

STATE OF THE DREAM

2012

THE EMERGING MAJORITY



State of the Dream 2012: THE EMERGING MAJORITY

Written by:

Tim Sullivan

Wanjiku Mwangi

Brian Miller

Dedrick Muhammad

Colin Harris

Research:

Dan Salah, Jonathan Delich, Stephen Deng, Colin Loveness, Michael Mitton, Madeleine Salah and Justin Pollard of Litinomics

John Schmitt and Janelle Jones of Center for Economic and Policy Research

Jeremy B. Thompson of 1199 SEIU United Healthcare Workers East

Editing Assistance:

Mike Lapham and Danielle Bodnar of UFE

Chris Hartman of Tower Street Research

Graphs: Steve Schnapp of UFE

Cover Art and Layout: Shannon Moriarty of UFE

Special thanks to Mike Prokosch, Ajamu Dillant of North Carolina Justice Center and Board Member of UFE, Bill Fletcher Jr. of The Black Commentator and UFE's Advisory Group, Algernon Austin of Economic Policy Institute and Sarah Treuhaft of PolicyLink for helping to shape the topic of this report and for providing valuable feedback at key stages in its development.

Special thanks also to the Dollars & Sense Collective.

United for a Fair Economy is a national, independent, nonpartisan, 501(c)(3) nonprofit organization.

UFE raises awareness that concentrated wealth and power undermine the economy, corrupt democracy, deepen the racial divide, and tear communities apart. We support and help build social movements for greater equality.

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State of the Dream 2012: THE EMERGING MAJORITY

Executive Summary

A major demographic shift is underway in the United States. According to the 2010 Census, White babies now make up a little less than 50 percent of all babies in the country. By 2030, the majority of U.S. residents under 18 will be youth of color. And by 2042, Blacks, Latinos, Asians, Native Americans, Pacific Islanders, and other non-Whites will collectively comprise the majority of the U.S. population.¹ For the first time since Colonial days, the United States will be a majority-minority country.

How will the nation adjust to the massive demographic changes set to take place over the next 30 years? And what will be the state of the racial economic divide? If we do not change course, we will continue on a path toward becoming a country in which the overwhelming share of the emerging non-White majority is economically insecure. While Whites will make up a dwindling percentage of the population through 2042 and beyond, the overwhelming share of the nation's income and wealth will remain solidly in White hands.

Communities of color have borne the brunt of our nation's history of racism and White supremacy. Although there have been many social and economic gains made for all races, people of color continue to be left behind. Vast racial disparities still exist in wealth and income, education, employment, poverty, incarceration, and health. Extreme inequality continues to entrench racial disparities and further shrink the broad middle class that has been the foundation of a strong American economy and a cohesive society.

Closing the racial economic divide is first and foremost a moral issue. Our commitment to closing this divide should not depend on whether people of color make up 5 percent or 75 percent of the population. And, as people of color become the new majority, the persistent racial disparities of the past threaten to jeopardize the social fabric of our nation and our economic stability.

If the trends in racial economic inequality of the last thirty years continue for the next thirty years, the racial economic divide in 2042 will be vast and devastating for communities of color and the nation as a whole. Economic inequality between Whites and people of color will persist unless bold and intentional steps are taken to make meaningful progress towards racial equity, to sever the connection between race and poverty, and ultimately to eliminate the racial economic divide altogether.

Key Findings – Looking Back, Looking Forward

1. Disparities in income perpetuate poverty in communities of color and will continue to do so unless change is made. *(Pages 6-10)*

In 2010, the median family income of Black and Latino families was a mere 57 cents to every dollar of White median family income. By 2042, the median Black family will still only earn about 61 cents for every dollar of income earned by the median White family if current trends continue. Latino income will decline relative to White income, as Latinos will earn 45 cents for every dollar of White median family income. Meanwhile, the Black poverty rate will still be close to double that of Whites, and the Latino poverty rate will be more than two and a half times that of Whites. The potential for racial and ethnic strife will increase as larger and larger numbers of people of color will be in poverty.

2. Increasing wealth inequality entrenches the racial economic divide. *(Pages 10-14)*

In 2007, near the height of the housing bubble, average White net worth was five times greater than average Black net worth, and more than three and a half times that of average Latino net worth. White families who have more wealth are able to tap it in times of hardship to avoid falling to the bottom of the economic ladder or to make investments in their future. If the trend from 1989 to 2007 continues, Black families will by 2042 have on average just 19 cents for each dollar of net wealth held by White families; Latinos will have 25 cents for each dollar of White net wealth on average. The racial disparities in median net wealth will be even larger.

3. Education is one of the most important tools we have for increasing social mobility, yet dramatic disparities in education perpetuate inequality. *(Pages 14-17)*

In addition to new restrictions on the use of race-based affirmative action in higher education, spiraling college costs, the persistence of legacy preferences, and underfunding of education in the United States threatens to reverse the gains made since the civil rights era in closing the educational attainment gap. In 2010, Black adults were 60 percent as likely to have a college degree as White adults while Latino adults were only 42 percent as likely to have a college degree. By 2042, if current trends continue, some progress in closing the educational attainment gap will be realized for Blacks, but for Latinos, the gap will be even wider.

4. The mass incarceration of people of color is historically unprecedented. *(Pages 18-20)*

Blacks are six times more likely to be in prison than Whites, and people of color as a whole make up over 65 percent of the prison population. This disparity has serious economic consequences. The economic effects of incarceration follow former inmates after they have served their sentence. Finding a job or a home and pursuing an education are much more difficult for people with a criminal record. An astounding 68 percent of Black men born since the mid-1970s have prison records.² These startling incarceration numbers stem primarily from the war on drugs. If current trends continue to 2042, the percentage of people of color who have experienced jail time will dwarf even that number.

Building Power to Close the Racial Economic Divide

Even once people of color become a majority of the population, their numeric strength alone will not be enough to shift the political and economic landscape. In the age of mass media and Citizens United, money buys influence, and the national income and wealth will remain overwhelmingly in the hands of Whites—a small group of Whites at that. Current voter suppression laws and proposals at the state level, including voter ID laws, and laws that disenfranchise former convicts, are rolling back the voting rights advances achieved by the civil rights movement and reducing what little political power communities of color do have.

Demographic changes are already fueling political decisions about public investments—decisions that disproportionately affect people of color, especially youth. Currently, almost half of U.S. residents under the age of 18 are youth of color, while 80 percent of American retirees are White. Increasingly, older Americans do not identify with young Americans who are far more racially and ethnically diverse, leading to reductions in future-oriented public investments in education, social programs and transportation that helped to build the wealth of the country in the previous century.³

We need nothing less than a diverse, powerful social movement dedicated to advancing meaningful policy solutions on many fronts to reduce the racial divide.

To gain the political power necessary to make significant progress toward racial economic equality, the influence of money in politics must be reduced and voting rights for all Americans must be restored and protected. Eliminating racial inequality will require a powerful and sustained political movement, aligned not just along the lines of race, but also by economic interests. The renewed national debate about who benefits from the economic system, who doesn't, and why—a debate inspired in large part by Occupy Wall Street—presents an opportunity to build such a movement. The perverse concentration of wealth and power in the U.S. is central to both Occupy Wall Street and efforts to close the racial economic divide.

We need nothing less than a diverse, powerful social movement dedicated to advancing meaningful policy solutions on many fronts to reduce the racial divide. Foreclosure relief, federal aid to states and targeted job creation programs are needed to both combat the current economic slump and to reduce racial economic disparities. Longer-term strategies including wealth-building programs, increasing taxes on the rich, strengthening safety net programs, ending the war on drugs, and humane immigration reform are needed in order to substantially reduce racial inequality.

It is a moral and economic imperative that we address the racial economic divide now. If we are to chart a path to a more promising future, one in which the racial economic divide is significantly narrowed and prosperity is more broadly shared, then we must take immediate action to ensure that the coming majority is not further burdened by the legacy of racism and White supremacy in the United States.

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The Racial Economic Divide in the U.S. Today

Population *(Page 6)*

- In 1980, the U.S. was 80 percent White.
- By 2010, the White share of the population was 65 percent.
- The Census Bureau projects that in 2042 the White population will no longer make up the majority of the country.

Income, Poverty, and Jobs *(Pages 7-10, 16)*

- Black and Latino median family income was 57 cents for every dollar of White median family income in 2010.
- 25.7 percent of Blacks and 25.4 percent of Latinos were in poverty in 2010, both are more than two and a half times the White poverty rate.
- While Latinos represented 16 percent of the population in 2010, they only made up 6.1 percent of the top income quintile. Blacks were 12 percent of the population in 2010, and made up only 5.5 percent of the top income quintile.
- As of December 2011, the unemployment rate was 15.8 percent for Blacks, 11.0 percent for Latinos, and 7.5 percent for Whites.

Wealth and Debt *(Pages 11-13)*

- The average net worth among Black families in 2007 was only 20 cents for every dollar of the average net worth among White families. The figure for Latino families was 27 cents.
- Near the top of the housing bubble in 2007, home equity made up 38.7 percent of Black family net worth on average and 39.9 percent for Latinos but only 23.2 percent for Whites.
- Before the housing crash and ensuing credit crunch and economic crisis, Black and Latino families were on average much more highly leveraged than White families. White families on average had a debt burden equal to just 15 percent of their net worth in 2007, while Black and Latino families owed 50 percent and 47 percent, respectively.

Opportunity and Well-Being *(Pages 14-22)*

- Black adults were 60 percent as likely to have a college degree as White adults in 2010, while Latino adults were only 42 percent as likely to have a college degree.
- Blacks were 6.1 times as likely to be incarcerated than Whites in 2010. Latinos were 2.5 times as likely to be incarcerated as Whites. These figures do not include the disproportionately Latino population being held in immigration detention centers.

-
- In 2010, the year that national health care reform was passed but before most of its provisions were implemented, health care coverage rates for Whites, Blacks, and Latinos were 86.3 percent, 78.3 percent, and 68.0 percent respectively.

Projections for 2042 *(Pages 23-24)*

In 2042, the White population will become less than half of the total U.S. population for the first time. If the trends based on all years of consistent data available between 1980 and 2010 were to continue to 2042:

- Blacks will make 61 cents and Latinos will make 45 cents for every dollar Whites make in terms of median family income.
- Black families will have on average just 19 cents for each dollar of net worth held by White families; Latinos will have on average 25 cents for each dollar of White net worth.
- The Black poverty rate will be 1.9 times higher than the White poverty rate, and the Latino poverty rate will be 2.6 times higher than the White poverty rate.
- The Black unemployment rate will be 1.8 times higher than the White unemployment rate while the Latino unemployment rate will be 1.5 times higher than the White unemployment rate.
- Black adults will be 76 percent as likely as Whites to have earned a college degree while Latinos will be only 37 percent as likely as Whites to have graduated from college.
- Five percent of the Black population will be in prison as will 1.9 percent of the Latino population, compared to less than 1 percent of the White population. Blacks will be six times more likely than Whites to be in prison and Latinos will be twice as likely as Whites to be incarcerated.

A Note about 2042 Projections

The projections of economic indicators are based on linear extrapolations of trends between 1980 and 2010, using all years in which consistent data is available. For the wealth and debt data, the projections are based on the trend between 1989 and 2007. This timeframe was used because it is the period covered by the triennial Survey of Consumer Finances that has been produced with a consistent methodology by the Federal Reserve starting in 1989. Figures from the 2010 Survey, which will capture the effects of the collapse of the housing bubble in the U.S., will be made available later in 2012. *(See Appendix: Methodology, Page 35)*

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Section One

Historical Context: How Did We Get Here?

The roots of racism are very deep in America. Historically it was so acceptable in the national life that today it still only lightly burdens the conscience.

— Dr. Martin Luther King, Jr., *Where Do We Go from Here: Chaos or Community?* (1968)

The roots of the racial economic divide are bound together with the roots of racism in the United States. The stark disparities of wealth and income that exist today are the remnants of hundreds of years of racial oppression.

The United States of America is a nation founded on the principle that all men are created equal. Our stated ideals have always been democracy, liberty, and freedom. Our reality with respect to race has rarely lived up to those ideals. Martin Luther King, Jr. explained that throughout our history we always “take a step backward simultaneously with every step forward on the question of racial justice.”⁴ And indeed, the doctrine of White supremacy is as tied up in our national history and economy as the principles of liberty, freedom, and equality.

We declared and fought for our independence in the name of life, liberty, and the pursuit of happiness but then enshrined racism into our Constitution, declaring a slave to be three-fifths of a person. We did this not to give them voice and representation but to increase the political clout of slave owners and ensure that the Southern slave states stayed in the newly formed nation.⁵ It took 92 years, a civil war, and three Amendments to the Constitution to revise that injustice. In the intervening years, slavery flourished in the United States.

Americans put forth numerous justifications for the degradation and dehumanization inherent in the African slave trade—and the economic gains

that depended on it. White supremacy—the theory of and belief in the superiority of White people over others on the basis of race—was the nation’s rationalization for the institution of slavery. Pseudo-scientific analysis and warped religious justifications for White supremacy were invented and gained wide acceptance in the century before the United States declared its independence.⁶ White supremacy remains at the root of racial injustice in America today.

The wealth of the Colonies and the young United States was largely built by slave labor. In Dr. King’s words, “The basis for the birth, growth and development of slavery in America was primarily economic.”⁷ To feed the demand for cheap slave labor “Africa had been raped and plundered.”⁸ Millions of Africans were kidnapped, imprisoned, and consigned to a life of slavery or killed. The human tragedy and horror of slavery is sickening. Economically, it helped to fuel the growing wealth and power of the United States.

Slavery was not the only example in American history of wealth created via the exploitation of people of color. The westward expansion of the U.S. was accomplished through wars of conquest waged against American Indians and Mexican settlers. Justified by White supremacy, land was taken by force, entire populations were wiped out, and treaties were signed only to be enforced or ignored at the discretion of the government in order

to expand the country from the Atlantic to Pacific coast.⁹ The result was a massive transfer of wealth from people of color to White Americans.

As a result of the Mexican-American War, Mexico was forced to give up half of its land to the United States in 1848. This territory contained the oil deposits later discovered in Texas, the mineral-rich lands of Arizona and New Mexico, and the gold mines of California.¹⁰ In the years after the war, Mexicans living in the newly conquered territories were dispossessed of much of their land and wealth as the treaties that protected them were disregarded.

¹¹

The Civil War was waged to prevent the southern states from seceding after the first national election victory of a truly anti-slavery political party. Victory for the North in the Civil War preserved the union and finally ended the legal institution of slavery in the United States. The gains made by newly freed slaves in the Reconstruction period after the war offered a brief promise of a nation beginning to live up to its best ideals. Newly freed slaves made dramatic advances in education, employment, and representation in the political process.¹² But just 12 years after the end of the war, Reconstruction came to an end when federal oversight of the Southern states was withdrawn.¹³ Mob violence, lynching, and Ku Klux Klan terrorism reversed the racial progress that had been made. Segregation, the Jim Crow era of violent repression, overt racism, indentured servitude, and second-class citizenship replaced the system of slavery.

The ideology of White supremacy, cultivated through decades of slavery in the South and legal discrimination in the North, now flourished in a climate of racial resentment and hostility.¹⁴ Disenfranchised, discriminated against, and ostracized in nearly all aspects of life, Blacks were once again subject to “racialized social control.”¹⁵

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Segregation quickly seemed as natural an institution as slavery had seemed in its heyday. Its dismantling was gradual. A civil rights movement began to take shape in the first decade of the twentieth century.¹⁶ New Deal programs aimed at ending the Great Depression were often designed to exclude or limit benefits received by Blacks and Latinos, but still began to lay the foundation for a more broadly shared prosperity.¹⁷ In World War II, the evident hypocrisy of the United States fighting a racist enemy while itself being complicit toward Southern racism became apparent. The war effort required that people of all races contribute, and as a result some racial progress was made. Some New Deal programs were expanded to provide better access to benefits for people of color.¹⁸ Victory in World War II and the post-war economic boom brought a sense of shared purpose, optimism, and possibility to the country. The civil rights movement of the 1950s and 1960s focused the attention of the nation on the fact that the American ideals of freedom, liberty, and equality were being systemically denied to people of color.

Ending the Jim Crow era of segregation, oppression, and the denial of basic rights was the goal of the civil rights movement that brought Martin Luther King, Jr. to national prominence. Through non-violent direct action and civil disobedience, the civil rights movement built on successful legal campaigns of the NAACP and others, most notably the Supreme Court’s school desegregation decision

in the landmark *Brown vs. Board of Education* case in 1954.

The civil rights movement secured legislative victories designed to guarantee basic civil rights to all people. The Civil Rights Act of 1964¹⁹ and the Voting Rights Act of 1965²⁰ are the most prominent civil rights policy accomplishments of that era. These hard-won changes to federal law, along with several other pieces of legislation, were intended, among other things, to ensure equal access to employment and housing, to restore the rights of voting and representation to Black people in the South, and to end the systemic practices of segregation.

The Immigration and Nationality Act of 1965, which dramatically changed the immigration system, received less attention than many other civil rights laws at the time of its passage.²¹ However, in ending the national quotas that favored White immigrants from Northern Europe and focusing immigration policy on family reunification, the Act has been the driving force behind the massive increases in Latino and Asian immigration that has reshaped the demographic makeup of the country ever since.²²

Anti-immigrant (nativist) sentiment, like racism, has been a common thread running through American history. Since the surge in Latino immigration, anti-immigrant views have converged with racism and the ideology of White supremacy. The economic situation for Latinos—from native-born to recent immigrant, from citizen to undocumented—has become increasingly interwoven with the economic conditions of Black populations.

The gains achieved by the civil rights movement in the lifetime of Martin Luther King, Jr. were intended to ensure that the basic rights of all people were guaranteed and protected. In the period shortly before his murder in April 1968, King had

shifted his focus from campaigns for basic civil rights, particularly in the South, to working toward racial economic justice, starting in the inner cities of the North. He described the victories of the civil rights movement to that point as having gained Black people “a degree of decency, not of equality.”²³ The struggle for equality would require a new phase for the movement, in which Americans of all races understand racial economic inequities and commit to eliminating them.

But a White backlash was already building during the last years of King’s life. He saw this backlash not as a new racial injustice but as the continued expression of our ingrained national character, in which we respond to every step toward racial justice by taking a step backward.²⁴ Just as a country conceived in liberty built its wealth through slave labor, and just as the Jim Crow era followed the victory in the Civil War, the White backlash of the late 1960s and 1970s came in response to the gains made by the civil rights movement.

The White backlash took hold more firmly in the years after King’s death. The booming post-World-War-II economy that had produced shared growth that started reducing racial economic disparities began to sputter in the late 1960s. Corporations responded to the economic downturn by cutting costs every way they could. Labor costs were

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reduced by offshoring, automation, union busting, and by shifting the cost and risk of pension and health plans onto employees. In the 1970s, a new corporate lobby emerged as a force in national politics and it successfully pushed for corporate tax cuts, deregulation, and the undermining of labor and union protections.²⁵ These policy changes hit Black workers hardest and significantly derailed racial economic progress.

Offshoring was especially damaging. The Black middle class depended on manufacturing jobs, and when corporations started shipping work overseas, the last hired and first fired were often Black factory workers. Cuts in social programs disproportionately hurt Black and Latino families who depended most on them due to a lack of wealth to fall back upon relative to Whites. The erosion of the power of labor unions further reduced a major source of well-paying jobs for people of color.²⁶

Racial resentment in the wake of the civil rights advances of the 1950s and 1960s contributed to a realignment of the political parties. The Southern, racist vote that had been a reliable part of the Democratic electoral coalition since before the Civil War abandoned Democratic candidates. Republican and Democratic politicians alike recognized this shift as it was happening.

When Democratic President Lyndon Johnson signed the Civil Rights Act in 1964, he told an aide, “We have lost the South for a generation.”²⁷ Republicans responded by developing a “Southern strategy” that appealed to Southern Democrats’ disapproval of civil rights legislation. Barely coded campaign language emphasizing “law and order”

and the need to “get tough on crime” contributed to the election victories of Richard Nixon in 1968 and 1972.²⁸

Republican electoral gains from the Southern strategy were solidified with the election of Ronald Reagan in 1980. Reagan did not campaign on an explicitly racist agenda. However, the votes to elect him “came disproportionately from those who expressed antiblack sentiments; thought the civil rights movement was moving too fast; were opposed to busing; and thought Blacks should look to themselves rather than government to alleviate their condition.”²⁹ Open support for segregation and White supremacy was replaced by language designed to play to the fears of these voters: “states’ rights” and tax cuts became ways to talk about policies with racial outcomes without using the language of racism.³⁰ But the decline of overtly racist political rhetoric did not remove racist outcomes from public policy.

Vast racial disparities continue to exist across nearly all economic indicators more than 40 years after Martin Luther King, Jr. was murdered. The current racial economic divide is born of the ideology of White supremacy. The policies that tolerate or worsen the divide and perpetuate our national history of racial oppression are many, and include recent examples. The role of racism in public policy was perhaps most vividly dramatized by the official preparations for Hurricane Katrina in 2005, when New Orleans officials decided that shoring up the levees that would have prevented the loss of lives and property in the heavily Black Lower Ninth Ward was a waste of time and resources.³¹

Section Two

The Current Racial Economic Divide, 30 Years of Conservative Policy, and the Coming Non-White Majority

The absence of brutality and unregenerate evil is not the presence of justice.

— Dr. Martin Luther King, Jr., *Where Do We Go From Here: Chaos or Community*, 1968

In the thirty years since Ronald Reagan's election consolidated the Republican grip on the racist vote, conservatism has become the dominant governing philosophy of the United States. Through both Democratic and Republican administrations, public policy has been largely focused on tax cuts, military intervention, deregulation, crime (and the war on drugs), and reducing spending on social programs and the welfare state. While a political consensus that accepts most of the civil rights gains of the 1960s has emerged, the overall conservative tilt of federal policy has largely ignored and in many cases worsened the racial economic divide.

Ignoring the racial economic divide has not made it disappear. In 1967, Martin Luther King, Jr. noted the glaring disparities in housing, health, education and poverty rates. King wrote that Blacks have “half the income of whites” and are twice as likely to be unemployed.³² With surprisingly little modification, his words could still accurately describe racial economic disparities that exist today.

Overall economic inequality—the gap between the richest and everybody else regardless of

A major demographic shift is underway in the United States. The country as a whole is becoming less White.

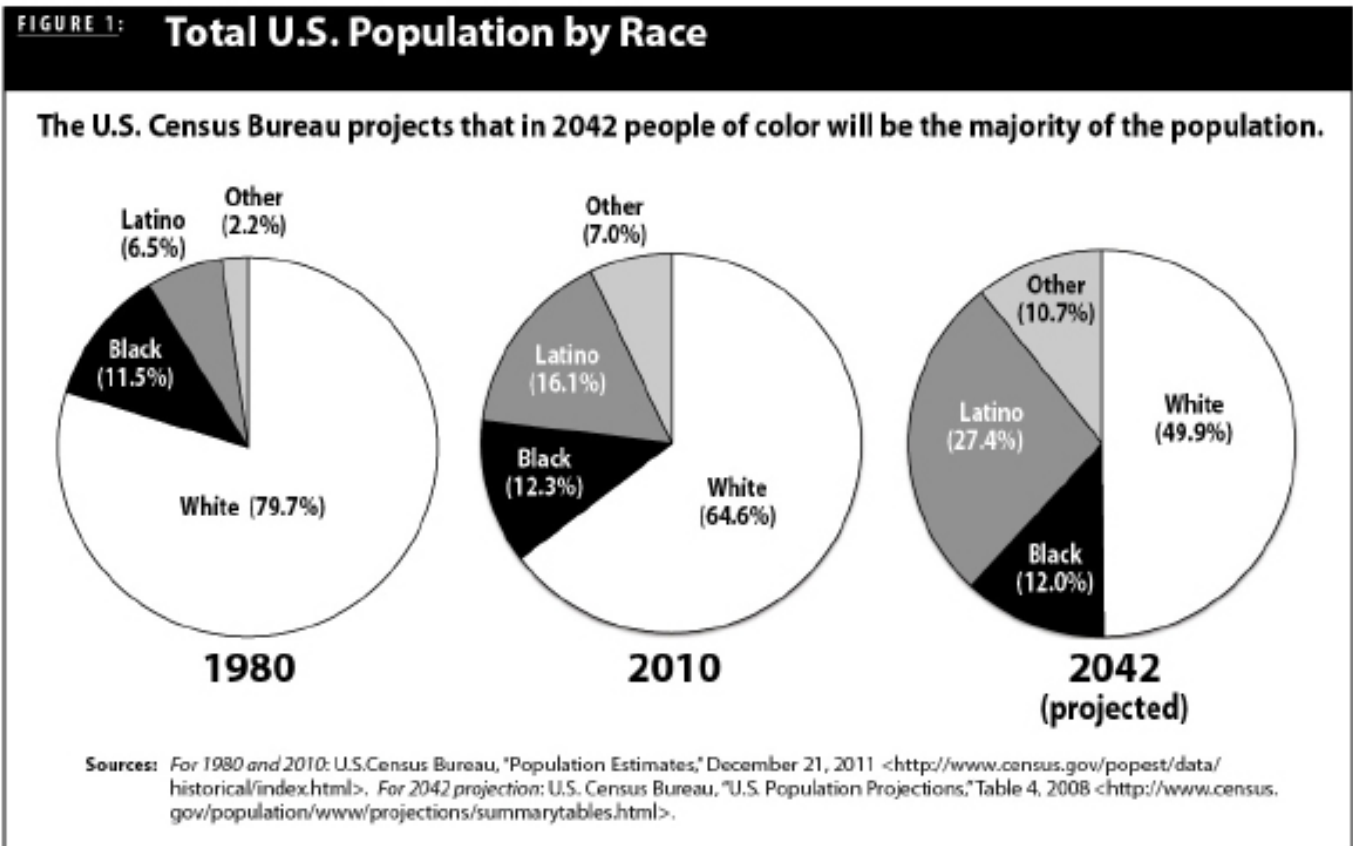
race—has skyrocketed in the past 30 years. In this environment, there has been some relative progress made toward reducing racial economic inequality. But where there has been progress, it has been slow and inconsistent. After 30 years of conservative governance, the economic divide between races shows no signs of disappearing.

If the country does not change course from the dominant conservative policy direction, the slow, halting progress toward racial economic justice of the last 30 years will continue for the next 30 years. Even by 2042, when the majority of the population will be non-White, the racial economic divide will persist much as it does today.

The Changing Population

A major demographic shift is underway in the United States. The country as a whole is becoming less White. The growth of the total population is being driven largely by a rapid increase in the Latino population. The Asian share of the population is also increasing dramatically but is still fairly small. The Black population remains fairly steady as a share of the total population but is increasing relative to the White share.

In 1980, Ronald Reagan was elected President of a nation that was 80 percent White. Thirty years later, in 2010, the population was only 65 percent White. Latinos made up 7 percent of the population in



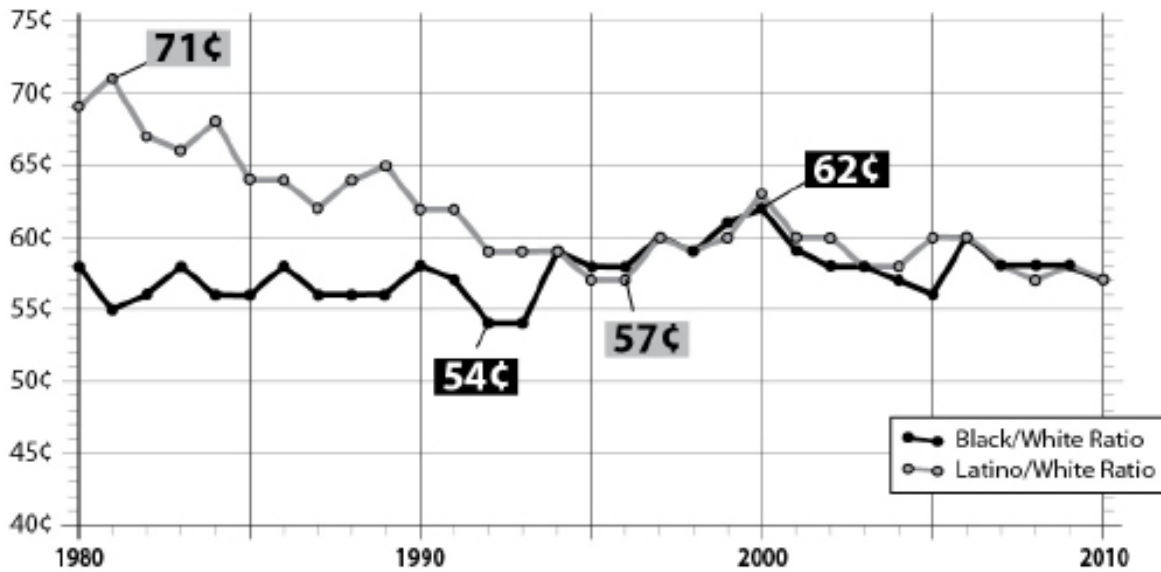
1980 and 16 percent in 2010. The Black population remained at 12 percent from 1980 to 2010 but increased in proportion to the White population. The Asian population more than doubled from just 2 percent in 1980 to 5 percent in 2010. The remaining groups, totaling roughly 3 percent of the population in 2010, include Native Hawaiians, Pacific Islanders, Native Alaskans, American Indians, and people identifying with two or more races.³³

The Census Bureau projects that by 2042, 30 years from now, the majority of the population will be non-White for the first time in the nation's history.³⁴ Latinos will make up more than a quarter of the population. Latinos and Blacks combined will account for close to 40 percent of the population, more than doubling their share of the population in 1980.

If the trends in racial economic inequality continue at the rate that they have since 1980, the changing demographics of the country will produce a vast racialized underclass that will persist even after the majority of the country is non-White.

Income

In the 20 years between the business cycle peaks of 1948 and 1968 (the year that Martin Luther King, Jr. was murdered), the median income for Black families rose from 53 cents for each dollar of White income to 60 cents per dollar of White income. However, almost half of the gain that had been achieved by 1968 was given back by 1979. In the period between King's death and the year before the election of Ronald Reagan, Black income declined relative to White income, going from 60 cents per dollar down to 57 cents for each dollar of White income.³⁵

FIGURE 2: Median Family Income Ratio to White

Source: US Census Bureau. Original analysis of March 2011 Current Population Survey data. All figures in 2010 dollars.

Notes: White, Black, and Latino are mutually exclusive categories. Calculations are based on 2010 dollars.

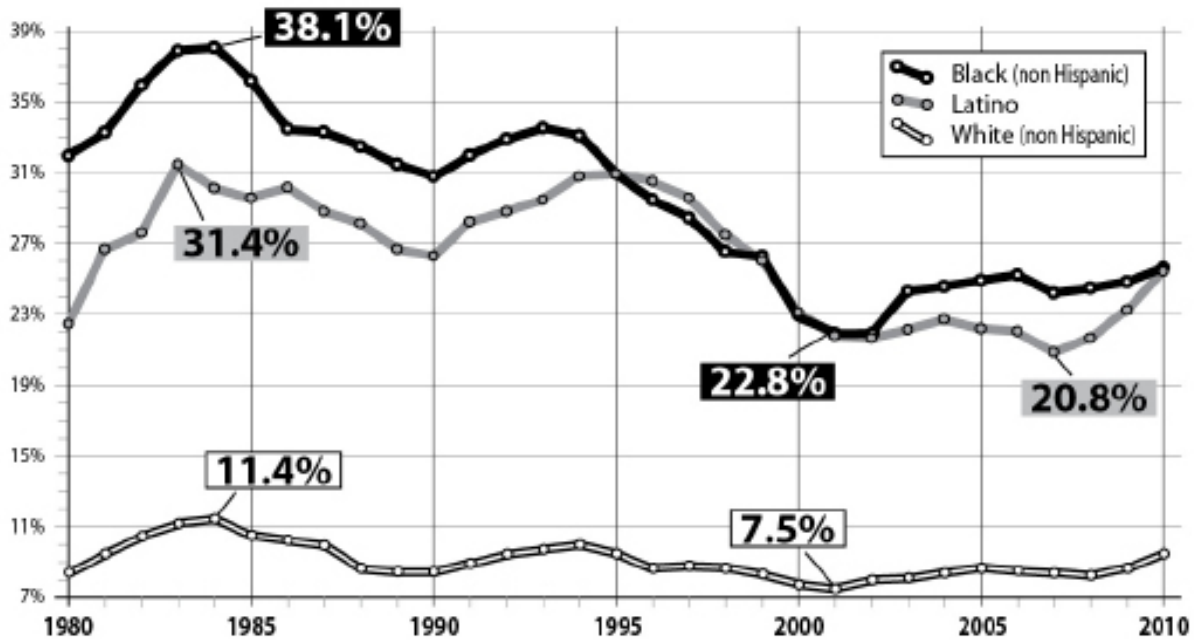
From 1980 to 2010 median Black family income continued to hover at a bit more than half of White median family income. The closest point to parity occurred at the height of the technology bubble in 2000, when Black family income hit 62 cents for every dollar of White income. Median income for Latino families, by contrast, has declined significantly over the past 30 years, abetted in part by increased immigration from relatively poor Central and South American nations. In 1981, the first year of the Reagan administration, the median Latino family earned 71 cents to each dollar of income for the median White family. By 2010, their earnings had decreased to 57 cents per dollar of White income, equal to the median income for Black families.³⁶

The Great Recession has wreaked havoc on the economic conditions for the country as a whole and for families of all races. It has hit Black and Latino

families hardest. They have seen their earnings decline relative to White families since the height of the housing bubble, and because Black and Latino families were beginning from a lower starting point, the decline in income has had a larger effect on their standard of living.

Median family income shows the income of the family at the exact middle of the income distribution for each race. We can get a more complete picture of racial income disparities by looking at poverty rates and at the racial composition at the top of the income distribution.

The poverty rate measures the portion of the population living on extremely low incomes.³⁷ Poverty rates have generally been declining slowly since 1980 for all races, but since the start of the Great Recession in 2008, they have headed back up—a trend that as of 2010 had not yet reversed. In

FIGURE 3: Poverty Rates by Race

Source: US Census Bureau. Original analysis of March 2011 Current Population Survey data.

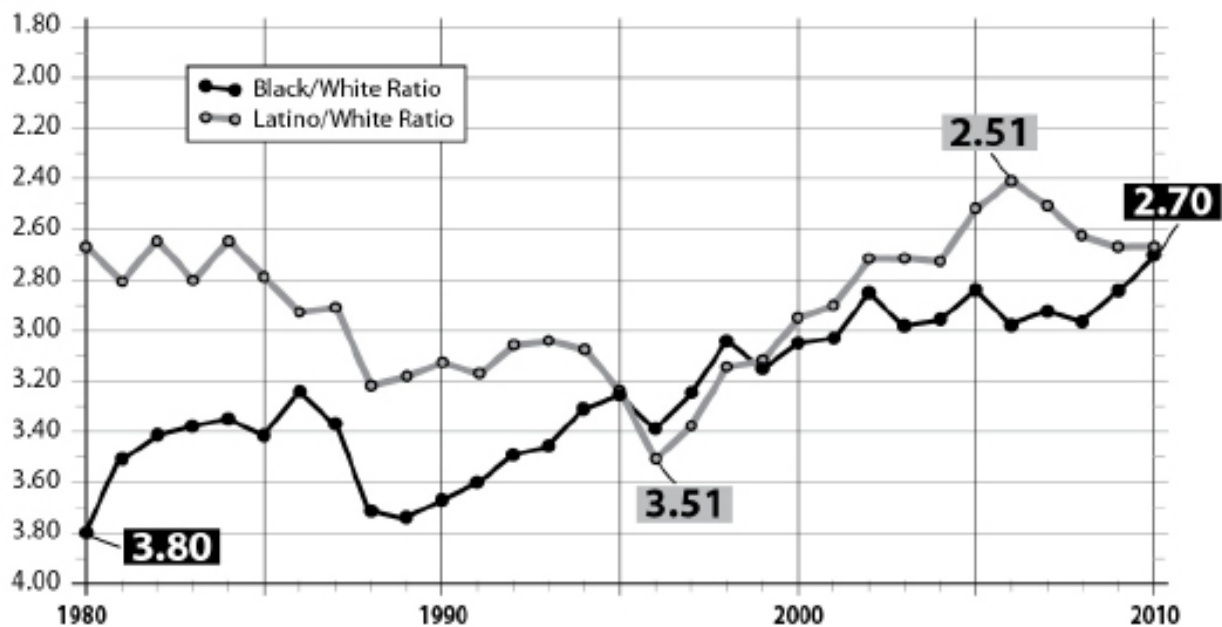
2010, more than 25 percent of the Black and Latino populations were in poverty, compared to less than 10 percent of the White population.

Unlike median income, poverty rates for Black and Latino families relative to the White poverty rate have both improved since 1980. However, as with median income, Latino and Black poverty rates are

If the racial trends in income inequality since 1980 continue to 2042, the White population will continue to receive a vastly disproportionate share of the national income even after they cease to make up the majority of the population.

both far worse than poverty rates for Whites. In 1980, the Black poverty rate was more than three-and-a-half times the White poverty rate, and the Latino poverty rate was more than two-and-a-half times the White rate. Latino poverty got worse relative to White poverty through the mid-1990s, while the Black poverty rate relative to that of Whites improved over the same period. By 2010, the poverty rates for Blacks and Latinos were both more than two-and-a-half times higher than the White poverty rate.³⁸ New measures of poverty that incorporate more than relative income levels can help to give a more complete picture of poverty in the United States; however, the data for the new measures does not go back far enough to establish a long-term trend.

On the other end of the income spectrum, the composition of the top income quintile—the 20 percent of the population with the highest

FIGURE 4: Poverty Rate Ratio to White

Source: U.S. Census Bureau. Original analysis of March 2011 Current Population Survey data.
 Note: A ratio of 1.00 = parity with Whites.

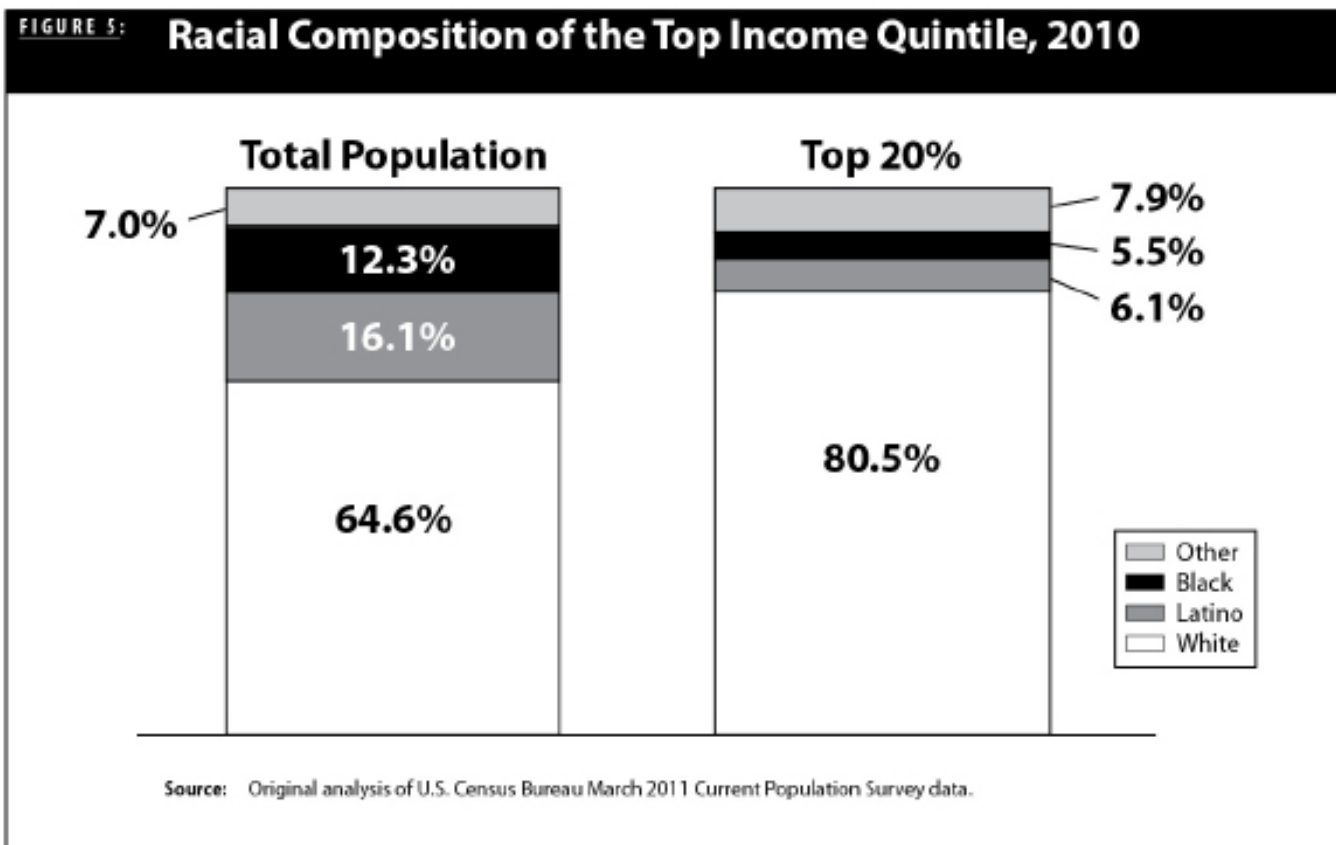
income—is overwhelmingly White, much whiter than the U.S. population as a whole.

The minimum family income needed to be in the top income quintile in 2010 was over \$113,000. Both Whites and Asians were overrepresented among this high-income group throughout the entire period from 1980 to 2010. The representation of Blacks and Latinos in the top income quintile has increased since 1980 to 5.5 percent and 6.1 percent of the top quintile respectively. However, these groups remain significantly underrepresented relative to their share of the population as a whole.³⁹

If the racial trends in income inequality since 1980 continue to 2042, the White population will continue to receive a vastly disproportionate share of the national income even after they cease to make up the majority of the population. The median Black family will still earn only 61 cents for every dollar of White income, less than they

A Note on Wealth Data

Wealth data is harder to come by than information on income and other social and economic indicators. It is produced less frequently and the methods for gathering the data vary by collection source, which makes year-to-year comparisons less consistent. The most recent collection date for the wealth data compiled for this report was 2007, near the height of the housing bubble. More recent wealth data from 2009 is available from a different survey. Other publications, including a Pew Research Center report released in July 2011, which we cite in this report, use that data to describe the state of the racial wealth divide since the onset of the Great Recession. The wealth levels reported from 2009 should not be compared to levels in the original data for this report as the collection source and methodologies are different.



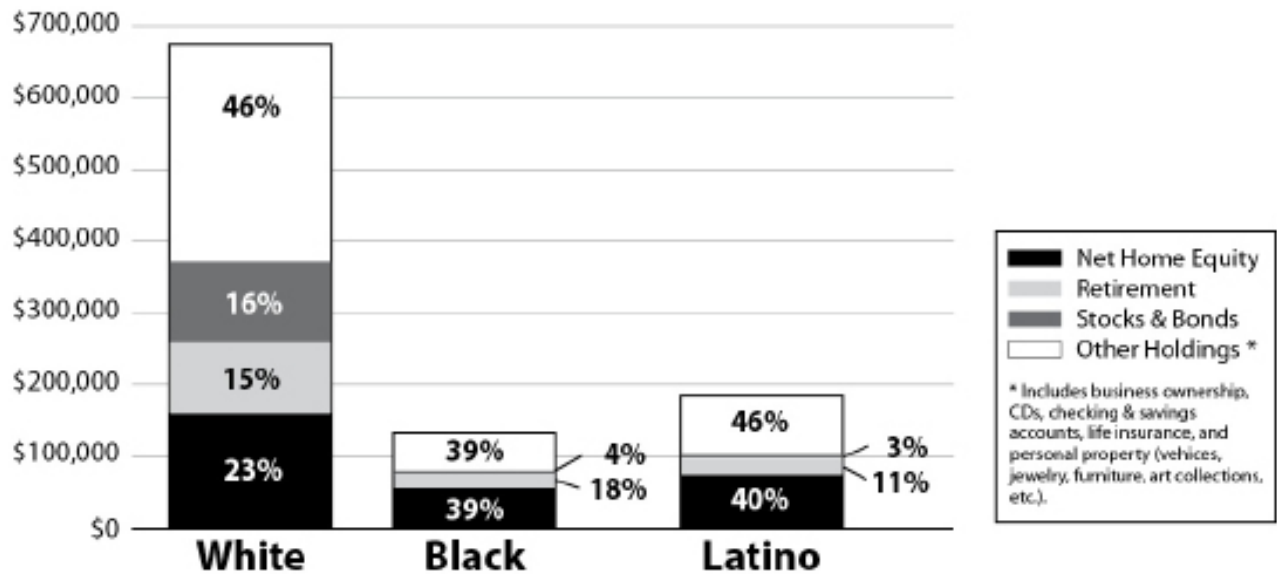
received in the year 2000, and just one penny more than they earned relative to Whites in 1968, the year that Martin Luther King, Jr. was assassinated. The median Latino family has actually seen their income decline relative to the median White family over the last 30 years. Latinos will be taking home only 45 cents for each dollar of income for the median White family if the trend since 1980 were to continue to 2042. The racial gap in the poverty rate is decreasing, but there will still be a massive divide between White poverty and Black and Latino poverty if the trend since 1980 continues. In 2042, the Black poverty rate will still be close to double the White poverty rate while the Latino poverty rate will remain more than two-and-a-half times higher than the White poverty rate.⁴⁰

Wealth and Debt

While racial income inequality remains dramatic and persistent, it is the racial wealth divide that is

perhaps the most severe and damaging aspect of racial economic inequality.

Wealth builds over the course of years and generations. Income can be a source of wealth, but only when a family's income level is high enough to meet their basic living expenses can they save and invest their surplus income. Wealth also grows on itself as assets like stocks, bonds, and homes increase in value over time. Wealth can also produce income, as in the case of interest on bank accounts or rent on a piece of real estate. Alternately, wealth can decrease if asset prices decline, as happened since the collapse of the housing bubble, or if the wealth is held in an asset that loses value over time, like an automobile. The more wealth that a family or community has, the more they are able to endure hard times, as wealth can be spent down until economic conditions improve. Families and communities with little wealth, on the other hand, are forced to live "paycheck to paycheck" and can be

FIGURE 4: Average Wealth Composition by Race, 2007

Source: Federal Reserve, analysis of Survey of Consumer Finances data.

quickly rendered destitute after a job loss or medical emergency.

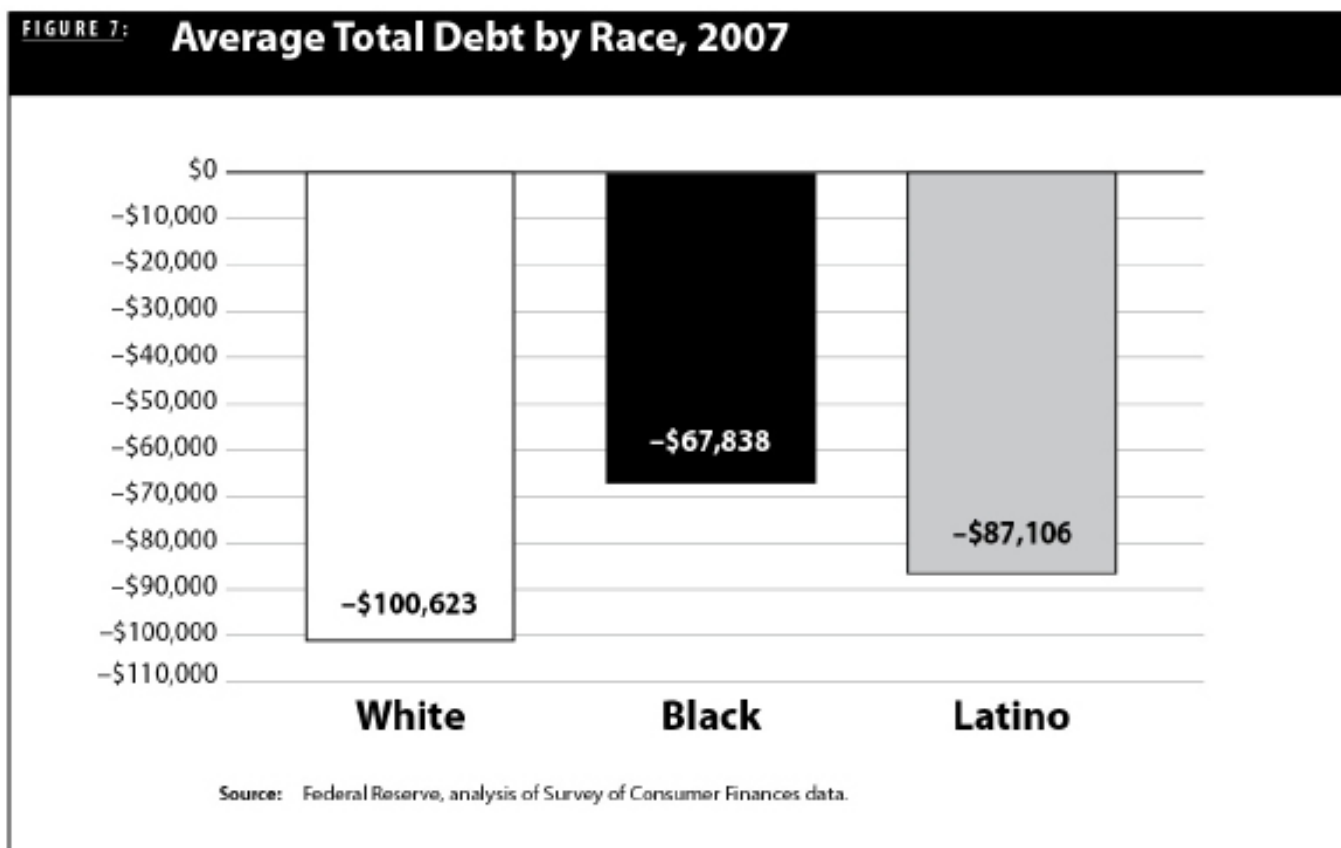
Unlike income, wealth can be directly passed down from generation to generation, concentrating wealth in families and communities. Financial wealth can be used to make investments in the future that lead to greater economic stability and advancement, like paying for a college education or purchasing a home.

Debt is the flip side of wealth. Access to credit—or the ability to take on debt—is important for families of all types and to the functioning of the economy as a whole. The effective use of debt and credit can be a step to building wealth. As with wealth, however, the racial gaps in debt and access to credit are stark.

Wealthier families get access to credit on the best terms because lenders are less worried about the risk

of default. The wealthy can use debt to spend freely without selling their assets and even to reduce their taxes. Poorer families rely on credit and debt just to meet basic expenses. Some are forced to borrow money from payday lenders, which charge exorbitant interest rates for short-term loans. Relatively minor disruptions in income can force families with little or no wealth to take on excessive debt simply to make ends meet. Access to credit can be a great thing for families in need or for making investments in the future. Middle-class families often take on significant debt to pay for education, health expenses, or to finance the purchase of a home. However, higher debt levels relative to wealth or income levels for poorer and for Black and Latino families put them at much greater risk of falling further behind economically.

Average White wealth in 2007, near the height of the housing bubble, was more than five times greater than Black wealth and more than three-and-a-half

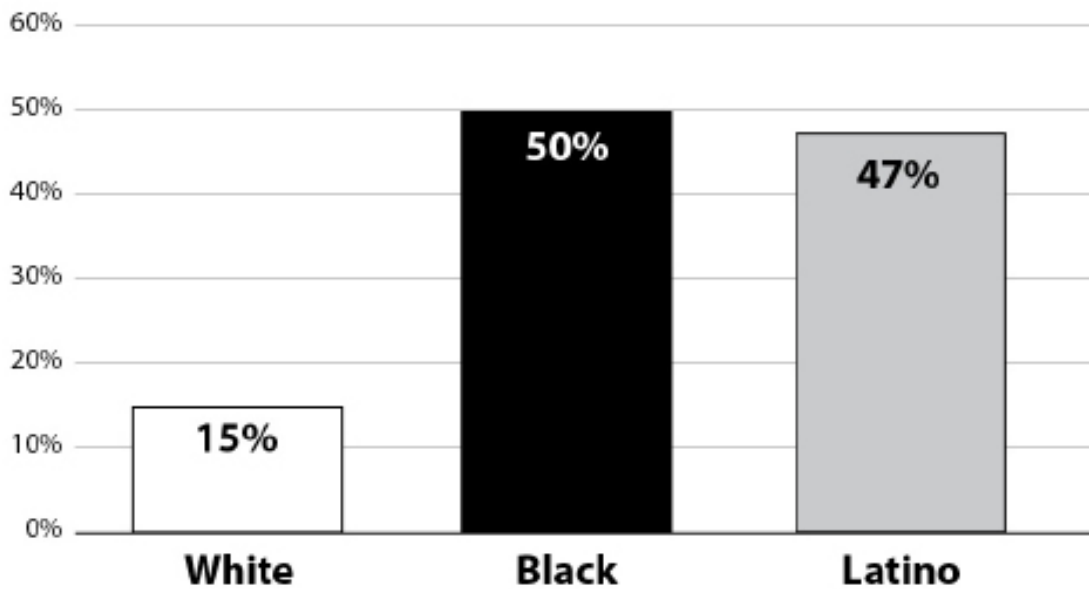


times more than Latino wealth. Whites had more home equity—the share of a home’s value that is owned by the homeowner and not owed to the bank—but home equity made up a greater share of wealth for the average Black and Latino families. Black and Latino families also owed more on their home relative to its value than the average White family. Average White wealth includes significant holdings in stocks, bonds, and retirement accounts. The wealth gap is even wider for the median family than it is for the average. The median Black family held only 10 cents and the median Latino family

held 12 cents to each dollar of wealth of the median White family.⁴¹ The levels and composition of wealth by race show a picture of the average White family being in a far better financial position than average Black and Latino families.

The housing crash and ensuing Great Recession have shrunk the wealth of families of all races but has hurt families of color the most.

Compared to wealth, debt levels were much more equal across racial categories. However in this case, greater parity is not good news for racial equality. Average Latino debt in 2007 was 87 percent of White debt, and average Black debt was 67 percent of White debt. While Whites owed more than Black and Latino families, they owed a much smaller percentage of their net worth—in other words, heading into the economic crash of 2008, Black and Latino families were much more highly leveraged than White families. The debt to equity ratio, a simple measure of total debt divided by net worth, demonstrates the extremely precarious financial position of people of color relative to White people.⁴²

FIGURE 8: Average Debt to Equity Ratio by Race, 2007

Source: Federal Reserve, analysis of Survey of Consumer Finances data.

Note: Average debt to equity ratio = total debt divided by net worth.

The housing crash and ensuing Great Recession have shrunk the wealth of families of all races but has hurt families of color the most. According to a recent Pew Research Center study, between 2005 and 2009, the median White household saw its wealth decline by 16 percent, to \$113,149. Meanwhile, the median Black household saw its wealth decline by 53 percent, to \$5,677, and the median Latino household saw its wealth decline by a staggering 66 percent, to \$6,325. The economic downturn has only worsened the racial wealth gap.⁴³

The bursting of the housing bubble and falling house values have taken a greater toll on communities of color. While the majority of families affected by foreclosures are White, Black and Latino homeowners are significantly more likely than White people to lose their homes.⁴⁴ Racial targeting of predatory lending, even after controlling for income and credit status, is one reason for higher foreclosure rates for communities

of color.⁴⁵ Black and Latino borrowers are far more likely to be charged higher interest rates and often need to borrow more of the value of their home than White homeowners.

The overall picture of the racial wealth gap includes intergenerational transfers of assets—which concentrate wealth in ever-richer and ever-Whiter families and communities—and includes dramatically higher levels of wealth for White families, which affords them greater financial flexibility and security than families of color. Higher relative debt levels for Black and Latino families leave them with less ability to weather an economic downturn or a fall in the value of their assets.

Wealth provides families and communities with stability and strength. It enables greater access to education and economic advancement. It contributes to better health by allowing families to compensate for lost income during periods of

Unless the country makes a dramatic change in course, the wealth gap by 2042 will look very much like it does today, with families of color holding pennies for each dollar of White wealth.

unemployment and pay for more health services. Indeed, it has been said that wealth is power. The racial wealth divide deprives communities of color of equal access to all of the benefits that wealth provides.

Even in the best of times, progress toward closing the racial wealth divide is haltingly slow. During economic downturns, the wealth gap between races expands dramatically. On the whole, the racial wealth divide remains stubbornly persistent. Unless the country makes a dramatic change in course, the wealth gap by 2042 will look very much like it does today, with families of color holding pennies for each dollar of White wealth. If the trend from 1989 to 2007 continued to 2042, Black families would have on average just 19 cents for each dollar of net worth held by White families, and Latinos would have on average 25 cents for each dollar of White net worth.⁴⁶ Incorporating the wealth-destroying effects of the collapse of the housing bubble and the ensuing economic crisis would present an even worse picture of the future racial economic divide. Even though Whites will comprise a smaller and smaller share of the country's population, if current trends continue, they will continue to hold a vastly disproportionate share of the nation's wealth and all of the benefits that wealth confers.

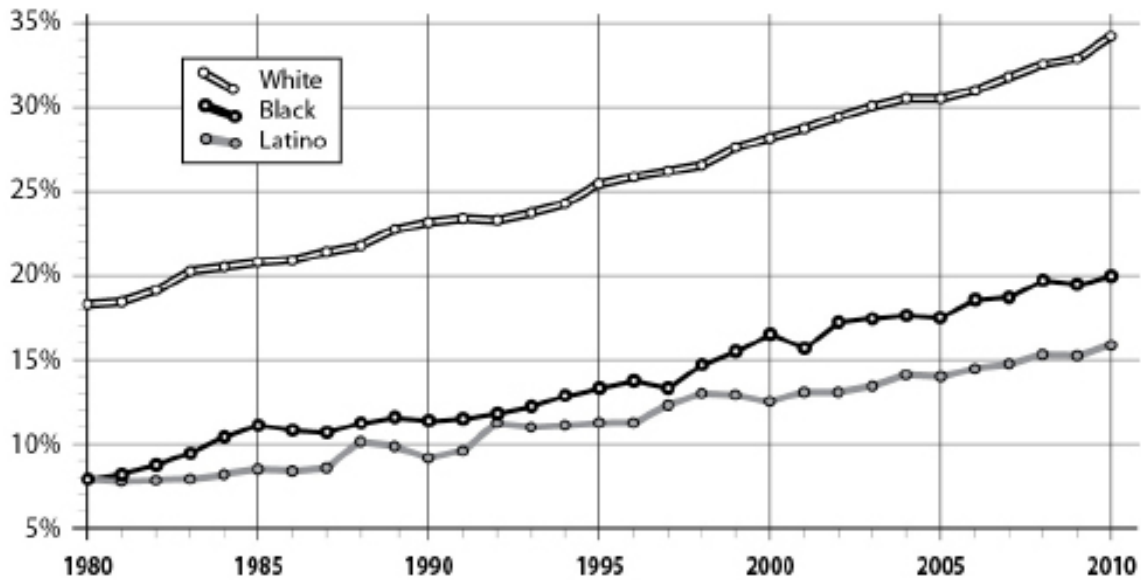
Social Conditions

Education

Education was at the forefront of the civil rights movement. Decades of officially sanctioned racial segregation crushed educational opportunity. In the decades since the school desegregation victories of the civil rights movement, some progress has been made on the racial education gap.

However, more than 50 years after *Brown vs. Board of Education*, more than 40 years after the biggest legislative victories of the civil rights movement, and more than 30 years since the rise of conservatism as the dominant governing philosophy in the United States, schools are again becoming increasingly economically and racially segregated. Anti-affirmative-action campaigns are further threatening the modest racial gains of the last 30 years in educational access and attainment. The de facto re-emergence of economically and racially segregated schooling and the under-funding of high-poverty, majority-minority schools threaten to reverse even the modest gains made in educational advancement. With high teacher turnover rates, excessive class sizes, and meager facilities, economically and racially segregated schools perpetuate the racial divide in educational accomplishment.⁴⁷ Affirmative action policies are now also under siege, which threatens to reverse the gains that Black and Latino students have made in closing the gap in college attendance and graduation rates.

The three decades since 1980 have seen some significant advances in access to higher education. Racial gaps still exist in college attendance and especially in college graduation rates, but all races have made gains. White students still attend and graduate from college at higher rates than Black and Latino students.⁴⁸ In an economy in which a college degree is increasingly becoming a necessity for employment, the rising cost of a college education is putting many families into debt and threatens to

FIGURE 9: Percent of Population with a College Degree, by Race

Source: Original analysis of U.S. Census Bureau data.

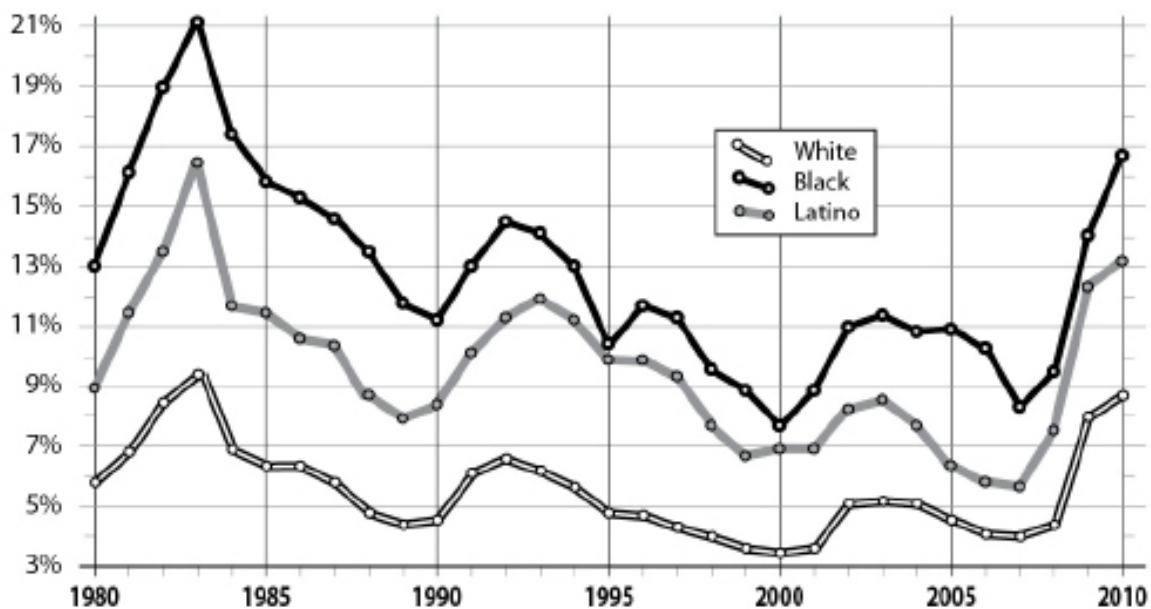
push college out of reach for many more. Even after a substantial increase in Pell Grant funding in the last three years, the maximum total Pell Grant award in 2011 covered only about one third of the total cost of attending college, compared to 75 percent in 1979.⁴⁹

The blue-collar manufacturing economy that powered the post-war economy has increasingly given way in the last 30 years to a white-collar economy emphasizing mental toil over physical. This shift to cubicle culture has placed increasing emphasis on educational credentials as a road to employment. The upward trend in the level of educational accomplishment for all races can be attributed in part to this ongoing transformation in employment practices. Affirmative action policies in college admissions contributed to the growing Black and Latino rates of college attendance. Recent court decisions and legal campaigns have sought to reduce or eliminate racial preferences in school admissions

and threaten to reverse the gains in educational attainment.

The advances in educational attainment and graduation rates are positive but mask a larger threat to racial educational progress—the disparate quality of college education. As the economy has changed over the decades, a college degree has increasingly become a prerequisite for gainful employment. But the economic gains that education can provide are not immediately conferred on anybody who is awarded a college degree.

Vast differences in earnings after graduation exist based on the quality and reputation of the college that awarded the degree. According to the Richard D. Kahlenberg in the *Chronicle of Higher Education*, “Earnings are, on average, 45 percent higher for students who graduated from more-selective institutions than for those from less-selective ones. And the difference in earnings ends

FIGURE 10: Unemployment Rates by Race

Source: Original analysis of Bureau of Labor Statistics data.

up being widest among low-income students.” The article also reports that “54 percent of America’s corporate leaders and 42 percent of government leaders are graduates of just 12 institutions.”⁵⁰

While race-based affirmative action in college admissions is under attack, legacy preferences, a sort of “affirmative action for the rich,”⁵¹ in which preference is given to the children of graduates from elite colleges and universities, continue to flourish. Legacy preferences concentrate the economic benefits of a top-flight education among richer and Whiter families. Conversely, the rising cost of a college education further prevents many students of color from attending the best schools that they could get into. Even public universities and community colleges are becoming more expensive as government funding is reduced due to the economic downturn, the unwillingness of lawmakers to raise taxes, and the prevailing sentiment that prioritizes budget cuts over social spending. Black and Latino

students are increasingly taking on larger debts and attending for-profit colleges that often issue degrees that do not result in significant employment or earning benefits for graduates.⁵²

The slow progress made between 1980 and 2010 in closing the racial gap in educational attainment will not eliminate the disparity in college graduation rates if that rate of progress continues through 2042. The bigger racial educational issues of unequal quality of education, increasing school segregation, and the spiraling costs of a college education all appear likely to worsen. The attack on race-based affirmative action is only just getting underway. And efforts to reduce the costs of college have gained little traction as even public colleges and universities respond to reductions in their tax-based funding by raising tuition and fees.

Without a dramatic change in the overall course of education policy specifically geared toward

improving the quality of education available to people of color, the racial education gap will still be with us when the majority of the country is non-White. In 2042, the Black college graduation rate will still be only 76 percent of the White graduation rate, if the trend since 1980 continues. Latino college students, meanwhile, will fall even further behind their White counterparts. In 2042, if current trends continue, the Latino graduation rate will decline to just 37 percent of the White rate.⁵³ Unless immediate steps are taken to address the rising costs of a college education and the increasing segregation of schools, the racial education gap will actually be worse in 2042 than it is now.

Unemployment

Since the economic crash in 2008, the national unemployment rate has hovered near 10 percent. The differences in the unemployment numbers by race are staggering, with 15.8 percent of Blacks and 11.0 percent of Latinos currently out of work, while the White unemployment rate is 7.5 percent.⁵⁴

This gap is not new. Black unemployment has remained roughly double that of Whites for as long as the data has been tracked. Latino unemployment was just over one-and-a-half times worse than White unemployment in 1980; by 2010, the gap had barely budged. In the entire 30-year period, Latino unemployment was never less than one-and-a-half times White unemployment.⁵⁵

The lingering effects of discrimination, the educational attainment gap, and economic segregation are among the causes of the stubborn racial divide in employment. The erosion of manufacturing jobs in recent decades, coupled with the anti-government attack on public sector workers and labor unions, have exacerbated racial inequalities in employment. Blacks, for example, are 30 percent more likely than the overall workforce to be employed by the government, and 70 percent more likely to work for the federal government.⁵⁶

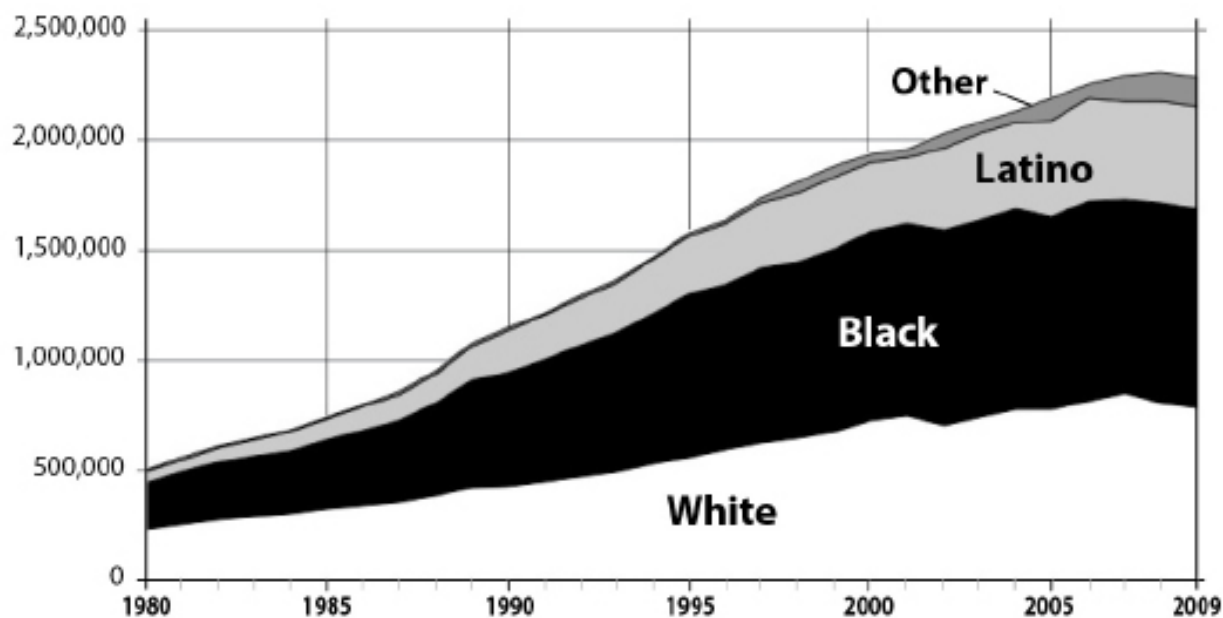
Black unemployment has remained roughly double that of Whites for as long as the data has been tracked.

Pay freezes and cuts to the public workforce hurt the country as a whole but damage communities of color the most. In our unequal recovery from the Great Recession in 2010, the private sector added almost two million jobs while 280,000 jobs were cut from the public sector.⁵⁷

The unemployment level in the Black community continues to concentrate high levels of joblessness and poverty in already-struggling communities, which has profound social effects. Children growing up in communities with high levels of joblessness are exposed to high rates of crime and violence, to low quality of foods, and to some of the worst-performing schools, with effects that last throughout their lives.

The racial gaps in unemployment will persist well past 2042 if the trend since 1980 continues. Black unemployment will have decreased only slightly relative to White unemployment by 2042, to 1.8 times White unemployment. Latino unemployment will still be roughly one-and-a-half times White unemployment if the current trend continues.⁵⁸

It's important also to note that these unemployment rates do not account for those who have stopped looking for work or who are under-employed, meaning they are working but at a job below their skill level or at shorter hours than they would like. There is a wealth of data available on unemployment, jobs and workforce participation that show the employment picture for people of color to be even more dire than what is presented here with the basic unemployment numbers.

FIGURE 11: Prison Population by Race

Source: Original analysis of U.S. Bureau of Justice Statistics data, based on applying racial/ethnic data on jail inmates and sentenced prisoners (from various reports of the Bureau of Justice Statistics; estimated where not available) to total prisoner and jail inmates, <<http://bjs.ojp.usdoj.gov/content/glance/tables/corr2tab.cfm>>.

Incarceration

The increase in incarceration in the United States in the last 30 years is astonishing. From half a million in 1980, the total inmate population doubled in ten years. Those numbers have only continued to climb, having passed the 2 million mark at the millennium. This country is now one of the most incarcerated in the world.⁵⁰ If the total population had grown as fast as the prison population since 1980, there would be close to a billion residents of the United States today. The explosion of the prison population in the past three decades has been extraordinarily unequal

Though Blacks comprise only a little over 12 percent of the total population, they make up close to 40 percent of the prison population.

in terms of race. Latinos and especially Blacks have been imprisoned in startling numbers.

Though Blacks comprise only a little over 12 percent of the total population, they make up close to 40 percent of the prison population. In the mid-1980s, when there were still six times as many White people as Black in the total population, the Black prison population first surpassed that of Whites. By 2009, a Black person was more than six times more likely than a White person to be in prison. In 1980, 0.82 percent of the Black population was incarcerated, compared to just 0.13 percent of the White population. By 2009, the incarceration rate for the White population had increased to 0.39 percent, while the Black incarceration rate skyrocketed to an astounding 2.39% of the total Black population.⁶⁰

Latinos are about two-and-a-half times more likely to be incarcerated than Whites. It's important to note that the official numbers of people in prison do

not include the thousands of Latinos locked up in immigration detention centers. In the past decade, millions of Latinos have been detained in these quasi-prisons, which are often run at a profit by private corporations.⁶¹

In comparison with other countries, the numbers become even more astounding: According to Michelle Alexander, author of the 2010 book *The New Jim Crow*:

In Germany, 93 people are in prison for every 100,000 adults and children. In the United States, the rate is roughly eight times that, or 750 per 100,000... No other country in the world imprisons so many of its racial or ethnic minorities. The United States imprisons a larger percentage of its Black population than South Africa did at the height of apartheid. In Washington, D.C., our nation's capital, it is estimated that three out of four young Black men (and nearly all of those in the poorest neighborhoods) can expect to serve time in prison.⁶²

The unprecedented rise in the prison population is being driven by the war on drugs initiated under President Reagan in the 1980s and pursued aggressively by every administration since, and by the punitive criminal justice system that accompanies it. The rise in the prison population derives almost entirely from exponential growth in the numbers of drug convictions.⁶³ Introduced at a time when illegal drug use was actually in decline,⁶⁴ the drug war has ravaged minority communities, blighting their populations and their economies. While drug-use rates have remained fairly stable over the last 30 years, with all races using narcotics at rates roughly commensurate with their share of the total population, the criminal justice system has morphed into a tool of social control targeting minority populations.⁶⁵

The war on drugs pursued as foreign policy has also

By 2042, nearly 5 percent of the total Black population and close to 2 percent of the Latino population will be in prison if the trend in incarceration since 1980 continues.

contributed to Latino immigration and affected the wealth and well-being of Latino communities. The United States has taken the war on drugs global, sponsoring war and violence in Latin America and elsewhere in pursuit of a doomed strategy to eliminate the supply of drugs. Families have been caught up and dislocated by the war on drugs and the violence that it has wrought.

The penalties of incarceration endure beyond the prison cell. Legally discriminated against in voting, jury service, employment, housing, education, and other public benefits, the formerly incarcerated are second-class citizens in all but name. They have little social or economic mobility, and these inequities are often transmitted to the next generation. “Mass incarceration . . . deepens disadvantage and forecloses mobility for the most marginal in society.”⁶⁶

Before the “prison boom” beginning in the 1980s, about 10 percent of Black male high school dropouts were incarcerated; by 2008, that number had risen to 37 percent. By comparison, the average incarceration rate in the general population was less than 1 percent (0.76 percent).⁶⁷ According to sociologists Bruce Western and Becky Pettit,

For the older postwar cohort who reached their mid-thirties at the end of the 1970s, about one in ten African American men served time in prison. For the younger cohort born from 1975 to 1979, the lifetime risk

of imprisonment for African American men had increased to one in four. Prison time has become a normal life event for African American men who have dropped out of high school. Fully 68 percent of these men born since the mid-1970s have prison records.⁶⁸

After release, the inequities multiply. Employers are reluctant to hire people with criminal convictions; as a result, social mobility is minimal for those caught up in the drug war. Only one in four rises above the bottom quintile in earnings.⁶⁹

By 2042, nearly 5 percent of the total Black population and close to 2 percent of the Latino population will be in prison if the trend in incarceration since 1980 continues.⁷⁰ The numbers with criminal records—those who served some time in prison—will be staggering, and their future job prospects and opportunities for economic advancement and political representation will be significantly curtailed. If we do not reverse this trend, communities that are already reeling from the effects of an unprecedented wave of mass incarceration will be utterly devastated.

Health

Racial disparities in health insurance coverage are significant. Insurance coverage rates declined for all races and the disparities among races widened between 1980 and 2010. The passage of the health insurance reform law in 2010—the Patient Protection and Affordable Care Act (ACA)—will narrow these health insurance disparities as it moves the nation closer to universal coverage. But even with increased health insurance coverage, racial gaps in coverage will persist.

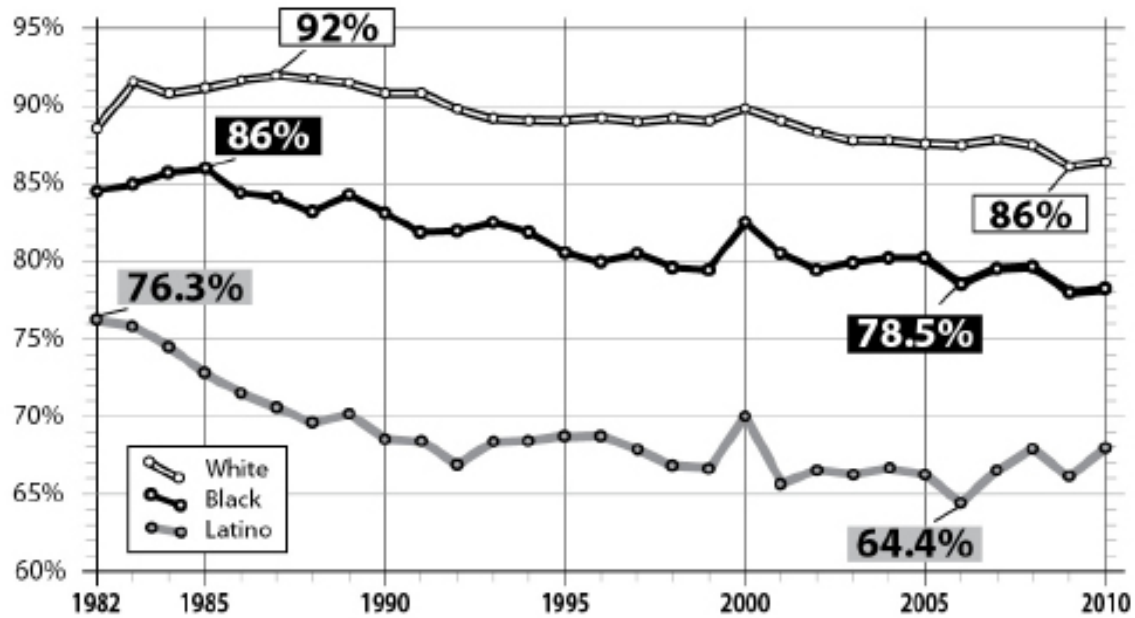
Undocumented immigrants, who are predominantly Latino, are excluded from the benefits of the ACA. Not covering the undocumented will make the overall health care costs for the country increase

faster than they would if the undocumented were covered, as they will continue to be more likely to use more expensive emergency care, and the whole system will bear the added costs of delayed care. It is also bad for the health of Latino community as a whole, as fear of being profiled discourages Latinos of all immigration statuses from getting the care they need.

A Case Study on Health Care Reform in Massachusetts

The Patient Protection and Affordable Care Act of 2010 is very similar to the health care reform law that was passed at the state level in Massachusetts in 2006. The Massachusetts health care reform law dramatically increased the percentage of Bay State residents covered by health insurance during a period when nationwide health insurance coverage rates went down. In addition, racial disparities in health care coverage decreased. Massachusetts now has the highest rates of health insurance coverage in the country. Between 2006 and 2010, health insurance coverage went up by 10.6 percentage points, from 87.5 percent to 98.1 percent of all state residents. And 99.8 percent of all children in Massachusetts had health insurance in 2010.⁷⁶

In comparison, national health care insurance among the non-elderly population dropped from 82.2 percent to 81.6 percent over the same period.⁷⁷ Popular support for the health-insurance reform law in the state has increased and access to care has improved. More than 90 percent of Massachusetts residents reported having a primary care doctor, compared to 80 percent nationally.⁷⁸ Since 2006, more employers in Massachusetts are offering coverage to their employees, bucking the national trend.⁷⁹

FIGURE 12: Percent with Health Insurance Coverage by Race

Source: Original analysis of U.S. Census Bureau March 2011 Current Population Survey data.

Health insurance coverage tells only a fraction of the story of racial health disparities. Full coverage can ameliorate some of the racial health disparities, but many of the worst issues, including disparate levels of care, poorer access to care, and the effects of less healthful environments, will remain.

In 2010, before most of the provisions of the ACA had been implemented, only 81.6 percent of the population under the age of 65 had health insurance coverage, down from 91.7 percent in 1979. For Blacks, the coverage rate declined from 87.3 percent in 1979 to 78.3 percent in 2010. The health insurance coverage rate for the non-elderly Latino population declined from 80.3 percent in 1979 to 68.0 percent in 2010.⁷¹

Worse than the disparities in health insurance coverage rates, communities of color lag behind the White population across a wide variety of health indicators including infant mortality, life

expectancy, and prevalence of chronic diseases such as diabetes, obesity and heart conditions.⁷²

Improvements in health insurance coverage disparities should help to reduce some of the differences in health outcomes by race. The ACA does not fully or directly address factors such as the continued high costs of health services and the concentration of poverty in communities of color, which will ensure that racial health disparities persist even after all of the provisions of the ACA go into effect after 2014. And the exclusion of undocumented immigrants from the benefits of

Worse than the disparities in health insurance coverage rates, communities of color lag behind the White population across a wide variety of health indicators.

the ACA will ensure that Latino communities share less in the health gains that will result from the health care reform law.

The Congressional Budget Office (CBO) determined that by 2021 the ACA will cover 34 million people under the age of 65 who would not otherwise have had health insurance. The CBO also projects that the percentage of the total non-elderly population that has health insurance coverage will go from 81 percent in 2011 up to 92 percent in 2021.⁷³ The CBO did not make projections by race; however, the similarly structured health care law in Massachusetts (see case study) provides evidence that the ACA will reduce the disparities in health insurance coverage by race.

Latino health insurance coverage rates both started out lowest among racial and ethnic groups in 1979 and declined the most by 2010.⁷⁴ Language barriers and other factors may contribute to the Latino health-

coverage disparities. The design, implementation, and execution of government programs also have a clear effect. Thanks mostly to Medicare—the extremely successful government program to provide nearly universal health care to the elderly population—less than 1 percent of the total elderly population are uninsured. However, almost 5.5 percent of the Latino elderly population lack coverage.⁷⁵

By 2042, when communities of color will account for more than half of the U.S. population, the cost of health disparities will be enormous. As currently structured, the ACA will not completely eliminate racial health disparities. For example, the exclusion of undocumented immigrants from the ACA actively works against reducing health disparities experienced by the Latino population. However, even with its flaws, the 2010 enactment of the ACA is a positive step in the direction of reducing racial health disparities.

Section Three

Ensuring an Inclusive Economy in the Twenty-First Century

As a first step in the journey home, the journey to full equality, we will have to engage in a radical reordering of national priorities.

— Dr. Martin Luther King, Jr., *Where Do We Go From Here: Chaos or Community*, 1968

There are events that will happen in the future that we cannot possibly know about today—a major war, environmental catastrophes, dramatic policy changes or political upheaval, another economic downturn, or perhaps even an unprecedented economic boom. Some of the things that will affect the future course of the economy will be unavoidable, such as natural disasters and accidents. However, policy decisions, including how we respond to natural disasters and accidents, will also have a major effect on the economy and on the future state of the racial economic divide.

2042: One Possible Future

Centuries of racial oppression based on the doctrine of White supremacy created a massive economic divide between Whites and people of color. The dominant conservative, free-market ideology that has held sway since the election of Ronald Reagan in 1980 has produced little progress toward racial economic equality, and in some cases, it has resulted in significant regression.

If we continue on the path that we have been on since 1980, in 2042 the median Black family will still earn only about 61 cents for every dollar of income earned by the median White family, while Latinos will earn just 45 cents for every dollar of White median-family income. Meanwhile, Black poverty rates will still be close to double that of Whites, and poverty for Latinos will have grown to

be more than two-and-a-half times that of Whites. Blacks will face an unemployment rate that is 1.8 times that of Whites, while Latinos will face an unemployment rate that remains roughly 1.5 times that of Whites.

Prison populations will continue to be overwhelmingly Black and Latino. If the trends since 1980 continue, nearly 5 percent of the Black population and close to 2 percent of the Latino population will be in prison in 2042. As staggering as these numbers are, the number of Blacks and Latinos that will have a prison record will be even higher. If we do not change course, millions of Blacks and Latinos will be turned away from jobs and denied the right to vote because of a criminal record.

If we continue on the path that we have been on since 1980, in 2042 the median Black family will still earn only about 61 cents and Latino families just 45 cents for every dollar of income earned by the median White family.

As for educational attainment, one of the few areas where Blacks have made relatively significant progress toward racial parity with Whites, a large gap will still exist in 2042. If the rate of progress since 1980 continues, Black adults will still be only 76 percent as likely as Whites to have been awarded a bachelor's degree. For Latinos, the educational attainment gap will continue to widen. If the current trend continues, Latinos will be only 37 percent as likely as Whites to have graduated from a four-year college.

The escalating cost of an education is already putting college out of reach for many students. It is requiring others to take on astounding debt loads in an attempt to obtain all of the benefits in employment and economic mobility that an education can provide. And it is preventing others from attending the best school that they can get into, forcing them to accept a less expensive or easier-to-access education, which denies them the benefits afforded to those who attended more prestigious schools. The exploding costs of higher education have shown no signs of abating over the last 30 years. Government funding is not keeping up with rising tuition costs, and race-based affirmative action admission policies are under attack. Schools at all levels are once again becoming more economically and racially segregated. If these trends continue, racial inequity in education will be worse in 2042 than it is today.

Wealth in 2042 will also continue to be extremely unevenly distributed by race. Even near the height

Racial economic inequality is the legacy of White supremacy. Policies that perpetuate the racial divide perpetuate that legacy.

of the housing bubble in 2007, Black families held on average only 20 cents of wealth for every dollar held by Whites, while Latino families on average held 27 cents for every dollar of White wealth. In 2042, based on the trend between 1989 and 2007 (1989 is the earliest year for which consistent data is available), Black families will have on average just 19 cents for each dollar of net worth held by White families, and Latinos will have 25 cents for each dollar of White net worth on average.

The housing bubble hit Black and Latino communities hardest. Home equity accounted for a much greater share of Black and Latino wealth than it did for White wealth in 2007, and Blacks and Latinos were much more highly leveraged than were Whites. New data from 2010 that will show the effects of the housing crash on family wealth and debt will be available later this year from the Federal Reserve's Survey of Consumer Finances. Alternate data sources already make it clear that the housing crash disproportionately reduced Black and Latino wealth, and that its lasting effects will significantly hinder the repair of household balance sheets in communities of color for years to come.

The Patient Protection and Affordable Care Act (ACA) will result in some dramatic changes in health insurance coverage rates. Based on the results of the similarly structured state-level health care reform law passed in Massachusetts in 2006, the ACA will significantly reduce but not eliminate the racial disparities in health insurance coverage rates. Latinos will continue to have the lowest rates of coverage. And many racial health inequities will be only partially and inadequately addressed by increased coverage. But while the ACA is an imperfect solution to a complex problem, it shows that policy changes can reduce the racial economic divide.

Whether people of color make up 5 percent or 75 percent of the population, ending racial economic

inequity should be an urgent national priority based on a moral argument alone. Racial economic inequality is the legacy of White supremacy. Policies that perpetuate the racial divide perpetuate that legacy. As the non-White share of the population grows, the shrinking White percentage of the population (particularly a narrow slice of the wealthiest of the White population) will continue to hold a disproportionate share of the nation's wealth and resources. The country runs the risk of becoming disturbingly similar to apartheid-era South Africa, with a minority of relatively well-to-do Whites barricaded in gated communities, using the full force of the law to protect their wealth to the exclusion of others.

Ending racial economic inequality is also the best thing we can do for the country's economy. Tolerating the continued economic marginalization of Blacks and Latinos will drag down the entire economy and shred the very social fabric of our nation as people of color make up a larger and larger share of the population. If the United States is to maintain a robust and powerful economy in an increasingly globalized world, we must make sure that all Americans can fully participate in the wealth-building process.

Progress toward racial economic equality for the next 30 years does not need to continue on the course that it has taken for the last 30 years. The Affordable Care Act demonstrates that policy change can alter the trends in racial inequity, and also that these policy changes will not come easily. By gaining a clearer picture of where the current path we are on will lead, we can adjust course now, while there is still time, to chart a path to a different, more just future. Reaching a different, new, and better economic future will require dramatic change at many levels—change that begins with building political power in Black and Latino communities and through building coalitions that recognize that the economic interests of White

Some may believe that once people of color approach a majority, their numeric strength will change the political landscape on its own. However, achieving political and economic power is more than a matter of achieving a simple majority of the population.

working and middle class communities are aligned more with communities of color than with the wealthy, political elite.

Creating a Political Landscape Conducive to Positive Change

Some may believe that once people of color approach a majority, their numeric strength will change the political landscape on its own. However, history shows that achieving political and economic power is more than a matter of achieving a simple majority of the population. There are many examples from around the world of a small ethnic or racialized minority holding on to the political and economic reins of power over a less well-off majority. While a democratic system of governance should, in theory, prevent that, our political system is under the control of those with money and access.

Although Whites in 2042 will make up just under half of the U.S. population, they will still hold a disproportionate share of the nation's wealth, and they will likely remain firmly in control of the nation's political and economic reins of power. In the United States (and elsewhere), money buys political access. It funds political campaigns. It pays for political ads and lobbying efforts. The

The racially disproportionate boom in prison populations has resulted in the disenfranchisement of millions of Blacks and Latinos.

Supreme Court has struck down campaign finance laws aimed at reducing corporate and wealthy interests' influence in elections. The Citizens United Supreme Court ruling in 2010 opened a floodgate of corporate money into the political system.

At the same time, the voting-rights victories that the civil rights movement achieved in the 1960s are under attack. The racially disproportionate boom in prison populations has resulted in the disenfranchisement of millions of Blacks and Latinos. 48 states and the District of Columbia have some restrictions on voting rights based on imprisonment (only Maine and Vermont allow their inmates full voting rights) and four states actually bar individuals with felony convictions from voting even after they have served their sentence. More than 5 million American citizens, 1.4 million of them Black men, have currently or permanently had their voting rights taken from them as a result of a felony conviction. And an astounding 13 percent of Black men are currently disenfranchised as a result of the prison boom.⁸⁰ The new majority in 2042 will be an electoral minority if the expansion in prison population and the disenfranchisement of prisoners and individuals with a prison record is not reversed.

Voter ID laws that have been passed or proposed at the state level are based on the claim that they are necessary to address voter fraud, despite the fact that voter fraud is a nearly nonexistent problem. These laws are further threatening the voting rights

of people of color. People of color (as well as young and elderly voters) are less likely than the general population to possess a picture ID.⁸¹ Most states have current voter ID or proof-of-citizenship laws or active proposals to enact them.⁸² The U.S. Department of Justice, under authority of the Voting Rights Act, recently invalidated a South Carolina voter ID law because of its disparate racial impact. Restrictive voter ID laws are not unlike the literacy tests and poll taxes that were used as a political tool to suppress voting by Blacks in the Jim Crow era. However, the Voting Rights Act only allows the federal government oversight of voting access in a few Southern states. Building political power in minority communities requires returning to the battles fought and won by the civil rights movement of the 1960s to secure and protect the right of all citizens to vote for their elected representatives.

In order to ensure that the coming majority of color translates into actual political power for communities of color, we must take action now to limit the influence of money in politics, reverse the prison boom, and protect the right to vote that is at the core of citizenship.

1. Limit the influence of money in politics:

- **Reverse the Citizens United ruling, end corporate personhood.**

Common sense tells us that corporations are not people and money is not speech, but the Supreme Court has decided otherwise. The only way to overrule the court's decision is through a Constitutional amendment. The process of amending the Constitution is difficult, but committed movements for change have accomplished the task many times before. Public outrage over the Citizens United ruling is a good first step on the long road toward ending corporate personhood.

- **Publicly fund elections.**

Getting money completely out of politics is impossible. However, reducing the role of wealthy individuals and corporations can be accomplished by fully funding electoral campaigns with public dollars. Elections that are not dominated by the interests of the wealthiest donors will be more democratic and will allow greater access and voice to people of color.

2. Reverse the prison boom and protect the right to vote:

- **End the war on drugs:**

The war on drugs has had a devastating effect on communities of color and their ability to build political power. Ending it would free up government resources that could be spent investing in communities instead of tearing them apart. The reduction in prison populations from ending the war on drugs will have dramatic positive effects on Latino communities and especially on Black communities.

- **Stop the new disenfranchisement:**

Eliminating the worst voter ID and proof-of-citizenship laws will increase access to political power for communities of color. Reducing the disenfranchisement of prisoners and individuals with a prison record is increasingly important as the prison population swells.

A powerful political majority for change must include low- and middle-income Whites. Within the White community, income and wealth inequality continues to rise as a smaller portion of Whites hold an increasing share of the wealth while most others struggle to make ends meet. Middle- and lower-income Whites could continue to align themselves politically with the White ruling elite as the White share of the population shrinks. However, their economic interests are much more closely aligned with communities of color. In order to build

political power, the White working and middle classes and people of color should build political alliances along economic lines, regardless of race, against the wealthy (mostly White) elite.

If we are to overcome the racist policies of the past, then we must find ways to build a movement that is inclusive and inviting for both low- and middle-income Whites and for people of color. The emergence of the Occupy movement, in which young, mostly White people are leading the call for greater equality, shows real promise that new alignments will be drawn along the lines of the 99 percent against concentrated wealth at the top. Occupy the Hood, Occupy the Dream, Occupy Our Homes and other initiatives are working to connect the Occupy movement with communities of color. We must foster a broad-based movement for greater equality and prosperity that crosses the lines of race in order to build the political power to eliminate the racial economic divide.

An Honest Understanding of Wealth Creation

Wealth disparities are at the core of the racial economic divide. Wealth is not created solely by individual entrepreneurs, mythical “job creators,” or the “free” market system. Wealth is created by individual and community efforts together, a well-regulated economy, and the investment of public resources. The mythology of one person pulling themselves up by their bootstraps is pervasive and too often provides a false premise on which economic policy is based.

Corporations in the U.S. have historically used public resources and investments to generate much of their private profits. Private corporations siphon off wealth created by public and community investments for private gain. They often enlarge their profits by shifting expenses off their balance sheets and onto the public ledger by externalizing costs such as pollution, infrastructure, and employee

Nothing short of a massive shift in the prevailing direction of economic policy will completely close the racial economic divide by 2042.

health care. Private profits are often gleaned by placing publicly funded and developed knowledge under private ownership, then reaping the benefits or charging for its use.

While public wealth has often helped fuel the wealth of private corporations, it has also been used for the greater public good. The post-World-War-II housing boom was fueled by subsidized assistance to over 35 million Americans between 1948 and 1972.⁸³ During these years, 11 million families bought homes and another 22 million improved their properties. The greatest benefit went to a de facto “Whites only” suburbia, where half of all housing could claim Federal Housing Administration or Veterans Administration financing in the 1950s and 1960s.⁸⁴ The home-mortgage-interest and property-tax deductions also disproportionately benefited suburban homeowners, and public investment in the interstate highway system served as an indirect subsidy, as it opened up inexpensive land for suburban, predominantly White commuters. Today, the children and grandchildren of GI Bill recipients benefit from intergenerational wealth transfers that enable them to purchase homes, attend private schools, and start businesses.

Central to the moral claim to eliminate the racial wealth divide is recognition that each of us has a birthright to a part of our inherited commons for our sustenance and livelihood. People chafe at the notion of “giving people something for nothing,”

yet our history, and the current distribution of wealth that has resulted from it, is replete with examples of public resources and investment being used for private and public use. Much of the economic success of this nation should be understood as coming from access to government programs and public investments. We must create and expand programs that broaden wealth and opportunity so that more than just a few wealthy individuals and corporations benefit from collectively-owned public wealth.

Closing the Racial Economic Divide

Nothing short of a massive shift in the prevailing direction of economic policy will completely close the racial economic divide by 2042. We must start first by building power and support for the necessity of addressing the economic divide between Whites and people of color. And then we must move to proposals and policy directions that can significantly narrow these vast racial economic disparities.

Considering Race

Race still matters in America. It will continue to matter economically until the persistent and outrageous racial economic disparities are eliminated. Race must stay at the forefront of our thoughts as we develop public policies at the national, state, and local level. To not do so runs the risk of perpetuating racial economic inequalities, and in some cases, it will make things worse.

- **Equity Assessments**

To ensure that government investments reach working class and disenfranchised communities, equity assessments should be required for all federal spending. A proper equity assessment will track where funds go, what jobs are created, and in what communities. Demographic data on race, ethnicity, gender, class, and geography to assess the racial impact of public policy

should be required. This information will help future government programs reach the disenfranchised and the working class.

- **Affirmative Action**

Affirmative action has a successful history of making inroads for women, people of color, and disabled and lower-income Americans. Affirmative action in public procurement in the U.S. helped minority- and women-owned businesses grow. Growth was slower among minority- and women-owned businesses in states that repealed affirmative action policies.⁸⁵ Race-based affirmative action policies in education and employment are among the most successful methods of increasing racial economic equity. Affirmative action policies have been curtailed significantly in recent years. We should work toward strengthening, increasing, and improving affirmative action policies, rather than accepting reductions.

Jobs and Income

As of December 2011, the official unemployment rate was 15.8 percent for Blacks, 11.0 percent for Latinos, and 7.5 percent for Whites.⁸⁶ Absent major government investment in infrastructure and job creation programs, it will be years before unemployment rates return to their pre-recession levels. Americans cannot wait that long. It is imperative that the federal government act now to direct substantial resources toward turning our plodding, disparate recovery into a meaningful, broadly shared one.

- **Targeted Job Creation**

Public funds must be used for direct creation of jobs by making long-overdue improvements to the nation's infrastructure. The passage of the stimulus bill in 2009, the American Recovery and Reinvestment Act (ARRA), helped to prevent unemployment from escalating further than it did, but more remains to be done. The

“shovel ready” emphasis of the ARRA prevented it from focusing on communities hardest hit by the Great Recession. Instead of going to places of the greatest need, job creation money went to areas with the highest rate of employment.⁸⁷ A new, large job creation stimulus bill that is focused on creating jobs in communities most in need should be the top priority for Congress and the President.

- **Provide Additional Federal Aid to the States**

Public employees are police officers, educators, food safety inspectors, firefighters, judges, social workers, letter carriers and more. The budget-cutting and large-scale layoffs of public sector workers across the nation is having a disproportionate impact on Black workers, who are 30 percent more likely to hold a public sector job than the general workforce.⁸⁸ Public sector job cuts made up a third of all layoffs in 2011.⁸⁹ The private sector added almost two million jobs in 2011, but due to budget cuts and historically low tax rates, more than a quarter of a million jobs were cut from the public sector. Federal budget cuts erode states' abilities to meet the needs of their citizens. Because of balanced-budget requirements in states, they are unable to engage in counter-cyclical deficit spending when a weak economy reduces tax revenue. The resulting budget cuts only act to worsen an already bad economic situation. To end this spiral, the federal government should provide an immediate new round of federal aid to the states to help avoid further layoffs of state and local workers, and end the pay freezes and stop the job cuts at the federal level that have been enacted for meager cost cutting in recent years.

Wealth-Building

For far too long, policy has focused on income while ignoring wealth. Wealth, however, is a far more important determinant of economic well-being than

Because wealth is transferred from generation to generation, the inequalities of yesterday are carried forward to each successive generation.

income, because with wealth comes the freedom and security that income alone does not provide. Wealth can cushion the blow of a layoff, enable someone to take time off from work to return to school or care for an ailing parent, or be used as seed money to start a new business. And because wealth is transferred from generation to generation, the inequalities of yesterday are carried forward to each successive generation. As a result of this cumulative effect, racial wealth disparities are far worse and more extreme than the disparities of income.

- **Stemming the Foreclosure Crisis**

Any wealth-building strategy must begin by protecting what little wealth communities of color have. Unlike Whites, whose higher overall wealth is typically distributed across their homes, IRAs, and investment portfolios, a disproportionate share of Black and Latino wealth is tied up in their homes. And communities of color were systematically targeted by the finance industry for predatory, subprime loans. As a result, the foreclosure crisis has been particularly devastating for communities of color. After a brief slow-down in 2011, foreclosures are expected to surge again in 2012.⁹⁰ Immediate action to stem the crisis is required before things get worse. To encourage mortgage servicers to more actively participate in federal loan modification programs, bankruptcy judges must be given the power to change the terms of mortgages for bankrupt homeowners, as they are already able to do with other types of loans. This process, known

as “cramdown,” will allow more homeowners to hold onto their homes while stabilizing the housing market. Additional solutions, including Right to Rent policies—ensuring that foreclosed homeowners have the option of staying in their home as renters—should be enacted immediately. Lenders and banks inflated the housing bubble and profited from it. They must share in the costs of paying for a solution for communities destroyed by foreclosures. The scale and devastation of the foreclosure crisis demands massive and immediate solutions to reverse it.

- **Individual Development Accounts (IDAs)**

IDAs are savings accounts that provide matching funds to give greater incentive for lower-income families to save and build wealth. Lower- and middle-income Americans would be eligible to receive matching funds for their IDA through partnerships among community-groups, government programs, and the private sector. Currently there are many small IDA programs across the country that have demonstrated their potential as a wealth development program. A comprehensive IDA program would be an important tool in addressing the racial wealth divide.

- **Child Savings Accounts**

A version of this type of program was recently started in the United Kingdom. In 2003, the British Parliament established small government-financed trust funds for each newborn in the country. In 1998, U.S. Senator Robert Kerrey introduced similar legislation in the U.S. Congress to create what he called “KidSave” accounts. A KidSave program could be developed so that upon becoming adults, low- to moderate-income youth would have some starting capital with which they can enter their adult life.⁹¹ These funds could be utilized for higher education, job training, or

homeownership. While there are many funding strategies, such a savings program could be funded through federal estate tax revenues, helping to ensure that the intergenerational passing of wealth is not merely focused on a small number of families, but more broadly shared with the next generation.

- **Small Business Administration Loans for Minority Businesses**

Increasing small business ownership in communities of color can help build wealth while also strengthening communities and presenting positive role models for young adults. One of the greatest barriers in the way of greater business ownership in communities of color is access to startup capital. Because the wealth held by Black and Latino families amounts to only pennies on the dollar compared to the wealth of White families, going to family members for startup capital is less often an option. At the same time, securing business startup loans through the commercial banking system can be particularly challenging for non-White entrepreneurs. One solution is to increase funding available for Small Business Administration (SBA) loan guarantees for minority-owned businesses.

Social Policy

In addition to job-creation and wealth-building strategies, we must also work to invest in human capital, including making investments in education from early childhood through college, as well as job retraining. We must also provide safety nets and access to high quality, affordable health services.

- **Education**

We must invest in education at all levels, beginning with early childhood education. Additionally, we need to reverse the decades-long trend that is putting a college education

out of reach of many low- and middle-income households, especially among people of color, who lack the family wealth that Whites have. Facing mounting tuition increases and falling Pell Grants, students have been forced into overly burdensome loans. We need to increase funding available for higher education, including dramatically increasing funding for Pell Grants to low-income students, and we must also slow the growth in tuition costs.

- **End the War on Drugs**

Disenfranchisement and the effects of mass imprisonment on the wealth and income of communities of color are not the only reasons to end the war on drugs. The violence of the drug war and the enforcement tactics that accompany it, including racial profiling, overly aggressive policing, and unnecessarily harsh sentencing, devastate communities of color.

- **Health**

While the Affordable Care Act is a positive step, it is insufficient. Access to quality care should be equal by race. The conservative design of the ACA leaves most of the structure of our costly private health insurance system in place and does not address some of the most glaring racial health disparities. A truly universal single-payer system should be adopted.

- **Humane Immigration Reform**

The immigration system is in dire need of repair. In recent years a patchwork of anti-immigrant state laws have been passed or proposed at the state level. Immigration, however, is a national issue that the Constitution requires the federal government to regulate. Humane immigration reform will provide a clear path to citizenship for undocumented immigrants who are already in the country, will focus on uniting families and protecting the rights of migrant workers, reforming the punitive detention

and deportation policies, and increasing the efficiency of the system for new immigrants.

- **Social Safety Nets**

Because of pre-existing wealth differences, Black and Latino households are less equipped to weather a layoff, illness, or retirement without assistance. More than 41 percent of Blacks and 37.4 percent of Latinos lack enough net worth to subsist for three months at the poverty level without outside income. By comparison, only 16.4 percent of White households are in that position.⁹² As a result, investments in Social Security, Unemployment Insurance, and other social safety nets help to provide a much-needed floor that keeps Blacks and Latinos from falling through the cracks.

Taxes

In order to adequately fund essential government services and the programs necessary for economic recovery, reduce extreme economic inequality, and help close the racial economic divide, progressivity and fairness must be restored to the tax system. Tax cuts—particularly those that reward wealth over work—disproportionately benefit wealthy Whites and exacerbate the racial wealth divide.

- **End Tax Cuts for the Wealthy**

The Bush income tax cuts for top earners must be allowed to expire at the end of 2012, even if it requires allowing the Bush tax cuts

for all income levels to expire in the process. The end of the Bush Tax cuts will provide substantial new revenue that could be used for job creation, education, and other investments that strengthen the common good. In addition, new higher income tax brackets should be established starting with those with annual incomes of \$1 million or more. Because the current top bracket applies to annual incomes over \$387,050, our income tax system makes little distinction between a doctor who earns \$500,000 and a hedge-fund manager who earns \$50 million a year.

- **Tax Wealth Like Work**

Investment or “unearned” income (capital gains and dividends) should be taxed at the same rate as income earned from work. The preferential treatment of capital gains and dividends is one of the main reasons that billionaire investor Warren Buffet pays only 16.6 percent of his income in federal taxes, a lower rate, he reports, than his secretary. Additionally, since these financial assets are overwhelmingly concentrated in the hands of Whites, the lower tax rate overwhelmingly benefits White families, in particular wealthy White families. In fact, Black families earn only 13 cents and Latino families earn 8 cents for each dollar a White family earns from dividends. Black families also have only 12 cents and Latinos have 10 cents of unrealized capital gains for each dollar that Whites have.⁹³

- **A Robust Federal Estate Tax**

The transfer of wealth from one generation to the next helps to ensure that the wealth inequalities of generations past are carried forward indefinitely into the future. Curbing the intergenerational transfer of wealth is an important tool in closing the racial wealth divide. As a result of the Obama-GOP tax deal in 2010, the exemption for those who pay the estate tax was raised to \$5 million and the

Tax cuts—particularly those that reward wealth over work—disproportionately benefit wealthy Whites and exacerbate the racial wealth divide.

tax rate was lowered. Only a tiny fraction of Americans are wealthy enough to owe the estate tax at all, and that group is overwhelmingly White. Whites are 11 times more likely than Blacks and Latinos to have enough wealth to pay the estate tax at the current exemption level.⁹⁴ In order to curb the amount of wealth transferred from one generation to the next, we should work to both lower the exemption level and raise the overall rate. A recent proposal filed by Rep. Jim McDermott would institute a \$1 million exemption indexed to inflation and a maximum marginal rate of 55 percent.⁹⁵

- **Other Tax Measures**

The above list is by no means all-inclusive. Other revenue-generating measures that should be adopted include enacting a financial transactions tax to promote long-term investing over short-term speculation, eliminating

overseas tax havens that allow wealthy corporations to dodge taxes, and reforming the home mortgage interest deduction to focus its benefits on typical homeowners instead of using taxpayer money to subsidize million-dollar homes.

Summary

Taking bold action on many or most of these proposals simultaneously could have a substantial impact on the racial economic divide in the coming decades. Some of these recommendations are more urgent, such as stemming the foreclosure crisis and working to create jobs in communities hardest hit by the Great Recession, but for the long-term, we must work on many fronts to close the racial economic divide and promote a more inclusive prosperity. In doing so, we can chart a course to a 2042 far less divided than the one we're headed to now.

Appendix: Methodology

In assembling the data for this report we relied on a variety of sources; in particular, annual data from the U.S. Census Bureau's Current Population Survey (CPS) and the triennial Survey of Consumer Finances conducted by the Federal Reserve Bank.

Racial and ethnic categories in this report are mutually exclusive. For data series based on the CPS, we used "Non-Hispanic White" as our source for data on White families, "Black Alone" as our source for Black families, and "Hispanic" as our source for data on Latino families (Latinos can be of any race).

To arrive at the projections for 2042, we calculated an average annual rate of change (AAGR) for the period for which we have historical data. We then used that annualized rate to make a forecast.

Poverty data are available from the CPS, but we elected to use the Minnesota Population Center's online Integrated Public Use Microdata Series, Current Population Series, a.k.a. the IPUMS-CPS. This allowed us to calculate poverty rates for mutually exclusive racial categories; otherwise Latinos, who may be of any race, would have been double-counted.

Wealth data come from the Federal Reserve's triennial Survey of Consumer Finances. We use 1989 as our starting year because the 1983 and 1986 Surveys were conducted using a different methodology.

Health-insurance coverage data are collected by the Census Bureau as part of the CPS. In 2010, in order to adjust for methodological changes implemented by the Census over the years, the Center on Economic Policy and Research (CEPR) produced a single time series of health-insurance coverage rates for the period 1979-2008. The health insurance data in this report are based on this CEPR analysis; the adjustment procedure can be found in Hye Jin Rho and John Schmitt, "Health-Insurance Coverage Rates for U.S. Workers, 1979-2008," CEPR, March 2010.

Although the Asian share of the population is projected to continue to grow, we omitted this racial group from our analysis because data are not consistently available for years prior to 1989. The lack of pre-1989 data would affect the slope of the Asian trend line, precluding an apples-to-apples comparison with the White, Black, and Latino groups.

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Additional United for a Fair Economy Resources

Print Publications

The Color of Wealth - This award winning, accessible book explores the historic and contemporary barriers to wealth creation for people of color and makes the case that until government policy tackles disparities in wealth, not just income, the United States will never have racial or economic justice. Buy the book at: www.faireconomy.org/books.

State of the Dream Reports - Since 2004, UFE's annual report on race has tracked our progress on Martin Luther King, Jr.'s elusive dream of racial economic inequality. All of the previous reports are available to download for free. The *State of the Dream 2008: Foreclosed* report examined the details of the foreclosure crisis that led up to the Great Recession. The *State of the Dream 2009: The Silent Depression* report demonstrated that as the national economy entered a recession, communities of color were already in an economic depression. The *State of the Dream 2010: Drained - Jobless and Foreclosed in Communities of Color* looked at economic recovery efforts and the ongoing foreclosure crisis. The *State of the Dream 2011: Austerity for Whom?* report discussed the racial wealth divide and how Blacks and Latinos will be disproportionately affected by proposed budget cuts to promote "austerity" within the government. The *State of the Dream 2012: The Emerging Majority* report, examines the nation's shifting demographics and what they mean for the persistent racial economic inequalities.

The past 30 years have seen our nation's economic inequality steadily grow, disproportionately impacting communities of color. In the next 30 years, major shifts in our nation's demographics are projected. By 2042—30 years from now—the majority of people in the United States will likely be people of color. Given the staggering racial economic disparities in income, wealth, educational attainment, health care coverage, incarceration, and poverty, what will this mean for our country's economic future? Download the reports at: www.faireconomy.org/dream.

Workshops

To arrange a workshop or presentation by one of UFE's popular economics education trainers or to receive an electronic version of any of the workshops listed below, contact Jeannette Huezo (857-277-7881) or Steve Schnapp (857-277-7868).

Closing the Racial Wealth Divide - UFE's workshop on the racial economic divide engages participants through popular education methodology to explore their own economic lives. The workshop illustrates income and wealth trends by race, offers a structural analysis of wealth inequality, reviews the policies that shaped the racialized accumulation of assets historically, and identifies strategies and actions to close the racial wealth gap.

Banker, Brokers, Bubbles & Bailouts – an Economic Crisis Workshop - The economic trends leading up to the Great Recession are made clear through participatory activities in this workshop. The steps leading up to the housing bubble and its collapse are explained and the impacts on jobs, families and communities are explored. The workshop engages participants to explore solutions and strategies for building power.

The Growing Divide - UFE's flagship popular education workshop explores the effects of gross inequality on the lives of participants and their friends, families and communities. Inequality and the roots of economic insecurity, as well as strategies for action, are detailed.

Other Resource Organizations and Allies

National Association for the Advancement of Colored People (NAACP)

Founded in 1909 with over 500,000 members, NAACP has worked tirelessly to achieve political, educational, economic, environmental, and social justice for all individuals; especially those who are members of racially marginalized groups. NAACP has further expanded the scope of its impacts through programs in youth education, health and education racial disparities, and corporate responsibility.

www.naacp.org

Center for Economic Policy Research (CEPR)

The Center for Economic and Policy Research (CEPR) was established in 1999 to promote democratic debate on the most important economic and social issues that affect people's lives. In order for citizens to effectively exercise their voices in a democracy, they should be informed about the problems and choices that they face. CEPR is committed to presenting issues in an accurate and understandable manner, so that the public is better prepared to choose among the various policy options. **www.cepr.net**

Service Employees International Union (SEIU)

With 2.1 million members in Canada, the United States and Puerto Rico, SEIU is the fastest-growing union in the Americas. Focused on uniting workers in healthcare, public services and property services, SEIU members are winning better wages, healthcare and more secure jobs for our communities, while uniting their strength with their counterparts around the world to help ensure that workers—not just corporations and CEOs—benefit from today's global economy. **www.seiu.org**

Insight Center for Community Economic Development (Insight CCED)

Insight CCED is a national research, consulting, support, and legal resource organization that promotes economic sustainability in susceptible communities through its four program areas: workforce development, early care and education, savings and asset building and legal services for individuals and community based organizations. **www.insightcced.org**

National Urban League (NUL)

Founded in 1910, the National Urban League is a nationwide civil rights organization that focuses on economic empowerment in underrepresented urban communities to achieve overall racial equity. With affiliates in 36 of the 50 U.S. states, NUL focuses on education and youth, individual economic development, health, civic engagement, leadership, and racial justice. **www.nul.org**

Brandeis University's Institute of Assets and Social Policy (IASP)

The Institute on Assets and Social Policy at Brandeis University's Heller School for Social Policy works to promote a better understanding of how assets and asset-building opportunities improve the well-being and financial stability of individuals and families left out of the economic mainstream. IASP pursues its mission through original research, policy analysis, program evaluation, technical assistance, community engagement, organizational capacity building and leadership development. **www.brandeis.edu**

Other Resource Organizations and Allies (cont'd)

Kirwan Institute for the Study of Race and Ethnicity

Founded at The Ohio State University in 2003, the Kirwan Institute works to provide insightful and critical thought on issues of race and inequality. Areas of research include neighborhood revitalization, housing, regional equity, educational equity, international issues of race, structural racism and talking about race.

www.kirwaninstitute.org

Applied Research Center (ARC)

The Applied Research Center is a racial justice think tank and home for media and activism. Using rigorous research and creative use of new technology, ARC works to popularize the need for racial justice by providing a voice for unity and fairness in the structures that affect our lives. **www.arc.org**

National Alliance of Latin American and Caribbean Communities (NALACC)

Founded in 2004, NALACC is dedicated to advancing the well-being and political and social empowerment of immigrants in the U.S. and in their home countries through public dialogue, policy work and transnational organizing. NALACC has become a leading voice and example of the value of fostering the social organizing and empowerment of migrant communities across borders. **www.nalacc.org**

Policy Link

Founded in 1999, PolicyLink is a national research and action institute working to advance economic and social equity, especially in policymaking. PolicyLink works with local residents and organizations and shares its findings on how these local entities are promoting equity in their local communities by enacting local, state, and federal policy to create conditions that benefit everyone. **www.policylink.org**



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