endnotes

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