Recurring direct payments can help close the racial wealth & income gaps

A regular income boost can make relief and recovery efforts more equitable

Perhaps the starkest illustration of the saturation of systemic racism across nearly every American institution is the intergenerational racial wealth gap. The coronavirus pandemic and recession put this imbalance in focus and demand an equitable response. No single policy can accomplish this, but regular cash payments until the economy recovers are one way to get help to those who have been harmed the most, and help ensure that Americans’ ability to get back on their feet isn’t determined by their race or ethnicity.

THE MOMENT DEMANDS DEFINITIVE ACTION TO NARROW THE RACIAL WEALTH DIVIDE

The racial wealth gap proves that people of color and white Americans didn’t enter this crisis on equal footing. The racial wealth divide is rooted in chattel slavery, and perpetuated by policies like redlining and unequal access to asset-building opportunities. Today, it is stark and widening: the median wealth of white families in America is ten times that of Black families, and eight times that of Latinx families. Even before the pandemic, Black and Latinx adults at every education level were much less likely than white Americans to say they’d be able to afford their monthly bills if faced with a $400 emergency.

In every recession, but especially during a pandemic that requires people to stay home to be safe, people must turn to whatever savings they have to get by. The racial wealth divide means too many Black and Latinx families, who have suffered higher rates of job loss during this recession, simply didn’t have a financial cushion to depend on when this crisis hit and their income was disrupted.

1 While we focus on the well-documented gaps between Black, Latinx, and white Americans, these inequities exist between white Americans and Indigenous, Asian, and other Americans as well.

AMERICA IS FACING INDIVISIBLE RACIAL JUSTICE, HEALTH, AND ECONOMIC CRISSES

Racism is embedded in nearly every American institution. The intertwined crises that Americans face today – the coronavirus pandemic, the global recession it has caused, and the fight for racial justice recently invigorated by police killings of Black Americans – have shone a light on the myriad barriers to opportunities Black, Indigenous, and people of color face and how racist policies work together to uphold them. One facet of building a stronger, fairer future is acknowledging and undoing the racist policies that have threatened the financial security in communities of color, which have long been denied the same protection and prospects as white communities.

DIRECT PAYMENTS CAN MAKE ECONOMIC RELIEF AND RECOVERY MORE EQUITABLE

To avoid past mistakes, policymakers must design policies that ensure a person’s ability to recover isn’t determined by their race. The recovery from the Great Recession was uneven, largely favoring Wall Street at the expense of Black and Latinx families, ultimately increasing the already vast racial wealth gap. Between 2007 and 2016, white Americans lost about a quarter of their wealth,
while Black Americans lost nearly half, measured by median household wealth. To make sure this recession is different, policymakers have to focus on the policies that will reduce, rather than maintain or increase, disparate outcomes based on race.

Current economic relief policies aren’t reaching everybody equally. Expanded unemployment insurance (UI) has been a cornerstone of Congress’s response to the economic crisis, and the boost in benefits has undoubtedly helped millions get by. But Black and Latinx workers risk being left behind, despite facing higher rates of unemployment and underemployment. The unemployment rate in June 2020 was 15.4% for Black workers, 14.5% for Latinx workers, and 10.1% for white workers. However, it is troublesome that during the Great Recession, Black and Latinx workers were among the most likely to be unemployed, but least likely to actually receive UI benefits: only 23.8% of unemployed Black workers and 29.2% of Latinx workers were receiving UI benefits in mid-2010, compared to 33.2% of unemployed white workers.

The same has been true for POC-owned small businesses trying to access relief through programs such as the Paycheck Protection Program (PPP). Black-, Latinx-, and Asian-owned businesses have been harmed the most by the downturn, but a recent survey found that only 12% of minority-owned businesses that applied to the Small Business Administration got the relief they applied for. Nearly half said they would have to permanently close within the next six months, and in fact the number of Black and Latinx small business owners has already fallen by 41% and 32%, respectively, since this recession began, compared to a 17% drop in white business owners.

Creating an income floor through recurring direct cash payments can help make the recovery more equitable.

- **Cash does the most good for the most people who need it in uncertain times.** Several months of this crisis have shown there is no one-size-fits-all solution. Americans, especially immigrants and people of color, face a variety of interrelated obstacles. Emergency money that lasts as long as it’s needed gives people tools to solve their own problems.

- **Cash makes individuals and small businesses more resilient.** A monthly income boost for families that need it most would help close the racial income gap, which is one key driver of the overall racial wealth gap. Research also shows that increasing liquid assets like cash helps small businesses and Black and Latinx families manage income shocks. Providing recurring direct payments can help people weather unexpected costs until the crisis is over.

- **Cash is a low-barrier form of relief.** The UI and PPP systems are locked behind several layers of red tape. While improvements should be made in future rounds of direct payments, especially to reach people with very low incomes and those who are unbanked, cash is a simple and easy-to-access form of relief for those who need it most.