I. Policy Recommendations

This chapter details policy proposals to address harms set forth in Chapter 13, The Wealth Gap.

- Fund and Conduct a Study to Calculate the Overall Racial Wealth Gap in California
- Encourage the Federal Government to Use the National Racial Wealth Gap to Determine Federal-Level Reparations

In 2019, the Federal Reserve’s Survey of Consumer Finances, a national survey, found that white households hold 87 percent of overall wealth in the United States, while African American households hold only three percent. In 2019 dollars, the median white family held $184,000 in wealth compared to only $23,000 for the median African American family. The wealth gap may be even starker once the data is disaggregated further among the general African American population.

In fact, some figures indicate that the wealth gap has worsened over the last few decades. Some economists note that the wealth held by the typical African American household compared to the typical white family has remained at nearly the same ratio as it was in the 1960’s. While there was an observable closing of the gap over the last 150 years, that closing stopped after 1950. Since the 1980’s, the wealth gap has widened again as capital gains have predominantly benefited white households while income convergence has wholly stopped.

To address the racial wealth gap, the Task Force recommends that the Legislature enact a number of policies to address the effects of discrimination across housing, education, labor, creative and cultural life, and other areas. Moreover, in Chapter 17, Expert Economic Calculations, the Task Force provides preliminary calculations to estimate the losses due to discrimination based on several key categories of atrocities, including health harms, mass incarceration and over-policing, housing discrimination, and devaluation of African American businesses.
In providing the preliminary estimates of losses in Chapter 17, the Task Force focused on particular areas appropriate to fulfill the statutory mandate of AB 3121 and enable a more detailed and comprehensive response to the particular harms experienced by African Americans in California. However, further analysis of the overall racial wealth gap would give the Legislature further information to consider in its ultimate calculation of reparations, and enable data-driven analysis of whether remedial measures are effectively redressing that gap. Therefore, the Task Force recommends that the Legislature fund and construct an economic study to calculate the overall racial wealth gap in California.

Many reparations advocates consider the wealth gap to be the best indicator of the cumulative impact of anti-Black racism, from enslavement through legal segregation to contemporary discrimination and disparities. The racial wealth gap represents the total cost of the injuries to African Americans and benefits to white Americans caused by this nation’s longstanding policies of discrimination. As such, the wealth gap serves as one of the most direct means of accounting for the value owed as African American reparations. But as of the date of this report’s publication, no study or report has provided a definitive figure calculating the overall racial wealth gap in California.

To measure the full extent of the racial wealth gap, a calculation must consider more than gaps in racial income. A true accounting must consider discrimination in lending, employment, property, commercial practices, and policies restricting African American individuals, communities, and enterprises. Such analysis must also include how those practices and policies in those same areas simultaneously privileged white individuals, communities, and enterprises. Some of the key data that might be used to calculate the effects of this discrimination and to determine the overall racial wealth gap, include “racial differences in home equity, financial assets, and income, all of which are necessary for economic security and facilitate the accumulation of wealth over time.” Such a calculation must also consider differences in the amounts and types of household debt held.

Further, the Task Force recommends that the State of California encourage the use of the national racial wealth gap in the determination of the federal-level reparations urged by the Task Force. Due to the scale of federal recommendations, the racial wealth gap would be a more appropriate measurement of harms due to discrimination at the federal level.
Endnotes


3 It should be noted that while the median is a useful measure for calculating typical differences in wealth between African Americans and white Americans, it leaves out significant outlier values, which would represent African Americans impacted by significant economic disparities, and white Americans who benefit from economic advantage. Therefore, the mean, or average, is the most appropriate measure for calculating the sum required to eliminate the racial wealth gap. However, because the Federal Reserve data cited is based on median data, this report relies on that data to illustrate the problem. (See *ibid.*


5 Long and Van Dam, *The Black-White Economic Divide is as Wide as It was in 1968*, Wash. Post (June 4, 2020) (as of May 19, 2023).


7 *Id.* at p. 3.

8 Chapters 18-29.

9 Chapter 17, *Expert Economic Calculations*.

10 See generally, *ibid*.


12 See *id.* at pp. 31, 47.

13 *Id.* at pp. 31, 263-264.

14 We know what the racial income gap is in California, which itself is concerning and an indicator that the wealth gap in California is significant. African American families in California earn $0.60 for every dollar that white families earn. (Thorman et al., *Income Inequality in California* (March 2023) Pub. Policy Institute of Cal. (as of May 19, 2023).) Moreover, the geographic disparities of wealth in the state show that 20 percent of all net worth is concentrated in the 30 wealthiest zip codes, home to just 2 percent of Californians. (*Ibid.*


16 See Chapter 18, *Introduction and General Structural Recommendations*.

17 See From Here to Equality, *supra*, at pp. 31, 263-264.