



Summary of Proposals and Policy Actions To Reduce the Black-White Wealth Gap

By Christian E. Weller and Richard Figueroa July 28, 2021

Reducing and eventually eliminating the Black-white wealth gap will require many policy measures over an extended period. These steps must include direct targeted financial transfers to African Americans as well as the removal of systematic barriers that prevent Black households from building wealth at the same rate as white households.

For the full issue brief, see [“Wealth Matters: The Black-White Wealth Gap Before and During the Pandemic.”](#)

A newly published issue brief from the Center for American Progress details a range of such proposals and policy steps.¹ These include proposals from both CAP and the Biden administration, as well as actions already taken by President Joe Biden. The president has signed several executive orders, such as an executive order on “Advancing Racial Equity and Support for Underserved Communities through the Federal Government,” which is designed to increase access to career and wealth-building opportunities for communities of color.²

Other steps to reduce the Black-white wealth gap include:

- **Creating a federal postal banking system:** This would give Black households greater access to low-cost, low-risk financial services.³
- **Expanding access to federal research and development (R&D) funds for Black innovators and inventors:** The federal government should increase R&D funding, ensuring that Black innovators and inventors, historically Black colleges and universities (HBCUs), and predominantly Black communities have equitable access to federal R&D funding. It should also establish an innovation dividend—a regular payment derived from federally funded research and development—that is targeted to Black households.⁴
- **Providing additional support for Black entrepreneurs:** Experts at the Center for American Progress have previously proposed additional funding for the Minority Business Development Agency (MBDA).⁵ The Biden administration has already committed to small-business incubators and innovation hubs to boost entrepreneurship in communities of color—a crucial first step. The White House also proposed a \$100 billion increase in federal contracting over five years⁶ and included \$31 billion in small-business programs in its American Jobs Plan.⁷

- **Establishing greater access to retirement savings:** This includes maintaining public sector jobs that have been a crucial way for African Americans to gain access to middle-class retirement benefits.⁸ President Biden’s American Rescue Plan provided much-needed fiscal relief for state and local governments.⁹ Policymakers can go further and give all workers who do not yet have access to retirement savings opportunities such as a National Savings Plan—proposed by experts at CAP. This would create a low-cost, low-risk universal retirement savings plan.¹⁰
- **Investing in early childhood care and education:** With the passage of the American Rescue Plan and the introduction of the American Families Plan, the Biden administration has shown that it understands that equity and growth go together.¹¹
- **Providing financial support for higher education:** This should include making a college education tuition- and debt-free.¹² Experts at CAP have also proposed and supported several other steps such as providing \$10,000 in universal loan relief for all college borrowers, doubling the maximum Pell Grant amount, and making additional investments in HBCUs, other minority-serving institutions, and community colleges.¹³ Fortunately, the American Families Plan proposes two free years of community college, a \$1,400 increase in Pell Grants for low-income households, and two years’ worth of subsidized tuition and expanded programs in high-demand fields at HBCUs and other minority-serving institutions.¹⁴
- **Increasing homeownership and protecting housing from climate change:**¹⁵ The administration reinstated most of the 2015 Affirmatively Furthering Fair Housing rule.¹⁶ President Biden also ordered the U.S. Department of Housing and Urban Development (HUD) to examine recent regulatory actions by the Trump administration in order to evaluate their impact on HUD’s ability to administer and enforce the Fair Housing Act (FHA).¹⁷ Congress should also provide more funding for the Fair Housing Initiatives Program and for staffing in HUD’s Office of Fair Housing and Equal Opportunity. Moreover, HUD should enforce the FHA’s disparate impact rule, and legislative action could boost climate resilience among low-income communities of color; for example, financial regulators should take environmental factors into account in their Community Reinvestment Act examination criteria. President Biden has also included \$213 billion for affordable housing investments in his American Jobs Plan,¹⁸ as well as several other funds.¹⁹ Further, the White House announced an interagency effort to address inequity in home appraisals.²⁰

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Endnotes

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- 5 Connor Maxwell and others, "A Blueprint for Revamping the Minority Business Development Agency" (Washington: Center for American Progress, 2020), available at <https://www.americanprogress.org/issues/race/reports/2020/07/31/488423/blueprint-revamping-minority-business-development-agency/>.
- 6 The White House, "Fact Sheet: Biden-Harris Administration Announces New Actions to Build Black Wealth and Narrow the Racial Wealth Gap," Press release, June 1, 2021, available at <https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/01/fact-sheet-biden-harris-administration-announces-new-actions-to-build-black-wealth-and-narrow-the-racial-wealth-gap/>.
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- 8 See, for instance, Michael Madowitz, Anne Price, and Christian E. Weller, "Public Work Provides Economic Security for Black Families and Communities" (Washington: Center for American Progress, 2020), available at <https://www.americanprogress.org/issues/economy/reports/2020/10/23/492209/public-work-provides-economic-security-black-families-communities/>.
- 9 The White House, "The American Rescue Plan" (Washington, 2021), available at <https://www.whitehouse.gov/wp-content/uploads/2021/03/American-Rescue-Plan-Fact-Sheet.pdf>.
- 10 David Madland, Alex Rowell, and Rowland Davis, "Improving Americans' Retirement Outcomes Through the National Savings Plan" (Washington: Center for American Progress Action Fund), available at <https://www.americanprogressaction.org/issues/economy/reports/2016/01/28/128146/improving-americans-retirement-outcomes-through-the-national-savings-plan/>.
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- 12 For a summary of the relevant literature and the possible effects of debt-free college on the Black-white wealth gap, see Christian E. Weller, Danyelle Solomon, and Connor Maxwell, "Simulating How Progressive Proposals Affect the Racial Wealth Gap" (Washington: Center for American Progress, 2019), available at <https://www.americanprogress.org/issues/race/reports/2019/08/07/473117/simulating-progressive-proposals-affect-racial-wealth-gap/>.
- 13 Antoinette Flores, "6 Actions Congress Should Take on Higher Education in 2021," Center for American Progress, February 3, 2021, available at <https://www.americanprogress.org/issues/education-postsecondary/news/2021/02/03/495341/6-actions-congress-take-higher-education-2021/>; Marcella Bombardieri, "What the Biden Administration Can Do Now To Make College More Affordable, Accountable, and Racially Just" (Washington: Center for American Progress, 2021), available at <https://www.americanprogress.org/issues/education-postsecondary/news/2021/02/03/495334/biden-administration-can-now-make-college-affordable-accountable-racially-just/>.
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- 17 The White House, "Memorandum on Redressing Our Nation's and the Federal Government's History of Discriminatory Housing Practices and Policies," Press release, January 26, 2021, available at <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/26/memorandum-on-redressing-our-nations-and-the-federal-governments-history-of-discriminatory-housing-practices-and-policies/>.
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- 20 The White House, Fact Sheet: Biden-Harris Administration Announces New Actions to Build Black Wealth and Narrow the Racial Wealth Gap."