Turning the Floodlights on the Root Causes of Today’s Racialized Economic Disparities: Community Development Work at the Boston Fed Post-2020
Introduction

2020 has dramatically exposed the pervasive structural racism in U.S. policies, practices, and institutions in ways that cannot be ignored, neatly conveyed, conveniently rationalized, or quietly addressed. COVID-19 spotlighted the values, policies, and systems insisting that Black, Latinx,1 and Indigenous people live each day on the brink of socioeconomic collapse. The murders of Ahmaud Arbery, George Floyd, Breonna Taylor, Rayshard Brooks, Walter Wallace, and so many others turned floodlights on anti-Blackness and the devaluation of Black lives in our society. This neglect and brutality stems directly from the intertwined, blighted branches that continue to grow from the firm racist roots of this country. Yet what distinguishes this moment from previous calls for racial justice is a cross-racial awakening to this hard truth that our present-day society was and still is intentionally shaped by racism.

As 2020 closes, we must seize the important opportunity arising from this simultaneous awakening alongside an urgent need for the U.S. to rethink our economy as we work toward rebuilding it in the wake of the pandemic and current recession. Returning to business as usual would be reverting to wilful ignorance of the realities made starkly evident by this momentous year. The Boston Fed has a history of calling attention to racial economic inequity and promoting action to address it,2 yet we know significant, dedicated work remains ahead for the U.S. to truly achieve an equitable socioeconomic future. In recent years, the Community Development team has intentionally focused on addressing root causes of these inequalities, leading us to commit to a deeper understanding of the racist policies and practices that have contributed, and to call attention to them. In this moment of national reckoning, we are compelled to call out the injustices that created and continue to perpetuate racial inequities and social unrest in our country, and to reaffirm the central goal we work toward every day: an equitable and inclusive economy for all. To begin tackling this painfully enduring legacy, we need only ask one question: can we be as intentional in addressing racism in our economy as we have been for so long in instating it? Doing so begins with changing our narrative.

Intentional Economic Oppression in Policy and Practice

From the beginning, the practices and policies that laid the groundwork for and built the U.S. were explicitly designed to ensure an absolute accumulation of intergenerational wealth and concentrated power for white people, particularly men.3 A legacy of land theft, slavery, racial segregation, disenfranchisement, and other exclusive policies against Black and Indigenous people and people of color (BIPOC) produced a racialized

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1 In this statement, we use the gender-neutral term “Latinx” to refer to those in the United States who trace their lineage back to Mexico, the Caribbean, and/or Central and South America, a group often also referred to by the terms “Latino/Latina” or “Hispanic.” For a broader discussion of the use of these terms, see Noe-Bustamante, Mora, & Lopez, 2020.
2 Munnell et al., 1992; Muñoz et al., 2015.
3 Darity Jr. & Mullen, 2020; Das, 2020; Katzenelson, 2006; Roediger, 1999; Rothstein, 2017; Shapiro, 2005.
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economy that decimated these communities and intentionally barred survivors and descendants from building wealth, socioeconomic well-being, and resilience. 4 There are far too many intersecting, destructive policies and practices to list in this brief statement, but some warrant particular attention in this vein. The Indian Removal Act of 1830 in the U.S. forcibly removed Native tribes from their ancestral land in the South to unfamiliar spaces west of the Mississippi. 5 Expulsion and displacement killed 4,000 Cherokee people along what we now call the Trail of Tears. 6 Between 1776 and 1887, U.S. policy permitted the seizure of 1.5 billion acres of Native homelands, setting the literal foundation upon which the country’s wealth would be built. 7 Spanning this same time period, colonial and subsequent U.S. practice and policy encouraged the transatlantic kidnapping and enslavement of African people starting in 1619 and continuing for 246 years. 8 White people relied upon the forced labor of these enslaved people to generate financial wealth from stolen land.

Even the legislative abolition of slavery carried with it gaping loopholes that would be quickly exploited to limit Black freedom and the accumulation of Black wealth and power. 9 The 13th Amendment to the U.S. Constitution banished the institution of slavery and the 15th Amendment declared the right to vote for all male citizens, regardless of race. Following emancipation and the addition of these amendments, formerly enslaved Black men exercised their right to vote in large numbers, electing thousands of Black men to positions in local, state, and federal government. Yet almost immediately, backlash ensued. States and localities imposed poll taxes, literacy tests, and grandfather clauses—upheld by a narrow Supreme Court interpretation of the 15th Amendment—that, alongside brutal violence against would-be Black voters, through law and practice disproportionately prevented Black men from voting in subsequent elections. At the same time, the 13th Amendment allowed that those convicted of crimes could still be held in involuntary servitude and enabled the use of prisoners as inexpensive labor. Using this loophole, many southern states quickly enacted what would come to be known as “Black Codes,” creating separate rights and laws that applied only to Black people and that would be used to disproportionately imprison them for minor offenses. The subsequent practice of leasing these imprisoned people—nearly 90 percent of such imprisoned workers were Black—out to others to work for low or no wages meant that many found their newly won freedom and ability to build wealth rapidly wiped out.

Disproportionate Black imprisonment and following disenfranchisement based on felony convictions continue through various systemically racist laws and practices to this

5 Vincent Ferraro, Ruth C. Lawson Professor of International Politics at Mount Holyoke College, provides the text of the Indian Removal Act of 1830 online at https://www.mtholyoke.edu/acad/intrel/removal.htm.
7 Dunbar-Ortiz, 2015; Onion & Sant, 2014; Wilkinson, 2005.
8 Asante-Muhammad et al., 2017.
day.\footnote{Alexander, 2012; Craigie, Grawert, & Kimble, 2020; The Sentencing Project, 2020.}  Black men are six times more likely than white men to be imprisoned in the United States.\footnote{The Sentencing Project, 2020.} Many of them are separated from their communities and from gainful employment in their prime working years. Formerly imprisoned people then face considerable legal and practical challenges to finding stable employment and have been found to earn nearly 52 percent less annually than their peers. At the same time, states with higher proportions of nonwhite imprisoned people are more likely to enact voting bans for those with criminal records,\footnote{Behrens, Uggen, & Manza, 2003.} and 6.1 million formerly imprisoned people in the U.S. cannot vote due to past felony convictions and the laws in their states. Mass incarceration is a broader system of structural racism—a modern loophole that allows a new, less visible form of discrimination. Those labeled as felons even after they have served their time experience the lifelong consequences of being seen and treated as second-class citizens, akin to those of the Jim Crow era. The system of mass incarceration makes it legal to discriminate in employment, housing, and access to education, public benefits, and voting, among other mechanisms. The ripple effects of such crippling legal and practical limitations on income, wealth, and power leave too many Black families and communities at a considerable disadvantage compared to their white counterparts.

White people went on to amass wealth and maintain power over the course of the 20th century through a combination of economic opportunities designed to uphold white privilege, allowing white men to provide for current and future generations of their families.\footnote{Flynn et al., 2017; Shapiro, 2005.} The deliberate design of these policies simultaneously excluded and oppressed BIPOC and their descendants by denying them similar opportunities for generating and growing wealth.\footnote{Flynn et al., 2017; Leyba, 2017; Shapiro, 2005.} As the U.S. emerged from the Great Depression, federal policies bolstered the new white middle class through homeownership and other opportunities to build and protect wealth.\footnote{Lui et al., 2006.} Accompanying these stimulus packages were intentional, sanctioned racial covenants attached to residential property and redlining of neighborhoods predominantly occupied by people of color.\footnote{Rothstein, 2017.} Between 1934 and 1968, following the creation of the Federal Housing Administration, affordable government-backed mortgages created a platform for wealth in white neighborhoods, and only two percent of these secure mortgages were issued to Black applicants.\footnote{Rothstein, 2017.} People of color instead were subjected to burdensome loan terms as their neighborhoods were literally

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\item p. 11 The Sentencing Project, 2020. The reasons for this disparity are many and intertwined. In part, today’s imprisonment rate disparities result from systemically racist U.S. criminal justice policies and practices rooted in the 18th and 19th centuries. See National Public Radio’s Throughline episode “American Police” (Muhammad et al., 2020) for an insightful consideration of this legacy. While the disparities have decreased to an extent in recent years, due largely to changes in drug-related crime incidence, arrests, and sentencing, a stubborn gap remains, and several studies suggest systemic bias in criminal justice structures and policies plays a key role. For information on declining disparities, see Sabol, Johnson, & Caccavale, 2019. For a thorough list and summaries of recent studies examining the rationale for the disparities that persist, see Balko, 2020.
\item p. 12 Behrens, Uggen, & Manza, 2003.
\item p. 13 Flynn et al., 2017; Shapiro, 2005.
\item p. 14 Flynn et al., 2017; Leyba, 2017; Shapiro, 2005.
\item p. 15 Lui et al., 2006.
\item p. 16 Rothstein, 2017.
\item p. 17 Rothstein, 2017.
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highlighted in red to signal higher risk and more expensive terms based on a singular consideration: that the borrowers were not white.

At the same time, the Social Security Act of 1935 crafted a highly revered social safety-net infrastructure for privileged white populations while eligibility criteria for these supports disproportionately hurt people of color. Namely, the Act deliberately excluded farm and domestic workers, two-thirds of whom were Black, Mexican, or Asian. Researchers estimate that exclusion from this part of the safety net cost Black people alone over $143 billion.

Considered together over time, these and so many other policies that deliberately persecuted and excluded nonwhite people in the U.S. pervasively stole and amassed literal generations of wealth for white people, often at the direct expense of those producing the bounty. One emblematic calculation reflects the stark financial reality of this comprehensive economic pain for BIPOC communities and the urgent, overdue action we must bring to bear against its further detriment: as a result of this history of exclusion, median Black and Latino households would require 242 and 94 years respectively to gain wealth on par with the net wealth held by white families in 2016, an outcome that would be both impossible and undesirable to achieve because it would mean a majority of U.S. households would have to stop accruing wealth at the same time to create equity. These intentional tools supporting white wealth are rarely discussed as purposely built economic weapons against BIPOC wealth generation in our common narratives about racism in the U.S., yet every time our country faces economic upheaval, the consequences of our racialized economy are plain.

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18 In contemporary discourse, safety net programs are often thought of as relief for the poor, and they are problematized based on perceived deservedness, as determined by work status and work history. Additionally, racialized stereotypes contribute to inaccurate narratives about safety net programs, have been used by policymakers to constrain benefits, and have increased the stigma associated with their use (Quadagno, 1994; Skocpol, 1992; Weaver, 2000). Here, however, we intentionally use the term "safety net" to describe government programs and policies that are designed to promote individual economic security and protection from economic shocks across the income spectrum. We do this in recognition of how government programs support many people and are far broader than aid to the most needy (Howard, 1997). We do this to disrupt the narratives around racialized stereotypes and deservedness. Commonly thought-of safety net programs include unemployment insurance, TANF, and SNAP. Other safety net programs include the EITC, Social Security benefits, employer-based health insurance, and the home mortgage interest rate deduction on federal income tax, which typically provides safety to middle- and higher-income individuals (Mettler, 2011; Mettler & Koch, 2012).

19 Asante-Muhammad et al., 2017.

20 Asante-Muhammad et al., 2017. In 2016 dollars. The authors note that the exclusion of white workers cost them $460 billion, but argue that the cost was disproportionately felt by workers of color since they made up the largest share of the excluded workers.

21 Asante-Muhammad et al., 2017. Assuming wealth gains made by Black and Latino households in the three years of the report continue in perpetuity and that median white household wealth stays constant. Estimates suggest that this parity cannot occur and would be undesirable because it would require a majority of households to cease accruing wealth.
Dismantling Racist Systems and Building an Equitable Economy

There is robust evidence that suggests racial bias in policy making has and continues to prevent BIPOC from achieving economic stability and power. As members of the Regional & Community Outreach department of the Federal Reserve Bank of Boston, we acknowledge the inextricable link between the economy and racial equity—which we define as just and fair inclusion in an economy in which all can participate, prosper, and reach their full potential, with race no longer able to predict life outcomes. We have substantial work ahead of us to meet and act on this pivotal moment in U.S. history, but we are building on the tireless efforts of so many community leaders through past and current generations, and on the ongoing racial equity work and commitment of our colleagues across the Federal Reserve System. As part of this active pursuit of a more equitable economy for all, the community development departments of the Federal Reserve System have together committed to the following principles developed by our Racial Equity Learning Community: engage meaningfully with communities of color; adopt multidisciplinary research methods and inclusive practices to better address racial inequities; present a comprehensive historical context for present economic inequities; explicitly name race in order to advance racial equity; and create ownership amongst all community development staff to address issues of race.

As we continue and expand our community development work at the Boston Fed following this turning point of a year, we do so with a renewed recognition of the importance of intentional actions that advance racial equity across our society and economy. Where the floodlights of 2020 have left no doubt about the painful realities and challenges that remain, our responsibilities and work ahead are clear. For us, among many other undertakings to come, this work includes ongoing collaboration with municipalities and local leaders to help us all make true progress together on racial equity in our region; centering investigations of systemically racist and inequitable policies and practices in our research; and considering how financial institutions might best play a role in advancing racial equity in our economy. It includes looking inward to our own professional environment to grow and build on existing programs that bring young people with fresh perspectives into the Bank, and to actively promote inclusion of the increasingly diverse backgrounds, approaches, and views of our institution’s workforce. And it includes seeking out, truly hearing, embracing and amplifying the words, actions, and ideas of the many people in our communities who live with ongoing injustice and yet still do the hard work day in and day out of reversing the tide on systemic racism and economic inequity. In these and all of our efforts, our team stands committed to calling out racist policies and practices wherever they seep into or out of our economy and society, with the aim of permanently abolishing systemic abuse and neglect of Black,

22 Flynn et al., 2017.
23 We have adapted this definition from PolicyLink, 2020, and from Nelson et al., 2015, p. 9.
Indigenous, and Latinx people and other people of color after generations of deep and reverberating injustice.

Reaching that equitable future we seek requires collective ownership of our history; conscious work to put forward an accurate and unflinching narrative of deliberate, exclusionary policies and practices in the United States and to address the modern manifestations of that history; and real action that ensures that our next generations understand and are free from the inequities and injustices too many of their families still suffer from and struggle through today. This combination of active acknowledgement of centuries of deliberate neglect and harm, narrative change, and practical actions informs our vision of an equitable future, and our commitment in our work as a department to make it a true and tangible present.

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This field note is a joint statement of Community Development staff at the Federal Reserve Bank of Boston. For much more about our work, visit https://www.bostonfed.org/community-development.aspx.

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