Hearing of the Committee on Ways and Means
Overcoming Racism to Advance Economic Opportunity
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Chairman Neal, Ranking Member Brady, Members of the Committee, it is both humbling and a great responsibility to be asked to testify at today’s historic hearing. Thank you for the opportunity to do so.

Introduction

The United States is the largest and most robust economy in the world. That economic strength has been built on world class productivity, innovation, energy and agricultural production, an impressive service sector, and strong consumer demand. The policies that have enabled our strong growth economy, particularly those that have built a thriving middle class, have entailed choices. Those choices, made over the last century and a half, were made in a context in which the value of a human being living in the United States was evaluated against a hierarchy of skin color and cultural references. And the policy choices that were made in that context conformed to that hierarchy of human value. Our Indian Removal Act of 1830, Chinese Exclusion Acts of 1875 and 1882, Japanese American internment camps, and Jim Crow laws are all examples of policy choices that enshrined racist assumptions in public policy with consequences for children that have spanned generations. As a result of those choices made under those assumptions, the United States is also a place where a child’s future is currently determined by skin color and zip code.

As the wealthiest country in the world, it is paradoxical that we have not trained sufficient resources on investing in blighted neighborhoods or rural communities, not to gentrify them, but to provide children living there with activities, yards, parks, great schools, ubiquitous broadband, stable housing, and access to affordable mental and physical health care. Our patchwork of social service programs acts to blunt the worst effects of poverty, but in a nation as wealthy as ours, those social programs are not designed to put families on the path to economic mobility. In fact, as we sit here today, we are mere minutes from Southeast Washington D.C. an area where thousands of potential Benjamin Bannekers and Kizzmekia Corbetts live, but for whom those aspirations are highly likely to remain unrealized.

Who wins when we have blighted neighborhoods? What consumer-facing business would support having predominately Black and Brown neighborhoods where, one day, the children living there will not be able to afford the goods and services offered by these businesses? Who wins when access to health care is so poorly distributed that health outcomes, life expectancy, and yes, COVID infection rates make those areas look like developing or emerging economies?
If you take nothing else from my testimony today, I do want you to remember this. First, we all suffer when children experience racial disparities. Second, racial and ethnic disparities in the U.S. are the results of conscious policy choices and third, we have all the resources to undo those choices and make better ones that demonstrate that the United States, long a beacon of hope and freedom, is one that is continuing to gain momentum toward the founding concept that “All men are created equal.”

Today we find ourselves confronting the many consequences of these policy choices shaped by assumptions about race and culture. Given our limited time here together, I will focus on two of those consequences: wealth and health disparities. And I am sure that my impressive colleagues at this hearing will augment and enhance our discussion.

**The Racial Wealth Gap in the United States**

There is a profound and persistent racial wealth gap between white households and Black and Brown households in the U.S. that is not the result of the individual behaviors of those households. As of this year, white households hold more than ten times the wealth of Black households and seven times the wealth of Latino households. The racial wealth gap in the U.S. has endured for decades and has actually increased over time.

The two most important factors that explain this racial wealth gap are length of homeownership and family income. Tax policy helps expand the racial wealth gap.

**Racial Disparities in Homeownership**

The long legacy of redlining or, government-designed residential segregation (which is a conscious, racially-biased public policy choice), has had generational consequences for Black and Latino households in both their ability to purchase a home and in the value of their homes over time. In particular, redlining has had the effect of placing a cap on the equity appreciation of homes owned by Blacks and other non-whites and a premium on the housing assets of white households. Today, homes in Black neighborhoods are worth 23% — or an average of $48,000 per home — less than similar homes in neighborhoods with few or no Black residents.

In addition, because white households have disproportionately benefitted from generations of exclusionary pro-middle class policies, they are more likely to provide family assistance with down payments. On average, as a result, white families are able to buy a more valuable home eight years earlier than the average Black family and are able to offer a larger down payment which reduces interest rates and improves the equity appreciation for white homeowners.

**Racial Disparities in Household Income**

Moreover, as we might expect, increases in income have consequences for household wealth. For every dollar increase in household income, white households generate almost eight times more wealth than do Black households. Why? Hundreds of years of discriminatory labor practices prior to 1964 prevented Black and Brown families from participating in the same employment opportunities as white families. Those discriminatory labor practices included enslaving Africans and Native Americans, Jim Crow era laws and forced, unpaid chain gang or sharecropper labor. In addition, the Social Security Act initially excluded agricultural and domestic workers, who were disproportionately Black and Latino. And that has meant that for generations, Black and Brown families have not been able to hold jobs with benefits. Due
to these discriminatory factors, Black and Brown workers predominate in fields that are least likely to have employer-based retirement plans and other benefits. Those benefits, as we know, allow employees to use their income to cover other expenses and to save and invest. Because Black and Brown families were prevented from holding those types of jobs, their income increases largely go to covering the expenses that are for white families, covered by employer-offered job benefits.

**The Equity Consequences of Tax Policy**

In addition to the disparities that result from residential segregation and discriminatory labor policies, our regressive tax system operationalized within the context of existing racial disparities, reinforces and increases the racial wealth gap. It is a system that taxes paid labor more than investment income. In this country, the vast majority of investment income is held by white families. So, Black and Brown families who do not have wealth to invest, are essentially taxed more aggressively than white families who are investors. Mortgage income and 529 plan deductions, so central to middle class financial life, also are largely the province of white households. Add to this the particular types of local fines and fees that are primarily borne by families of color, and it becomes clear that tax policy is also replete with policy choices that reinforce the racial wealth gap.

**Why is the Racial Wealth Gap Important?**

You might ask, why is this important? Doesn’t every society have a hierarchy from the very poor to the very privileged? What is important about our context is that we aspire to do better, that the outcomes we see are not accidental but are the progeny of a marriage between a value set that rested on skin color and cultural associations, otherwise known as racism, and explicit public policy actions.

And the reason we need to care and need to change outcomes that place people of color at a vast disadvantage relative to whites in America, is that we are not alone in this global economy. With a population that is increasingly non-white, we will depend heavily on the fortunes of our children, the majority of whom under 15 are now non-white. When the aspirations and efforts of an increasingly significant portion of our population are constrained, we also constrain the opportunities to continue to innovate and to grow our economy. The racial wealth gap substantially affects U.S. GDP output, with an estimated yearly cost to the U.S. economy of $1 trillion to $1.5 trillion in lost consumption and investment between 2019 and 2028. In the context of a competitive global economy, if we allow the status quo to prevail, we will fall behind economies such as China’s which boasts a high growth economy, a rising middle class, premier universities, and ample financial investments in other economies across the globe.

**Racial Health Disparities in the United States**

While the wealth gap is one consequence of racism in public policy, so too are health disparities. Racial and ethnic disparities in health and well-being outcomes have long been the norm in the United States and have received renewed attention in the wake of the COVID-19 pandemic.

Our neglect and underinvestment in the health and well-being of communities of color, again, a conscious set of policy choices, has meant that communities of color face health disparities that can directly be attributed to lack of access to health care, either because in these communities, people of color lack jobs with benefits, especially health insurance, are not in proximity to health care facilities, and/or lack broadband access. In many communities of color, often previously redlined, poverty rates
are higher than average, residents work in lower-paying jobs, and are more likely to live in higher environmental risk neighborhoods.

So what we confront is a racial and ethnic health disparity landscape where people of color are more likely to die from treatable conditions; more likely to die during or after pregnancy and to suffer serious pregnancy-related complications; and more likely to lose children in infancy. People of color are also at higher risk for many chronic health conditions, from diabetes to hypertension. The COVID-19 pandemic has exacerbated these trajectories, with Blacks and Latinos dying at higher rates from COVID-19 and with average life expectancies for Black and Latino people falling more sharply compared to those of whites. In addition to the racial wealth consequences of redlining, discriminatory residential segregation has led to disproportionate exposure to environmental risks for communities of color living in historically redlined areas, with higher pollutants and proximity to industries that emit toxic gases or effluents.

We did not arrive at these health disparities by accident, we arrived here because we have made policy decisions that have devalued the health and wellbeing of communities of color.

The Way Forward

While the racial wealth gap and health disparities will not be undone overnight, what is encouraging about our situation in the United States is that we have the resources and the knowledge to design policies that break from those that inculcated a hierarchy of the value of human life based on race and ethnicity. We can invest in historically redlined areas in a way that supports the communities currently living there. We can put families of color on the path to economic mobility. We can invest in better schools and better health care for communities of color. We can change the tilt of our tax code. We can change the built environment to ensure that children can drink clean water and live in communities with many amenities and free of toxic waste. We can do that.

More importantly, however, we must make these changes. Children of color, who are now the majority of their generation, will one day be the people responsible for our economy, national security, educational system, our response to climate change, and our ability to innovate. Do we want them to spend the remainder of the 21st century making up for disadvantageous policy decisions made in the 19th, 20th, and early 21st centuries? Or do we want to work now to create a new, equitable policy framework that recognizes and seeks to ameliorate the effects of those earlier policy decisions? We all win when we acknowledge that we can do better and that we are ready and willing to use the very ample resources and intellect in the largest economy in the world to create an equitable future for the United States.

Thank you for the privilege of addressing the Committee today.